



LEADING
THE WORKPLACE
REVOLUTION

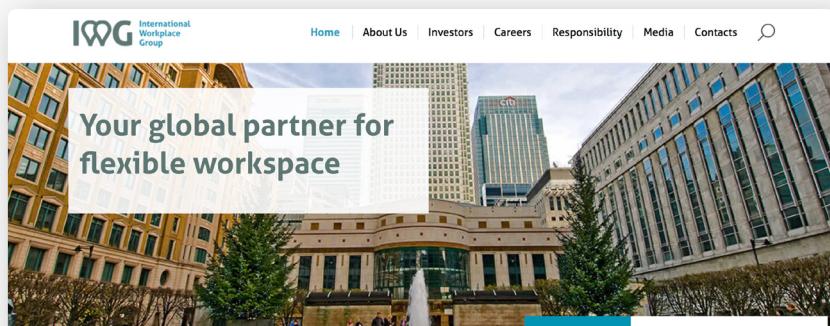
Annual Report and Accounts 2016

IWG is the global leader for flexible workspace

IWG is the global leader in the fast-growing Workspace-as-a-Service (WaaS) sector with approaching 3,000 locations in over 100 countries and 1,000 cities across the world.

As the owner and operator of internationally renowned brands like Regus, Spaces, Signature, Open Office, Kora and MOS, we provide local and global networks for all kinds of businesses. From independent sole traders and fledgling start-ups to the world's largest corporations, we provide cutting-edge, inspirational workspaces that support effective working and collaboration.

Please visit our new website iwgplc.com



The website features a prominent banner with the text 'Your global partner for flexible workspace' and a 'London' tag. Below the banner, there are three main sections: 'Who We Are' (with a 'FIND OUT MORE ABOUT IWG' button), 'Latest News' (with a 'FIND OUT MORE' button), and '2016 Annual Report & Accounts' (with a PDF link and a thumbnail image).

At the top of the page, there is a navigation bar with links to Home, About Us, Investors, Careers, Responsibility, Media, and Contacts. A search bar is also present in the top right corner.

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A glossary is included on page 119 which defines various alternative measures used to provide useful and relevant information.

Performance highlights

A successful and transformational year for the Group. Strongly positioned to benefit from the structural growth opportunities within the WaaS sector.

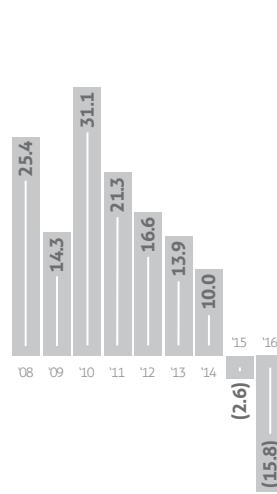
Key highlights

- Improved post-tax cash returns on pre-12 investments to 25.1%⁽¹⁾
- Group revenue up 5.5%⁽²⁾ to £2,233.4m and underlying operating profit up 14%⁽²⁾ to £186.2m
- Overheads reduced 13%⁽²⁾; down 300bp as a percentage of revenues to 11.7%
- Generated £286.1m or 30.8p per share of cash in 2016 (before net growth capital expenditure, share buybacks, dividends and disposal proceeds), an increase of 33%
- Underlying earnings per share up 34% to 15.0p
- Conservative balance sheet maintained with net debt of £151.3m (0.4x underlying net debt: EBITDA)
- Key banking facility increased to £550.0m and maturity extended to 2021, with option to extend to 2023
- 13% increase in full-year dividend to 5.1p (2015: 4.5p)
- Current trading in-line with management expectations

Operational highlights

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

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



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



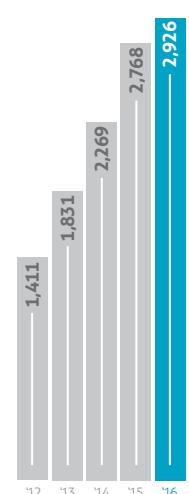
£286.1m

Net growth capital expenditure (£m)



£162.3m

Number of locations



2,926

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

2. At constant currency

WE ARE LEADING INNOVATIVE FLEXIBLE

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

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

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

OUR BRANDS

Businesses increasingly know exactly what they want from their workspaces. Our line-up of different flexible formats is rapidly adaptable to individual requirements meaning there's no need for them to ever compromise on quality, style or value.



Places to work
for everyone,
worldwide



Creative working
environments
for businesses
of all sizes



Exclusive,
high-status
business properties
that make a
powerful statement



Friendly, sociable
places to work,
offering great
value for money



Our
entrepreneurial
community
connecting
partners from the
worlds of business
and learning



Flexible,
outsourced turnkey
managed office
solutions meeting
customer
requirements in
any location

OUR SERVICES

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

Office

Across the world, companies of all sizes are successfully growing their business out of our workplaces, from major global headquarters to regional centres and satellite sales or support offices. For them, the beauty of working with us is that they can be flexible in their property commitments at the precise moment they need to be. They've found that premises don't have to be capital intensive. Instead, they can fit their property solutions around the needs of their business and their people – not the other way round.

Home

The proportion of self-employed and outsourced people in the global workforce is growing every year as they seek freedom from the daily commute. Enterprises are now looking for greater flexibility in their employment practices. This means continued growth in the number of people who work from home but still need places to meet or work as well as support services. Combined with our global network of co-working space, business lounges, meeting rooms and day offices, our Virtual Office solution gives them the access they need to short-term, flexible space.

Mobile

In only a few years' time, the global workplace will be dominated by employees who have never known anything other than the liberating effects of mobile technology. These tech-savvy, "always on" individuals already make up a high proportion of the world's workers – and it is second nature for them to expect no barriers to them working wherever and whenever they want. Our sites and services are helping businesses across the world marry their need for greater agility with employees' growing demands for greater flexibility and better work/life balance.

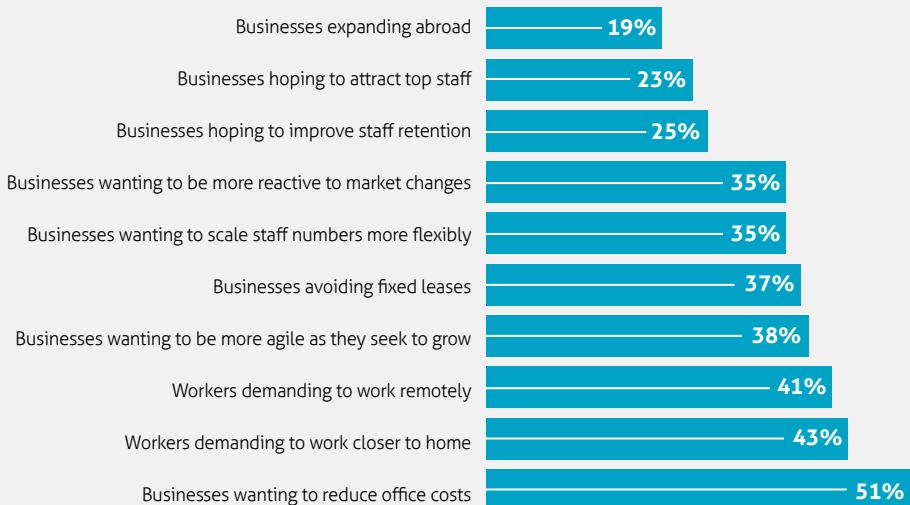
Workplace recovery

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

WE ARE LEADING

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

MAIN DRIVERS OF FLEXIBLE WORKING⁽¹⁾



Mobile workforce demanding flexibility

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



54%
of people now work remotely for more than half of the week⁽¹⁾

Technology enabling change

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



89%
see mobile working as the main driver of cloud technology take up⁽¹⁾

The productivity challenge

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



80%
of global workers say that flexible workers are better able to manage the demands of work and personal life⁽¹⁾

What does this mean for IWG?

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

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

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

Sources:

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

WE ARE INNOVATIVE

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



Spaces, Richmond, Australia.

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

Our mission to make business travel more productive for our customers continued in 2016, with the opening of new Regus Express locations at airports serving cities including Prague, Mumbai, Osaka, Sydney, Amsterdam and London (Stansted). As part of our strategy to sustain best-in-class service levels, we introduced a new customer-service feedback loop and courtesy-call programme in 2016. This is already enabling us more easily to develop new or improved service features based precisely on customer feedback.



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

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

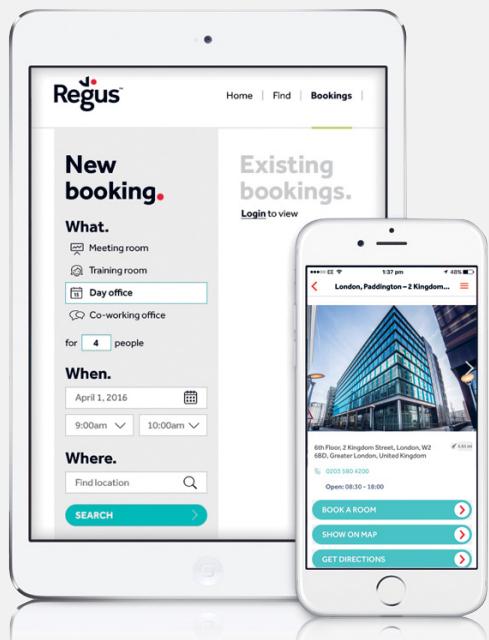


The Regus Dynamic Workplace Recovery solution received the 2016 BCI Continuity and Resilience Innovation of the Year award in both Europe and Asia.

John Frost
Head of Business Continuity,
Marks & Spencer



EST. 1884



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

4x increase in downloads **3x increase** in revenue booked through our app

WE ARE FLEXIBLE

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



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

Bayanda Khwela

Headlines Media Group and
W8 Records,
Johannesburg,
South Africa





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

Sandra Tanahatoe

Spaces Vijzelstraat
Amsterdam,
The Netherlands



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

Stefan Kühn

Partner and CEO
of INCS AG,
Regus,
Zurich,
Switzerland.

How we create value

Once again, our progress in 2016 justified our confidence in the Group's business model, which is unchanged following the introduction of a new holding company, IWG plc. During the year we carried out rigorous planning, stress-testing and constant review. These clearly demonstrate that our business model remains fit for purpose.



Our business

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

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

Customers

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

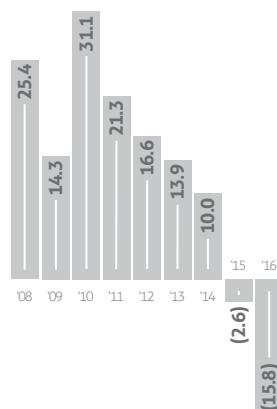
Returns

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

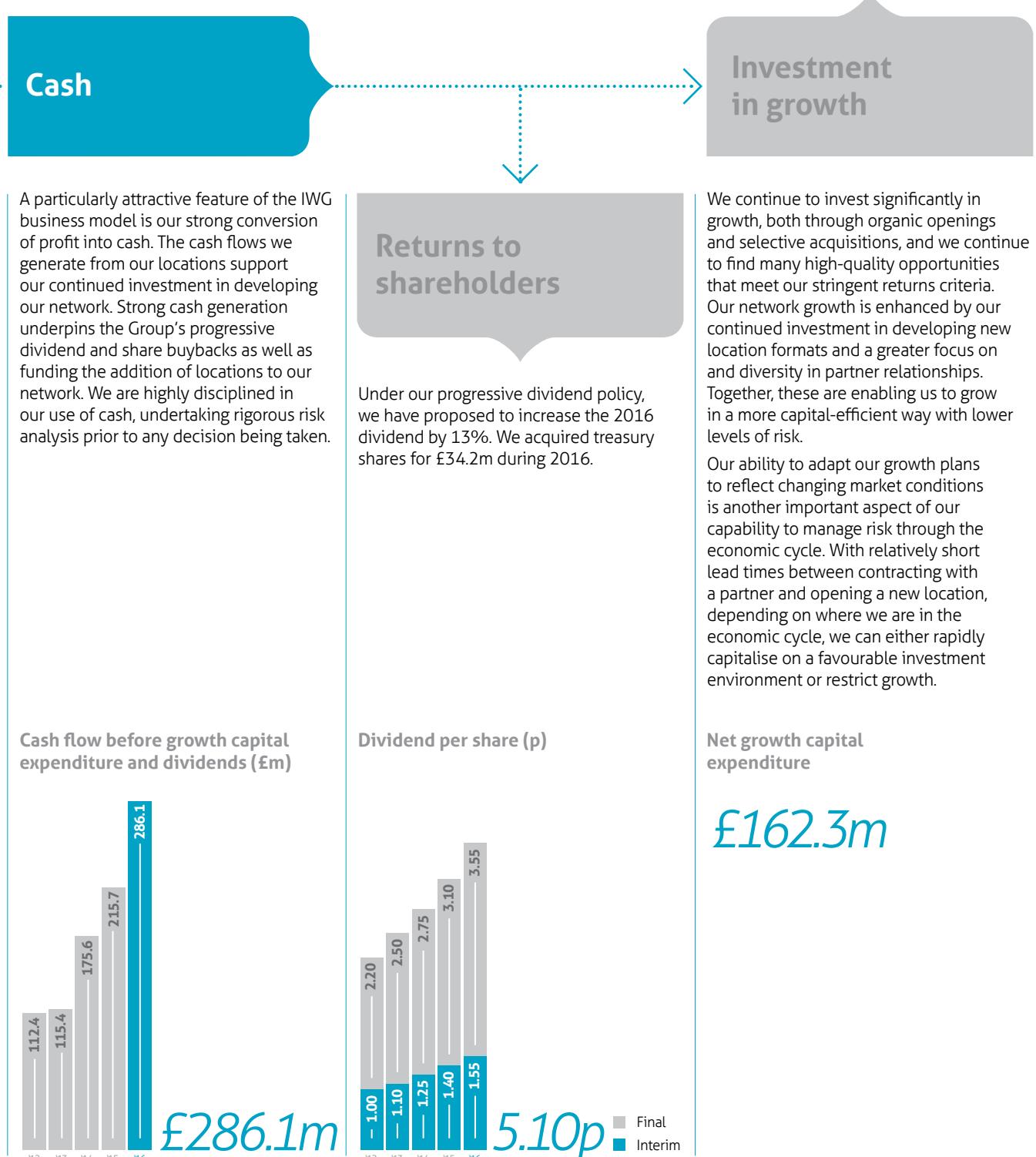
How we calculate our returns

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

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



1. Turn to pages 116 and 117 to see how our calculation of post-tax cash return on net investment reconciles to our audited statutory accounts.



A year of substantial development



Once again, we have delivered against our strategy as demonstrated by a strong set of financial results as well as the further growth of our business and our global network. It was particularly pleasing to see our concerted efforts to improve efficiency result in lower overheads whilst we also continued significant growth in the number of our locations.

Douglas Sutherland
Chairman

Revenue for the 2016 financial year increased to £2,233.4m (2015: £1,927.0m), an increase of 5.5% at constant currency (up 15.9% at actual rates). With the improved operational efficiency, underlying operating profit grew 14% at constant currency to £186.2m (a 29% improvement at actual rates). Underlying profit before tax increased 34% to £174.7m. Our cash performance was again strong. Cash flow before growth capital expenditure, share repurchases and dividends increased 33% to £286.1m. This strong financial performance has driven a further increase in our post-tax cash returns on net growth investment. These strong results were achieved alongside further strategic development of our business, growing our network with the addition of 231 new locations, refining our formats to benefit our customers, introducing innovative new solutions, driving operational efficiencies through initiatives including a new city clustered field structure and capital efficiencies by focusing on partnering with property owners. Throughout all these activities, our strong cash generation and disciplined investment approach have once more enabled us to maintain a robust capital structure.

New name

One highly visible change that took place during the year was the change in name to IWG plc (International Workplace Group) for the new holding company of the Group. There were several reasons for this move which supports our provision of flexible workplace solutions under multiple brands, including Regus, Spaces, Signature, OpenOffice, Kora and MOS. In the Board's view, while Regus will remain one of our flagship brands, we can better serve customers and optimise growth and returns by offering a segmented portfolio of workplace formats and solutions.

IWG is a Jersey-incorporated company with its head office in Switzerland. The choice of Switzerland reflects, among other factors, the increasing presence of senior management located in Switzerland as the Group continues to streamline its organisation in order to achieve synergies of scale while developing worldwide.

Strategy

Our strategy uniquely positions us to both drive and benefit from the exciting developments and growth in the flexible workspace market. We have continued our efforts to enhance our operating model with a focus on simplicity, scalability, people, cost control, risk management and great customer experience.

We are actively pursuing our partnering approach to investment, in which we will increasingly become the facilitator between the property investor and the end customer. We made good progress in this area during 2016, targeting property owners with a view to partnering with them in the expansion of our national networks across the world and entry into new markets. This will have the effect of improving returns and reducing risk across the business. Our approach to enhancing property returns will also allow us to invest on an opportunistic basis directly in properties where the return is attractive.

Our large global footprint gives us the ability to constantly review our investments in growth by region, by country and by city. Our agile approach means that we can rapidly adjust our investments based on evolving market conditions.

Board

I would like to thank my Board colleagues for their valuable contributions during the year, which helped the Group deliver another strong set of results for the benefit of our customers, our business partners, our employees and our shareholders. On 17 February 2017 we announced that Lance Browne has resigned as a Non-Executive Director effective from the annual general meeting on 16 May 2017. I wish to thank Lance for his wisdom, insight and support in his role as Senior Independent Director as well as his many contributions to the Group's overall success. I look forward to working with François Pauly who will be proposed for the role of Senior Independent Director with effect from Lance's resignation.

People

Each year our success is driven by the commitment and skill of our talented and experienced people. An engaged and dedicated workforce is vital to us achieving our global growth aspirations. We recently concluded our annual senior leadership conference, with active participation of almost 200 colleagues from around the world. The capabilities and enthusiasm displayed there renewed my confidence in our ability to continue to execute our strategy. Our success is testament to our people in every market and at every level. I would like to thank them on behalf of the Board for their strong performance and implementation of significant initiatives in what has been a transformational year for the Group, solidly positioning IWG for future growth.

Dividend

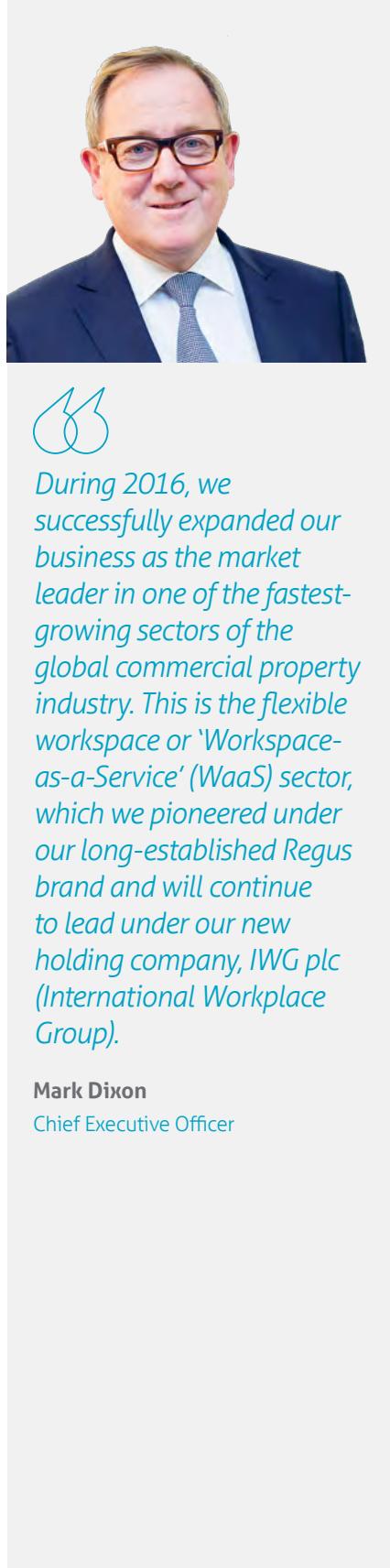
We continue our commitment to a sustainable and progressive dividend in recognition of our confidence in the long-term performance of the business and the strength of the Group's financial position. The Board is recommending a 15% increase in the final dividend to 3.55p. Subject to the approval of shareholders at the 2016 AGM, this will be paid on 26 May 2017 to shareholders on the register at the close of business on 28 April 2017. This represents an increase in the full-year dividend of over 13% to 5.10p (2015: 4.50p).

Douglas Sutherland

Chairman

28 February 2017

Another year of high-quality growth



During 2016, we successfully expanded our business as the market leader in one of the fastest-growing sectors of the global commercial property industry. This is the flexible workspace or 'Workspace-as-a-Service' (WaaS) sector, which we pioneered under our long-established Regus brand and will continue to lead under our new holding company, IWG plc (International Workplace Group).

Mark Dixon
Chief Executive Officer

A fast-evolving market sector

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

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

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

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

I could not agree more. In this new world, technology in the shape of increasing numbers of apps, VoIP (voice over internet protocol) solutions and instant messaging opportunities are making physical distance irrelevant. All that's required is a fast and stable internet connection. This is equally important to increasingly dispersed corporations and to the growing number of self-employed workers, who are looking for co-working spaces as an alternative to working exclusively from home.

Our investment case

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

With the workplace revolution, our investment case continues to strengthen. We have detailed plans to extend our current lead, in existing and new markets across the world. We are increasingly positioned as the "intermediary" that brings together our property-owner partners with end customers – supplying one with strong cash flow and the other with workspace flexibility and access to different formats. Our advantages are tangible and important: we can expand faster than our competitors; our operational efficiency is better and improving all the time as we work to streamline our management processes. The relevance and quality of our service offering is compelling. These advantages – scale, maturity, brands, technological leadership, efficiency and agility – were all reflected in our financial performance during 2016, when we successfully achieved the increased revenue and reduced cost-base we targeted to deliver improved margins and returns.

Strong financial performance

The post-tax cash return on net growth investment from locations opened on or before 31 December 2011 improved to 25.1% from the 23.1% achieved in 2015 on the same estate. Rolling this estate forward one year, the 2016 post-tax cash return on net growth investment from locations opened on or before 31 December 2012 was 23.6% (2015: 21.5%).

Group revenue increased by 5.5% at constant currency to £2,233.4m (2015: £1,927.0m) (up 15.9% at actual rates). Whilst we experienced a deceleration in revenue progression throughout the course of 2016, this reflected a number of factors including the base-line effect of prior year acquisitions and softening demand in certain geographic markets. We also took a more cautious and selective approach to growth and, in certain instances, sought to consolidate locations.

Group income statement

£m	2016	2015	% Change (actual currency)	% Change (constant currency)
Revenue	2,233.4	1,927.0	15.9%	5.5%
Gross profit (centre contribution)	448.8	428.4	5%	(4)%
Overheads (inc. R&D)	(261.8)	(283.9)	(8)%	(13)%
Underlying operating profit ⁽¹⁾	186.2	144.8	29%	14%
Non-recurring items	(1.0)	15.3	–	–
Operating profit	185.2	160.1	16%	3%
Underlying profit before tax	174.7	130.4	34%	–
Profit before tax	173.7	145.7	19%	–
Underlying taxation	(34.9)	(25.9)	–	–
Taxation	(34.9)	(25.8)	–	–
Underlying profit after tax for the year	139.8	104.5	34%	–
Profit after tax for the year	138.8	119.9	16%	–
Underlying EBITDA	380.7	290.0	31%	18%
EBITDA	379.7	305.3	24%	–

1. After contribution from joint ventures

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

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

2. Centres open on or before 31 December 2014

Although a higher level of closures has reduced Group revenues, it has been the right thing to do for the profitability of our business. This, together with the very strong control of overhead costs which actually reduced by 13% at constant currency, has delivered a 14% constant currency increase in underlying operating profit to £186.2m (2015: £144.8m) (up 29% at actual rates). Overheads as a percentage of revenues have reduced three percentage points from 14.7% to 11.7%, which is a strong performance and one on which we can continue to build.

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

Converting profit into cash remains an attractive feature of our business model. We increased our cash flow before investment in growth capital expenditure,

dividends and buying back shares by 33% to £286.1m (2015: £215.7m). This scale of cash generation more than funded our growth programme, the buyback of shares and the continuation of our progressive dividend policy. Consequently our net debt position reduced from an opening position of £190.6m at 1 January 2016 to £151.3m at 31 December, 2016. This represents an underlying Group net debt to EBITDA leverage of 0.4 times, which is well below our internal 1.5 times limit and reflects the continuation of our prudent approach to the Group's capital structure.

Performance by region

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

more partnering deals and the roll out of our Spaces format.

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

Americas

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

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

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

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

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

EMEA

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

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

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

Asia Pacific

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

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

UK

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

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

Strategic direction

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

Our investment case

MARKET LEADER – NO 1 PLAYER IN HIGHLY FRAGMENTED MARKET

1 2 3 4 5

Structurally growing demand

Attractive returns on investment and cash flow

Proven ability to manage growth

Significant runway for growth with expected incremental post-tax cash returns well above our cost of capital

Prudent management of capital structure

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

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

We are determined to lead and benefit from the disruptive power of digital technology and its impact on our industry. As I have already said, we are committed to further improving our position as the global leader of the WaaS sector. And it almost goes without saying that to be relevant to corporations' and workers' needs, physical space must keep pace with technological change. This belief is at the heart of our business today.

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

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

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

We placed great emphasis, particularly in the early months of 2016, on standardising our business and processes to enhance the scalability of our business as we focus on delivering high-quality growth. Cost reductions were also a helpful by-product of our work on re-engineering our field structure, in which we started using a city clustering approach to the local

management of our locations. While this was primarily introduced to generate higher productivity and better customer service, it has also significantly improved the cost structure of the business. In fact, partly as a result of this initiative, our overhead costs fell by 13%, at constant currency, during 2016 despite a 6% increase in the size of the network.

Products and innovation

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

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

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

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

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

Staying ahead of the game

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

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

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

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

Mark Dixon

Chief Executive Officer

28 February 2017

Our strategy is clear and simple

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

Strategic objectives and approach

1 Delivering attractive, sustainable returns

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

2 Cash generation before growth

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

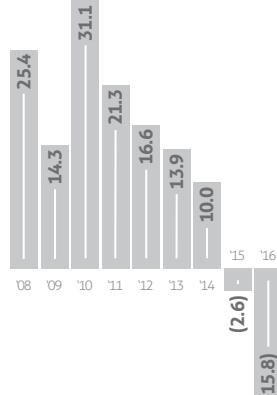
Key performance indicators

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

Overall 2016 return on net investment made up to 31 December 2011 of 25.1%.

13.7%

Total estate



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

During 2016 we generated 30.8p per share of cash flow before growth capex, dividends and share buybacks

30.8p



Future ambitions and risks – for more information on risks see p27-32

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

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

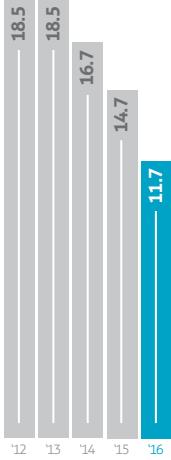
3 Controlling costs

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

11.7%

Total overheads as a % of revenues

Overheads as a % of revenues reduced 300bp to 11.7%



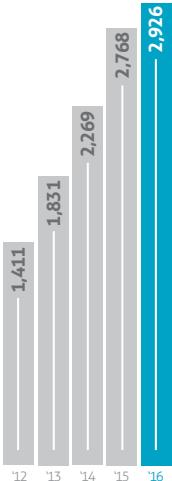
4 Developing national networks

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

Network location growth

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

2,926 locations



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

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

Our talent strategy – providing the platform for global growth

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

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

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

Talent: a strategic objective

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

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

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

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

Multiple successors for every role and training

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

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

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

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



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

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

95,000

e-learning training
modules completed
in 2016 globally



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

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

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

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

Gaining business advantage

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

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

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

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

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

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



This has been a year of significant transition, with many important changes implemented which we are confident will build further on the strong returns on investment the business has delivered during 2016. Our cost leadership has been enhanced and we have reduced overheads as a percentage of revenues by three percentage points to 11.7% and target further improvement.

