International Workplace Group

FLEXIBLE WORKSPACE – THE REVOLUTION ADVANCES

ANNUAL REPORT AND ACCOUNTS 2017

A GLOBAL REVOLUTION

IWG is leading the workspace revolution. Our companies are helping 2.5 million people to work more productively, by providing a choice of professional, inspiring and collaborative workspaces, communities and services.

That figure is set to rise rapidly as we continue to head a global revolution in the way that people work: fuelled by digitalisation; driven by the widespread desire for flexible working; and propelled by business demand for greater agility and lower costs.

This is why we are growing fast, investing to meet the insatiable global appetite for new locations, new services, new formats and new experiences.

WHAT'S INSIDE

Strategic report

Governance

Financial statements

Please visit our website iwgplc.com

A glossary is included on page 132 which defines various alternative measures used to provide useful and relevant information.

PERFORMANCE HIGHLIGHTS

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

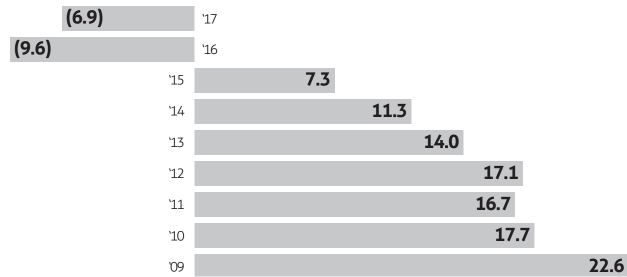
KEY FINANCIAL HIGHLIGHTS

- Attractive post-tax cash returns. Return on pre-2013 investment of 20.8%[1]
- Net growth capital investment of £272.5m, of which £110.2m on property assets with flexible workspace operations
- Group revenue of £2,352.3m, with revenue growth improving in Q4 and since period end
- Mature revenue returned to year-on-year growth in Q4, with a 0.5%[2] improvement (Q3: 1.8%[2] decline)
- Overheads reduced 12%[2]; down 170bp as a percentage of revenue to 10.1%
- Operating profit of £163.2m, in line with previous guidance
- Cash generation (before net growth capital expenditure, share buybacks, and dividends) of £215.5m (23.5p per share)
- Strong financial position maintained with net debt of £296.4m (0.8x net debt : EBITDA)
- 12% increase in dividend to 5.70p (2016: 5.10p), reflecting confidence in long-term outlook

KEY OPERATIONAL HIGHLIGHTS

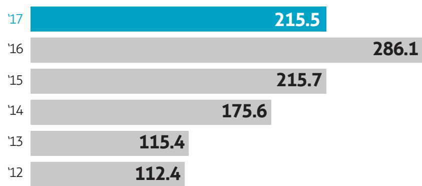
- Ongoing focus on disciplined investment, partnering and risk management
- Benefitting from increased operational scale and efficiencies
- Further network expansion and improvement in network quality, with 314 new locations (272 organic) and 5.5m sq. ft. added in 2017. Now in 3,125 locations worldwide (up 7% from December 2016), with 52.0m sq. ft. of space. Strong Q4 momentum with 119 new locations opened
- Successful roll out of our large co-working format, Spaces, with 56 new locations (taking the total to 78) and 13 new countries added in 2017
- Current pipeline visibility on 2018 net growth capital expenditure at the end of February 2018 of approximately £190m, representing 230 locations and 5.5m sq. ft. of additional space (c.11% growth in space), consistent with the total space added in 2017.