Dominik de Daniel
Chief Financial Officer
and Chief Operating Officer

Return on investment

Our strategic focus remains on driving returns that achieve our post-tax cash payback criteria, which typically is within four years. We have made further progress against this goal in 2016. For the 12 months to 31 December 2016, the Group delivered a record post-tax cash return on net growth investment of 25.1% in respect of locations opened on or before 31 December 2011 (up from 23.1% on the same estate for the 12 months to 31 December 2015). Moving the aggregated estate forward and incorporating the centres opened during 2012, the Group delivered a post-tax cash return on net growth investment of 23.6% in respect of all locations opened on or before 31 December 2012 (the equivalent return for the 12 months to 31 December 2015 on the same estate was 21.5%).

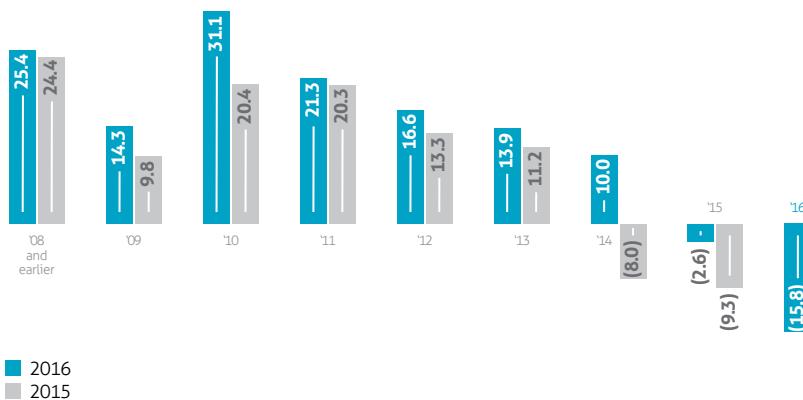
This very strong performance reflects the underlying progress in the profitability of the Group from the continued focus on efficiency and productivity, and the economies of scale on overheads that we enjoy as the Group continues to grow. The chart opposite shows the status of our centre openings by year of opening. There has been good progress in the development of returns for centres added in 2012, 2013, 2014 and 2015 as they continue to progress towards full maturity.

Developing the network

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

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

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



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

Operational developments

We are constantly striving to improve our business and future potential returns. Whilst this is an ongoing process, we implemented changes to the operational field structure during 2016, introducing a city cluster approach to the management and organisation of our locations. With the in-field selling resource focused on a specific number of locations, we believe this will better promote the active marketing of the whole range of what is offered by the entire city cluster, including format and price point. Moreover, the unrivalled scale of our business provides us with the opportunity to automate more processes to allow our employees to have greater focus on customer service across more than one location. We believe this will generate many positives for our business, including improved cost efficiency in the field, better productivity and a sharper focus on 'selling the city' to

unlock the full benefit of our broad offering. We have also implemented important changes to the compensation structure for our colleagues operating our locations by moving away from a largely sales commission-based bonus system to one based on financial performance. We believe this will be important and better align business behaviour with the interests of our shareholders. 2016 was therefore a transformational year and these changes are now fully embedded into the business.

Non-recurring items

For 2016 we have reported a net loss on non-recurring items of £1.0m. This non-recurring loss is in respect of three items: the receipt of funds following the settlement of a third-party litigation in the UK; additional provision relating to a litigation action in California; and a loss on disposal of specific assets and liabilities acquired as part of the Avanta acquisition which were disposed of in the second half of the year following the UK Competition and Markets Authority inquiry.

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

Revenue

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

Gross profit

Group gross profit declined 4% at constant currency rates to £448.8m (2015: £428.4m), up 5% at actual rates. The reduction in Group gross margin from 22.2% to 20.1% largely reflects the dilution from a relatively large number of financially immature locations within the overall estate resulting from the significant investment in growing the network over recent years (see table on page 24). The mature gross margin remained relatively stable at 24.1% (2015: 24.3%).

Overhead efficiency improves further

As anticipated, the Group has made further strong progress in relation to overhead efficiency, thereby building on the achievements in recent years. We have not only continued to reduce total overheads as a percentage of revenues from 14.7% in 2015 to 11.7%, the absolute level of investment in overheads reduced by 13% in constant currency terms to £261.8m (2015: £283.9m) (down 8% at actual rates). Changes implemented to our business model and structure during 2016 to further improve the Group's productivity and financial performance also created further overhead efficiency.

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

Financial performance

Group income statement (before non-recurring items)

£m	2016 Underlying	2015 Underlying	% Change (actual currency)	% Change (constant currency)
Revenue	2,233.4	1,927.0	15.9%	5.5%
Gross profit (centre contribution)	448.8	428.4	5%	(4)%
Overheads (including R&D)	(261.8)	(283.9)	(8)%	(13)%
Joint ventures	(0.8)	0.3		
Operating profit	186.2	144.8	29%	14%
Net finance costs	(11.5)	(14.4)		
Profit before tax	174.7	130.4	34%	
Taxation	(34.9)	(25.9)		
Effective tax rate	20.0%	19.9%		
Profit for the period	139.8	104.5	34%	
Basic EPS (p)	15.0	11.2	34%	
Depreciation & amortisation	194.5	145.2		
EBITDA	380.7	290.0	31%	18%

Gross margin

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

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

Operating profit (excluding non-recurring items)

As a result of the very strong control of overheads, the incremental gross profit has dropped through to augment the Group operating profit, which increased 14% at constant currency to £186.2m (2015: £144.8m), an increase of 29% at actual rates. Consequently, the underlying Group operating margin increased from 7.5% in 2015 to 8.3% in 2016.

Net finance costs

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

Tax

The underlying effective tax rate for the year was 20.0% (2015: 19.9%). The Group's reported tax rate was 20.1% (2015: 17.7%). Our expectation is that the effective tax rate will remain around 20%.

Earnings per share

Earnings per share increased significantly to 14.9p (2015: 12.8p). Excluding the non-recurring items, underlying Group earnings per share increased 34% to 15.0p, reflecting the strong growth in underlying Group operating profit and the favourable foreign exchange tailwind.

The weighted average number of shares for the year was 929,830,458 (2015: 933,457,741). The weighted average number of shares for diluted earnings per share was 944,015,143 (2015: 953,678,034). As at 31 December 2016 the total number of shares in issue was 923,357,438.

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

In the period from 19 December 2016 to 31 December 2016, IWG plc purchased 1,280,032 shares designated to be held in treasury at a cost of £3.1m and 109,333 treasury shares were used to satisfy the exercise of share awards by employees.

Cash flow

The table below reflects the Group's cash flow:

£m	2016	2015
Group EBITDA	380.7	290.0
Working capital	104.2	103.5
Less: growth-related partner contributions	(66.1)	(59.8)
Maintenance capital expenditure	(86.7)	(74.9)
Taxation	(31.5)	(29.1)
Finance costs	(16.1)	(13.2)
Other items	1.6	(0.8)
Cash flow before growth capital expenditure, share repurchases, dividends and non-recurring disposal proceeds	286.1	215.7
Gross growth capital expenditure	(228.4)	(344.7)
Less: growth-related partner contributions	66.1	59.8
Net growth capital expenditure⁽¹⁾	(162.3)	(284.9)
Total net cash flow from operations	123.8	(69.2)
Non-recurring disposal proceeds	—	84.0
Less: costs of disposal	—	(4.0)
Corporate financing activities	(38.6)	(32.0)
Dividend	(43.3)	(38.8)
Opening net cash/debt	(190.6)	(138.0)
Exchange movements	(2.6)	7.4
Closing net debt	(151.3)	(190.6)

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

Cash flow and funding

With the growth in profitability, cash generation has been very strong during 2016. This ability to convert profits into cash continues to be a highly attractive feature of our business model. Cash generated before the net investment in growth capital expenditure, dividends and share repurchases, and excluding the non-recurring material £80m disposal proceeds, net of expenses, received in 2015, increased 33% in 2016 to £286.1m (2015: £215.7m), reflecting the strong growth in underlying Group operating profit and very strong cash conversion. As well as the normal positive working capital development stemming from our network growth programme and the maturation of these locations, we have also benefitted from more specific focus to unlock working capital.

With our more selective approach to network growth during 2016 and increased traction on our strategic priority of targeting less capital intensive growth, Group net debt decreased from £190.6m at 31 December 2015 to £151.3m at 31 December 2016. This decrease comes after taking the growth capital expenditure into account, and after paying dividends of £43.3m and spending £38.6m mainly on a combination of buying our own shares, as noted opposite, and settlement of employee share options. This represents an underlying Group net debt : EBITDA leverage ratio of 0.4 times, which is a very conservative level, well below our internal 1.5 times limit and reflects our continued prudent approach to the Group's capital structure. Whilst our approach to our net indebtedness has been prudent, we continue to recognise the long-term benefit of also operating with an efficient balance sheet.

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

Foreign exchange rates

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

Foreign exchange

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

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

Risk management

The principal risks and uncertainties affecting the Group remain broadly unchanged. A detailed assessment of the principal risks and uncertainties which could impact the Group's long-term performance and the risk management structure in place to identify, manage and mitigate such risks can be found on pages 27 to 32 and 46 to 48 of the Annual Report and Accounts.

Related parties

There have been no changes to the type of related party transactions entered into by the Group that had a material effect on the financial statements for the period ended 31 December 2016. Details of related party transactions that have taken place in the period can be found in note 30 to the 2016 Annual Report and Accounts.

Dividends

Consistent with IWG's progressive dividend policy and subject to shareholder approval, we will increase the final dividend for 2016 by approximately 15% to 3.55p (2015: 3.10p). This will be paid on Friday, 26 May 2017, to shareholders on the register at the close of business on Friday 28 April 2017. This represents an increase in the full-year dividend of approximately 13%, taking it from 4.50p for 2015 to 5.10p for 2016.

Dominik de Daniel

**Chief Financial Officer
and Chief Operating Officer**

28 February 2017

Risk management remains at the core of what we do

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

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

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

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

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

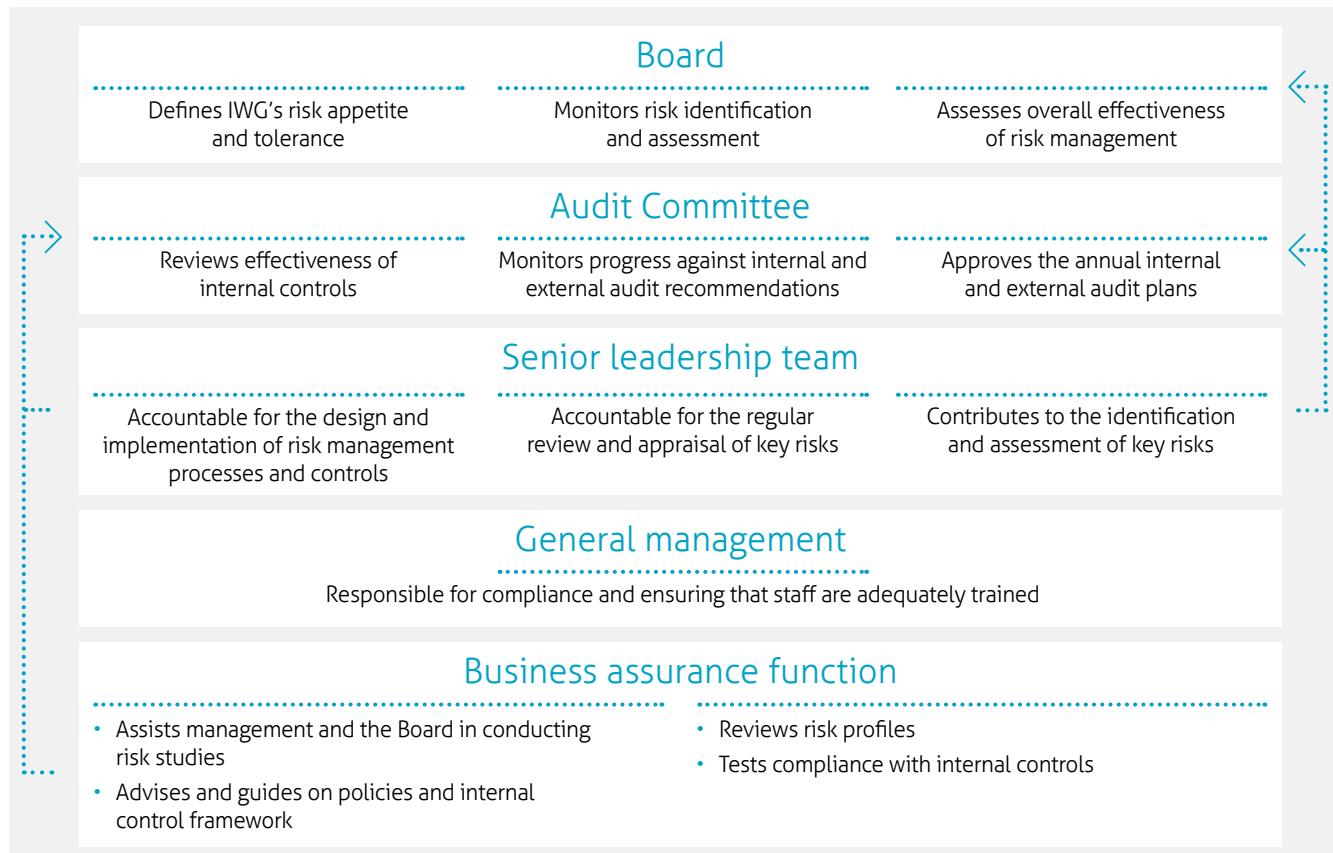
Whilst overall responsibility for the risk management process rests with the Board, it has delegated responsibility for assurance to the Audit Committee. Executive management is responsible for designing, implementing and maintaining the necessary systems of internal control.

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

risks which, with its experience and after due consideration, the Board will choose to accept.

Effective risk management requires awareness and engagement at all levels of our organisation. It is for this reason that risk management is incorporated into the day-to-day management of our business, as well as being reflected in the Group's core processes and controls. The Board oversees the risk management strategy and the effectiveness of the Group's internal control framework. Risk management is at the heart of everything we do, particularly as we look to grow across multiple markets around the world. For this reason, we conduct risk assessments throughout the year as part of our business review process and all investment decisions. These activities include:

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



Principal risks

Risk	Mitigation	Progress in 2016
Strategic		
<p>Lease obligations</p> <p>The single greatest financial risk to IWG is represented by the financial commitments deriving from the portfolio of leases held across the Group. Whilst IWG has demonstrated consistently that it has a fundamentally profitable business model which works in all geographies, the profitability of centres is impacted by movements in market rents, which, in turn, impact the price at which IWG can sell to its customers. The fact that the outstanding lease terms with our landlords are, on average, significantly longer than the outstanding terms on our contracts with our customers creates a potential mismatch if rentals fall significantly, which can impact profitability and cash flows.</p>	<p>This risk is mitigated in a number of ways:</p> <ol style="list-style-type: none"> 1) 95% of our leases are 'flexible', meaning that they are either terminable at our option within six months and / or located in or assignable to a standalone legal entity, which is not fully cross-guaranteed. In this way, individual centres are sustained by their own profitability and cash flow. During the most recent downturn in selected markets we were able to negotiate revised terms with our partners to reflect downward movements in market rates to help recovery. 2) Over a third of the leases we entered into during 2016 were variable in nature, which means that payments to landlords vary with the performance of the relevant centre. In this way the 'risk' to profitability and cash flow of that centre from fluctuations in market rates is softened by the consequent adjustment to rental costs. 3) The sheer number of leases and geographic diversity of our business reduces the overall risk to our business as the phasing of the business cycle and the performance of the commercial property market often varies from country to country and region to region. 4) Each year a significant number of leases in our portfolio reach a natural break point. 	<p>During 2016, the number of 'flexible' leases as a percentage of the total increased to 95% from 94% on an enlarged estate. At the end of 2016, we were operating 2,926 locations in 1,029 towns and cities across over 100 countries.</p>
<p>Economic downturn</p> <p>An economic downturn could adversely affect the Group's operating revenues, thereby reducing operating profit performance or, in an extreme downturn, resulting in operating losses.</p>	<p>The Group has taken a number of actions to mitigate this risk:</p> <ol style="list-style-type: none"> 1) More than a third of the leases added during 2016 were performance-related to a greater or lesser extent and our rental payments, if any, vary with the performance of the centre. 2) Lease contracts include break clauses when leases can be terminated at our behest. The Group also looks to stagger leases in locations where we have multiple centres so that we can manage our overall inventory in those locations. 3) We review our customer base to assess exposure to a particular customer or industry group. 4) The increasing geographic spread of the Group's network increases the depth and breadth of our business and provides better protection from an economic downturn in a single market or region. 	<p>During 2016 the number of 'flexible' leases as a percentage of the total increased to 95%. We also increased the scale of our network by 6% and added 52 new towns and cities. Our monthly business performance reviews provide early warning of any impact on our business performance and allow management to react with speed. More generally, investment in our management team has also led to improved, more responsive decision-making at a country and area level.</p>

Risk	Mitigation	Progress in 2016
Strategic		
Shifting demand and technology trends	Technology developments are driving demand for flexible working. Failure to recognise these could mean IWG's product offering is sub-optimal.	IWG continually invests in innovation to develop new products and services to increase its competitive advantage, protect current revenues and unlock potential new sources of revenue. In addition to major upgrades to our MyRegus app during 2016, we focused our innovation resources on areas as diverse as customer satisfaction, format design, business continuity and improving productivity for the mobile workforce.
Increased competition	Increased competition in the serviced office industry and an inability to maintain sustainable competitive advantage may result in loss of market share.	While physical barriers to entry into the flexible workspace market at a local level are low, the barriers to establishing a national or international network are much higher hence making it difficult for any competitor to challenge our market position and commercial success. IWG also offers a diverse product range under its different brands to cater to multiple customer segments which allows us to capture and maintain market share across the flexible workspace market.
Exposure to UK political developments	Exposure to UK political developments including Brexit.	The Group is continually monitoring political developments in the UK to identify and assess the medium to long-term implications of Brexit and the impact that it may have on our business. While the decision to exit the EU is likely to result in a sustained period of political and economic uncertainty, the Group does not expect this to have a material impact on its performance in the UK. The Group has had a prudent approach to growing its presence in the UK market.

Risk management and principal risks continued

Risk	Mitigation	Progress in 2016
Financial	<p>Funding</p> <p>The Group relies on external funding to support a net debt position of £151.3m at the end of 2016. The loss of these facilities would cause a liquidity issue for the Group.</p> <p>The Group constantly monitors its cash flow and financial headroom development and maintains a 12-month rolling forecast and a three-year strategic outlook. The Group also monitors the relevant financial ratios against the covenants in its facilities to ensure the risk of breach is being managed. The Group also stresses these forecasts with downside scenario planning to assess risk and determine potential action plans.</p> <p>The Board intends to maintain a prudent approach to the Group's capital structure by holding the net debt : Group EBITDA leverage ratio below c. 1.5 times.</p> <p>Part of the annual planning process is a debt strategy and action plan to ensure that the Group will have sufficient funding in place to achieve its strategic objectives.</p> <p>The Group also constantly reviews and manages the maturity profile of its external funding.</p>	<p>We amended our key Revolving Credit Facility in May 2016 which is provided by a broad base of international banks. The facility was increased from £320.0m to £550.0m and the maturity extended to 2021 (previously 2020), with an option to extend until 2023. After taking into account usage of the £550.0m facility for cash drawings and bank guarantees, we had £299.4m of available and undrawn committed facility as at 31 December 2016. IWG had a net debt : EBITDA ratio at 31 December 2016 of 0.4 times. There is significant headroom on each of the covenant ratios.</p>
Exchange rates	<p>The principal exposures of the Group are to the US dollar and the euro, with approximately 35.1% of the Group's revenues being attributable to the US dollar and 13.8% to the euro. Any depreciation or appreciation of sterling would have an adverse or beneficial impact to the Group's reported financial performance and position respectively. The Group does not generally hedge the translation exchange risk of its business results. Rather, it assumes that shareholders will take whatever steps they deem necessary based on their varied appetites for exchange risk and differing base currency investment positions.</p> <ol style="list-style-type: none"> Given that transactions generally take place in the functional currency of Group companies, the Group's exposure to transactional foreign exchange risk is limited. Where possible, the Group attempts to create natural hedges against currency exposures through matching income and expenses, and assets and liabilities, in the same currency. The Group, where deemed appropriate, uses currency swaps to maintain the currency profile of its external debt. 	<p>Overall in 2016 the movement in exchange rates increased reported revenue, gross profit and operating profit by £199.7m, £36.3m and £20.5m respectively. During 2016 the Group settled the exchange rate derivatives related to the Schultschein debt securities which were settled.</p>
Interest rates	<p>Operating in a net debt position, an increase in interest rates would increase finance costs.</p> <p>The Group constantly monitors its interest rate exposure as part of its monthly treasury review. As part of the Group's balance sheet management it utilises interest rate swaps.</p>	<p>During 2016 the Group increased the level of interest rate protection with 51% of the Group's debt being fixed until 2019.</p>

Risk	Mitigation	Progress in 2016	
Operational	<p>Cyber security The trend towards an integrated digital economy and use of external cloud services combined with the rise in malicious attacks and increasing consequential costs warrants particular attention to cyber security risks.</p>	<p>This risk is mitigated as follows:</p> <ol style="list-style-type: none"> 1) The Group maintains an active information security programme under the direction of the Group CIO with oversight by the Board. 2) We continually monitor our security using internal resources and external specialists to identify any vulnerabilities. 3) The Group ensures compliance with all major legislation and directives. 4) The Group maintains a mandatory training programme to promote staff awareness of information security and compliance best practice. 5) Data, systems and access permissions are strictly segregated to reduce exposure to risk. 	<p>All core production applications have been made PCI (Payment Card Industry) compliant. An internal review and an external review by security specialists were completed and an ongoing monitoring and improvement programme is in place. IWG has cyber insurance policies in place which provide immediate response services in the event of a breach.</p>
<p>Loss of critical systems The Group's systems and applications are housed in data centres. Should the data centres be impacted as a result of circumstances outside the Group's control there could be an adverse impact on the Group's operations and therefore its financial results.</p>	<p>IWG manages this risk through:</p> <ol style="list-style-type: none"> 1) Business continuity plans. 2) A detailed service agreement with our external data centre provider which incorporates appropriate back-up procedures and controls. 3) Ensuring appropriate business interruption insurance is in place. 4) Transitioning infrastructure to cloud-based and SaaS servers. 	<p>We undertake regular testing of business continuity procedures to ensure that they are adequate and appropriate.</p>	
<p>Fraud Landlord and supplier and procurement related fraud.</p>	<p>IWG manages this risk through:</p> <ol style="list-style-type: none"> 1) A rigorous investment approval process to review the proposed deal structure against local market conditions and alternatives. 2) Centralised procurement contracts with suppliers for key services and products. 3) Standardised processes to manage and monitor spend. 4) A strong governance framework and policies on gifts and hospitality, business conduct and bribery and corruption. 5) Regular reviews to monitor effectiveness of controls. 		
<p>Data protection and privacy IWG is required to comply with legislation in the jurisdictions in which it operates.</p>	<p>IWG operates a detailed privacy policy that covers all aspects of data privacy including and not limited to personal data, demographic information, financial data, cookies and other digital markers, marketing communication etc.</p>		

Risk	Mitigation	Progress in 2016
Growth		
Ensuring demand is there to support our growth	<p>IWG has undertaken significant growth to develop local and national networks. Adding capacity carries the risk of creating overcapacity. Failure to fill new centres would create a negative impact on the Group's profitability and cash generation.</p> <p>IWG mitigates this risk as follows:</p> <ol style="list-style-type: none"> 1) Each investment or acquisition proposal is reviewed and approved by the Investment Committee. 2) The monthly business review process monitors new centre development against the investment case to ensure that the anticipated returns are being generated. 3) As part of the annual planning process, a growth plan is agreed for each country which clearly sets out the annual growth objectives. 	<p>On aggregate, our new centres continue to perform in line with management expectations and are delivering attractive returns.</p>
Human resources		
Ability to recruit at the right level	<p>Our ability to increase our management capacity and capabilities through the hiring of experienced professionals not only supports our ability to execute our growth strategy, but also enables us to improve succession planning throughout the Group.</p> <p>Mitigating actions include:</p> <ol style="list-style-type: none"> 1) Succession planning discussions are an integral part of our business planning and review process. 2) Part of the annual planning process is the Human Resources Plan, and performance against this Plan is reviewed through the year. 3) Our global performance management system and quarterly staff survey allow us to keep close to our employees and maintain a two-way dialogue throughout the year. 4) Regular external and internal evaluation of the performance of the Board. 	<p>Our capability to hire the best talent continued to increase in 2016. Our direct recruitment approach saved over £2m of search fees as our talent knowledge around the world deepens and expands. This has allowed us to further plan for succession in important markets. Our diversity continues to flourish with our workforce split fairly evenly male/female.</p>
Training and employee engagement	<p>One of the key items in the Human Resources Plan is the Global Induction & Training Plan, which sets out the key objectives for the forthcoming year. Performance against these objectives is reviewed through the year.</p> <p>Our employee survey also provides insight into employee issues, which is then used to improve the Plan.</p>	<p>We trained all our employees, many through the IWG Online Learning Academy, including employees from new centre acquisitions and new talent to IWG.</p> <p>In 2016 employees undertook approximately eight different topics of training.</p> <p>Our online learning curriculum was a winner of the Most Dramatic Business Impact Award at the Cornerstone Client Excellence Awards 2016 for the impact that this training had on sales performance. This is just one example of our relevant and easy-to-access development initiatives for front-line employees.</p> <p>Experienced managers coach new peer level colleagues to give them the best start in the Group.</p>

Committed to our communities

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

Economic support for communities

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

Reducing environmental impact

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

By their very nature, many of our products are inherently sustainable allowing our customers to minimise their carbon emissions, waste and energy usage through us. Our large network of locations enables people to work nearer to where they live, while our video-conferencing facilities eradicate the need to travel for meetings. As a company, we continue to embed carbon-reduction and energy-efficiency policies and procedures in our centres. This includes retrofitting older sites by upgrading lighting and improving controls. We also have a defined engagement agenda with a focus on enabling customers and employees to fully understand the actions that they can take to reduce environmental impact. Our range of initiatives includes targeting reduced paper usage, actions to reduce and monitor our use of water, increased recycling and sharing best practice to reduce electricity and gas consumption. Collectively, all actions combine to contribute to reducing our environmental impact.

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

Efficiency schemes

In addition to our global efforts, we made a significant reduction in carbon and costs in 2016 in the UK. This can largely be attributed to the implementation of recommendations from the UK's response to the EU Energy Directive entitled Energy Savings Opportunity Scheme (ESOS). Around 1,000 CO₂e tonnes were saved, together with related cost avoidance of £270,000, which we achieved through a systematic review of centre operating procedures and controls. The ESOS audit and notification from the UK was fully compliant and completed on time. So was our participation for a further year in the CRC Energy Efficiency Scheme, in which we saw our overall reported emissions fall again. This means we have achieved a total reduction of around 18% since the start of CRC reporting in 2011.

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

We continue to use specialist external energy consultancies to record our monthly energy consumption across our centres and to assist and advise on the purchase, management and monitoring of carbon

and energy. For example, any new centres with high energy consumption, such as those acquired from Avanta in 2015, will be reviewed and assimilated in 2017 to make them more efficient and align them with our Greener Working Strategy. This will include upgrading lighting to LED and reviewing HVAC (heating, ventilation and air-conditioning) and controls to ensure they are as energy-efficient as possible. A review undertaken in the early part of 2016 confirmed that our UK business is on target to achieve a 50% reduction in energy-related carbon by 2020 (using 2007 as the baseline year).

Charitable investments

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

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

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

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

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



EXTRACTING VALUE FROM WASTE

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

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

COMMUNITY HEROES

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



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

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

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



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

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

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

All quotes are from IWG managers, colleagues or customers.



RESPONDING TO DISASTER

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



2nd place: Thailand – Providing for vulnerable children

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

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



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

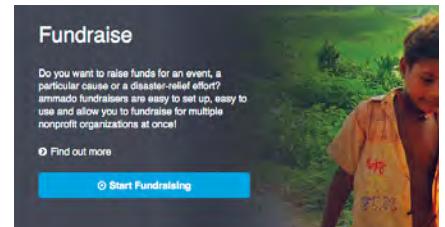
Colleagues and customers in India launched a country-wide charitable campaign, in which over 400 people in more than 90 centres joined hands with a local non-governmental organisation. "Collecting stationery items, clothes, books, toys and food was a wonderful activity for very worthwhile causes."



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

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

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



FACILITATING DONATIONS

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

Building our future growth



Douglas Sutherland

Chairman



Mark Dixon

Chief Executive Officer



Dominik de Daniel

Chief Financial Officer and
Chief Operating Officer



Lance Browne

Senior Independent
Non-Executive Director

Committee membership

(N)

Appointment to Old Regus

27 August 2008

Founder

1 November 2015

27 August 2008

Appointment to IWG

14 October 2016

14 October 2016

27 September 2016

14 October 2016

Experience

Douglas was Chief Financial Officer of Skype during its acquisition by eBay and was also Chief Financial Officer at SecureWave during its acquisition by PatchLink.

Prior to this, Douglas was an Arthur Andersen Partner with international management responsibilities. He has served as a director of companies in multiple jurisdictions and was the founding Chairman of the American Chamber of Commerce in Luxembourg.

Chief Executive Officer and founder, Mark Dixon is one of Europe's best known entrepreneurs. Since founding the Regus Group 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.

Dominik served for over nine years as the Chief Financial Officer of Adecco Group, the world leading provider of human resource solutions; Dominik was also the Adecco Group's Head of Global Solutions and was responsible for global information management and for Adecco Group's activity in China.

Dominik previously held the Chief Financial Officer position at DIS AG, the market leader in professional staffing in Germany, before the company was ultimately acquired by Adecco Group.

Lance was previously Chief Executive Officer then Chairman of Standard Chartered Bank (China) Ltd, Non-Executive Director of IMI plc, Senior Advisor to the City of London, Chairman of China Goldmines plc, and Director of Business Development at Powergen International.

External appointments

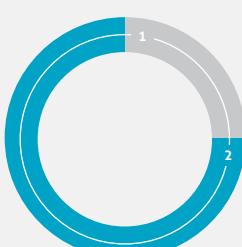
Douglas is currently also a Director of Median Gruppe S.à r.l. and Socrates Health Solutions Inc.

Lance is Chairman of Travelex (China), and a WS Atkins International Advisory Board member.

BOARD BALANCE AND DIVERSITY

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

Board gender diversity



1 Female: 25%
2 Male: 75%

Balance of Non-Executive and Executive Directors



1 Chairman: 1
2 Executive: 2
3 Non-Executive: 5

**Elmar Heggen**

Independent Non-Executive Director

**Florence Pierre**

Independent Non-Executive Director

**François Pauly**

Independent Non-Executive Director

**Nina Henderson**

Independent Non-Executive Director

(N A R)**(N A R)****(N A R)****(N A R)**

1 June 2010

21 May 2013

19 May 2015

20 May 2014

14 October 2016

14 October 2016

14 October 2016

14 October 2016

Elmar has extensive management experience. Since 2006 he has been the Chief Financial Officer, Head of the Corporate Centre and a Member of the Executive Committee of the RTL Group, the leading European entertainment network. Joining the RTL Group in 2000 he has previously held the positions of Vice President of Mergers and Acquisitions and Vice President of Strategy and Controlling. Prior to joining RTL, Elmar was Vice President & General Manager of Felix Schoeller Digital Imaging in the UK.

Florence has over 30 years of international corporate finance practice, holding senior positions at BNP Financière Rothschild, Degroof Corporate Finance, 3i Infrastructure plc and her own M&A advisory boutique. Florence has an international perspective, having worked in Chicago, New York, Paris and Brussels. She has also taught economics and finance, published a number of books and articles on valuation, and has been a member of several French entrepreneurship and innovation committees.

François has over 30 years of management experience in the banking sector. Until April 2016 François served as Chief Executive and Chairman of the Management Board of Banque Internationale à Luxembourg. Previous management experience includes Executive appointments at BIP Investment Partners S.A., Dexia Group and at Sal. Oppenheim jr. & Cie. S.C.A.

During her 30 year career with Bestfoods and its predecessor company CPC International, Nina held a number of international and North American general management and executive marketing positions, including Vice President of Bestfoods and President of Bestfoods Grocery. She has also served as a director of numerous companies including AXA Financial Inc, Royal Dutch Shell plc, Del Monte Food Company and Pactiv Corporation.

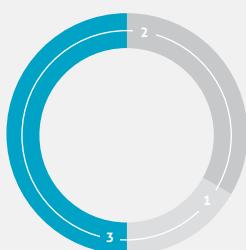
Elmar is Chief Financial Officer and Member of the Executive Committee of the RTL Group. He is also a Board Member of Atresmedia (Spain) and Metropole television (France) and Chairman of the Broadcast Centre Europe SA.

Florence is a director at ESL Network, and also shares her time between directorships, consulting and venture investments in companies providing innovative and internet services.

François serves as the Senior Advisory Partner at Castik Capital Partners and as Non-Executive Director of Group la Luxembourgeoise SA, Edmund de Rothschild (Holding) SA, Quilvest Wealth Management SA, M&C S.p.A and Cobepa SA. François also serves on the Boards of several charitable organisations.

Nina is currently a Non-Executive Director of Hikma Pharmaceuticals PLC and Director of CNO Financial Group (Bankers Life, Washington National and Colonial Penn insurance companies). Nina is also Managing Partner of Henderson Advisory which provides consumer industry evaluations to investment firms. Additionally, Nina is a Trustee of Drexel University where she holds a Bachelor of Science with honours and received the 2010 AJ Drexel Distinguished Alumni Award. She is also a Director of the Visiting Nurse Service of New York and the Foreign Policy Association.

Length of tenure of Non-Executive Directors



- 1 0-3 years: 2
- 2 3-6 years: 1
- 3 6-9 years: 3

Key

- (R)** Member of Remuneration Committee
- (A)** Member of Audit Committee
- (N)** Member of Nomination Committee
- (R)** Chairman, Remuneration Committee
- (A)** Chairman, Audit Committee
- (N)** Chairman, Nomination Committee

The good governance of the Company is the responsibility and focus of your Board



Your Board strives to facilitate effective, entrepreneurial and prudent management in order to deliver the long-term success of the Company

Douglas Sutherland
Chairman

In this section

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- 46 Audit Committee report
- 50 Directors' Remuneration report
- 61 Directors' report
- 62 Directors' statements

Dear shareholder

This section is concerned with good governance and the approach that your Board takes in order to promote an effective and robust governance structure within the Group. It is the responsibility of your Board to ensure and be responsible for the long-term success of the Company.

During the year, as a result of the Scheme of Arrangement completed on 19 December 2016, Regus plc ceased to be the holding company of the Group and a new parent company, IWG plc, was created. The Board and committees of IWG plc after the reorganisation were therefore treated as a continuation of the Board and committees of Regus plc prior to the reorganisation.

Through the detail provided in the reports contained in this section, I hope we can provide you with an insight into how we continually strive to achieve effective governance.

Our approach to governance

We firmly believe that good governance starts with a strong Board providing entrepreneurial leadership and setting the values of the Group against a backdrop of prudent and appropriate safeguards, checks and balances which are regularly reviewed and which ensure that the right considerations underpin every decision we make.

As your Board, it is our responsibility, through a culture of openness and debate, to determine the conduct of the Group's business with particular focus on the following areas:

- performance and progress;
- major risks and their mitigation;
- strategy;
- ethics, behaviours and values;
- people and how we can create a high-performing team;
- future development and succession;
- customers; and
- accountability to shareholders.

I trust that you will find our reports to be fair, balanced and understandable; this is a reflection of how we do business and how the Board serves its stakeholders.

Board composition

The composition of the Board remained unchanged during the year. With the resignation of Lance Browne and the proposal of François Pauly to replace him as Senior Independent Non-Executive Director and Nomination Committee Chairman with effect from the annual general meeting, we will maintain a Board based on merit which we believe encompasses the broad range of skills, backgrounds and experience necessary to properly serve our shareholders. The mix of Board members brings together many backgrounds and nationalities covering diverse executive responsibilities and, additionally, each member brings with them distinct yet complementary personal experiences and approaches to matters which include the evaluation of opportunities and management of risks. We continue to see the rewards and benefits of having such strength and diversity on the Board.

Nomination Committee

The Nomination Committee report is set out on pages 44 to 45.

Remuneration Committee

The Directors' Remuneration report is set out on pages 50 to 60 including the Remuneration Policy on pages 51 to 55.

Audit Committee and auditors

In view of our continuing long-term ambition for growth and the significant investments that have been made across the business, the Audit Committee has continued to play a substantial role in ensuring appropriate governance and challenge around our risk and assurance processes. This is covered in further detail on pages 27 to 32. Full details of the work of the Audit Committee are in the Audit Committee report on pages 46 to 49.

Douglas Sutherland
Chairman

The main principles of the UK Corporate Governance Code relate to leadership, effectiveness, accountability, remuneration and relations with shareholders.

UK Corporate Governance Code

The UK Corporate Governance Code, as published by the Financial Reporting Council in September 2014 and available on www.frc.gov.uk (the "Code"), sets out a series of principles and provisions documenting good practice in governance. Our Corporate Governance Report is structured to report against the main principles of the Code, which relate to: leadership, effectiveness, accountability, remuneration and relations with shareholders. Together with the Audit Committee Report, the Nomination Committee Report and the Directors' Remuneration Report, this Corporate Governance Report shows how we have applied the principles of the Code during 2016 when we complied with all the provisions of the Code except in relation to Senior Independent Director contact with major shareholders. Further information on this is provided in our Compliance Statement on page 43.

Leadership

Role of the Board

The role of your Board is to facilitate effective, entrepreneurial and prudent management and through that to be collectively responsible for the long-term success of the Company. The Board sets:

- the strategy for the Group and ensures that the necessary resources, measures and controls are in place to implement the agreed strategy and to monitor performance; and
- the values and standards which form the basis of the corporate culture of the Company.

Role of the Chairman

The Chairman:

- is responsible for leadership of the Board and ensuring its effectiveness on all aspects of its role;
- sets the Board meeting schedule and agenda; and
- ensures that each meeting covers an appropriate range of topics including operations, strategy, business development, special projects and administrative matters.

Board meetings

In 2016 the Board met seven times. On 19 December 2016, as a result of the Scheme of Arrangement, Regus plc ceased to be the holding company of the Group and a new parent company, IWG plc, was created. For the purposes of Board meeting attendance, IWG plc is treated as a continuation of Regus plc and no distinction is drawn. Details of Board membership throughout the year and attendance at meetings are set out below:

Members	Attendance (out of possible maximum number of meetings):
Douglas Sutherland, Chairman	7/7
Lance Browne	6/7
Dominik de Daniel	7/7
Mark Dixon	7/7
Elmar Heggen	7/7
Nina Henderson	7/7
François Pauly	7/7
Florence Pierre	7/7

The Board has a formal schedule of matters reserved for its decision and which cannot be delegated. These include:

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

Minutes are taken of all Board discussions and decisions. In the event that a Director has a concern about the running of the Company or a proposed action, and such concern remains unresolved, Directors ensure that any such concerns are recorded in the Board minutes.

Board Committees

There are three committees which support the Board:

- the Audit Committee;
- the Remuneration Committee; and
- the Nomination Committee, (the "Committees").

The Committees have been delegated certain powers by the Board, further details of which, together with the work of the Committees, can be found on pages 44 to 60. The terms of reference of each Committee can be found on the Company's website: www.iwgplc.com

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

Effectiveness

Board composition

The Board currently comprises the Chairman, two Executive Directors and five Non-Executive Directors. The Board considers all Non-Executive Directors to be independent and they each bring their own senior-level experience and objectivity to the Board.

The composition of the Board and Committees are both regularly reviewed. The Board considers that with the proposal of François Pauly as Senior Independent Non-Executive Director and Nomination Committee Chairman, with effect from Lance Browne's stepping down from the Board, it will maintain the correct balance of expertise, skills and dedication in order to discharge its duties effectively.

Board appointments and succession

The Nomination Committee continues to be responsible for leading the process for Board appointments, which it does on the basis of the evaluation of the balance of skills, experience, independence and knowledge, and succession planning. Further details of the Nomination Committee's work and responsibilities are contained on pages 44 and 45.

Re-election of the Board

All Executive and Non-Executive Directors submit themselves for re-election by shareholders annually. Directors appointed during the period since the last annual general meeting are required to seek election at the next annual general meeting under the Company's articles of association. There have been no Directors appointed during the period since the last annual general meeting.

Time commitment

In accordance with the terms of their appointment agreements, the Chairman and all Non-Executive Directors are expected to allocate such time as is necessary for the proper performance of their duties as Directors of the Company and are required to advise the Board if there is a change in circumstances which will impact on the time they are able to dedicate to the Company.

Copies of all Non-Executives' appointment agreements are available for inspection at the Company's Registered Office during normal business hours and at the annual general meeting. Details of other commitments held by the Directors are disclosed on pages 36 and 37.

Development, information and support

All Directors have:

- the opportunity to meet with major shareholders and have access to the Company's operations and employees.
- access to training which is provided on an ongoing basis to meet particular needs with the emphasis on governance and accounting developments. During the year the Company Secretary provided updates to the Board on relevant governance matters, whilst the Audit Committee regularly considers new accounting developments through presentations from management, internal business assurance and the external auditors.
- 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. Appointment and removal of the Company Secretary is a matter reserved for the Board.

The Board programme includes the receipt of monthly Board reports and presentations given at Board meetings from management with strategic responsibilities. These, together with site visits, increase the Non-Executive Directors' understanding of the business and sector.

Should a Director request independent professional advice to carry out his duties, such advice is available to him or her at the Company's expense.

Role of Board members

There is a clear division of responsibilities at the head of the Company between the running of the Board and the running of the Company's business. No one individual Director has unfettered powers of decision-making and all Directors are required to act in the best interests of the Company.

Douglas Sutherland

Chairman

Responsible for leadership of the Board, setting its agenda and monitoring its effectiveness. He ensures that adequate time is available for discussion of all agenda items, in particular strategic issues. Additionally, 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, and regularly meets with the Non-Executive Directors without the Executive Directors being present. In addition, he oversees the corporate responsibility activities of the Group, including community projects and environmental impact initiatives.

Mark Dixon

Chief Executive

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.

Dominik de Daniel

Chief Financial Officer and Chief Operating Officer

Responsible as CFO for leading the finance and accounting functions. He is also responsible for business ethics, good governance, assisting with strategy and compliance. Responsible as COO for the implementation of the strategy across the Group.

Board performance

The Senior Independent Director annually leads the Non-Executive Directors performance evaluation of the Chairman, taking the views of the Executive Directors into account.

Last year an independent external evaluation of the Board was carried out. An annual internal evaluation of Board performance was conducted for 2016. The results were reviewed and incorporated in our ongoing efforts to continuously improve the processes and effectiveness of the Board. There were no reportable matters identified and we continue to have full confidence in the Board's members and processes.

Accountability

Financial and business reporting

In accordance with its responsibilities the Board considers this Annual Report and Accounts, taken as a whole, to be fair, balanced and understandable in addition to providing the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

A statement by the Company's auditor about their responsibilities in relation to the Annual Report and Accounts is included on pages 63 to 65.

The Board conducts regular reviews of the Group's strategic direction. Country and regional strategic objectives, plans and performance targets are set by the Executive Directors and are regularly reviewed by the Board in the context of the Group's overall objectives. Further details of the basis on which the Company generates and preserves value over the longer term and the strategy for delivering the objectives of the Company are contained in the Strategic Report on pages 1 to 35.

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 a period of at least 12 months from the date of approval of the financial statements. For this reason, they continue to adopt the going concern basis in preparing the accounts on pages 63 to 118.

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 14 to 19, as well as the Group's principal risks and uncertainties as set out on pages 27 to 32.

Further details on the going concern basis of preparation can be found in note 23 of the notes to the accounts on page 92.

Lance Browne

Senior Independent Director

The Senior Independent Director acts as a sounding board and confidant for the Chairman, as an intermediary for other Directors as and when necessary and leads the appraisal of the Chairman's performance. He is also available to shareholders if they have concerns that cannot be resolved through normal channels.

Non-Executive Directors

The independent counsel, character and judgement of the Non-Executive Directors enhances the development of strategy and the overall decision-making of the Board. The Non-Executive Directors scrutinise the performance of management and monitor the reporting of performance, satisfying themselves on the integrity of financial information and that financial controls and systems of risk management are robust and defensible. They are also responsible for determining appropriate levels of executive remuneration.

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.

Timothy Regan

Company Secretary

The Company Secretary is responsible for advising the Board, through the Chairman, on all governance matters and ensuring that appropriate minutes are taken of all Board meetings and discussions.

Longer-term viability

The Directors have also assessed the viability of the Group and Company over a three-year period to 31 December 2019. This is based on three years of strategic outlook and planning and related stress scenario testing. Whilst the Board has no reason to believe that the Group will not be viable over a longer period, using a three-year period was chosen to give greater certainty over the assumptions used.

In making their assessment, the Directors took account of the further information included in the business activities

commentary as set out on pages 14 to 19, as well as the Group's principal risks and uncertainties and related mitigation approaches as set out on pages 27 to 32. They assessed potential financial and operational aspects of various severe but plausible scenarios in the context of these principal risks and uncertainties and potential combinations thereof along with the likely effectiveness of available mitigating actions.

Based on this assessment, the Directors have a reasonable expectation that the Group and Company will be able to continue in operation and meet all their liabilities as they fall due over the period up to 31 December 2019.

Principal risks

The Board is responsible for assessing the nature and extent of the principal risks it is willing to take to achieve its strategic objectives and also those risks that threaten its business model, future performance, solvency or liquidity. The key risks to the Group and the steps taken to manage and mitigate them which were reviewed and approved by the Board are detailed on pages 27 to 32.

The Board has delegated authority for overseeing and reviewing the process of identifying, managing and reviewing risks to the Audit Committee, which reports regularly to the Board.

Internal control systems

The Board has delegated its responsibility for the Company's system of internal control and risk management and for ensuring the effectiveness of this system to the Audit Committee. Details of the system and the Committee's review of its effectiveness are reported on pages 46 to 48.

Audit Committee and auditors

The Board has established an Audit Committee consisting entirely of Independent Non-Executive Directors. The Audit Committee has responsibility for ensuring the integrity of financial information and the effectiveness of financial controls and the internal control and risk management system. Further details of the Audit Committee's work and responsibilities are contained on pages 46 to 49.

All members of the Audit Committee are considered by the Board to be competent in accounting and/or auditing. Furthermore, and in compliance with the Code, the Board regards Elmar Heggen as the Committee member possessing recent and relevant financial experience.

On recommendation of the Audit Committee, it is intended that a tender process for the external audit should be launched during 2018 and it is proposed that KPMG be re-appointed as the auditor for the financial year ending 31 December 2017.

Remuneration

Remuneration Committee

The Board has established a Remuneration Committee with responsibility for the design and implementation of the Remuneration Policy for both Executive Directors and the Chairman. In doing so, the Committee will pay due regard to wider remuneration trends across the Group, legal requirements and best corporate governance. The aim is to ensure our Remuneration Policy is aligned to Company strategy, key business objectives and the best interests of our shareholders and stakeholders. Further details of the Remuneration Committee's work is contained on pages 50 to 60. In order to maintain transparency, approval for the Company's Remuneration Policy and the Annual Report on Remuneration will be sought at the annual general meeting.

Control environment

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

A clearly defined organisation structure with established responsibilities;

An induction process to educate new team members on the standards required from them in their role, including business ethics and compliance, regulations and internal policies;

Provision to all team members of a copy of the 'Team Member Handbook' which contains detailed guidance on employee policies and the standards of behaviour required of staff;

Relations with shareholders

Dialogue with shareholders

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

The Chief Executive Officer and the 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.

Non-Executive Directors are given regular updates as to the views of institutional shareholders. The Chairman attends the main presentations of the half-year and full-year results and is also available to meet with shareholders on request.

The principal communication with private shareholders is through the Annual Report, the half-year results and the annual general meeting.

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

Annual general meeting

The annual general meeting each year is held in May. From 2017, the annual general meeting will be held in Switzerland and will be attended, other than in exceptional circumstances, by all members of the Board. In addition to the formal business of the meeting, there is normally a trading update and shareholders are invited to ask questions and are also given the opportunity to meet the Directors informally afterwards.

Notice of the annual general meeting together with any related documents is required to be mailed to shareholders at least 20 working days before the meeting and separate resolutions are proposed on each issue.

The voting in respect of all resolutions to be put to the annual general meeting is conducted by means of a poll vote.

The level of proxy votes cast and the balance for and against each resolution, together with the level of abstentions, if any, are announced following voting on a poll. Where the Board considers that a significant proportion of votes have been cast against a resolution, the actions which the Board intends to take to understand the reasons behind the vote result will also be explained.

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

Compliance statement

The Company has complied with the provisions of the Code throughout the year ended 31 December 2016, 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 to investors, rather than the Senior Independent Non-Executive Director. The Chairman participates in investor meetings and makes himself available for questions, in person, at the time of major announcements as well as upon request.

The Chairman regularly updates the Board and particularly the Senior Independent Non-Executive Director on the results of his meetings and the opinions of investors. On this basis, the Board considers that the Senior Independent Non-Executive Director is able to gain full awareness of the issues and concerns of major shareholders. Notwithstanding this policy, all Directors have a standing invitation to participate in meetings with investors.

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.

Policies and procedure manuals and guidelines that are readily accessible through the Group's intranet site;

Operational audit and self-certification tools which require individual centre managers to confirm their adherence to Group policies and procedures; and

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



Our aim is for our Board and senior management team to be reflective of the international nature of our business and the communities in which we operate.

Lance Browne
Chairman

Members of the Committee

On 19 December 2016, as a result of the Scheme of Arrangement, Regus plc ceased to be the holding company of the Group and a new parent company, IWG plc, was created. For the purposes of Committee attendance, IWG plc is treated as a continuation of Regus plc and no distinction is drawn. Committee membership during the year and attendance at the meetings are set out below.

Members	Attendance (out of possible maximum number of meetings)
Lance Browne, Chairman	4/4
Elmar Heggen	4/4
Nina Henderson	4/4
François Pauly	4/4
Florence Pierre	4/4
Douglas Sutherland	4/4

All members of the Committee are independent.

Dear shareholder

I am pleased to present to you my report on the Nomination Committee (the "Committee").

Although there were no changes to the Board composition, key activities in 2016 included the consideration of my successor as Senior Independent Non-Executive Director and Nomination Committee Chairman as I step down from the Board after nine years. I am delighted with the proposal that François Pauly takes on these responsibilities.

Our Board composition

As at the date of this report, the Board comprises eight members, being:

- the Chairman (Douglas Sutherland);
- two Executive Directors; and
- five Non-Executive Directors.

IWG maintains a Board whose breadth and scope in terms of expertise, gender and nationality reflect the size and geographical reach of the business. We believe the Board is the right size to meet the requirements of the business and any changes to the Board's composition and to its committees can be managed without undue disruption.

Board appointments

Our regular internal Board review process monitors effectiveness, performance, balance, independence, leadership and succession planning, enabling us to identify the capabilities and roles required for a particular Board appointment. In view of the future development of the Group and our objective to continue to place strong emphasis on the diversity of the Board, the Nomination Committee maintains an ongoing programme of engagement with highly qualified female and male Non-Executive Director candidates of varied education, backgrounds and business experience.

We maintain a policy of diversity, as is reflected in our current Board of two women and six men, representing six nationalities and seven countries of residence. Along with their international operational experience, they also bring in-depth working knowledge of multiple industries, business and organisational models, corporate cultures, functional areas and business issues. Biographical details of the Directors are on pages 36 to 37. We continue to monitor the broader discussion on diversity which we take into consideration whilst maintaining a merit based approach to recommendations for Board appointments.

Succession planning

We ensure that succession plans are in place for the orderly succession for appointments to the Board and senior management positions, so that there is an appropriate balance of skills and experience within the Company and on the Board.

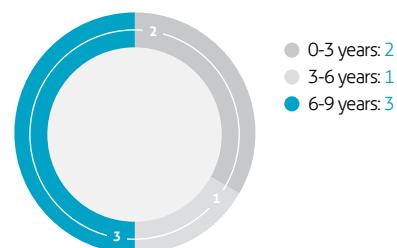
Succession planning discussions continue to be an integral priority of the Group's business planning and review process, as is the continued development of both management capacity and capabilities within the business.

Terms of reference

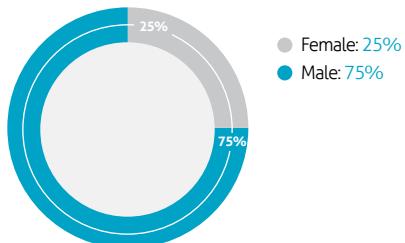
Below is a summary of the terms of reference of the Nomination Committee:

- 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 reappointment to the Board for the purpose of ensuring a balanced and diverse Board in respect of skills, knowledge and experience.
- Board Committees – to make recommendations to the Board in relation to the suitability of candidates for membership of the Audit and Remuneration Committees. The appointment and removal of Directors are matters reserved for the full Board.
- Board effectiveness – to review annually and make appropriate recommendations to the Board.

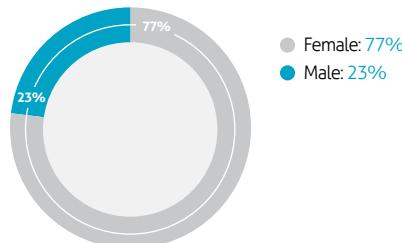
Length of tenure of Non-Executive Directors within the Committee



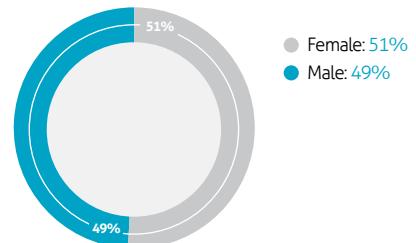
Gender split of board



Gender split of business centre employees



Gender split of Group employees



- 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.