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



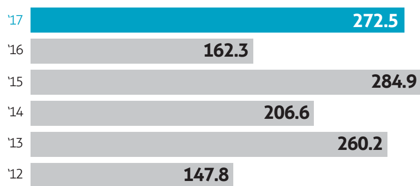
Cash flow before growth capital expenditure and dividends (£m)

£215.5m



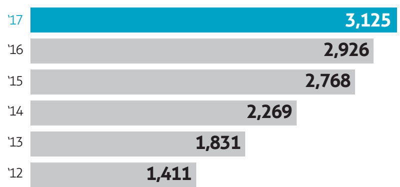
Net growth capital expenditure (£m)

£272.5m



Number of locations

3,125



1. Turn to page 20 for details on how we calculate our post-tax cash return on net investment
2. At constant currency

THE GLOBAL LEADER FOR FLEXIBLE WORKSPACE

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

International Workplace Group

OUR PLACE IN A
GROWING MARKET

A global community of
2.5 million members

3,125 locations

More than
1,000 cities

Over
110 countries

Over **60%**
of business people think that flexible working improves productivity[(1)]

Over **50%**
of business people expect the demand for flexible working to increase[(1)]

71%
of occupiers believe that productive and flexible workspaces are vital to delivering corporate real estate objectives, **up from 57% in 2016**[(2)]

Up to 30%
of corporate real estate portfolios could be flexible workspace by 2030[(3)]

Over **50%**
of workers now report that they work outside the main office **2.5 days** a week or more[(1)]

69%
of millennials will trade other work package benefits for better workspace[(2)]

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

GROWING THE BUSINESS TO MEET ACCELERATING DEMAND

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

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

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

The impact of IFRS 16: driving workspace flexibility

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

DIGITALISATION AND NEW TECHNOLOGIES ARE CHANGING HOW PEOPLE WORK

Drivers:

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

What this means:

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

How we are responding:

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

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

PEOPLE WANT THE BENEFITS OF FLEXIBLE WORKING

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

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

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

BUSINESSES WANT THE FINANCIAL AND STRATEGIC BENEFITS OF FLEXIBLE WORKING

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

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

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

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

RESPONDING TO CHANGING CUSTOMER NEEDS

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

LARGE CORPORATES

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

Adding value

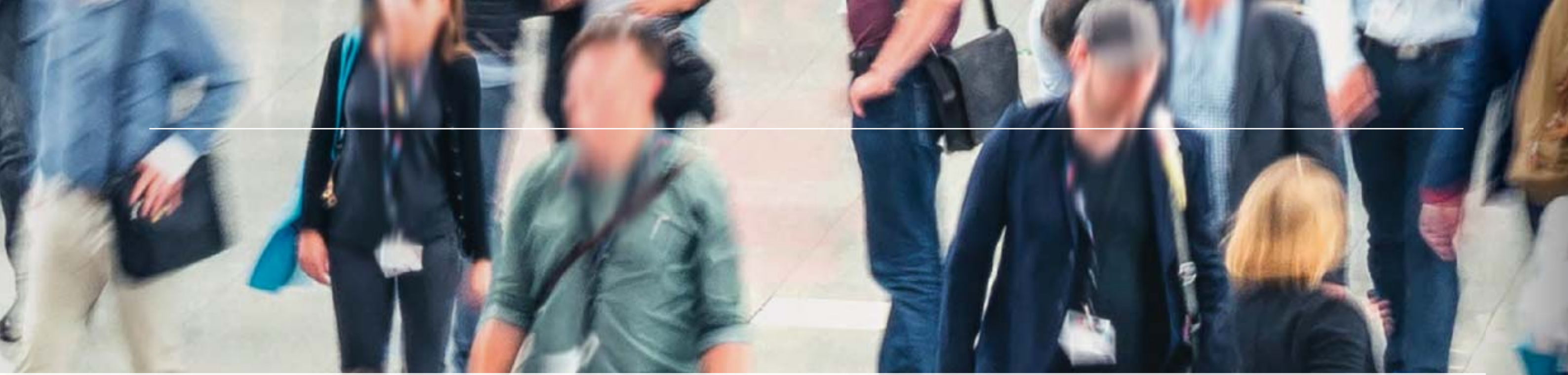
- Improved financial performance through cost-savings, reduced capital expenditure, better risk mitigation and lower vacancy rates
- The heightened ability to free up capital for investment in value-generating assets and initiatives
- Greater business agility, enabling them to scale up and down in response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

SMES

Every company is different, in scale, culture and ambition – we have the resources to meet every need, however diverse, in over 3,100 locations and 1,000 cities across the world.

Adding value

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



Over

50% of workers now report that they work outside the main office 2.5 days a week or more[1]

START-UPS

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

Adding value

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

1. Regus survey

INDIVIDUALS

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

Adding value

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

GREATER PRODUCTIVITY WITH COMPLETE SOLUTIONS

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

WORKSPACES

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

Fully managed offices

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

Co-working

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

Meeting spaces

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

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

COMMUNITIES

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

Networking and knowledge-sharing

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

Inspiration and creativity

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

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

SERVICES

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

Virtual office services

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

24/7 workspace recovery

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

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

EASY ACCESS

Mobile and digital self-service solutions

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

Easy options for every customer

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

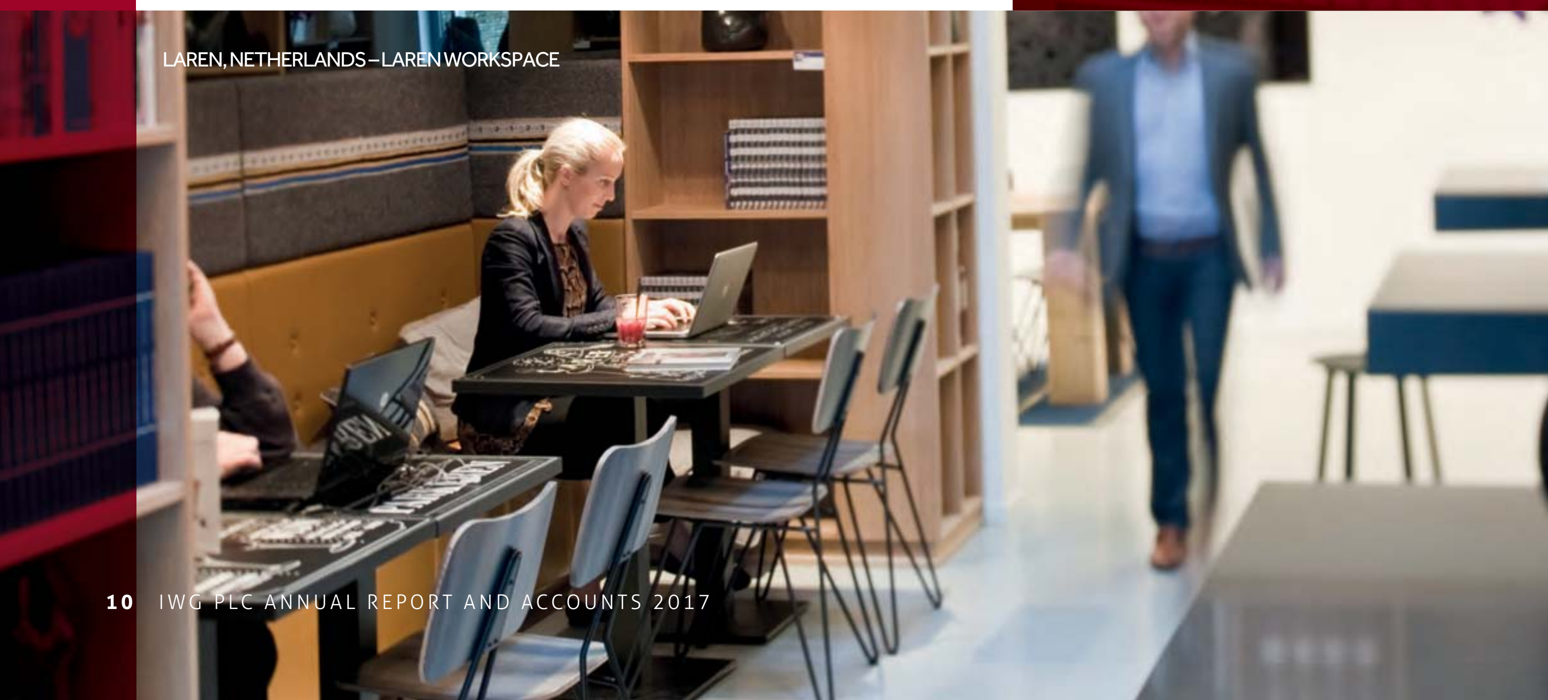
PLACES TO WORK FOR EVERYONE, WORLDWIDE

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

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

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

Regus™



LAREN, NETHERLANDS – LAREN WORKSPACE

AMSTERDAM, NETHERLANDS – VINOLY WORKSPACE

CAFÉ DELI
SPACES MENLO PARK /
SILICON VALLEY / USA

CREATIVE WORKSPACES WITH A UNIQUE ENTREPRENEURIAL SPIRIT