Complete details of the above are available on the Company's website:
www.iwgplc.com

Lance Browne

Chairman, Nomination Committee

Our Board composition

As at the date of this report, the Board comprises eight members: the Chairman (Douglas Sutherland), five Non-Executive Directors and two Executive Directors. The Board considers all the Non-Executive Directors to be independent. The names of the Directors serving as at 31 December 2016 and their biographical details are set out on pages 36 and 37.

All Directors served throughout the year under review.

IWG's aim is to appoint a Board with varied backgrounds and gender to reflect the society in which we operate.



The Committee's key objective is to provide effective governance over the Company's financial reporting.

Elmar Heggen
Chairman

Members of the Committee

On 19 December 2016, as a result of the Scheme of Arrangement, Regus plc ceased to be the holding company of the Group and a new parent company, IWG plc, was created. For the purposes of Committee attendance, IWG plc is treated as a continuation of Regus plc and no distinction is drawn. Committee membership during the year and attendance at the meetings are set out below.

Members	Attendance (out of possible maximum number of meetings)
Elmar Heggen, Chairman	6/6
Lance Browne	6/6
Nina Henderson	6/6
François Pauly	6/6
Florence Pierre	6/6

All members of the Committee are independent.

Dear shareholder

As Chairman of the Audit Committee (the "Committee"), I am pleased to present to you this year's Committee report which shows how the Committee applied the principles of the UK Corporate Governance Code during 2016.

Key objective

Acting on behalf of the Board, the Committee's key objective is to provide effective governance over the Company's financial reporting: this is achieved by monitoring, reviewing and making recommendations to the Board in respect of:

- the integrity of the Company's external financial reporting;
- the Company's system of internal control and compliance; and
- the Company's external auditors.

Membership and meetings

Six Committee meetings were held during 2016. At the request of the Committee Chairman, the external auditors, the Executive Directors, the Company Secretary (acting as secretary to the Committee), the General Counsel and the Business Assurance Director may attend each meeting. The Committee also when required, and at least annually, meets independently, without the presence of management, with the Company's external auditors and with the Business Assurance Director to informally discuss matters of interest.

Responsibilities

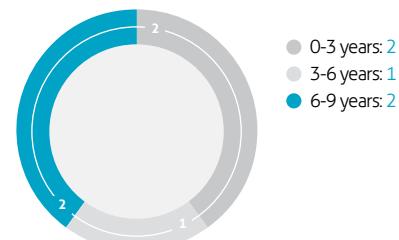
Below is a summary of the terms of reference of the Committee (the full text of which is available on the Company's website (www.iwgplc.com)):

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

The Audit Committee ensures that these arrangements allow proportionate and independent investigation and appropriate follow-up action.

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

Length of tenure of Non-Executive Directors within the Committee



Activities of the Audit Committee during the year

The following sections summarise the main areas of focus of the Committee and the results of the work undertaken in 2016:

Financial reporting

The main focus of the Audit Committee was the review of the half-year results and this Annual Report together with the formal announcements relating thereto; before recommending these to the Board we ensure that the actions and judgements made by management are appropriate. Particular focus is given to:

- critical accounting policies and practices and changes thereto;
- changes in the control environment;
- control observations identified by the auditor;
- decisions delegated to and requiring judgements by management;
- adjustments resulting from the audit;
- clarity of the disclosures made and compliance with accounting standards and relevant financial and governance reporting requirements; and
- the process surrounding compilation of the Annual Report and Accounts to ensure they are fair, balanced and reasonable.

The Committee formally considers and minutes their consideration of the key audit matters before recommending the financial statements to the Board.

The Committee discussed and reviewed the following significant issues with KPMG and management in relation to the financial statements for 2016:

- **Taxation:** The Committee considered the taxation risks arising from the Group's operations when assessing the accounting for taxation related balances and applied sensitivity analysis to determine the appropriateness of key judgements. Also assessed was the recoverability of deferred tax assets and whether the recognition of additional deferred tax assets would be appropriate.

The presentation and disclosure (in accordance with IAS 1 and IAS 12) in respect of taxation related balances were considered as was whether the Group's disclosures reflected the risks inherent in the accounting for the taxation balances. The Committee is satisfied that appropriate judgements have been made.

• Valuation of intangibles and goodwill:

The Committee has considered the impairment testing undertaken and disclosures made in relation to the value of the Company's goodwill and intangibles and has challenged the key assumptions made by management in their valuation methodology. The Committee considers that an appropriately cautious approach has been used by management and is satisfied that no impairment of intangibles and goodwill is required. See notes 12 and 13 for further information.

Following its in-depth review of this Annual Report, the Committee has advised the Board that it considers the Annual Report, taken as a whole, to be fair, balanced and understandable, providing the information necessary for shareholders to assess the Company's position and performance, business model and strategy. As such, the Committee recommended the Annual Report to the Board.

Risk management

On behalf of the Board, the Audit Committee oversees and reviews an ongoing process for identifying, evaluating and managing the risks faced by the Group. Major business risks and their financial implications are appraised by the responsible executives as a part of the planning process and are endorsed by regional management. Key risks are reported to the Audit Committee, which in turn ensures that the Board is made aware of them. The appropriateness of controls is considered by the executives, having regard to cost, benefit, materiality and the likelihood of risks crystallising. Key risks and actions to mitigate those risks were considered by both the Audit Committee and the Board in the year under review, and were formally reviewed and approved by the Board. The Company has put systems in place to enable compliance with the requirements of the EU Market Abuse Regulation since it came into effect in July 2016.

Principal risks

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

annual planning process, as well as the Group's monthly review cycle.

The Group's principal risks, together with an explanation of how the Group manages these risks, are presented on pages 27 to 32 of this Annual Report.

Internal control

The Committee has a delegated responsibility from the Board for the Company's system of internal control and risk management and for reviewing the effectiveness of this system. Such a system is designed to identify, evaluate and control the significant risks associated with the Group's achievement of its business objectives with a view to safeguarding shareholders' investments and the Group's assets. Due to the limitations that are inherent in any system of internal control, this system is designed to meet the Company's particular needs and the risks to which it is exposed, and is designed to manage rather than eliminate risk.

Accordingly, such a system can provide reasonable, but not absolute, assurance against material misstatement or loss.

In accordance with the FRC Revised Guidance, the Committee confirms that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Group.

During the year under review, the Committee continued to revisit its risk identification and assessment processes, inviting Board members and senior management to convene and discuss the Group's key risks and mitigating controls.

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

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

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

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

- The risk assessments of all significant business decisions at the individual transaction level, and as part of the annual business planning process. A Group-wide risk register is maintained and updated at least annually whereby all Company-inherent risks are identified and assessed, and appropriate action plans developed to manage the risk per the Company's risk appetite. The Board reviews the Group's principal risks register at least annually and management periodically reports on the progress against agreed actions to keep a close watch on how key risks are managed;
- The annual strategic planning process, which is designed to ensure consistency with the Company's strategic objectives. The final budget is reviewed and approved by the Board. Performance is reviewed against objectives at each Board meeting;
- Comprehensive monthly business review processes under which business performance is reviewed at business centre, area, country, regional and functional levels. Actual results are reviewed against targets, explanations are received for all material movements, and recovery plans are agreed where appropriate;
- The documentation of key policies and control procedures (including finance, operations, and health and safety) having Group-wide application. These are available to all staff via the Group's intranet system;
- Formal procedures for the review and approval of all investment and acquisition projects. The Group Investment Committee reviews and approves all investments. Additionally, the form and content of routine investment proposals are standardised to facilitate the review process;
- The delegation of authority limits with regard to the approval of transactions.

- The generation of targeted, action-oriented reports from the Group's sales and operating systems on a daily, weekly and monthly basis, which provide management at all levels with performance data for their area of responsibility, and which help them to focus on key issues and manage them more effectively;
- The delivery of a centrally co-ordinated assurance programme by the business assurance department that includes key business risk areas. The findings and recommendations of each review are reported to both management and the Committee; and
- Annual internal control self-assessment and management certification exercise covering the effectiveness of financial and operational controls. This is based on a comprehensive internal control questionnaire collated and reviewed by business assurance. Results and any necessary mitigating action plans are presented to senior management and the Board.

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

- a clearly defined organisation structure with established responsibilities;
- an induction process to educate new team members on the standards required from them in their role, including business ethics and compliance, regulation and internal policies;
- the availability of the 'Team Member Handbook', via the Group's intranet, which contains the Company's Code of Business Conduct, detailed guidance on employee policies and the standards of behaviour required of staff;
- policies, procedure manuals and guidelines are readily accessible through the Group's intranet site;
- operational audit and self-certification tools which require individual managers to confirm their adherence to Group policies and procedures; and
- a Group-wide policy to recruit and develop appropriately skilled management and staff of high calibre and integrity and with appropriate disciplines.

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

The Committee has completed its annual review of the effectiveness of the system of internal control for the year to 31 December 2016 and is satisfied that it is in accordance with the FRC Revised Guidance and the Code. The assessment included consideration of the effectiveness of the Board's ongoing process for identifying, evaluating and managing the risks facing the Group.

Whistle-blowing policy

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

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

External audit

KPMG Luxemburg was Regus plc's auditor for the year ended 31 December 2016 and it remains so after this date. KPMG Ireland ('KPMG') were appointed in 2016 as the auditors of IWG plc, following the Scheme of Arrangement. Whilst IWG plc is a Jersey company, after consultation with KPMG, the committee determined that appointing a Jersey registered KPMG Dublin audit partner would best serve the needs of the Group. The Audit Committee is responsible for oversight of the external auditor, including an annual assessment of their independence and objectivity and the measures in place to safeguard this.

During the year, KPMG audited the consolidated financial statements of the Group and provided an overview of the half-year results of the Company. KPMG performed non-audit services in relation to: the Scheme of Arrangement, tax services to India and Venezuela and building certification services to Australia. Where such services are provided an explanation of how auditor objectivity and independence are safeguarded needs to be provided.

Measures in place to safeguard KPMG's independence were:

- the Company's policy to use the external auditor for non-audit-related services only where the use of the external auditor will deliver a demonstrable benefit to the Company as compared to the use of other potential providers of the services and where it will not impair their independence or objectivity;
- all proposals for permitted defined non-audit services to use the external auditor must be submitted to, and authorised by, the Chief Financial Officer; permitted non-audit services include advice on financial accounting and regulatory reporting matters, reviews of internal accounting and risk management controls, non-statutory audits (e.g. regarding acquisitions and disposal of assets and interests in companies) and tax compliance and advisory services;
- prohibited non-audit services include book-keeping and other accounting services, actuarial valuation services, recruitment services in relation to key management positions and transaction (acquisitions, mergers and dispositions) work that includes investment banking services, preparation of forecasts or investment proposals and deal execution services; and
- KPMG is required to adhere to a rotation policy requiring rotation of the lead audit partner at least every five years. A new lead audit partner took responsibility for the audit in respect of the financial year ended 31 December 2016.

The breakdown of the fees paid to the external auditor during the year to 31 December 2016 can be found in note 5 of the notes to the financial statements on page 79.

In assessing the effectiveness of the external audit process for 2016 the Committee has considered:

- the audit process as a whole and its suitability for the challenges facing the Group;
- the strength and independence of the external audit team;
- the audit team's understanding of the control environment;
- the culture of the external auditor in seeking continuous improvement and increased quality;
- the quality and timeliness of communications and reports received; and
- the quality of interaction with management.

Following the Committee's assessment of the effectiveness of the external audit process for 2016 and of KPMG's continuing independence, the Committee has recommended to the Board that a resolution to reappoint KPMG as the Company's auditor in respect of the financial year ending 31 December 2017 be proposed at the annual general meeting.

Notwithstanding the Audit Committee's continued satisfaction with the performance of KPMG, as previously noted, the Committee has recommended to the Board that a tendering process for the external audit should be launched, during 2018.

Elmar Heggen

Chairman, Audit Committee



The Committee's focus is to ensure that remuneration is designed to promote the long-term success of the Company.

Nina Henderson
Chairman

Members of the Committee

On 19 December 2016, as a result of the Scheme of Arrangement, Regus plc ceased to be the holding company of the Group and a new parent company, IWG plc, was created. For the purposes of Committee attendance, IWG plc is treated as a continuation of Regus plc and no distinction is drawn. Committee membership during the year and attendance at the meetings are set out below.

Members	Attendance (out of possible maximum number of meetings)
Nina Henderson, Chair	6/6
Lance Browne	5/6
Elmar Heggen	6/6
François Pauly	6/6
Florence Pierre	6/6

All members of the Committee are independent.

Dear shareholder

I am pleased to present this Directors' Remuneration Report.

The Committee's challenge is to ensure that we set a policy that enables us to motivate our people, to reward performance and recruit the calibre of talent that will lead the Company in sustaining its record of profitable growth.

This report sets out the Annual Report on Remuneration on pages 55 to 60 and this describes the amounts paid to Directors in respect of 2016.

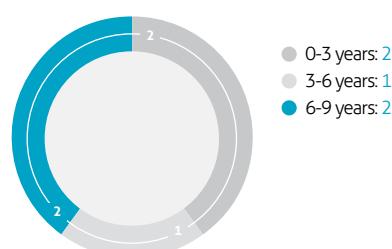
Over the last five years Regus has demonstrated continued growth and sustained strong performance. Revenues have increased by over 92% and EPS has grown from 4.3p to 14.9p. This sustained financial growth has been reflected in our share price and market value. Continued strong revenue and profit growth in 2016, combined with a return on investment of 13.7%, gives us confidence in the future and in our ability to meet our long-term goals to continue to expand globally.

Growth of this nature brings new challenges and demands. A key driver of the Company's growth has been and will continue to be its people and their talents.

The Company's human resource continues to evolve, simultaneously adding new, whilst retaining existing, capabilities and skills.

Last year, at the 2016 AGM, we renewed our Remuneration Policy and were pleased to receive shareholder support for both the Remuneration Policy and the Remuneration Report. The Remuneration Committee believes the policy has served the Company and shareholders well and is aligned to principles of best practice. As a result no material changes are proposed and this year there will only be a single advisory vote on this statement and the Annual Report on Remuneration.

Length of tenure of Non-Executive Directors within the Committee



Annual bonus

2016 was a year of continued growth and strong financial performance. The 2016 annual bonus plan was measured against an operating profit target. The achieved operating profit of £186.2m resulted in a bonus equivalent to 140.1% of the respective salaries of the two Executive Directors (the maximum being 150% of salary) being awarded. Half of the bonus will be deferred in shares for three years vesting subject to continued employment.

Co-Investment Plan

Under the CIP the following two tranches vested during the year subject to performance against EPS and TSR targets: 2013 award tranche two vested in full and 2014 award tranche one vested partially. As reported in 2015, the CIP has been replaced by the Performance Share Plan and no new awards under the CIP will be made.

The year ahead

The Remuneration Committee has made the following decisions for 2017:

- Following the adjustment to base salaries in 2016, Executive Directors will receive no increase to base salary in 2017;
- The annual maximum bonus will remain unchanged at 150% of base salary for Executive Directors with half of any bonus paid deferred in shares which vest after three years. Performance will continue to be measured against stretching operating profit targets and deferral will apply to any bonus awarded; and
- Awards of 200% of base salary will be granted under the Performance Share Plan in line with the approved policy. The awards will vest subject to performance measures over three financial years, 2017-2019, against EPS, relative TSR and Return on Investment targets. Any award that vests will be subject to an additional two-year holding period.

The Committee considers the remuneration earned by the Executive Directors is a fair reflection of Company performance and the return delivered to shareholders.

On behalf of the Committee, I commend this report to you and look forward to your support for the resolution at the annual general meeting.

Nina Henderson

Chairman of the Remuneration Committee

Remuneration Policy

The full Directors' Remuneration Policy, approved for three years from the Regus plc 2015 AGM held on 17 May 2016 and adopted by IWG plc as part of the Scheme of Arrangement is shown on pages 51 to 55 for ease of reference. Please note that the information shown has been updated to take account of the fact that the policy is now approved and enacted rather than proposed.

Overview of Remuneration Policy

The revised policy, which was developed as part of a remuneration review carried out during the year, has the following objectives:

- To enable the Group to recruit and retain individuals with the capability to lead the Company on its ambitious future growth path;
- To ensure that our structures are transparent and capable of straightforward explanation externally and to employees;
- To align the targets for variable pay with the strategic objectives for the Group; and
- To reflect the global operating model of the Group whilst taking account of governance best practice.

Policy Table for Executive Directors

Component	Purpose / link to strategy	Operation	Maximum	Performance framework
Base salary	To provide a competitive component of fixed remuneration to attract and retain people of the highest calibre and experience needed to shape and execute the Company's strategy.	Salaries are set by the Committee. The Committee reviews all relevant factors such as: the scope and responsibilities of the role, the skills, experience and circumstances of the individual, sustained performance in role, the level of increase for other roles within the business, and appropriate market data. Salaries are reviewed annually and any changes normally made effective from 1st January. The base salaries effective 1 January 2017 are set out on page 55 of the Annual Remuneration Report.	There is no prescribed maximum salary. Salary increases will normally be broadly in line with increases awarded to other employees in the business, although the Committee retains discretion to award larger increases if it considers it appropriate (e.g. to reflect a change in role, development and performance in role, or to align to market data).	While there are no performance targets attached to the payment of salary, performance is a factor considered in the annual salary review process.
Benefits	To provide a competitive benefits package.	Incorporates various cash / non-cash benefits which may include: a company car (or allowance) and fuel allowance, private health insurance, life assurance, and, where necessary, other benefits to reflect specific individual circumstances, such as housing or relocation allowances, representation allowances, reimbursement of school fees, travel allowances, or other expatriate benefits.	Benefit provision is set at an appropriate competitive market rate for the nature and location of the role. There is no prescribed maximum as some costs may change in accordance with market conditions.	N/A
Pension	To provide retirement benefits in line with the overall Group policy.	Provided through participation in the Company's money purchase (personal pension) scheme, under which the Company matches individual contributions up to a maximum of base salary. The Company may amend the form of an Executive Director's pension arrangements in response to changes in legislation or similar developments.	7% of base salary. The Committee may set a higher level to reflect local practice and regulation, if relevant.	N/A
Annual bonus	To incentivise and reward annual performance and create further alignment with shareholders via the delivery and retention of deferred equity.	Provides an opportunity for additional reward (up to a maximum specified as a % of salary) based on annual performance against targets set and assessed by the Committee. Half of any annual bonus paid will be in deferred shares which will vest after three years, subject to continued employment but no further performance targets. The other half is paid in cash following the relevant year end. A dividend equivalent provision allows the Committee to pay dividends, at the Committee's discretion, on vested shares (in cash or shares) at the time of vesting and may assume the reinvestment of dividends on a cumulative basis. Recovery and with-holding provisions apply to bonus awards (see note 1 below).	150% of base salary per annum.	Performance metrics are selected annually based on the current business objectives. The majority of the bonus will be linked to key financial metrics, of which there will typically be a significant profit based element (see note 3 below). Performance below threshold results in zero payment with no more than three-fifths of the bonus available at target. Payments rise from 0% to 100% of the maximum opportunity levels for performance between the threshold and maximum targets.

Directors' Remuneration report continued

Component	Purpose / link to strategy	Operation	Maximum	Performance framework
Performance Share Plan ("PSP")	Motivates and rewards the creation of long-term shareholder value. Aligns Executives' interests with those of the shareholders.	Awards will normally be made annually under the PSP, and will take the form of either nil-cost options or conditional share awards. Participation and individual award levels will be determined at the discretion of the Committee within the policy. Awards vest five years following grant, subject to performance against pre-determined targets (measured after three years) which are set and communicated at the time of grant. Recovery and with-holding provisions apply to PSP awards (see note 1 below). A dividend equivalent provision allows the Committee to pay dividends, at the Committee's discretion, on vested shares (in cash or shares) at the time of vesting and may assume the reinvestment of dividends on a cumulative basis.	The normal plan limit is 250% of base salary.	Awards have a performance period of three financial years starting at the beginning of the financial year in which the award is made. Performance conditions will measure the long-term success of the Company (see note 4 below). In respect of each performance measure, performance below the threshold target results in zero vesting. The starting point for vesting of each performance element will be no higher than 25% and rises on a straight line basis to 100% for attainment of levels of performance between the threshold and maximum targets. There is no opportunity to re-test.
Shareholding guidelines	To align Executive Directors' interests with those of our long-term shareholders and other stakeholders.	Executive Directors are expected to build a holding in the Company's shares to a minimum value of two times their base salary. This must be built via the retention of the net-of-tax shares vesting under the Company's equity based share plans.	N/A	N/A

Notes to the policy table:

1. Recovery and withholding provisions may be applied as a result of misconduct, material misstatement or error in calculation of performance. Awards subsequent to the grant but before the expiry of the holding period, may be reduced or an Executive Director may be required to repay an award at any time within three years of the date on which the award vests.
2. For the avoidance of doubt, by approval of the policy, authority has been given to the Company to honour any commitments entered into with current or former directors (such as the payment of a pension or the unwinding of legacy share schemes) that have been disclosed to shareholders in previous Directors' Remuneration Reports. Details of any payments to former directors will be set out in the Annual Report on Remuneration as they arise. The previous Remuneration Policy included the CIP which has been replaced by the new PSP. Under the CIP, Executive Directors could defer a proportion of their bonus into shares and receive a performance based matching award for each deferred share. The final CIP awards were made in March 2015. Subject to satisfaction of the relevant performance targets, the final CIP awards will be fully vested and exercisable from 4 March 2020 until 4 March 2025.
3. Annual bonus performance measures are determined at the start of each year, based on the key business priorities for the year. The majority will be based on clear financial targets, including a significant weighting on profit, as this is the primary indicator of our sustainable growth.
4. PSP performance metrics are determined at the time of grant. Performance measures may include a measure of profitability (such as EPS), capital return (such as EVA or ROI) and other measures of long-term success (such as relative TSR). These measures align with our long-term goal of value creation for shareholders through underlying financial growth and above-market returns.
5. As IWG operates in a number of geographies employee remuneration practices vary across the Group to reflect local market practice. However, employee remuneration policies are based on the same broad principles. Our primary objective in awarding variable pay is to drive achievement of results, according to role, and to recognise and reward excellent performance. Accordingly, to account for variances in responsibilities, influence and seniority, incentive schemes are not uniform in approach.
6. In order to ensure that the remuneration policy achieves its intended aims, the Remuneration Committee retains discretion over the operation of certain elements of the variable pay policy. This includes the discretion to adjust the annual bonus and PSP outcome if it is not considered to be reflective of the wider performance of IWG. In addition the Committee may adjust elements of the Plans including but not limited to:
 - Participation;
 - The timing of the grant of award and/or payment;
 - The size of an award (up to plan limits) and/or payment;
 - Discretion relating to the measurement of performance in the event of a change of control;
 - Determination of a good leaver (in addition to any specified categories) for incentive plan purposes;
 - Adjustments required in certain circumstances (e.g. rights issues, corporate restructuring and special dividends); and
 - The ability to adjust existing performance conditions for exceptional events so that they can still fulfil their original purpose.
Should any such discretions be exercised, an explanation would be provided in the following Annual Report on Remuneration and may be subject to shareholder consultation as appropriate.
7. The Committee reserves the right to make any remuneration payments and payments for loss of office (including exercising any discretions available to it in connection with such payments) notwithstanding that they are not in line with the policy set out above where the terms of the payment were agreed (i) before the policy came into effect or (ii) at a time when the relevant individual was not a Director of the Company and, in the opinion of the Committee, the payment was not in consideration for the individual becoming a Director of the Company. For these purposes "payments" includes the Committee satisfying awards of variable remuneration and, in relation to an award over shares, the terms of the payment are "agreed" at the time the award is granted. The Committee may make minor amendments to the policy set out above (for regulatory, exchange control, tax or administrative purposes or to take account of a change in legislation) without obtaining shareholder approval for that amendment.

Policy Table for the Chairman and Non-Executive Directors

Component	Operation	Maximum	Performance framework
Chairman fees	<p>Reviewed, but not necessarily increased, annually and as determined by the Remuneration Committee. The Committee will consider, where appropriate, pay data at companies of a similar scale.</p> <p>A single fee which reflects all Board and Committee duties.</p> <p>Set at a level sufficient to attract and retain individuals with the required skills, experience and knowledge to allow the Board to effectively carry out its duties.</p>	There is no prescribed maximum although fees and fee increases will be considered in line with the increases of the wider workforce and market rates.	Neither the Chairman nor the Non-Executive Directors are eligible for any performance related remuneration.
Non-Executive Director fees	<p>Reviewed, but not necessarily increased, annually and as determined by the Chairman and the Executive Directors. The Committee will consider, where appropriate, pay data at companies of a similar scale.</p> <p>A base fee is payable with additional fees for chairing key Board Committees and for being the Senior Independent Director.</p> <p>Set at a level sufficient to attract and retain individuals with the required skills, experience and knowledge to allow the Board to effectively carry out its duties.</p>		

Consideration of conditions elsewhere in the Group

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

Consideration of shareholder views

The Committee is dedicated to ensuring that IWG shareholders understand and support our remuneration structures. Accordingly, where changes are being made to the Remuneration Policy, or in the event of a significant exercise of discretion, we will consult with shareholders, as appropriate, to explain our approach and rationale fully. Such an approach was followed in relation to the changes to policy for 2016. Additionally, the Committee considers shareholder feedback received in relation to each annual general meeting alongside any views expressed during the year. We actively engage with our largest shareholders and consider the range of views expressed. Except in exceptional circumstances, the members of the Committee, including the Committee Chairman, attend the Company's annual general meeting and are available to listen to views and to answer shareholders' questions about Directors' remuneration.

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

Approach to recruitment remuneration

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

- The package must be sufficiently competitive to facilitate the recruitment of individuals of the highest calibre and experience needed to shape and execute the Company's strategy. At the same time, the Committee would seek to pay no more than necessary.
- The remuneration package for a new Executive Director would be set in accordance with the terms of the approved Remuneration Policy in force at the time of the appointment. Salaries would reflect the skills and experience of the individual, and may (but not necessarily) be set at a level to allow future salary progression to reflect performance in role.
- The Committee may offer additional cash and/or share based payments in the year of appointment when it considers these to be in the best interests of the Company and, therefore, shareholders. Per the Remuneration Policy the maximum level of variable remuneration which may be awarded is 400% of salary (of which 250% is permitted under the PSP under the exceptional circumstances limit and 150% under the annual bonus plan). Performance conditions for variable pay in the year of appointment may be different to those applying to other Directors, which would be subject to stretching performance conditions.
- Where an individual forfeits remuneration at a previous employer as a result of appointment to the Company, the Committee may offer compensatory payments or awards to facilitate recruitment. Such payments or awards could include cash as well as performance and non-performance-related share awards, and would be in such form as the Committee considers appropriate taking into account all relevant factors such as the form, expected value, anticipated vesting and timing of the forfeited remuneration. The aim of any such award would be to ensure that so far as possible, the expected value and structure of the award will be no more generous than the amount forfeited.
- Any share-based awards referred to in this section will be granted as far as possible under the Company's existing share plans. If necessary, awards may be granted outside of these plans as permitted under the Listing Rules, and in line with the approach and the limits set out above.
- In the case of an internal appointment, variable pay awarded in respect of the incumbent's prior role may pay out according to its terms of grant. In addition, any other ongoing remuneration obligations prior to their appointment may continue, provided that they are put to shareholders for approval at the first annual general meeting following their appointment.