We believe work is about people and ideas. By creating dynamic workspaces with a unique and entrepreneurial spirit we help you think, create and collaborate while our dedicated team sees to all of the background logistics and services. Making sure that our community can focus on driving their business forward.

Our free-spirited vibe attracts an energetic community of positive and open-minded business thinkers who love to meet new people. From the inspiring, sophisticated European design of our business clubs to our full programme of professional events and hospitality services – we involve people in the buzz and energy of Spaces and make them feel at home.

Our Spaces are inhabited by forward thinkers, innovators and game changers who are confident to achieve their goals. Whether you are a small business, entrepreneur or a corporate intrapreneur, at Spaces we help you expand your horizon.

SPACES.

Signature

LUXURIOUS WORKSPACES WITH STATUS AND PRIVACY

Exclusive luxury workspaces for a discerning business clientele at the very highest levels of refinement and discretion. Signature delivers a premium experience, with an emphasis on status, privacy and service, in some of the world's most prestigious locations. We provide the ultimate business residences for individuals and companies who have come to expect impeccable attention to detail, and the level of care and consideration you would only expect in a 5-star hotel.

Our iconic buildings, with their luxurious workspaces and interiors, make for a refined and confident business experience, whilst inspiring calm, focus and success.

No18

THE HOME FOR A REWARDING BUSINESS LIFESTYLE

We are a cosmopolitan members' club for businesses with beautifully designed lounges, meeting rooms and high-end workspaces tailored to support all our members' needs. It's a rewarding setting for both work and leisure, and a place to call home.

No18 locations are a blend of workplace and residence, with a unique eclectic aesthetic. It's an aspirational environment, with a friendly and inspiring atmosphere. We combine professional service, a high attention to detail and state of the art technology to create a truly enriching experience.