The remuneration package for a newly appointed Non-Executive Director would normally be in line with the structure set out in the Policy Table for Non-Executive Directors on page 53.

Service contracts

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

The Company may terminate employment of the Chief Executive by making a payment in lieu of notice which would not exceed 12 months' salary.

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

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

Policy on payment for loss of office

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

- The Committee's objective is to find an outcome which is in the best interests of the Company and its shareholders, taking into account the specific circumstances, contractual obligations and seeking to pay no more than is warranted. Payments in lieu of notice will not exceed 12 months' salary and benefits.
- Treatment of annual bonus:

There is no contractual right to receive an annual bonus in the year of termination. However, the Committee has discretion for certain leavers to make a payment under the annual bonus. This will reflect the period of service during the year and performance (measured at the same time as performance for other plan participants, if feasible). Should the Committee make a payment in these circumstances, the rationale would be set out in the following Annual Report on Remuneration.

- Treatment of share plans:

If an Executive Director leaves employment with the Company unvested PSP and deferred bonus shares will lapse unless the Committee in its absolute discretion determines otherwise for reasons including, amongst others, injury, disability, retirement, redundancy and death. In such circumstances an Executive Director's award normally vests based on the time served and in the case of the PSP, achievement of performance criteria.

Should the Committee adjust the time pro-rating, then this would be explained in the following Annual Report on Remuneration. If the Executive Director ceases to be an employee for any reason other than those specified above then the award shall lapse immediately on such cessation.

The terms of any other unvested share awards on termination will be as set out in the prior policy.

Awards will vest on the normal vesting date unless the Committee determines, in its discretion, that awards will vest at the date of cessation.

- The Committee reserves the right to make additional exit payments where such payments are made in good faith in discharge of an existing legal obligation (or by way of damages for breach of such an obligation) or by way of settlement or compromise of any claim arising in connection with the termination of a Director's office or employment.

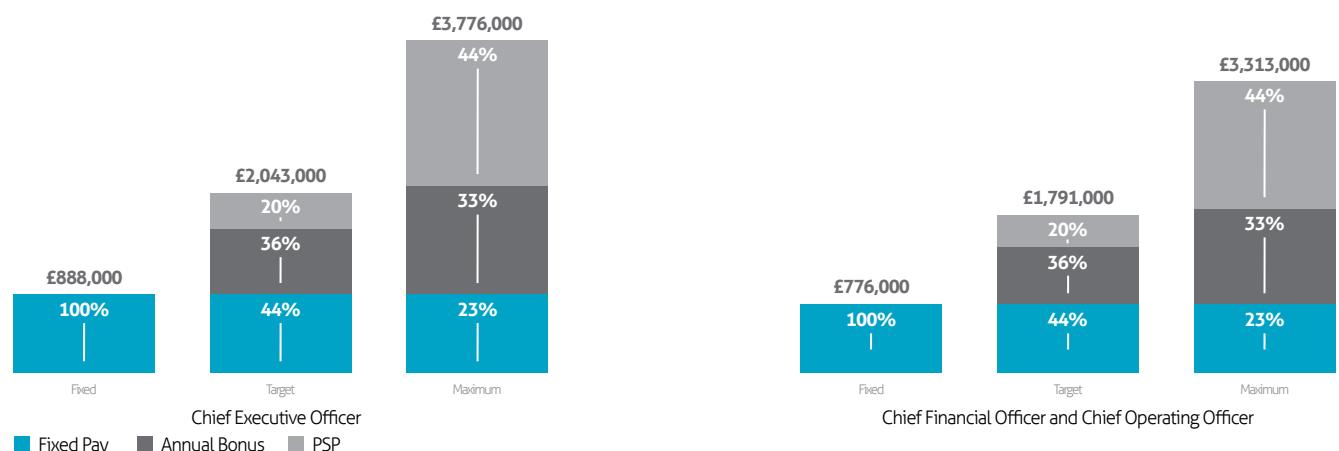
Policy in respect of external Board appointments for Executive Directors

It is recognised that external non-executive directorships may be beneficial for both the Company and Executive. At the discretion of the Board, Executive Directors are permitted to retain fees received in respect of any such non-executive directorship.

Illustration of Remuneration Policy

The charts below illustrate the application of the Remuneration Policy set out in the Policy Table for Executive Directors. This assumes the level of fixed remuneration (salary, benefits and pension) as at 1 January 2017 and the following in respect of each scenario:

- "Fixed" represents fixed remuneration only (i.e. current salary, benefits and pension);
- "Target" represents fixed remuneration plus an annual at target bonus of 90% of salary, 50% of salary (25% of maximum), vesting of the maximum PSP award;
- "Maximum" represents the maximum annual bonus of 150% of salary and full vesting of the normal PSP grant of 200% of base salary.



Annual Report on Remuneration

Members of the Committee

All members of the Committee are independent. Committee membership during the year and attendance at the meetings is set out on page 50.

Terms of reference

The Committee's terms of reference are available on the Company's website (www.iwgplc.com).

Implementation of the Remuneration Policy for 2017

The Annual Report on Remuneration set out below (and the Chairman's Annual Statement) will be put to a single advisory shareholder vote at the 2017 AGM. The information below includes how we intend to operate our policy in 2017 and the pay outcomes in respect of the 2016 financial year.

Base salaries for the Executive Directors (audited)

The Executive Directors' salaries were reviewed, however, no salary increases have been awarded. The current salaries as at 1 January 2017 (and compared to 2016) are as follows:

	2017	2016	Percentage change
Mark Dixon	£825,000	£825,000	0%
Dominik de Daniel	£725,000	£725,000	0%

For context, the average base salary increase received by the workforce is 0.7%.

Benefits and pension

Benefits and pension provisions will operate in line with the approved policy.

Annual bonus

For 2017, the maximum bonus potential for both Executive Directors is 150% of salary. The on-target bonus is 90% of salary. Half of any bonus paid will be deferred into shares under the DSBP, which will vest after three years subject to continued employment. The 2017 annual bonus will include a measurement against operating profit ranging from threshold to stretch. The target is not being disclosed prospectively as it is commercially sensitive; however, a description of the performance against targets set will be included in next year's Annual Report.

Performance Share Plan (PSP)

PSP awards will be made at 200% of salary to Executive Directors with performance measured over a three year period ending 31st December 2019. The awards will be subject to three independently operated performance metrics as summarised below:

Performance conditions	Threshold vesting	Threshold performance	Maximum vesting	Maximum performance
EPS (33.3% weighting)	0%	Compound annual growth of 5%	100%	Compound annual growth of 25%
Relative TSR versus FTSE 350 excluding investment trusts (33.3% weighting)	25%	Median	100%	10% compound annual growth above median
Return on investment (33.3% weighting)	0%	Return to be equal to 2016 performance	100%	Return to be 300 basis points above 2016 performance

Awards will be subject to a post-vesting holding period of two years. This required the Executive Directors to hold on to the net of tax number of vested shares for a period of two years following vesting.

Chairman and Non-Executive fees (audited)

Non-Executive Director fees were last increased in 2015 after a review in 2014. Since then the size and complexity of the Company has changed considerably resulting in an increased time commitment for the Non-Executives. In addition, the Non-Executive Chairman serves as a Non-Executive Director of certain Luxembourg companies which are part of the Group. After an external review of market comparables the following increases are proposed for 2017:

£'000	2017	2016	Percentage change
Non-Executive Chairman	250	200	25%
Basic fee for Non-Executive Director	57	50	14%
Additional fees:			
Chair of Audit Committee	12	10	20%
Chair of Remuneration Committee	12	10	20%
Senior Independent Director combined with Chair of Nomination Committee	12	12 ⁽¹⁾	0%
Variable dislocation allowance for non-Swiss directors ⁽²⁾	2.5 to 7.5	2.5 to 7.5	0%

1. The Chairman of the Nomination Committee has been combined with the role of Senior Independent Director. The aggregate of the two fees has not increased

2. The level of dislocation allowance for non-Swiss Directors is determined according to their country of residence

Remuneration outcomes for 2016

Single total figure of remuneration table (audited)

The following table shows the total remuneration in respect of the year ending 31 December 2016, together with the prior year comparative.

£'000	Salary / Fees		Benefits		Pension		Annual bonus		CIP		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Mark Dixon	825	587.0	5.4	6.0	57.8	41.1	1,155.8	587.0	863.9	747.2	2,907.9	1,968.3
Dominik de Daniel	725	120.8	0	–	50.8	8.5	1,015.7	120.8	–	–	1,791.5	250.1

Non-Executive Directors

Douglas Sutherland	200.0	200.0	–	–	–	–	–	–	–	–	200.0	200.0
Lance Browne	69.5	69.5	–	–	–	–	–	–	–	–	69.5	69.5
Elmar Heggen	60.0	60.0	–	–	–	–	–	–	–	–	60.0	60.0
Nina Henderson	67.5	67.5	–	–	–	–	–	–	–	–	67.5	67.5
Florence Pierre	52.5	52.5	–	–	–	–	–	–	–	–	52.5	52.5
François Pauly	50.0	30.9									50.0	30.9

Dominik de Daniel joined IWG and was appointed to the Board on 1 November 2015. Remuneration detailed above reflects time served.

François Pauly joined IWG and was appointed to the Board on 19 May 2015. Remuneration detailed above reflects time served.

Benefits – Include private health insurance and life insurance.

Pension – Includes pension contributions of 7% of salary into defined contribution arrangements (or cash equivalent) plus any contributions in accordance with standard local practice or employment regulations.

Annual bonus – The bonus shown is the full awarded in respect of the relevant financial year. Half of the bonus awarded is deferred into shares for three years.

CIP awards – Includes the value of Matching Share awards made to Mark Dixon under the CIP in previous years which vested in respect of a performance period ending in the relevant financial year. The vesting of the first of the 2013 Matching Shares is included in the 2015 column (245,788 shares vested out of the maximum of 251,446). The figure reflects the actual share price on the date of vesting: 304.0p. The second tranche of the 2013 award (251,447 shares will vest out of a maximum of 251,447) and the first tranche of the 2014 award (100,303 shares will vest out of a maximum of 137,402) shall vest in March 2017 based on performance ending in 2016. The value of which is shown in 2016 and reflects a three month average share price ending 31st December 2016 of 245.6p.

Determination of 2016 annual bonus

The 2016 annual bonus plan was on performance against the following:

Measure	Weighting	Performance required		Actual performance achieved	Bonus payable (% of maximum)
		Target	Maximum		
Operating profit	100%	£172.0m	£189.0m	£186.2m	93.4%

The strong performance of the Group during 2016 resulted in the Group substantially exceeding the threshold target but falling slightly below the stretch target and hence the bonus of 140.1% of salary was awarded for both Directors.

Director	Bonus maximum(% of base salary)	Operating profit achievement (% of award)	Bonus awarded (£'000)	Cash bonus (£'000)	Deferred bonus (£'000)
Mark Dixon	150%	93.4%	£1,155.83	£577.91	£577.91
Dominik de Daniel	150%	93.4%	£1,015.73	£507.86	£507.86

50% of any bonus awarded is deferred into shares for a period of three years.

CIP awards vesting in respect of 2016 performance

The 2013 and 2014 Matching Share award is divided into three separate equal tranches subject to performance periods over three, four and five years from 1 January 2013 and 1 January 2014. The second tranche of the 2013 award and the first tranche of the 2014 award vested during the year. The vesting conditions for these tranches are outlined below:

TSR target (25% of tranche)

IWG TSR % achieved relative to FTSE 350 (excluding financial services and mining companies) (2014 award tranche 1) performance period 01.01.2014 – 31.12.2016	IWG TSR % achieved relative to FTSE All Share Total Return Index (2013 award tranche 2) performance period 01.01.2013 – 31.12.2016	% of shares vesting
Below median	Below index	0%
Median	Equal to index	25%
Upper quartile or above	Equal to index +15% p.a.	100%

EPS target (75% of tranche)

Adjusted EPS targets for year ending 2016 (2014 award tranche 1) performance period 01.01.2014 – 31.12.2016	Adjusted EPS targets for year ending 2016 (2013 award tranche 2) performance period 01.01.2013 – 31.12.2016	% of shares vesting
14.3p	14.0	25%
17.0p	16.0	100%

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

Performance against the TSR and EPS targets set in 2013 and 2014 was such that 100% of the 2013 award and 73% of the 2014 award should vest. The Committee has reviewed these outcomes, including adjustments related to growth, and is content that they are a fair reflection of underlying performance over the period.

Award	Director	Number of shares vesting	EPS vesting: 75% of award (% of maximum)	TSR vesting: 25% of award (% of maximum)	Average share price (1 October – 31st December 2016)	Estimated value (£'000)
2013 award tranche 2	Mark Dixon	Matching: 251,447	100	100	245.6p	617.6
2014 award tranche 1	Mark Dixon	Matching: 100,303	89	25	245.6p	246.3

Note the estimate value of the award is based on the average share price over the last quarter of the financial year. The actual value will be the value at the vesting date.

PSP awards granted in the year

PSP awards granted to Executive Directors on 3 March 2016 which vest subject to three year performance ending 31st December 2018 were as follows:

Executive	Number of LTIP awards	Face/maximum value of awards at grant date ⁽¹⁾
Mark Dixon	552,579	£1,640,000
Dominik de Daniel	485,600	£1,450,000

1. Based on a face value grant of 200% of salary and using a share price of 298.6p

The awards are subject to three independently operated performance metrics:

Metric	Threshold vesting	Threshold	Maximum vesting	Maximum
EPS (33.3% weighting)	0%	Compound annual growth of 5%	100%	Compound annual growth of 25%
Relative TSR versus FTSE 350 (excluding investment trusts) (33.3% weighting)	25%	Median	100%	10% compound growth above median
Return on Investment (33.3% weighting)	0%	Return equal to 2015 performance	100%	Return to be 300 basis points above 2015 performance

Total pension benefits

During the year under review, the Executive Directors received pension contributions of 7% of salary into defined contribution arrangements (or cash equivalent) plus any contributions in accordance with standard local practice or employment regulations. Details of the value of pension contributions received in the year under review are set out in the Pension column of the single figure of remuneration table.

Statement of share scheme interests and shareholdings (audited)

Executive Directors are required to build up and maintain a shareholding. The following table sets out, for Directors who served during the year, the total number of shares held (including the interests of connected persons) as at 31 December 2016 alongside the interests in share schemes for the Executive Directors.

	Shareholding guidelines			Interests in share/option awards			
	Shares held	% of salary required	Guideline met?	Performance share plan ⁽²⁾	Investment Shares ⁽³⁾	Matching Shares ⁽⁴⁾	One-off award ⁽⁵⁾
Executive Directors							
Mark Dixon	257,701,874	200%	Yes	552,579	235,377	1,444,402	
Dominik de Daniel	596,589	200%	Yes ⁽¹⁾	485,600	–	–	328,751
Non-Executive Directors							
Douglas Sutherland	400,000						
Lance Browne	14,994						
Elmar Heggen	–						
Nina Henderson	30,800						
François Pauly	100,000						
Florence Pierre	–						

1. Dominik de Daniel joined IWG and was appointed to the Board on 2 November 2015. Upon appointment Dominik de Daniel was granted a conditional award, details of which were disclosed in the 2015 Remuneration Report
2. The Performance Share Plan is in the form of unvested conditional shares which will become exercisable on the fifth anniversary of the date of grant and remain exercisable until the day before the tenth anniversary of the date of grant
3. The CIP Investment Shares are in the form of unvested conditional shares granted 5 March 2014 and 4 March 2015, and which vest subject to continued employment at the end of a three year holding period
4. The CIP Matching Shares are in the form of unvested conditional shares which will vest subject to the achievement of EPS and TSR performance targets. The number of share interests includes awards which were unvested as at 31 December 2016. For Mark Dixon, the number includes 412,204 Matching Shares granted on 5 March 2014, and 529,304 Matching shares granted on 4 March 2015
5. The one-off award is in the form of unvested conditional shares awarded to Dominik de Daniel as a one-off award arrangement established under Listing Rule 9.4.2(2)
6. With the exception of the Directors' interests disclosed in the table above, no Director had any additional interest in the share capital of the Company during the year

Supporting disclosures and additional context

Percentage change in remuneration of the Chief Executive Officer

The table below shows the percentage change in remuneration of the Chief Executive Officer and Group support employees (on a like-for-like basis) between the year ending 31 December 2015 and the year ending 31 December 2016. Given the significant scale and diversity of the overall global employee population, the Committee considers the Group support employees a more relevant comparison. As explained in the 2015 Directors' Remuneration Report, the increase in the salary of the Chief Executive Officer was to reflect his market rate, having led the Company through a period of outstanding success and substantial profitability.

	Chief Executive	Group support employees
Salary	41%	1%
Benefits	(11)%	1%
Annual bonus	97%	1%

Directors' Remuneration report continued

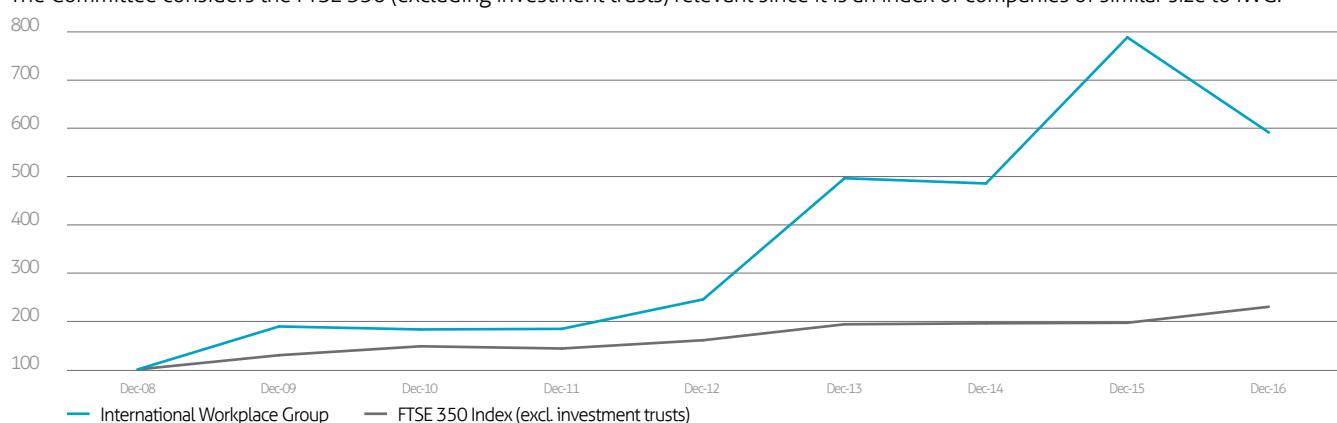
Relative importance of spend on pay

The table below shows total employee remuneration and distributions to shareholders in respect of the years ending 31 December 2016 and 2015 and the percentage changes between years:

	2016	2015	Change 2015 to 2016
Total employee remuneration	£335.6m	£356.4m	(6)%
Distributions to shareholders	£43.3m	£38.8m	12%

Performance graph and table

The graph below shows the TSR of IWG in the eight-year period to 31 December 2016 against the TSR of the FTSE 350 (excluding investment trusts) and All Share Indices. TSR refers to share price growth and assumes dividends are reinvested over the relevant period. The Committee considers the FTSE 350 (excluding investment trusts) relevant since it is an index of companies of similar size to IWG.



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

	2009	2010	2011	2012	2013	2014	2015	2016
Single total figure of remuneration	£628k	£759k	£1,130k	£1,773k	£1,854k	£2,770k	£1,968k	£2,908k
Bonus (% of maximum)	0%	19%	50%	100%	79%	100%	100%	93%
Long-term incentive vesting (% of maximum)	0%	0%	0%	11%	35%	86%	97%	90.5%⁽¹⁾

1. Based on 100% of the second tranche of the 2013 Matching Shares vesting and 73% of tranche one of the 2014 Matching Shares vesting

Advisors to the Remuneration Committee

Details of the composition of the Remuneration Committee and attendance at Committee meetings is set out on page 50 of the Corporate Governance Report. The Committee's terms of reference are freely available on the Company's website: www.iwgplc.com.

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

Aon Hewitt provided independent advice to the Committee during the year. Aon Hewitt was appointed by the Committee during 2016 following a competitive selection process undertaken by the Committee. The fees charged by Aon Hewitt for the provision of independent advice to the Committee during 2016 were £49,000 (2015: £94,000). With regard to remuneration advice, the Committee is comfortable that Aon Hewitt's engagement partner and team are objective and independent.

Statement of voting at general meeting

The Committee is directly accountable to shareholders and, in this context, is committed to an open and transparent dialogue with shareholders on the issue of executive remuneration. The members of the Committee attend the Company's annual general meeting and are available to answer shareholders' questions about Directors' remuneration. Votes cast by proxy and at the annual general meeting held on 17 May 2016 in respect of remunerated related resolutions are shown in the table below:

Resolution	Votes For		Votes Against		Total votes cast	Votes Withheld
	#	%	#	%		
Approval of Remuneration Policy	649,889,542	82.62%	136,733,610	17.38%	786,623,152	45,600
Approval of Annual Remuneration Report for year ending 31 December 2016	584,579,868	74.48%	200,316,015	25.52%	784,895,883	1,772,869

For and on behalf of the Board

Nina Henderson

Chairman of the Remuneration Committee

Directors' report

The Directors of IWG plc (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 2016.

Directors

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

Executive Directors

Mark Dixon
Dominik de Daniel

Non-Executive Directors

Douglas Sutherland
Lance Browne
Elmar Heggen
Nina Henderson
François Pauly
Florence Pierre

Biographical details for the Directors are shown on pages 36 and 37.

Details of the Directors' interests and shareholdings are given in the Remuneration Report on page 59.

The Corporate Responsibility Report, People Report, Corporate Governance Report, Nomination Committee Report, Audit Committee Report, Remuneration Report and Directors' Statements on pages 20 to 21 and 33 to 62 all form part of this report.

Principal activity

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

Business review

The Directors have presented a Strategic Report as follows:

The Chief Executive Officer's Review and Chief Financial Officer's Review on pages 14 to 19 and 22 to 26 respectively address:

- review of the Company's business (pages 14 to 17);
- trends and factors likely to affect the future development, performance and position of the business (page 17);
- development and performance during the financial year (pages 22 to 26); and
- position of the business at the end of the year (pages 23 to 26).

The Risk Management report, on pages 27 to 32, includes a description of the principal risks and uncertainties facing the Company.

The Corporate Responsibility Report, on pages 33 to 35, includes the sections of the Strategic Report in respect of:

- environmental matters; and
- social and community issues.

The People Report on page 20 of the Strategic Report addresses employee development and performance.

The Nomination Committee Report on pages 44 and 45 covers our diversity.

The Directors' statements on page 62 include the statutory statement in respect of disclosure to the auditor.

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 £173.7m (2015: £145.7m).

The Directors are pleased to recommend a final dividend of £32.7m (2015: £28.8m), being 3.55p per share (2015: 3.10p per share). The total dividend for the year will therefore be 5.10p per share, made up of the interim dividend of 1.55p per share paid in October 2016 (2015: 1.40p per share) and, assuming the final dividend is approved by shareholders at the forthcoming annual general meeting, an additional 3.55p per share (2015: 3.10p per share) which is expected to be paid on 26 May 2017 to shareholders on the register at the close of business on 28 April 2017.

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.

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.

All employees are encouraged to become involved in the Company's performance. Regular staff surveys are sent to staff asking for their feedback.

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 £237,479 during the year (2015: £209,905).

Capital structure

The Company's share capital comprises 923,357,438 issued and fully paid up ordinary shares of 1p nominal value in IWG plc (2015: 950,969,822 (Regus plc)). 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 36 to 37, and 44 to 45.

Substantial interests

At 28 February 2017, the Company has been notified of the following substantial interests held in the issued share capital of the Company.

	Number of ordinary shares	% of issued share capital
Estorn Limited ⁽¹⁾	257,701,874	27.68
Prudential Plc	80,776,178	8.68

1. Mark Dixon indirectly owns 100% of Estorn Limited

Subsequent Events

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

Auditors

In accordance with Jersey law, a resolution for the reappointment of KPMG Ireland as auditors of the Company is to be proposed at the forthcoming annual general meeting.

Approval

This report was approved by the Board on 16 February 2017.

On behalf of the Board

Timothy Regan

Company Secretary

28 February 2017

Statement of Directors' responsibilities in respect of the Annual Report and financial statements

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

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

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

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and which disclose with reasonable accuracy at any time the financial position of the Group and to enable them to ensure that its financial statements comply with the Companies (Jersey) Law 1991 and Article 4 of the IAS Regulation. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Directors' Report, a Strategic Report, a Remuneration Report and a Corporate Governance Statement that comply 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 and Jersey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statutory statement as to disclosure to auditor

The Directors who held office at the date of approval of these Directors' statements confirm that:

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

These financial statements have been approved by the Directors of the Company. The Directors confirm that the financial statements have been prepared in accordance with applicable law and regulations.

Statement of responsibility

We confirm that to the best of our knowledge:

- the financial statements prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group;
- the Directors' Report, including content contained by reference, includes a fair review of the development and performance of the business and the position of the Group taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the Annual Report and financial statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

By order of the Board

Mark Dixon
Chief Executive Officer

Dominik de Daniel
Chief Financial Officer
and Chief Operating Officer
28 February 2017

Independent auditor's report to the members of IWG plc

Opinions and conclusions arising from our audit

1. Our opinion on the financial statements is unmodified

We have audited the consolidated financial statements of IWG Plc for the year ended 31 December 2016 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated cash flow statement and the related accounting policies and notes. The financial reporting framework that has been applied in their preparation is Jersey law and International Financial Reporting Standards (IFRS) as adopted by the European Union. Our audit was conducted in accordance with International Standards on Auditing (ISAs) (UK and Ireland).

In our opinion:

- the consolidated financial statements give a true and fair view of the state of the Group's affairs as at 31 December 2016 and of its profit for the year then ended;
- the consolidated financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union; and
- the consolidated financial statements have been properly prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

2. Our assessment of risks of material misstatement

In arriving at our audit opinion above on the consolidated financial statements the risks of material misstatement that had the greatest effect on our Group audit were as follows:

Goodwill and intangible assets (£738.1m)

Refer to page 47 (Report of the Audit Committee), pages 71 to 76 (accounting policies) and notes 12, 13 and 32 to the Group Financial Statements.

The risk

There is a risk that the carrying amounts of the Group's goodwill and intangible assets will be more than the estimated recoverable amount, if future cash flows are not sufficient to recover the Group's investment. This could occur if forecasted cash flows decline in certain markets or where revenue and costs are subject to significant fluctuations. The recoverability of goodwill is spread across multiple geographies and economies, and is dependent on individual businesses acquired achieving or sustaining sufficient profitability in the future.

We focus on this area due to the inherent uncertainty involved in forecasting and discounting future cash flows, particularly in projected revenue growth, which forms the basis of the assessment of recoverability.

Our response

Our audit procedures in this area included assessing the Group's impairment model for each CGU and evaluating the assumptions used by the Group in the model, specifically the cash flow projections, perpetuity rates and discount rates. We considered the historical accuracy of the Group's forecasts.

We used valuation specialists to assist us in evaluating the judgements and methodologies used by the Group, in particular those relating to the discount rate used to determine the present value of the cash flow projections.

We compared the Group's assumptions, where possible, to externally derived data and performed our own assessment in

relation to key model inputs. We checked the mathematical accuracy of the model. We examined the sensitivity analysis performed by Group management and performed our own sensitivity analysis in relation to the key assumptions. We also compared the sum of projected discounted cash flows to the market capitalisation of the Group to assess whether the projected cash flows appear reasonable.

We also assessed whether the disclosures as set out in note 12 were appropriate and in compliance with IAS 36.

Taxation (current tax liabilities of £17.7m; deferred tax assets of £29.3m and deferred tax liabilities of £2.4m)

Refer to page 47 (Report of the Audit Committee), pages 71 to 76 (accounting policies) and notes 9 and 32 to the Group Financial Statements.

The risk

The Group operates in numerous tax jurisdictions around the world. As a result, the tax charge on profits is determined according to a variety of complex tax laws and regulations. The Group encounters challenges by tax authorities on a range of tax matters during the normal course of business and recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The calculation of these liabilities is underpinned by judgemental assumptions as the ultimate tax determination is uncertain. The related deferred tax assets and liabilities require judgement in determining the amounts to be recognised with consideration to the timing and level of future taxable income.

Separately, the Group has incurred historic trading losses in certain jurisdictions and acquisitions made may include complex tax aspects. As a consequence, the Group's current and deferred tax balances are sensitive to assumptions used in determining the appropriate liabilities and assets.

Our response

Our approach to the audit of taxation is underpinned by the inclusion of KPMG international and domestic taxation specialists in the Group audit team. These specialists evaluate the assumptions and methodologies used by the Group and its taxation advisors, in calculating the taxation provisions for the period. Particular focus is placed on assumptions relating to provisions for uncertain tax positions and the recognition and recoverability of deferred tax assets.

We specifically considered the taxation risks arising from the Group's operations when assessing the accounting for taxation related balances and applied sensitivity analysis to determine the appropriateness of key judgements. We assessed the recoverability of deferred tax assets, which involved assessing the assumptions in relation to the utilisation of losses carried forward against projected taxable profits.

We also considered whether the recognition of additional deferred tax assets would be appropriate.

We assessed the presentation and disclosure (in accordance with IAS 1 and IAS 12) in respect of taxation related balances and considered whether the Group's disclosures reflected the risks inherent in the accounting for the taxation balances.

3. Our application of materiality and an overview of the scope of our audit

The materiality for the consolidated financial statements as a whole was set at £21 million (2015: £19 million), or 1% of total revenue, which we have determined, in our professional judgement, to be

one of the principal benchmarks within the financial statements relevant to members of the company in assessing financial performance.

For certain account balances including goodwill, intangible assets, bank loans, share based payments, related party transactions and taxation, we applied materiality of £8 million, or 5% of pre-tax profit, as we believe a misstatement of amounts less than materiality for the financial statements as a whole could be reasonably expected to influence a members' assessment of the financial performance of the Group.

We agreed with the Audit Committee to report corrected and uncorrected misstatements we identified through our audit with a value in excess of £1 million (2015: £1 million). We also agreed to report other audit misstatements below that threshold that we believe warranted reporting on qualitative grounds.

The structure of the Group's finance function is such that certain transactions and balances are accounted for by central Group finance teams, with the remainder accounted for in the operating units. We performed comprehensive audit procedures, including those in relation to the significant risks above, on those transactions and balances accounted for at Group and operating unit level. In determining those components in the Group on which we perform audit procedures, we utilised size and risk criteria in accordance with International Standards on Auditing (UK and Ireland).

In relation to the Group's operating units, audits for Group reporting purposes were performed at identified key reporting components, augmented by risk focused audit procedures which were performed for all other components. These audits covered 83% of total Group revenue, 82% of Group total assets and 83% of Group profit before taxation.

The Group audit team instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back. Planning meetings were held with component auditors in order to assess the key audit risks, audit strategy and work to be undertaken. The Group audit team approved the materiality of each of the components, which ranged from £5.5m to £10m, having regard to the mix of size and risk profile of the Group across the components.

Detailed audit instructions were sent to the auditors in all of these identified locations. These instructions covered the significant audit areas to be covered by these audits (which included the relevant risks of material misstatement detailed above) and set out the information required to be reported to the Group audit team. Senior members of the Group audit team, including the lead engagement partner, attended each component audit closing meeting via telephone conferencing facilities, at which the results of component audits were discussed with divisional and Group management. At these meetings, the findings reported to the Group audit team were discussed in more detail, and any further work required by the Group audit team was then performed by the component auditor. The Group audit team interacted with the component teams where appropriate during various stages of the audit, reviewed key working papers and were responsible for the scope and direction of the audit process. This, together with the additional procedures performed at Group level, gave us appropriate evidence for our opinion on the Group financial statements.

4. We have nothing to report on the disclosures of principal risks

Based on the knowledge we acquired during our audit, we have nothing material to add or draw attention to in relation to:

- The Directors' statement on page 62 concerning the principal risks, their management, and, based on that, the Directors' assessment and expectations of the Group continuing in operation over the three-year period to 2019; or
- The disclosures on page 41 concerning the use of the going concern basis of accounting.

5. We have nothing to report in respect of the matters on which we are required to report by exception

Under the ISAs (UK & Ireland) we are required to report to you if, based on the knowledge we acquired during our audit, we have identified information in the Annual Report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading.

In particular, we are required to report to you if:

- We have identified any inconsistencies between the knowledge we acquired during our audit and the Directors' statement that they consider the Annual Report and financial statements as a whole is fair, balanced and understandable and provides information necessary for shareholders to assess the entity's position and performance, business model and strategy; or
- The report from the Audit Committee does not appropriately disclose those matters that we communicated to the Audit Committee.

The Listing Rules require us to review:

- The Directors' statement, set out on page 62, in relation to going concern and longer-term viability (page 42);
- The part of the Corporate Governance Statement on page 39 relating to the Company's compliance with the ten provisions of the UK Corporate Governance Code specified for our review; and
- Certain elements of remuneration disclosures in the report to shareholders by the Directors.

6. Our conclusions on other matters on which we are required to report by the Companies (Jersey) Law 1991 are set out below

We have nothing to report in respect of the following matters where the Companies (Jersey) Law 1991 which requires us to report to you if, in our opinion:

- Adequate accounting records have not been kept by the parent company;
- Returns adequate for our audit have not been received from branches not visited by us;
- The financial statements are not in agreement with the accounting records; or
- We have not received all the information and explanations we require for our audit.

Basis of our report, responsibilities and restrictions on use

As explained more fully in the Directors' responsibilities statement set out on page 62, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the consolidated financial statements in accordance with applicable law and International Standards on Auditing (ISAs) (UK & Ireland). Those standards require us to comply with the Financial Reporting Council's Ethical Standards for Auditors.

An audit undertaken in accordance with ISAs (UK & Ireland) involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Annual Report and Accounts to identify material inconsistencies with the audited consolidated financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

While an audit conducted in accordance with ISAs (UK & Ireland) is designed to provide reasonable assurance of identifying material misstatements or omissions it is not guaranteed to do so. Rather, the auditor plans the audit to determine the extent of testing needed to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements does not exceed materiality for the financial statements as a whole. This testing requires us to conduct significant audit work on a broad range of assets, liabilities, income and expense as well as devoting significant time of the most experienced members of the audit team, in particular the engagement partner responsible for the audit, to subjective areas of the accounting and reporting.

Our report is made solely to the Company's members, as a body, in accordance with Article 113A of the Companies (Jersey) Law 1991. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Cliona Mullen,

for and on behalf of

KPMG

Chartered Accountants, Statutory Audit Firm
1 Stokes Place, St Stephen's Green, Dublin 2, Ireland
28 February 2017

Consolidated income statement

	Notes	Year ended 31 Dec 2016			Year ended 31 Dec 2015		
		Before non-recurring items	Non-recurring items (note 6)	Total £m	Before non-recurring items	Non-recurring items (note 6)	Total £m
Continuing operations							
Revenue	3	2,233.4	–	2,233.4	1,927.0	–	1,927.0
Cost of sales		(1,784.6)	–	(1,784.6)	(1,498.6)	–	(1,498.6)
Gross profit (centre contribution)		448.8	–	448.8	428.4	–	428.4
Selling, general and administration expenses		(258.9)	(1.0)	(259.9)	(273.6)	15.3	(258.3)
Research and development expenses		(2.9)	–	(2.9)	(10.3)	–	(10.3)
Share of (loss)/profit of equity-accounted investees, net of tax	20	(0.8)	–	(0.8)	0.3	–	0.3
Operating profit	5	186.2	(1.0)	185.2	144.8	15.3	160.1
Finance expense	8	(11.6)	–	(11.6)	(15.0)	–	(15.0)
Finance income	8	0.1	–	0.1	0.6	–	0.6
Net finance expense		(11.5)	–	(11.5)	(14.4)	–	(14.4)
Profit before tax for the year		174.7	(1.0)	173.7	130.4	15.3	145.7
Income tax expense	9	(34.9)	–	(34.9)	(25.9)	0.1	(25.8)
Profit after tax for the year		139.8	(1.0)	138.8	104.5	15.4	119.9
Profit attributable to:							
Equity shareholders of the parent		139.8	(1.0)	138.8	104.5	15.4	119.9
Non-controlling interests		–	–	–	–	–	–
Profit after tax for the year		139.8	(1.0)	138.8	104.5	15.4	119.9
Earnings per ordinary share (EPS):							
Basic (p)	10			14.9			12.8
Diluted (p)	10			14.7			12.6

Consolidated statement of comprehensive income

	Notes	Year ended 31 Dec 2016 £m	Year ended 31 Dec 2015 £m
Profit for the year		138.8	119.9
Other comprehensive income that is or may be reclassified to profit or loss in subsequent periods:			
Cash flow hedges – recycled through the income statement, net of income tax		2.1	–
Cash flow hedges – effective portion of changes in fair value, net of income tax		(0.3)	0.6
Foreign currency translation differences for foreign operations		90.2	(5.3)
Items of other comprehensive income that are or may be reclassified to profit or loss in subsequent periods		92.0	(4.7)
Other comprehensive income that will never be reclassified to profit or loss in subsequent periods:			
Re-measurement of defined benefit liability, net of income tax	25	–	(0.3)
Items of other comprehensive income that will never be reclassified to profit or loss in subsequent periods		–	(0.3)
Other comprehensive income for the period, net of income tax		92.0	(5.0)
Total comprehensive income for the year		230.8	114.9
Total comprehensive income attributable to:			
Equity shareholders of the parent		230.8	114.9
Non-controlling interests		–	–
Total comprehensive income for the year		230.8	114.9

Consolidated statement of changes in equity

	Issued share capital £m	Treasury shares £m	Foreign currency translation reserve £m	Hedging reserve £m	Revaluation reserve £m	Other reserves £m	Retained earnings £m	Total shareholders' equity ⁽¹⁾ £m	Non- controlling interests £m	Total equity £m
Balance at 1 January 2015	9.5	(19.9)	12.7	(2.7)	10.5	15.3	512.0	537.4	–	537.4
Total comprehensive income for the year:										
Profit for the year	–	–	–	–	–	–	119.9	119.9	–	119.9
Other comprehensive income:										
Re-measurement of defined benefit liability, net of income tax (note 25)	–	–	–	–	–	–	(0.3)	(0.3)	–	(0.3)
Cash flow hedges – effective portion of changes in fair value, net of income tax	–	–	–	0.6	–	–	–	0.6	–	0.6
Foreign currency translation differences for foreign operations	–	–	(5.3)	–	–	–	–	(5.3)	–	(5.3)
Total other comprehensive income, net	–	–	(5.3)	0.6	–	–	119.6	114.9	–	114.9
Total comprehensive income for the year	–	–	(5.3)	0.6	–	–	119.6	114.9	–	114.9
Transactions with owners, recorded directly in equity										
Share-based payments	–	–	–	–	–	–	2.2	2.2	–	2.2
Ordinary dividend paid (note 11)	–	–	–	–	–	–	(38.8)	(38.8)	–	(38.8)
Purchase of shares	–	(24.5)	–	–	–	–	(11.9)	(36.4)	–	(36.4)
Proceeds from exercise of share awards	–	1.5	–	–	–	–	2.9	4.4	–	4.4
Balance at 31 December 2015	9.5	(42.9)	7.4	(2.1)	10.5	15.3	586.0	583.7	–	583.7
Total comprehensive income for the year:										
Profit for the year	–	–	–	–	–	–	138.8	138.8	–	138.8
Other comprehensive income:										
Cash flow hedges – recycled through the income statement	–	–	–	2.1	–	–	–	2.1	–	2.1
Cash flow hedges – effective portion of changes in fair value, net of income tax	–	–	–	(0.3)	–	–	–	(0.3)	–	(0.3)
Foreign currency translation differences for foreign operations	–	–	90.2	–	–	–	–	90.2	–	90.2
Total other comprehensive income, net	–	–	90.2	1.8	–	–	138.8	230.8	–	230.8
Total comprehensive income for the year	–	–	90.2	1.8	–	–	138.8	230.8	–	230.8
Transactions with owners, recorded directly in equity										
Share-based payments	–	–	–	–	–	–	2.4	2.4	–	2.4
Ordinary dividend paid (note 11)	–	–	–	–	–	–	(43.3)	(43.3)	–	(43.3)
Purchase of shares	–	(34.2)	–	–	–	–	(1.3)	(35.5)	–	(35.5)
Proceeds from exercise of share awards	–	8.5	–	–	–	–	(4.6)	3.9	–	3.9
Cancellation of treasury shares	(0.3)	65.7	–	–	–	–	(65.4)	–	–	–
Balance at 31 December 2016	9.2	(2.9)	97.6	(0.3)	10.5	15.3	612.6	742.0	–	742.0

1. Attributable to equity holders of the parent

On 19 December 2016, the Group entered into a court approved Scheme of Arrangement. As a result of the Scheme of Arrangement shares in Regus plc were cancelled and shares in the new Group holding company, IWG plc, were issued on the basis of one IWG plc share (nominal value one pence) for one share previously held in Regus plc (nominal value one pence). As a result, the shareholders of Regus plc became the shareholders of IWG plc. The establishment of IWG plc as the new parent company was accounted for as a common control transaction under IFRS and consequently the aggregate of the Group reserves have been attributable to IWG plc.

At 31 December 2016, treasury shares represent 1,170,699 (2015: 20,490,613) 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 year, prior to the Scheme of Arrangement on 19 December 2016, 11,834,627 (2015: 9,543,800) shares were purchased in the open market and 4,712,856 (2015: 1,936,642) treasury shares held by the Group were utilised to satisfy the exercise of share awards by employees. Subsequent to the Scheme of Arrangement, a further 1,280,032 shares were purchased in the open market and 109,333 treasury shares held by the Group were utilised to satisfy the exercise of share awards by employees. As at 28 February 2017, 1,013,938 treasury shares were held.

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries and joint ventures.

The revaluation reserve arose on the restatement of the assets and liabilities of the UK associate from historic to fair value at the time of the acquisition of the outstanding 58% interest on 19 April 2006. Other reserves include £37.9m arising from the Scheme of Arrangement undertaken on 14 October 2008, £6.5m relating to merger reserves and £0.1m to the redemption of preference shares partly offset by £29.2m arising from the Scheme of Arrangement undertaken in 2003.

Consolidated balance sheet

	Notes	As at 31 Dec 2016 £m	As at 31 Dec 2015 £m
Non-current assets			
Goodwill	12	685.3	612.2
Other intangible assets	13	52.8	53.8
Property, plant and equipment	14	1,194.4	917.0
Deferred tax assets	9	29.3	36.4
Other long-term receivables	15	83.7	63.0
Investments in joint ventures	20	13.6	5.6
Total non-current assets		2,059.1	1,688.0
Current assets			
Trade and other receivables	16	517.1	557.8
Corporation tax receivable	9	34.8	17.9
Cash and cash equivalents	22	50.1	63.9
Total current assets		602.0	639.6
Total assets		2,661.1	2,327.6
Current liabilities			
Trade and other payables (incl. customer deposits)	17	875.2	816.5
Deferred income		276.4	240.7
Corporation tax payable	9	17.7	14.0
Bank and other loans	18	7.8	9.2
Provisions	19	6.0	5.3
Total current liabilities		1,183.1	1,085.7
Non-current liabilities			
Other payables	17	532.1	383.8
Non-current derivative financial liabilities	23	0.3	15.0
Bank and other loans	18	193.6	245.3
Deferred tax liability	9	2.4	1.6
Provisions	19	3.4	7.6
Provision for deficit on joint ventures	20	3.4	4.1
Retirement benefit obligations	25	0.8	0.8
Total non-current liabilities		736.0	658.2
Total liabilities		1,919.1	1,743.9
Total equity			
Issued share capital	21	9.2	9.5
Treasury shares	21	(2.9)	(42.9)
Foreign currency translation reserve		97.6	7.4
Hedging reserve		(0.3)	(2.1)
Revaluation reserve		10.5	10.5
Other reserves		15.3	15.3
Retained earnings		612.6	586.0
Total shareholders' equity		742.0	583.7
Non-controlling interests		—	—
Total equity		742.0	583.7
Total equity and liabilities		2,661.1	2,327.6

Approved by the Board on 28 February 2017

Mark Dixon
Chief Executive Officer

Dominik de Daniel
Chief Financial Officer and Chief Operating Officer

Consolidated statement of cash flows

	Notes	Year ended 31 Dec 2016 £m	Year ended 31 Dec 2015 £m
Operating activities			
Profit before tax for the year		173.7	145.7
Adjustments for:			
Net finance expense	8	11.5	14.4
Share of loss/(profit) of equity-accounted investees, net of tax	20	0.8	(0.3)
Depreciation charge	5, 14	181.8	134.2
Loss/(gain) on disposal of property, plant and equipment	5	1.0	(0.3)
Impairment of property, plant and equipment	14	–	0.9
Amortisation of intangible assets	5, 13	12.7	11.0
Amortisation of acquired lease fair value adjustments	5	(3.1)	(4.6)
(Decrease)/increase in provisions	19	(3.2)	2.8
Share-based payments		2.4	2.2
Other non-cash movements		(3.4)	(3.0)
Operating cash flows before movements in working capital		374.2	303.0
Decrease/(increase) in trade and other receivables		81.0	(121.5)
Increase in trade and other payables		23.2	221.0
Cash generated from operations (before assets held for sale)		478.4	402.5
Loss/(profit) on disposal of assets held for sale	6	2.2	(21.3)
Cash generated from operations		480.6	381.2
Interest paid		(16.2)	(13.8)
Tax paid		(31.5)	(29.1)
Net cash inflow from operating activities		432.9	338.3
Investing activities			
Purchase of subsidiary undertakings (net of cash acquired)	26	(8.9)	(99.4)
Proceeds on the sale of assets held for sale	6	3.3	84.0
Dividends received from joint ventures	20	0.9	–
Purchase of joint ventures	20	(1.3)	(1.9)
Proceeds on sale of property, plant and equipment		16.1	9.5
Purchase of property, plant and equipment	14	(313.8)	(311.5)
Purchase of intangible assets	13	(5.5)	(8.7)
Interest received	8	0.1	0.6
Net cash outflow from investing activities		(309.1)	(327.4)
Financing activities			
Net proceeds from issue of loans		599.8	383.2
Repayment of loans		(670.0)	(330.5)
Repayment of principal under finance leases		–	(0.1)
Settlement of financial derivatives		(7.0)	–
Purchase of shares		(35.5)	(36.4)
Proceeds from exercise of share awards		3.9	4.4
Payment of ordinary dividend	11	(43.3)	(38.8)
Net cash outflow from financing activities		(152.1)	(18.2)
Net decrease in cash and cash equivalents		(28.3)	(7.3)
Cash and cash equivalents at beginning of year		63.9	72.8
Effect of exchange rate fluctuations on cash held		14.5	(1.6)
Cash and cash equivalents at end of year	22	50.1	63.9

Notes to the accounts

1. Authorisation of financial statements

The Group and Company financial statements for the year ended 31 December 2016 were authorised for issue by the Board of Directors on 28 February 2017 and the balance sheets were signed on the Board's behalf by Mark Dixon and Dominik de Daniel. IWG plc is a public limited company incorporated in Jersey and registered and domiciled in Switzerland. The Company's ordinary shares are traded on the London Stock Exchange.

IWG plc owns a network of business centres which are leased to a variety of business customers. Information on the Group's structure is provided in note 31, and information on other related party relationships of the Group is provided in note 30.

The Group financial statements have been prepared and approved by the Directors in accordance with Companies (Jersey) Law 1991 and International Financial Reporting Standards as adopted by the European Union ('Adopted IFRSs'). The Company prepares its parent company annual accounts in accordance with the Swiss Code of Obligations; extracts from these are presented on page 113.

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 joint ventures. The extract from the parent company annual accounts presents information about the Company as a separate entity and not about its Group.

The accounting policies set out below have been applied consistently to all periods presented in these Group financial statements. Amendments to adopted IFRSs issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) with an effective date from 1 January 2016 did not have a material effect on the Group financial statements, unless otherwise indicated.

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

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

Judgements made by the Directors in the application of these accounting policies that have significant effect on the consolidated financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 32.

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

The Directors, having made appropriate enquiries, have a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the consolidated financial statements on pages 66 to 112.

In adopting the going concern basis for preparing the consolidated financial statements, the Directors have considered the further information included in the business activities commentary as set out on pages 14 to 17 as well as the Group's principal risks and uncertainties as set out on pages 28 to 32.

Further details on the going concern basis of preparation can be found in note 23 to the notes to the consolidated financial statements on page 92.

These Group consolidated financial statements are presented in pounds sterling (£), which is IWG 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 that are those entities over whose activities the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities. The consolidated financial statements include the Group's share of the total recognised gains and losses of joint ventures on an equity accounted basis, from the date that joint control commences until the date that joint control ceases or the joint venture qualifies as a disposal group at which point the investment is carried at the lower of fair value less costs to sell and carrying value.

2. Accounting policies (continued)

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

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

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

On 19 December 2016, under a Scheme of Arrangement between Regus plc, the former holding company of the Group, and its shareholders, under Article 125 of the Companies (Jersey) Law 1991, and as sanctioned by The Royal Court of Jersey, all the issued shares in Regus plc were cancelled and an equivalent number of new shares in Regus plc were issued to IWG plc in consideration for the allotment to shareholders of one ordinary share in IWG plc for each ordinary share in Regus plc that they held on the record date 18 December 2016. The establishment of IWG plc as the new parent company was accounted for as a common control transaction under IFRS. Consequently, no fair value acquisition adjustments were required and the aggregate of the Group reserves have been attributed to IWG plc.

IFRSs not yet effective

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

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

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

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

Basis of consolidation

Subsidiaries are entities controlled by the Group. Control exists when the Group controls an entity when it is exposed to, or has the rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences. The results are consolidated until the date control ceases or the subsidiary qualifies as a disposal group, at which point the assets and liabilities are carried at the lower of fair value less costs to sell and carrying value.

Impairment of non-financial assets

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

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

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

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

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

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

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

2. Accounting policies (continued)

Calculation of recoverable amount

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

Goodwill

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

Positive goodwill is stated at cost less any provision for impairment in value. An impairment test is carried out annually and, in addition, whenever indicators exist that the carrying amount may not be recoverable.

Intangible assets

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

Intangible assets are amortised on a straight-line basis over the estimated useful life of the assets as follows:

Brand – Regus brand	Indefinite life
Brand – Other acquired brands	20 years
Computer software	Up to 5 years
Customer lists	2 years
Management agreements	Minimum duration of the contract

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

Acquisitions of non-controlling interests

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

Assets held for sale

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

Leases

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

Operating leases

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

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

Onerous lease provisions are an estimate of the net amounts payable under the terms of the lease to the first break point, discounted at an appropriate pre-tax rate that reflects the time value of money and the risks specific to the liability.

Partner contributions

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

2. Accounting policies (continued)

Property, plant and equipment

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

Buildings	50 years
Leasehold improvements	10 years
Furniture	10 years
Office equipment and telephones	5 years
Computer hardware	3 – 5 years

Revenue

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

- **Workstations**

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

- **Customer service income**

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

- **Management and franchise fees**

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

- **Membership card income**

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

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

Employee benefits

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

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

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

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

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

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

Share-based payments

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

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

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

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

2. Accounting policies (continued)

Taxation

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

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

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

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

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

Provisions

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

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

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

Equity

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

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

Net finance expenses

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

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

Costs arising on bank guarantees and letters of credit and foreign exchange gains or losses are included in other finance costs (note 8).

Interest bearing borrowings and other financial liabilities

Financial liabilities, including interest bearing borrowings, are recognised initially at fair value less attributable transaction costs.

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

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

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

Non-recurring items

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

Financial assets

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

2. Accounting policies (continued)

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

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

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

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

Customer deposits

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

Foreign currency transactions and foreign operations

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

Cash and cash equivalents

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

Derivative financial instruments

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

Foreign currency translation rates

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

3. Segmental analysis – statutory basis

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

The business is run on a worldwide basis but managed through four principal geographical segments: Americas; Europe, Middle East and Africa (EMEA); Asia Pacific; and the United Kingdom. These geographical segments exclude the Group's non-trading, holding and corporate management companies. The results of business centres in each of these regions form the basis for reporting geographical results to the chief operating decision maker. All reportable segments are involved in the provision of global workplace solutions.

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

The accounting policies of the operating segments are the same as those described in the Annual Report and Accounts for the Group for the year ended 31 December 2015. The performance of each segment is assessed on the basis of the segment operating profit, which excludes internal revenue, corporate overheads and foreign exchange gains and losses arising on transactions with other operating segments.