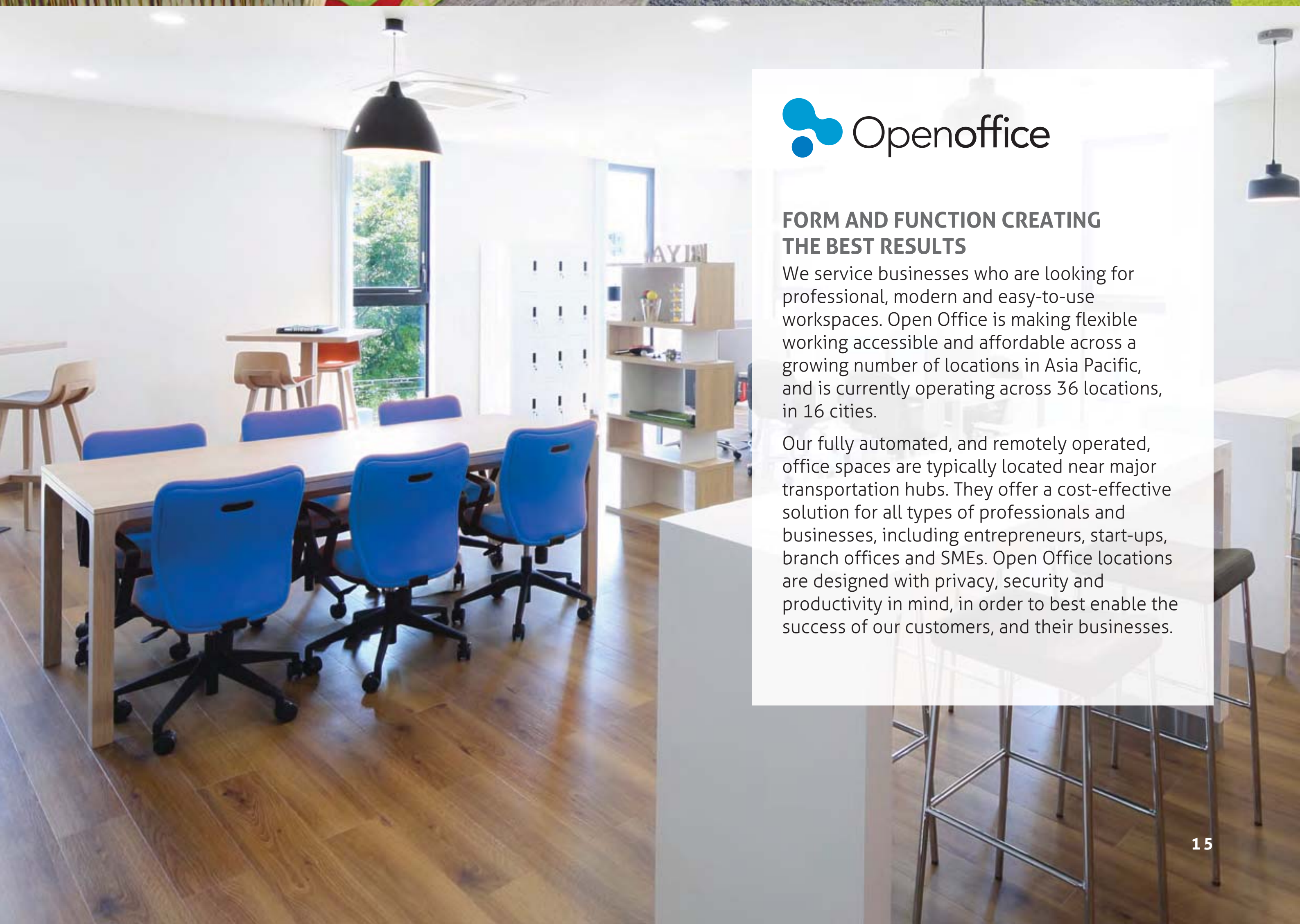
Our holistic philosophy, with a focus on community and well-being, enables our members to enjoy a healthy, productive and rewarding business lifestyle.

BASEPOINT
business centres

UNIQUE AND FLEXIBLE WORKSPACE FOR EVERYONE

A unique type of business centre offering a wide range of high quality workspaces and additional services, from offices, meeting rooms and workshops, to trade counters and studios. Within our 31 locations, across the south of the UK, Midlands and Wales, we have spaces suitable for almost every business need imaginable.

Our centre teams provide a friendly and supportive environment which allows businesses the freedom to focus on growing their business. Our many solutions and benefits, along with our flexible easy in and easy out terms, can save you both time and money, compared to more conventional leased workspace.



Openoffice

FORM AND FUNCTION CREATING THE BEST RESULTS

We service businesses who are looking for professional, modern and easy-to-use workspaces. Open Office is making flexible working accessible and affordable across a growing number of locations in Asia Pacific, and is currently operating across 36 locations, in 16 cities.