3. Segmental analysis – statutory basis (continued)

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

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

4. Segmental analysis – entity-wide disclosures

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

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

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

£m	2016		2015	
	External revenue	Non-current assets ⁽¹⁾	External revenue	Non-current assets ⁽¹⁾
Country of tax domicile – Switzerland (2015: Luxembourg)	25.1	14.5	6.2	2.5
United States of America	766.6	930.0	636.3	720.5
United Kingdom	462.1	347.1	449.2	282.2
All other countries	979.6	738.2	835.3	646.4
	2,233.4	2,029.8	1,927.0	1,651.6

1. Excluding deferred tax assets.

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

£m	2016								
	Revenue	Gross profit (centre contribution)	Operating profit before joint venture	Share of joint venture loss	Operating profit	Finance expense	Finance income	Depreciation and amortisation	Profit before tax
Reportable segment results	2,234.5	446.4	267.6	(0.8)	266.8	(2.9)	0.1	192.0	264.0
Exclude: Internal revenue	(1.1)	(1.1)	–	–	–	–	–	–	–
Corporate overheads	–	3.5	(80.6)	–	(80.6)	(13.3)	–	2.5	(93.9)
Foreign exchange gains and losses	–	–	–	–	–	4.6	–	–	4.6
Non-recurring items	–	–	(1.0)	–	(1.0)	–	–	–	(1.0)
Published Group total	2,233.4	448.8	186.0	(0.8)	185.2	(11.6)	0.1	194.5	173.7
2015									
£m	Revenue	Gross profit (centre contribution)	Operating profit before joint venture	Share of joint venture profit	Operating profit	Finance expense	Finance income	Depreciation and amortisation	Profit before tax
Reportable segment results	1,928.5	427.2	238.8	0.3	239.1	(3.5)	0.5	143.2	236.1
Exclude: Internal revenue	(1.5)	(1.5)	–	–	–	–	–	–	–
Corporate overheads	–	2.7	(94.3)	–	(94.3)	(12.5)	0.1	2.0	(106.7)
Foreign exchange gains and losses	–	–	–	–	–	1.0	–	–	1.0
Non-recurring items	–	–	15.3	–	15.3	–	–	–	15.3
Published Group total	1,927.0	428.4	159.8	0.3	160.1	(15.0)	0.6	145.2	145.7
2016									
£m					Assets	Liabilities	Net assets/ (liabilities)		
Reportable segment results					3,581.0	(3,704.2)	(123.2)		
Exclude: Segmental inter-company amounts					(1,035.9)	1,989.6	953.7		
Corporate overhead assets and liabilities (excluding amounts due to/from reportable segments):					21.4	–	21.4		
Cash					17.0	–	17.0		
Deferred taxation					–	(184.7)	(184.7)		
Bank and other loans					77.6	(19.8)	57.8		
Other					2,661.1	(1,919.1)	742.0		
2015									
£m					Assets	Liabilities	Net assets/ (liabilities)		
Reportable segment results					2,918.9	(2,869.7)	49.2		
Exclude: Segmental inter-company amounts					(726.0)	1,429.3	703.3		
Corporate overhead assets and liabilities (excluding amounts due to/from reportable segments):					29.8	–	29.8		
Cash					24.3	–	24.3		
Deferred taxation					–	(234.4)	(234.4)		
Bank and other loans					80.6	(69.1)	11.5		
Published Group total					2,327.6	(1,743.9)	583.7		

5. Operating profit

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

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

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

6. Non-recurring items

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

Disposal of assets held for sale

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

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

6. Non-recurring items (continued)

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

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

Proceeds from litigation settlement

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

California class action

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

Competition & Markets Authority investigation

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

7. Staff costs

	2016 £m	2015 £m
The aggregate payroll costs were as follows:		
Wages and salaries	282.2	302.5
Social security	45.6	46.5
Pension costs	5.4	5.2
Share-based payments	2.4	2.2
	335.6	356.4
 The average number of persons employed by the Group (including Executive Directors), analysed by category and geography, was as follows:		
Centre staff	6,551	6,842
Sales and marketing staff	425	467
Finance staff	768	778
Other staff	864	1,203
	8,608	9,290
Americas	2,802	3,064
EMEA	2,044	2,107
Asia Pacific	1,746	1,832
United Kingdom	907	996
Corporate functions	1,109	1,291
	8,608	9,290

Details of Directors' emoluments and interests are given on pages 50 to 60 in the Remuneration Report, with audited schedules identified where relevant.

8. Net finance expense

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

9. Taxation

(a) Analysis of charge in the year

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

(b) Reconciliation of taxation charge

	2016		2015	
	£m	%	£m	%
Profit before tax	173.7		145.7	
Tax on profit at 14.6% (2015: 29.22%)	(25.4)	(14.6)	(42.6)	(29.2)
Tax effects of:				
Expenses not deductible for tax purposes	(26.5)	(15.3)	(8.6)	(5.9)
Items not chargeable for tax purposes	33.8	19.5	40.2	27.6
Non-recurring items not chargeable for tax purposes	–	–	4.6	3.2
Recognition of previously unrecognised deferred tax assets	2.9	1.7	8.2	5.6
Movements in temporary differences in the year not recognised in deferred tax	(85.5)	(49.2)	(23.3)	(16.0)
Adjustment to tax charge in respect of previous years	4.8	2.7	(4.6)	(3.2)
Differences in tax rates on overseas earnings	61.0	35.1	0.3	0.2
	(34.9)	(20.1)	(25.8)	(17.7)

The applicable tax rate is determined based on the tax rate in the canton of Zug in Switzerland (2015: Luxembourg) which was the statutory tax rate applicable in the country of domicile of the parent company of the Group for the financial year.

9. Taxation (continued)

(c) Factors that may affect the future tax charge

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

	2016 £m	2015 £m
2016	—	3.4
2017	7.3	6.3
2018	8.2	10.1
2019	15.6	18.9
2020	57.2	45.3
2021	37.8	8.8
2022	18.8	13.8
2023	21.7	12.2
2024 and later	92.4	41.8
	259.0	160.6
Available indefinitely	453.9	226.6
Tax losses available to carry forward	712.9	387.2
Amount of tax losses recognised in deferred tax assets	131.2	113.4
Total tax losses available to carry forward	844.1	500.6

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

	2016 £m	2015 £m
Intangibles	22.0	26.7
Accelerated capital allowances	24.5	19.4
Tax losses	187.7	101.2
Rent	11.3	9.2
Short-term temporary differences	8.2	8.2
	253.7	164.7

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

(d) Corporation tax

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

9. Taxation (continued)

(e) Deferred taxation

The movement in deferred tax is analysed below:

	Intangibles £m	Property, plant and equipment £m	Tax losses £m	Rent £m	Short-term temporary differences £m	Total £m
Deferred tax asset						
At 1 January 2015	(34.4)	11.4	31.4	36.7	(5.1)	40.0
Current year movement	(2.0)	(9.7)	(3.3)	11.4	3.5	(0.1)
Prior year movement	–	(5.6)	4.0	(0.2)	–	(1.8)
Transfers	–	(0.4)	0.8	0.4	(0.2)	0.6
Exchange movement	(3.2)	(0.1)	(0.9)	2.2	(0.3)	(2.3)
At 1 January 2016	(39.6)	(4.4)	32.0	50.5	(2.1)	36.4
Current year movement	(4.0)	(14.0)	(3.2)	9.6	1.7	(9.9)
Prior year movement	–	(1.3)	3.9	–	(2.2)	0.4
Transfers	0.3	(0.1)	(0.3)	(0.2)	0.5	0.2
Exchange movement	(11.5)	(0.7)	1.9	9.9	2.6	2.2
At 31 December 2016	(54.8)	(20.5)	34.3	69.8	0.5	29.3
Deferred tax liability						
At 1 January 2015	(0.2)	(1.1)	0.3	0.3	(1.5)	(2.2)
Current year movement	–	(1.0)	1.1	0.2	(0.3)	–
Prior year movement	–	1.6	–	–	(0.9)	0.7
Transfers	–	0.4	(0.8)	(0.4)	0.2	(0.6)
Exchange movement	0.2	(1.4)	0.1	(0.1)	1.7	0.5
At 1 January 2016	–	(1.5)	0.7	–	(0.8)	(1.6)
Current year movement	(0.1)	(1.9)	1.3	(0.4)	0.2	(0.9)
Prior year movement	–	0.1	(0.1)	–	–	–
Transfers	(0.3)	0.2	0.2	0.2	(0.5)	(0.2)
Exchange movement	–	(0.1)	0.3	–	0.1	0.3
At 31 December 2016	(0.4)	(3.2)	2.4	(0.2)	(1.0)	(2.4)

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

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

At the balance sheet date, the temporary difference arising from unremitted earnings of overseas subsidiaries was £94.1m (2015: £189.9m). The only tax that would arise on these reserves would be non-creditable withholding tax.

10. Earnings per ordinary share (basic and diluted)

	2016	2015
	2016	2015
	£m	£m
Profit attributable to equity shareholders of the parent (£m)	138.8	119.9
Weighted average number of shares outstanding during the year	929,830,458	933,457,741
Average market price of one share during the year	283.67p	270.09p
Weighted average number of shares under option during the year	26,744,249	33,758,590
Exercise price for shares under option during the year	133.74p	130.10p
	Profit	Earnings per share
	2016	2015
	£m	pence
Basic and diluted profit for the year attributable to shareholders and basic earnings per share	138.8	119.9
Diluted earnings per share	14.9	12.8
Basic and diluted profit for the year attributable to shareholders and basic earnings per share (before non-recurring items)	139.8	104.5
Diluted earnings per share (before non-recurring items)	15.0	11.2
Diluted earnings per share (before non-recurring items)	14.8	11.0
Weighted average number of shares for basic EPS (number)	929,830,458	933,457,741
Weighted average number of shares under option during the year	26,744,249	33,758,590
Weighted average number of shares that would have been issued at average market price	(14,295,963)	(18,516,654)
Weighted average number of awards under the CIP and LTIP	1,736,399	4,978,357
Weighted average number of shares for diluted EPS (number)	944,015,143	953,678,034

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

11. Dividends

	2016	2015
	2016	2015
	£m	pence
Dividends per ordinary share proposed	3.55p	3.10p
Interim dividends per ordinary share declared and paid during the year	1.55p	1.40p

Dividends of £43.3m were paid during the year (2015: £38.8m). The Company has proposed to shareholders that a final dividend of 3.55p per share will be paid (2015: 3.10p). Subject to shareholder approval, it is expected that the dividend will be paid on 26 May 2017.

12. Goodwill

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

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

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

12. Goodwill (continued)

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

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

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

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

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

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

The following key assumptions have been used in calculating value in use for each country:

- Future cash flows are based on forecasts prepared by management. The model excludes cost savings and restructurings that are anticipated but had not been committed to at the date of the determination of the value in use. Thereafter, forecasts have been prepared by management for a further four years from 2017 that reflect an average annual growth rate of 3% (2016: 3%);
- These forecasts exclude the impact of acquisitive growth expected to take place in future periods;
- Management consider these projections to be a reasonable projection of margins expected at the mid-cycle position. Cash flows beyond 2019 have been extrapolated using a 2% growth rate which management believes is a reasonable long-term growth rate for any of the markets in which the relevant countries operate. A terminal value is included in the assessment, reflecting the Group's expectation that it will continue to operate in these markets and the long-term nature of the businesses; and
- The Group applies a country specific pre-tax discount rate to the pre-tax cash flows for each country. The country specific discount rate is based on the underlying weighted average cost of capital (WACC) for the Group. The Group WACC is then adjusted for each country to reflect the assessed market risk specific to that country. The Group pre-tax WACC decreased from 12.7% in 2015 to 11.3% in 2016 (post-tax WACC: 9.0%). The country specific pre-tax WACC reflecting the respective market risk adjustment has been set between 10.7% and 14.2% (2015: 12.1% to 17.3%).

The amounts by which the values in use exceed the carrying amounts of goodwill are sufficiently large to enable the Directors to conclude that a reasonably possible change in the key assumptions would not result in an impairment charge in any of the countries. Foreseeable events are unlikely to result in a change in the projections of such a significant nature as to result in the goodwill carrying amount exceeding their recoverable amount. The forecast models used in assessing the impairment of goodwill are based on the related business centre structure at the end of the year. These models therefore do not reflect the expected improvement in margin as new centres mature.

The US model assumes an average centre contribution of 20% over the next five years. Revenue grows at 2.5% and costs grow at 1.5% per annum from 2017. A terminal value centre gross margin of 21% is adopted from 2021, with a 2% long-term growth rate assumed on revenue and cost into perpetuity. The cash flows have been discounted using a pre-tax discount rate of 14% (2015: 16%).

The UK model assumes an average centre contribution of 21% over the next 5 years. Revenue and costs grow at 3% per annum from 2017. A terminal value centre gross margin of 21% is adopted from 2021, with a 2% long-term growth rate assumed on revenue and cost into perpetuity. The cash flows have been discounted using a pre-tax discount rate of 11% (2015: 13%).

12. Goodwill (continued)

Management has considered the following sensitivities:

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

Discount rate – Management has considered the impact of an increase in the discount rate applied to the calculation. The value in use calculation shows that for the recoverable amount to be less than its carrying value, the pre-tax discount rate would have to be increased to 24% (2015: 30%) for the US and 38% (2015: 36%) for the UK.

13. Other intangible assets

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

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

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

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

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

14. Property, plant and equipment

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

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

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

15. Other long-term receivables

	2016 £m	2015 £m
Deposits held by landlords against rent obligations	78.2	53.5
Amounts owed by joint ventures	0.2	4.0
Acquired lease fair value asset	5.3	5.5
	83.7	63.0

16. Trade and other receivables

	2016 £m	2015 £m
Trade receivables	202.6	206.2
Amounts owed by joint ventures	7.7	4.9
Other receivables	76.2	102.6
Acquired lease fair value asset	1.7	2.5
Deposits held by landlords against rent obligations	7.6	15.8
Prepayments and accrued income	171.8	158.5
VAT recoverable	49.5	67.3
	517.1	557.8

17. Trade and other payables (including customer deposits)

	2016 £m	2015 £m
Trade payables	60.3	94.2
VAT payable	53.1	60.8
Other tax and social security	9.0	10.4
Customer deposits	421.0	331.6
Deferred partner contributions	68.5	48.3
Amounts owed to joint ventures	1.6	1.6
Rent accruals	137.4	112.2
Acquired lease fair value liability	3.2	3.7
Other accruals	111.1	133.0
Other payables	10.0	20.7
Total current	875.2	816.5

	2016 £m	2015 £m
Deferred partner contributions	265.4	199.5
Rent accruals	250.9	169.6
Acquired lease fair value liability	8.3	11.0
Other payables	7.5	3.7
Total non-current	532.1	383.8

18. Borrowings

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

Bank and other loans

	2016 £m	2015 £m
Repayments falling due as follows:		
Amounts falling due after more than one year:		
In more than one year but not more than two years	6.9	124.1
In more than two years but not more than five years	186.7	88.0
In more than five years	–	33.2
Total non-current	193.6	245.3
Total current	7.8	9.2
Total bank and other loans	201.4	254.5

19. Provisions

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

Onerous leases and closures

Provisions for onerous leases and closure costs relate to the estimated future costs of centre closures and onerous property leases. The maximum period over which the provisions are expected to be utilised expires by 31 December 2025.

Other

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

20. Investments in joint ventures

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

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

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

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

21. Share capital

Ordinary equity share capital

	2016		2015	
	Number	Nominal value £m	Number	Nominal value £m
Authorised				
Ordinary 1p shares in Regus plc at 1 January 2016 and 19 December 2016	8,000,000,000	80.0	8,000,000,000	80.0
Ordinary 1p shares in IWG plc at 19 December 2016 and 31 December 2016	8,000,000,000	80.0	–	–
Issued and fully paid up				
Ordinary 1p shares in Regus plc at 1 January	950,969,822	9.5	950,969,822	9.5
Cancellation of 1p shares in Regus plc held in treasury	(27,612,384)	(0.3)	–	–
Ordinary shares in IWG plc issued on formation of the company	923,357,438	9.2	–	–
Ordinary shares in Regus plc exchanged for ordinary shares in IWG plc	(923,357,438)	(9.2)	–	–
Ordinary 1p shares in IWG plc at 31 December 2016	923,357,438	9.2	–	–

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

Treasury share transactions involving Regus plc shares between 1 January 2016 and 19 December 2016

In the period ending 19 December 2016, 11,834,627 (year ended 31 December 2015: 9,543,800) shares were purchased in the open market by Regus plc and 4,712,856 (year ended 31 December 2015: 1,936,642) treasury shares held by Regus plc were utilised to satisfy the exercise of share awards by employees. At 19 December 2016, 27,612,384 (year ended 31 December 2015: 20,490,613) shares were held as treasury shares. These shares were cancelled as part of the Group reorganisation and Scheme of Arrangement. The holders of ordinary shares in Regus plc were entitled to receive such dividends as were declared by the Company and were entitled to one vote per share at meetings of the Company. Treasury shares did not carry such rights until reissued.

Treasury share transactions involving IWG plc shares between 19 December 2016 and 31 December 2016

In the period from 19 December 2016 to 31 December 2016, 1,280,032 shares were purchased in the open market by IWG plc and 109,333 treasury shares held by IWG plc were utilised to satisfy the exercise of share awards by employees. At 28 February 2017, 1,013,938 shares were held as treasury shares. The holders of ordinary shares in IWG plc are entitled to receive such dividends as are declared by the Company and are entitled to one vote per share at meetings of the Company. Treasury shares do not carry such rights until reissued.

	2016		2015	
	Number of shares	£m	Number of shares	£m
1 January	20,490,613	42.9	12,883,455	19.9
Purchase of treasury shares in Regus plc	11,834,627	31.1	9,543,800	24.5
Treasury shares in Regus plc utilised	(4,712,856)	(8.3)	(1,936,642)	(1.5)
Cancellation of treasury shares in Regus plc	(27,612,384)	(65.7)	–	–
Purchase of treasury shares in IWG plc	1,280,032	3.1	–	–
Treasury shares in IWG plc utilised	(109,333)	(0.2)	–	–
31 December	1,170,699	2.9	20,490,613	42.9

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

22. Analysis of financial assets/(liabilities)

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

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

23. Financial instruments and financial risk management

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

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

Going concern

The Strategic Report on pages 1 to 32 of the Annual Report and Accounts sets out the Group's strategy and the factors that are likely to affect the future performance and position of the business. The financial review on pages 22 to 26 within the Strategic Report reviews the trading performance, financial position, and cash flows of the Group. During the year ended 31 December 2016, despite the Group making a significant investment in growth, the Group's net debt position decreased by £39.3m to a net debt position of £151.3m as at 31 December 2016. The investment in growth is funded by a combination of cash flow generated from the Group's mature business centres and debt. The Group has a £550.0m revolving credit facility provided by a group of relationship banks with a final maturity extended until 2021, with a further option to extend to 2023. As at 31 December 2016, £299.4m was available and undrawn.

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

Credit risk

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

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

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

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

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

23. Financial instruments and financial risk management (continued)

The ageing of trade receivables at 31 December was:

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

At 31 December 2016, the Group maintained a provision of £19.1m against potential bad debts (2015: £11.6m) arising from trade receivables. The Group had provided £10.3m (2015: £6.5m) in the year and utilised £4.5m (2015: £3.2m). Customer deposits of £421.0m (2015: £331.6m) are held by the Group, mitigating the risk of default.

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

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

Liquidity risk

The Group manages liquidity risk by closely monitoring the global cash position, the available and undrawn credit facilities, and forecast capital expenditure and expects to have sufficient liquidity to meet its financial obligations as they fall due. The Group has free cash and liquid investments (excluding blocked cash) of £38.8m (2015: £47.9m). In addition to cash and liquid investments, the Group had £299.4m available and undrawn under its committed borrowings. The Directors consider the Group has adequate liquidity to meet day-to-day requirements.

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

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

Although the Group has net current liabilities of £581.1m (2015: £446.1m), the Group does not consider that this gives rise to a liquidity risk. A large proportion of the net current liabilities comprise non-cash liabilities such as deferred income which will be recognised in future periods through the income statement. Although the Group holds customer deposits of £421.0m (2015: £331.6m) these are spread across a large number of customers and no deposit held for an individual customer is material. Therefore, the Group does not believe the balance represents a liquidity risk. The net current liabilities, excluding deferred income, were £304.7m at 31 December 2016 (2015: £205.4m).

Market risk

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

Interest rate risk

The Group manages its exposure to interest rate risk through the relative proportions of fixed rate debt and floating rate debt. The surplus cash balances are invested short-term, and at the end of 2016 no cash was invested for a period exceeding three months.

Foreign currency risk

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

From time to time the Group uses short-term derivative financial instruments to manage its transactional foreign exchange exposures where these exposures cannot be eliminated through balancing the underlying risks. No transactions of a speculative nature are undertaken.

23. Financial instruments and financial risk management (continued)

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

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

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

Other market risks

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

Sensitivity analysis

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

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

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

Capital management

The Group's 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 page 43. 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 50 to 60. In addition, the Group operates various share option plans for key management and other senior employees.

Treasury share transactions involving Regus plc shares between 1 January 2016 and 19 December 2016

In the period ended 19 December 2016, 11,834,627 (year ended 31 December 2015: 9,543,800) shares were purchased in the open market by Regus plc and 4,712,856 (year ended 31 December 2015: 1,936,642) treasury shares held by Regus plc were utilised to satisfy the exercise of share awards by employees. At 19 December 2016, 27,612,384 (year ended 31 December 2015: 20,490,613) shares were held as treasury shares. These shares were cancelled as part of the Group reorganisation and Scheme of Arrangement described in note 21.

23. Financial instruments and financial risk management (continued)

Treasury share transactions involving IWG plc shares between 19 December 2016 and 31 December 2016

In the period from 19 December 2016 to 31 December 2016, 1,280,032 shares were purchased in the open market by IWG plc and 109,333 treasury shares held by IWG plc were utilised to satisfy the exercise of share awards by employees. At 28 February 2017, 1,013,938 shares were held as treasury shares.

The Company declared an interim dividend of 1.55p per share (2015: 1.40p) during the year ended 31 December 2016 and proposed a final dividend of 3.55p per share (2015: 3.10p per share), a 15% increase on the 2015 dividend.

The Group's objective when managing capital (equity and borrowings) is to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure to reduce the cost of capital. The Group has a net debt position of £151.3m at the end of 2016 (2015: £190.6m) and £299.4m (2015: £205.1m) of committed undrawn borrowings.

Effective interest rates

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

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

As at 31 December 2016

	Effective interest rate % ⁽¹⁾	Carrying value £m	Contractual cash flow £m	Less than 1 year £m	1-2 years £m	2-5 years £m	More than 5 years £m
Cash and cash equivalents	0.0%	50.1	50.1	50.1	—	—	—
Trade and other receivables	—	418.5	437.6	359.4	39.1	39.1	—
Financial assets ⁽²⁾		468.6	487.7	409.5	39.1	39.1	—
Non-derivative financial liabilities ⁽¹⁾ :							
Bank loans and corporate borrowings	2.9%	(193.6)	(193.6)	—	(6.9)	(186.7)	—
Other loans	4.6%	(7.8)	(7.8)	(7.8)	—	—	—
Customer deposits	—	(421.0)	(421.0)	(421.0)	—	—	—
Trade and other payables	—	(136.5)	(136.5)	(128.6)	(7.9)	—	—
Derivative financial liabilities:							
Cross-currency interest rate swaps							
• Outflow	—	—	—	—	—	—	—
• Inflow	—	—	—	—	—	—	—
Interest rate swaps							
• Outflow	—	(0.3)	(0.3)	—	—	(0.3)	—
• Inflow	—	—	—	—	—	—	—
Financial liabilities		(759.2)	(759.2)	(557.4)	(14.8)	(187.0)	—

1. All financial instruments are classified as variable rate instruments.

2. Financial assets are all held at amortised cost.

23. Financial instruments and financial risk management (continued)

As at 31 December 2015

	Effective interest rate % ⁽¹⁾	Carrying value £m	Contractual cash flow £m	Less than 1 year £m	1-2 years £m	2-5 years £m	More than 5 years £m
Cash and cash equivalents	0.4%	63.9	63.9	63.9	—	—	—
Trade and other receivables	—	454.0	465.6	408.4	26.7	30.5	—
Financial assets ⁽²⁾		517.9	529.5	472.3	26.7	30.5	—
Non-derivative financial liabilities ⁽¹⁾							
Bank loans and corporate borrowings	4.0%	(245.3)	(245.3)	—	(124.1)	(88.0)	(33.2)
Other loans	12.4%	(9.2)	(9.2)	(9.2)	—	—	—
Customer deposits	—	(331.6)	(331.6)	(331.6)	—	—	—
Trade and other payables	—	(191.5)	(191.5)	(187.8)	(3.7)	—	—
Derivative financial liabilities:							
Cross-currency interest rate swaps							
– Outflow	—	(14.2)	(135.3)	—	(135.3)	—	—
– Inflow	—	—	121.1	—	121.1	—	—
Interest rate swaps							
– Outflow	—	(0.8)	(0.8)	—	—	(0.8)	—
– Inflow	—	—	—	—	—	—	—
Financial liabilities		(792.6)	(792.6)	(528.6)	(142.0)	(88.8)	(33.2)

1. All financial instruments are classified as variable rate instruments

2. Financial assets are all held at amortised cost

Fair value disclosures

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

£m	31 December 2016	Carrying amount			Fair value				
		Loans and receivables	Other financial liabilities	Fair value – hedging instruments	Total	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	50.1	—	—	50.1	—	—	—	—	—
Trade and other receivables	418.5	—	—	418.5	—	—	—	—	—
Bank loans and corporate borrowings	—	(193.6)	—	(193.6)	—	—	—	—	—
Other loans	—	(7.8)	—	(7.8)	—	—	—	—	—
Customer deposits	—	(421.0)	—	(421.0)	—	—	—	—	—
Trade and other payables	—	(136.5)	—	(136.5)	—	—	—	—	—
Derivative financial liabilities	—	—	(0.3)	(0.3)	—	(0.3)	—	—	(0.3)
	468.6	(758.9)	(0.3)	(290.6)	—	(0.3)	—	—	(0.3)
Unrecognised gain								—	—

£m	31 December 2015	Carrying amount			Fair value				
		Loans and receivables	Other financial liabilities	Fair value – hedging instruments	Total	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	63.9	—	—	63.9	—	—	—	—	—
Trade and other receivables	454.0	—	—	454.0	—	—	—	—	—
Bank loans and corporate borrowings	—	(245.3)	—	(245.3)	—	—	—	—	—
Other loans	—	(9.2)	—	(9.2)	—	—	—	—	—
Customer deposits	—	(331.6)	—	(331.6)	—	—	—	—	—
Trade and other payables	—	(191.5)	—	(191.5)	—	—	—	—	—
Derivative financial liabilities	—	—	(15.0)	(15.0)	—	(15.0)	—	—	(15.0)
	517.9	(777.6)	(15.0)	(274.7)	—	(15.0)	—	—	(15.0)
Unrecognised gain								—	—

23. Financial instruments and financial risk management (continued)

During the years ended 31 December 2015 and 31 December 2016, there were no transfers between levels for fair value measured instruments, and no financial instruments requiring level 3 fair value measurements were held.

Valuation techniques

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

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

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

Type	Valuation technique
Cash and cash equivalents, trade and other receivables/payables and customer deposits	For cash and cash equivalents, receivables/payables with a remaining life of less than one year and customer deposits, the book value approximates the fair value because of their short-term nature.
Loans and overdrafts	The fair value of bank loans, overdrafts and other loans approximates the carrying value because interest rates are at floating rates where payments are reset to market rates at intervals of less than one year.
Foreign exchange contracts and interest rate swaps	The fair values are based on a combination of broker quotes, forward pricing and swap models.

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

Derivative financial instruments

The following table summarises the notional amount of the open contracts as at the reporting date:

	2016 EUR m	2015 EUR m
Derivatives used for cash flow hedging	–	210.0
	2016 GBP m	2015 GBP m
Derivatives used for cash flow hedging	70.0	–
	2016 USD m	2015 USD m
Derivatives used for cash flow hedging	30.0	–
Committed borrowings		
	2016 Facility £m	2016 Available £m
Schuldschein loan note	–	–
Revolving credit facility	550.0	299.4
Guarantee and letter of credit facility	–	–
Total	550.0	299.4
	2015 Facility £m	2015 Available £m
Schuldschein loan note	154.2	–
Revolving credit facility	320.0	205.1
Guarantee and letter of credit facility	75.0	4.6
Total	549.2	209.7

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

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

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

24. Share-based payments

There are three share-based payment plans, details of which are outlined below:

Plan 1: IWG Group Share Option Plan

During 2004 the Group established the IWG Group Share Option Plan that entitles Executive Directors and certain employees to purchase shares in IWG plc (previously Regus plc). In accordance with this programme, holders of vested options are entitled to purchase shares at the market price of the shares at the day before the date of grant.