Our fully automated, and remotely operated, office spaces are typically located near major transportation hubs. They offer a cost-effective solution for all types of professionals and businesses, including entrepreneurs, start-ups, branch offices and SMEs. Open Office locations are designed with privacy, security and productivity in mind, in order to best enable the success of our customers, and their businesses.

DELIVERING THE CUSTOMER EXPERIENCE

Meet some of the people driving the workspace revolution. Together with our many millions of other flexible-workspace champions across the world, they're creating a way of working that's poised to become the norm.

No18 is the ideal office for me as a freelance consultant; I can keep to myself when I need to work separately but still benefit from the pulse of a large office when it suits me.

THOMAS ENSGARD, THINK TANK STOCKHOLM
SWEDEN

I really enjoy running my photographic studio from Basepoint Romsey. The space is ideal for my needs with a relaxed and friendly atmosphere, plenty of parking and easy access for my customers. The security arrangements are very reassuring too. The office team are always very helpful and put on a lot of networking events and let us know about various training resources. Can highly recommend it, it's a fantastic place to work!

SANDRA, ROMSEY FOTOGRAFIX
UK

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

PAWANA SURESTHA, ETIHAD AIRWAYS
NEPAL

With our offices at Spaces in Norway, Diesel is testing out a new and more flexible way of working. We used to rent conventional property, where we had both our offices and our show room. Now we have a small office for our employees, and can use the inhouse event spaces as a showroom for seasonal sales, trainings and press events, which is more cost efficient.

As a global clothing brand, the identity, look and feel of the space is very important. At Spaces we feel that the quality, attention to detail and overall design is a good fit and on brand.

HENRIK TOLPINRUD, DIESEL
NORWAY

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

TINA LIU, GSK
CHINA

> Looking back at the past year from a perspective of entrepreneurship, I believe that choosing an Open Office in Shibuya supported the growth of my business and is a solid foundation for future success. The environment can help you to quickly expand business opportunities.

TOMOHIRA TAMURA, BAYES CORPORATION
JAPAN

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

GILLES ALLARD, ENGIE
FRANCE

> No18 is the perfect balance between a private members' club with a family feel and a high end professional work environment. The service is on par with most top luxury hotels – a personal touch mixed with sharp professionalism. During a stressful week I always feel at home working at the office of No18.

DANIEL PALSSON, FLEUR DE SANTE
SWEDEN

> Through digital transformation we want our clients, partners and employees to accomplish more. Ten years ago we introduced remote working and we are now ready for the next step. With new technology come new routines. That's why we are looking forward to our collaboration with Spaces. Creating an incubator for creativity and ingenuity today, is necessary to add value tomorrow.

ERNST-JAN STIGTER, MICROSOFT
NETHERLANDS

DELIVERING THE CUSTOMER EXPERIENCE

Basepoint Winchester is our home away from home. It's a relaxed, efficient business centre where you know each other, where the team make you feel welcome every day, and where you feel comfortable inviting your clients.

STEVE MAY, THESAMEDAYCOMPANY
UK

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

SANTOSH KUMAR, MASTERCARD
SRI LANKA

I was able to start a business right away. In addition to the facilities, I feel the value of the Open Office environment itself, where companies are just starting in the same way and managers of the same type gather together.

NANA AKASHI, MAMALADY
JAPAN

Spaces has a central location next to my home and all of my favorite places to eat. It is easy to be productive in the open and calming common space. I'm pleasantly surprised at how many people I've met here that I'm now doing business with! I always get a quick response from the staff at the front desk whenever I need assistance.

MICHAEL DOUGLAS
US

I organise different meetings and conferences for the Ministry of Interior Affairs. Spaces Den Haag is always a great option not only because it is very close to our own offices, but most of all because of the overall atmosphere. The meeting rooms are beautiful, light and spacious and the cooperation with the staff from Spaces always runs smoothly. I think an attractive and inspiring setting really adds to the results of a workshop or a meeting and that is why Spaces is on our list of "fine meeting locations in the neighbourhood".