The IWG Group also operates the IWG Group Share Option Plan (France) which is included within the numbers for the IWG Share Option Plan disclosed above. The terms of the IWG Share Option Plan (France) are materially the same as the IWG Group Share Option Plan with the exception that they are only exercisable from the fourth anniversary of the date of grant, assuming the performance conditions have been met.

Reconciliation of outstanding share options

	2016		2015	
	Number of share options	Weighted average exercise price per share	Number of share options	Weighted average exercise price per share
At 1 January	29,494,624	155.35	36,096,491	144.20
Granted during the year	1,848,431	301.59	1,906,565	250.80
Lapsed during the year	(2,972,532)	190.48	(4,062,226)	205.94
Exercised during the year	(3,850,899)	101.69	(4,446,206)	95.12
Outstanding at 31 December	24,519,624	169.62	29,494,624	155.35
Exercisable at 31 December	6,357,981	119.87	2,853,016	100.00

Date of grant	Numbers granted	Weighted average exercise price per share	Lapsed	Exercised	At 31 Dec 2016	Exercisable from	Expiry date
23/03/2010	3,986,000	100.50	(3,463,777)	(410,255)	111,968	23/03/2013	23/03/2020
28/06/2010	617,961	75.00	(546,198)	(50,413)	21,350	28/06/2013	28/06/2020
01/09/2010	160,646	69.10	(146,728)	(9,856)	4,062	01/09/2013	01/09/2020
01/04/2011	2,400,000	114.90	(954,402)	(481,866)	963,732	01/04/2014	01/04/2021
30/06/2011	9,867,539	109.50	(4,900,647)	(3,361,911)	1,604,981	30/06/2014	30/06/2021
31/08/2011	300,000	67.00	–	(300,000)	–	31/08/2014	31/08/2021
02/09/2011	1,000,000	74.35	(92,667)	(907,333)	–	01/09/2014	02/09/2021
13/06/2012	11,189,000	84.95	(3,765,180)	(3,081,614)	4,342,206	13/06/2015	13/06/2022
12/06/2013	7,741,000	155.60	(3,306,265)	(609,927)	3,824,808	12/06/2016	12/06/2023
18/11/2013	600,000	191.90	(575,000)	–	25,000	18/11/2016	17/11/2023
18/12/2013	1,000,000	195.00	–	–	1,000,000	18/12/2016	17/12/2023
20/05/2014	1,845,500	187.20	(1,578,400)	–	267,100	20/05/2017	19/05/2024
05/11/2014	12,875,796	186.00	(2,414,810)	–	10,460,986	05/11/2017	04/11/2024
19/05/2015	1,906,565	250.80	(1,686,565)	–	220,000	19/05/2018	18/05/2025
22/12/2015	1,154,646	322.20	–	–	1,154,646	22/12/2018	22/12/2025
29/06/2016	444,196	272.50	(175,000)	–	269,196	29/06/2019	29/06/2026
28/09/2016	249,589	258.00	–	–	249,589	28/09/2019	28/09/2026
Total	57,338,438	142.14	(23,605,639)	(9,213,175)	24,519,624		

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

24. Share-based payments (continued)

Performance conditions for share options

March, June and September 2010 share option plan

The Group and regional performance targets for the options awarded in March, June and September 2010, based on a combination of EPS and the IWG Total Shareholder Return (TSR) % achieved relative to the FTSE All Share Total Return index is at least at the median over the performance period for the year ending 2010, were partially met. Those options that are eligible to vest have vested as follows:

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

April 2011 share option plan

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

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

June 2011 share option plan

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

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

August 2011 share option plan

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

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

September 2011 share option plan

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

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

June 2012 share option plan

The Group performance targets for the options awarded in June 2012, based on pre-growth profit for the year ending 31 December 2012, were partially met. Once performance conditions are satisfied, those options that are eligible to vest will vest as follows:

	Proportion to vest
June 2015	1/3
June 2016	1/3
June 2017	1/3

24. Share-based payments (continued)

June 2013 share option plan

The Group performance targets for the options awarded in June 2013, based on Group operating profit for the year ending 31 December 2013, were partially met. Those options that are eligible to vest will vest as follows:

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

November 2013 share option plan

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

Once performance conditions are satisfied, those options that are eligible to vest will vest on the anniversary of the grant date in the year following achievement of one or more of the target thresholds. Those options not subject to the performance targets are eligible to be exercised in three equal tranches from the third anniversary of the grant date.

December 2013 share option plan

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

Once performance conditions are satisfied, those options that are eligible to vest will vest on the anniversary of the grant date in the year following attainment of one or more of the target thresholds. Those options not subject to the performance targets are eligible to be exercised in three equal tranches from the third anniversary of the grant date.

May 2014 share option plan

The options awarded in May 2014 are conditional on the ongoing employment of the related employees for a specified period of time. Once this condition is satisfied, those options that are eligible to vest will vest as follows:

	Proportion to vest
May 2017	1/3
May 2018	1/3
May 2019	1/3

November 2014 share option plan

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

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

24. Share-based payments (continued)

May 2015 share option plan

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

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

December 2015 share option plan

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

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

June 2016 share option plan

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

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

September 2016 share option plan

The options awarded in September 2016 are conditional on the ongoing employment of the related employee for a specified period of time. Once this condition is satisfied, those options that are eligible to vest will vest as follows:

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

24. Share-based payments (continued)

Measurement of fair values

The fair value of the rights granted through the employee share purchase plan was measured based on the Monte Carlo simulation or the Black-Scholes formula. The expected volatility is based on the historic volatility adjusted for any abnormal movement in share prices.

The inputs to the model are as follows:

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

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

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

24. Share-based payments (continued)

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

The CIP operates in conjunction with the annual bonus whereby a gross bonus of up to 50% of basic annual salary will be taken as a deferred amount of shares (Investment Shares) to be released at the end of a defined period of not less than three years, with the balance paid in cash. Awards of Matching Shares are linked to the number of Investment Shares awarded and will vest depending on the Company's future performance. The maximum number of Matching Shares which can be awarded to a participant in any calendar year under the CIP is 200% of salary. As such, the maximum number of Matching Shares which can be awarded, based on Investment Shares awarded, is in the ratio of 4:1.

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

Reconciliation of outstanding share awards

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

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

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

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

1. As indicated in the Remuneration Report in the Annual Report for the year ended 31 December 2009, the Remuneration Committee felt it inappropriate to set specific performance conditions for Matching Shares under the CIP which were awarded in March 2008 and March 2009

2. The release dates for the three tranches of the March 2013 CIP Matching Shares are 6 March 2016, 6 March 2017 and 6 March 2018 respectively

3. The release dates for the three tranches of the March 2014 CIP Matching Shares are 5 March 2017, 5 March 2018 and 5 March 2019 respectively

4. The release date for the Matching Share awards of the March 2015 CIP is 4 March 2020

24. Share-based payments (continued)

Measurement of fair values

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

The inputs to the model are as follows:

	03/03/2016 PSP	04/03/2015 CIP	05/03/2014 CIP	06/03/2013 CIP	23/03/2009 CIP ⁽¹⁾	18/03/2008 CIP ⁽¹⁾
Share price on grant date	300.00p	225.00p	253.30p	143.50p	65.50p	80.50p
Exercise price	Nil	Nil	Nil	Nil	Nil	Nil
Number of simulations	250,000	250,000	250,000	250,000	200,000	200,000
Number of companies	32	32	32	32	32	36
Award life	5 years	3 years	3 years	3 years	3 years	3 years
Expected dividend	1.5%	1.78%	1.66%	2.23%	2.72%	1.19%
Fair value of award at time of grant	183.08p– 277.36p	75.67p– 114.6p	83.11p– 214.33p	83.11p– 134.21p	47.97p	61.21%
Risk-free interest rate	0.86%	1.01%	0.99%– 1.47%	0.35%	1.92%	3.86%

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

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

While the Remuneration Committee reserves the right to adjust EPS as it sees fit at the time, by way of example, the following adjustments may be considered for the 2008 and 2009 grants:

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

24. Share-based payments (continued)

The performance conditions are as follows:

2008 and 2009 CIP Investment and matching grants

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

The total number of matching awards made in 2008 and 2009 to each participant was divided into three separate equal amounts and was subject to future performance periods of three, four and five years respectively. Thus, conditional on meeting the performance targets, the first amount vested in March 2013, the second vested in March 2014 and the third vested in March 2015. These vesting dates relate to the financial years ending 31 December 2012, 31 December 2013 and 31 December 2014 respectively. The vesting of these awards was subject to the achievement of challenging corporate performance targets. 75% of each of the three amounts was subject to defined adjusted earnings per share (EPS) targets over the respective performance periods. The remaining 25% of each were subject to relative total shareholder return (TSR) targets over the respective periods. The targets were as follows:

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

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

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

2013 CIP Investment and matching grants

The total number of matching awards made in 2013 to each participant was divided into three separate equal amounts and is subject to future performance periods of three, four and five years respectively. Thus, conditional on meeting the performance targets, the first amount will vest in March 2016, the second will vest in March 2017 and the third will vest in March 2018. These vesting dates relate to the financial years ending 31 December 2015, 31 December 2016 and 31 December 2017 respectively. The vesting of these awards is subject to the achievement of challenging corporate performance targets. 75% of each of the three amounts is subject to defined adjusted earnings per share (EPS) targets over the respective performance periods. The remaining 25% of each will be subject to relative total shareholder return (TSR) targets over the respective periods. The targets are as follows:

% of awards eligible for vesting	Adjusted EPS targets for the financial years ending		
	2015	2016	2017
25%	12.0p	14.0p	16.0p
50%	12.6p	14.6p	16.6p
75%	13.3p	15.3p	17.3p
100%	14.0p	16.0p	18.0p

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

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

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

24. Share-based payments (continued)

2014 CIP Investment and matching grants

The total number of matching awards made in 2014 to each participant was divided into three separate equal amounts and is subject to future performance periods of three, four and five years respectively. Thus, conditional on meeting the performance targets, the first amount will vest in March 2017, the second will vest in March 2018 and the third will vest in March 2019. These vesting dates relate to the financial years ending 31 December 2016, 31 December 2017 and 31 December 2018 respectively. The vesting of these awards is subject to the achievement of challenging corporate performance targets. 75% of each of the three amounts is subject to defined adjusted earnings per share (EPS) targets over the respective performance periods. The remaining 25% of each will be subject to relative total shareholder return (TSR) targets over the respective periods. The targets are as follows:

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

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

% of awards eligible for vesting	IWG TSR % achieved relative to FTSE All Share Total Return Index ⁽¹⁾	
	Below index	0%
Median		25%
Upper quartile or above		100%

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

2015 CIP Investment and matching grants

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

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

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

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

24. Share-based payments (continued)

2016 PSP Investment grant

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

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

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

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

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

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

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

Plan 3: One-Off Award

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

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

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

Reconciliation of outstanding share options

	2016	2015
	Number of awards	Number of awards
At 1 January	328,751	—
One-off award granted during the year	—	328,751
Lapsed during the year	—	—
Exercised during the year	—	—
Outstanding at 31 December	328,751	328,751
Exercisable at 31 December	—	—

25. Retirement benefit obligations

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

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

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

26. Acquisitions

Current period acquisitions

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

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

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

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

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

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

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

The Group continued to complete acquisition transactions subsequent to 31 December 2016, which will be accounted for in accordance with IFRS 3. Due to the timing of these transactions, it is not practical to disclose the information associated with the initial accounting for these acquisitions.

26. Acquisitions (continued)

Prior period acquisitions

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

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

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

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

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

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

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

27. Capital commitments

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

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

28. Non-cancellable operating lease commitments

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

	2016			2015		
	Property £m	Motor vehicles, plant and equipment £m	Total £m	Property £m	Motor vehicles, plant and equipment £m	Total £m
Lease obligations falling due:						
Within one year	882.4	1.3	883.7	715.7	1.3	717.0
Between one and five years	2,386.9	1.0	2,387.9	2,029.0	2.0	2,031.0
After five years	1,170.4	–	1,170.4	922.7	–	922.7
	4,439.7	2.3	4,442.0	3,667.4	3.3	3,670.7

28. Non-cancellable operating lease commitments (continued)

Non-cancellable operating lease commitments exclude future contingent rental amounts such as the variable amounts payable under performance-based leases, where the rents vary in line with a centre's performance.

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

29. Contingent assets and liabilities

The Group has bank guarantees and letters of credit held with certain banks, substantially in support of leasehold contracts with a variety of landlords, amounting to £151.7m (2015: £122.8m). There are no material lawsuits pending against the Group.

30. Related parties

Parent and subsidiary entities

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

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
2016			
Joint ventures	2.9	8.6	8.0
2015			
Joint ventures	2.2	7.2	7.6

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

Key management personnel

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

Compensation of key management personnel (including Directors):

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

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

Share-based payments included in the table above reflect the accounting charge in the year. The full fair value of awards granted in the year was £2.9m (2015: £3.5m). These awards are subject to performance conditions and vest over three, four and five years from the award date.

Transactions with related parties

During the year ended 31 December 2016 the Group acquired goods and services from a company indirectly controlled by a Director of the Company amounting to £30,228 (2015: £15,466). There was a £27,720 balance outstanding at the year end (2015: £15,466).

All outstanding balances with these related parties are priced on an arm's length basis and are to be settled in cash. None of the balances are secured.

31. Principal Group companies

The Group's principal subsidiary undertakings at 31 December 2016, their principal activities and countries of incorporation are set out below:

Name of undertaking	Country of incorporation	% of ordinary share and votes held	Name of undertaking	Country of incorporation	% of ordinary share and votes held
Principal activity – Trading companies					
Regus do Brasil Ltda	Brazil	100	Regus Management (UK) Ltd	United Kingdom	100
HQ Do Brazil Administracao de bens e servicos Ltda	Brazil	100	Serviced Office Property Managers Ltd	United Kingdom	100
Regus Paris SAS	France	100	Regus Management Group LLC	United States	100
Regus GmbH & Co. KG	Germany	100			
Excellent Business Centres GmbH	Germany	100	Principal activity – Management companies (continued)		
Regus Business Centres Italia Srl	Italy	100	RGN Limited Partner Holdings Corp	Canada	100
Regus Japan KK	Japan	100	Umbrella International Holdings AG	Switzerland	100
Regus Management de Mexico,SA de CV	Mexico	100	Regus Group Limited	United Kingdom	100
Regus Amsterdam BV	Netherlands	100	Regus H Holdings Ltd	United Kingdom	100
Regus Australia Management Pty	Australia	100	Regus H Holdings LLC	United States	100
Regus Management Singapore Pte Ltd	Singapore	100	Regus Corporation LLC	United States	100
Regus Management Group (Pty) Ltd	South Africa	100	Umbrella Group	Luxembourg	100
Regus HK Management Ltd	Hong Kong	100	Umbrella Global Holdings	Luxembourg	100
Regus Business Centre SA	Switzerland	100	Regus Plc	Luxembourg	100
Regus Management (Sweden) AB	Sweden	100	Umbrella Holdings Sarl	Luxembourg	100
ABC Business Centres Limited	United Kingdom	100			
KBC Holdings Limited	United Kingdom	100	Principal activity – Holding and finance companies		
Avanta Managed Offices Ltd	United Kingdom	100	RGN Limited Partner Holdings Corp	Canada	100
MWB Business Exchange Centres Ltd	United Kingdom	100	Umbrella International Holdings AG	Switzerland	100
Stonemartin Corporate Centre Limited	United Kingdom	100	Regus Group Limited	United Kingdom	100
HQ Global Workplaces LLC	United States	100	Regus H Holdings Ltd	United Kingdom	100
RGN-BSuites Holdings, LLC	United States	100	Regus H Holdings LLC	United States	100
RGN National Business Centre LLC	United States	100	Regus Corporation LLC	United States	100
Office Suites Plus Properties LLC	United States	100	Umbrella Group	Luxembourg	100
Regus Business Centres LLC	United States	100	Umbrella Global Holdings	Luxembourg	100
Principal activity – Management companies					
Centros de Negocios Regus SA de CV	Mexico	100	Regus Plc	Luxembourg	100
Regus Business Centres SA de CV	Mexico	100	Umbrella Holdings Sarl	Luxembourg	100
RBW Global Sarl	Luxembourg	100			
Pathway Finance Sarl	Luxembourg	100			
Regus Service Centre Philippines BV	Philippines	100			
Regus Global Management Centre SA	Switzerland	100			
Regus Group Services Ltd	United Kingdom	100			

32. Key judgemental areas adopted in preparing these accounts

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

Fair value accounting for business combinations

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

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

Valuation of intangibles and goodwill

We evaluate the fair value of goodwill and other intangible assets to assess potential impairments on an annual basis, or during the year if an event or other circumstance indicates that we may not be able to recover the carrying amount of the asset. We evaluate the carrying value of goodwill based on our CGUs aggregated at a country level and make that determination based upon future cash flow projections which assume certain growth projections which may or may not occur. We record an impairment loss for goodwill when the carrying value of the asset is less than its estimated recoverable amount. Further details of the methodology and assumptions applied to the impairment review in the year ended 31 December 2016, including the sensitivity to changes in those assumptions, can be found in note 12.

Impairment of property, plant and equipment

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

Tax assets and liabilities

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

	As at 31 Dec 2016 (Swiss Code of Obligations) £m
Assets	
Trade and other receivables	8.5
Total current assets	8.5
Investments	2,296.4
Total non-current assets	2,296.4
Total assets	2,304.9
Trade and other payables	3.3
Total short-term liabilities	3.3
Long-term interest bearing liabilities	2.6
Total long-term liabilities	2.6
Total liabilities	5.9
Issued share capital	9.2
Legal capital reserves	–
Reserves from capital contributions	2,295.4
Loss for the period	(2.7)
Treasury shares	(2.9)
Total shareholders' equity	2,299.0
Total liabilities and shareholders' equity	2,304.9

Approved by the Board on 28 February 2017

Mark Dixon
Chief Executive Officer

Dominik de Daniel
Chief Financial Officer and Chief Operating Officer

Accounting policies

Basis of preparation

These financial statements were prepared according to the principles of the Swiss Law on Accounting and Financial Reporting (32nd title of the Swiss Code of Obligations).

The Company is included in the consolidated financial statements of IWG plc.

The balance sheet has been extracted from the non-statutory accounts of IWG plc prepared under the Swiss Code of Obligations for the period ended 31 December 2016, which are available from the Company's registered office, Dammstrasse 19, CH-6300, Zug, Switzerland.

Segmental analysis

Segmental analysis – management basis (unaudited)

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

Segmental analysis – management basis (unaudited)

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

Notes:

1. The mature business comprises centres not opened in the current or previous financial year
2. Expansions include new centres opened and acquired businesses
3. A closure for the 2015 comparative data is defined as a centre closed during the period from 1 January 2015 to 31 December 2016
4. Workstation numbers are calculated as the weighted average for the year
5. 2016 expansions includes any costs incurred in 2016 for centres which will open in 2017
6. Workstations available at period end

Post-tax cash return on net investment

The purpose of this unaudited page is to reconcile some of the key numbers used in the returns calculation back to the Group's audited statutory accounts, and thereby, give the reader greater insight into the returns calculation drivers. The methodology and rationale for the calculation are discussed in the Chief Financial Officer's review on page 22 of these accounts.

Description	Reference	2013	2014	2015	2016	2017	Total
		Aggregation	Expansions	Expansions	Expansions	Closures	
Post-tax cash return on net investment		21.5%	10.0%	(2.6%)	(15.8%)	–	13.7%
Revenue	Income statement, p66	1,678.2	213.4	272.5	36.8	–	32.5 2,233.4
Centre contribution	Income statement, p66	419.0	36.7	7.2	(19.0)	(1.1)	6.0 448.8
(Profit)/loss on disposal of assets	EBIT reconciliation (analysed below)	(0.5)	–	–	–	–	1.5 1.0
Underlying centre contribution		418.5	36.7	7.2	(19.0)	(1.1)	7.5 449.8
Selling, general and administration expenses ⁽¹⁾	Income statement, p66	(165.3)	(30.8)	(49.6)	(13.2)	(0.1)	(2.8) (261.8)
EBIT	EBIT reconciliation (analysed below)	253.2	5.9	(42.4)	(32.2)	(1.2)	4.7 188.0
Depreciation and amortisation	Note 5, p79	124.6	23.2	34.0	8.3	–	4.4 194.5
Amortisation of partner contributions	Note 5, p79	(32.3)	(6.7)	(7.9)	(3.2)	–	(0.1) (50.2)
Amortisation of acquired lease fair value adjustments	Note 5, p79	(3.8)	(0.3)	1.0	–	–	– (3.1)
Non-cash items		88.5	16.2	27.1	5.1	–	4.3 141.2
Taxation⁽²⁾		(50.7)	(1.2)	8.5	6.4	0.2	(0.9) (37.7)
Adjusted net cash profit		291.0	20.9	(6.8)	(20.7)	(1.0)	8.1 291.5
Maintenance capital expenditure	Capital expenditure (analysed below)	81.0	5.7	–	–	–	– 86.7
Partner contributions	Partner contributions (analysed below)	(20.4)	(0.8)	–	–	–	– (21.2)
Net maintenance capital expenditure		60.6	4.9	–	–	–	– 65.5
Post-tax cash return		230.4	16.0	(6.8)	(20.7)	(1.0)	8.1 226.0
Growth capital expenditure	Capital expenditure (analysed below)	1,247.4	207.0	325.0	183.7	30.0	– 1,993.1
Partner contributions ⁽³⁾	Partner contributions (analysed below)	(174.8)	(47.1)	(66.0)	(52.9)	(3.3)	– (344.1)
Net investment		1,072.6	159.9	259.0	130.8	26.7	– 1,649.0

1. Including research and development expenses

2. Based on EBIT at the Group's long-term effective tax rate of 20%

3. The 2015 expansions includes £9.9m of partner contributions arising in 2016

2016

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

4. 2017 expansions relate to costs and investments incurred in 2016 for centres which will open in 2017

5. The growth capital expenditure for an estate is reduced by the investment in centres closed during the year, but only where that investment has been fully recovered

2016

EBIT reconciliation	Reference	£m	Partner contributions	Reference	£m	Capital expenditure	Reference	£m
EBIT (before non-recurring items)		188.0	Opening partner contributions		247.8	Maintenance capital expenditure	CFO review, p25	86.7
Loss on disposal of assets	Note 5, p79	(1.0)	<ul style="list-style-type: none"> • Current • Non-current 	Note 17, p88	48.3	Growth capital expenditure	CFO review, p25	228.4
Share of profit on joint ventures	Income statement, p66	(0.8)	Acquired in the period		199.5	<ul style="list-style-type: none"> • 2016 Capital expenditure • Properties acquired • Proceeds on property disposals⁽⁶⁾ 	215.9	25.6
Operating profit	Income statement, p66	186.2	Received in the period		87.3			(13.1)
			<ul style="list-style-type: none"> • 2014 expansions and before • 2015 expansions⁽³⁾ • 2016 expansions • 2017 expansions 		21.2	Total capital expenditure	315.1	
			Utilised in the period	Note 5, p79	9.9	Analysed as		
			Exchange differences		52.9	<ul style="list-style-type: none"> • Purchase of subsidiary undertakings • Purchase of property, plant and equipment • Purchase of intangible assets • Proceeds on property disposals⁽⁶⁾ 	8.9	
					3.3			
			Closing partner contributions		(50.2)			
			<ul style="list-style-type: none"> • Current • Non-current 	Note 17, p88	49.0			
					68.5			
					265.4			

6. The proceeds on the property disposal of £13.1m is included in the proceeds on disposal of property, plant and equipment in the Group Cash Flow statement on page 70

Five-year summary

	Full year ended 31 Dec 2016 £m	Full year ended 31 Dec 2015 £m	Full year ended 31 Dec 2014 £m	Full year ended 31 Dec 2013 £m	Full year ended 31 Dec 2012 £m
Income statement					
Revenue	2,233.4	1,927.0	1,676.1	1,533.5	1,244.1
Cost of sales	(1,784.6)	(1,498.6)	(1,293.0)	(1,159.7)	(923.4)
Gross profit (centre contribution)	448.8	428.4	383.1	373.8	320.7
Administration expenses before non-recurring expenses	(258.9)	(273.6)	(270.9)	(275.9)	(225.7)
Research and development	(2.9)	(10.3)	(8.7)	(7.2)	(4.5)
Operating profit (before non-recurring items)	187.0	144.5	103.5	90.7	90.5
Non-recurring items	(1.0)	15.3	–	–	–
Operating profit (including non-recurring items)	186.0	159.8	103.5	90.7	90.5
Share of post-tax profit/(loss) of joint ventures	(0.8)	0.3	0.8	0.1	(0.3)
Profit before financing costs	185.2	160.1	104.3	90.8	90.2
Finance expense	(11.6)	(15.0)	(17.3)	(10.5)	(5.9)
Finance income	0.1	0.6	0.1	1.2	0.8
Profit before tax for the year	173.7	145.7	87.1	81.5	85.1
Income tax expense	(34.9)	(25.8)	(17.2)	(14.6)	(14.2)
Profit after tax for the year	138.8	119.9	69.9	66.9	70.9
Attributable to:					
Equity shareholders of the parent	138.8	119.9	69.9	66.9	70.9
Minority interests	–	–	–	–	–
	138.8	119.9	69.9	66.9	70.9
Earnings per ordinary share (EPS):					
Basic (p)	14.9p	12.8p	7.4p	7.1p	7.5p
Diluted (p)	14.7p	12.6p	7.2p	7.0p	7.5p
Weighted average number of shares outstanding ('000s)	929,830	933,458	944,082	943,775	941,922
Balance sheet data (as at 31 December)					
Intangible assets	738.1	666.0	549.9	491.7	363.9
Property, plant and equipment	1,194.4	917.0	718.8	608.7	437.5
Deferred tax assets	29.3	36.4	40.0	33.4	33.9
Other assets	649.2	644.3	565.2	423.8	333.9
Cash and cash equivalents	50.1	63.9	72.8	84.7	132.3
Total assets	2,661.1	2,327.6	1,946.7	1,642.3	1,301.5
Current liabilities	1,183.1	1,085.7	891.9	758.8	612.5
Non-current liabilities	736.0	658.2	517.4	369.3	161.6
Equity shareholders' funds	742.0	583.7	537.4	514.2	527.4
Total equity and liabilities	2,661.1	2,327.6	1,946.7	1,642.3	1,301.5

Glossary

Glossary

Available workstations

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

Centre contribution

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

EBIT

Earnings before interest and tax

EBITDA

Earnings before interest, tax, depreciation and amortisation

EBITDAR

Earnings before interest, tax, depreciation, amortisation and rent

Enquiries

Client enquiries about IWG products or services

Expansions

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

Forward order book

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

Post-tax cash return

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

Like for like

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

Mature business

Operations owned for a full 12 month period prior to the start of the financial year and operated throughout the current financial year, which therefore have a full-year comparative

Occupancy

Occupied workstations divided by available workstations expressed as a percentage

Occupied workstations

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

REVP AW

Total revenue per available workstation
(Revenue/available workstations)

REVP OW

Total revenue per occupied workstation

WIPOW

Workstation income per occupied workstation

Underlying performance

Performance before non-recurring items

Shareholder information

Corporate directory

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IWG plc

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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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