RENATE HEIJ, BUREAU ALGEMENE BESTUURSDIENST
NETHERLANDS

Malcolm Hollis opened their office in Amsterdam in August 2016 and Spaces was incremental in making this happen by offering flexibility in the early days. After three months the team grew drastically and an office space where the team could be housed together in one place was needed. Spaces facilitated this with great professionalism, making sure we not only had the office space we required, but also providing the furniture and data connections vital to our business. Not only start-ups can benefit from the services Spaces provides, but also firms that seek to expand will find a welcome place. The Spaces team have created an open and inspiring environment where people are working and networking. We would highly recommend Spaces to those looking for an office solution when starting or expanding a business or simply feel they need to be working in a great environment.

ROLAND VERNIERS, MALCOLM HOLLIS
NETHERLANDS

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

HAMISH MILES, SERVICENOW
NEW ZEALAND

No18 is a wonderful, creative environment and a very stimulating place for work. It is home to extensive knowledge within any field you might imagine, so you never need to venture far in order to find new friends or collaborations. The environments are fantastic, with beautifully designed living rooms and chatrooms to which we gladly invite our clients. We really like it here!

NATHALIE RYMAN, ICON MIRROR
SWEDEN

The staff are so wonderful and genuinely caring. I can work from any office space, but it wouldn't have the amazing staff that is at the heart of this office's community. Spaces is perfect for networking and has allowed me to rapidly expand the success of my company.

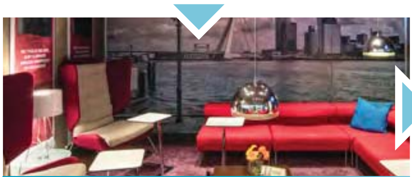
DR. THEODIS GAMET
US

No18 offers great, exciting dynamics with a range of different companies within different lines of business which results in fantastic business opportunities. The workplace generates a very nice and friendly community.

SIMON KAS-HANNA, CYPRAEA
SWEDEN

HOW WE CREATE VALUE

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



Our business

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

Our business comprises five vital interconnected elements:

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

We underpin these with disciplines including:

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

Customers

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

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

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

- Corporates and multinationals: Flexible space that meets their talent, agility and cost-management needs, all managed via a highly efficient single point of contact
- SMEs: Cost-effective, business-class property solutions in over 3,100 locations and 1,000 cities that place them near their customers and prospects
- Start-ups: An efficient and effective upgrade route, from initial venture to established player (and even world leadership)
- Individuals: Inspiring spaces, collaborative communities, the latest technology and 24/7 support

The value we create

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

Returns

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

How we calculate our returns

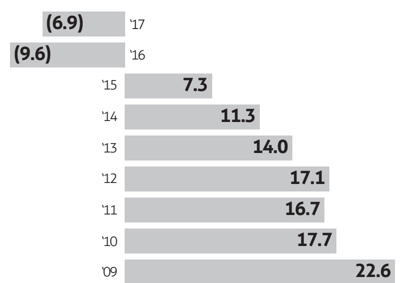
Our returns are based on the post-tax return divided by our net capital investments in network growth.
Our post-tax cash return equals:

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

Our net growth capital investment equals:

- Growth capital less partner contributions

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



Turn to pages 130 and 131 to see how our calculation of post-tax cash return on net investment reconciles to our audited statutory accounts.

Cash

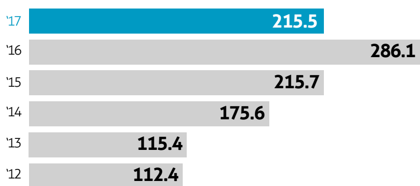
We are highly disciplined in our use of cash, underpinning and justifying any investment decision with rigorous risk-analysis processes. Every potential investment is evaluated by our internal Investment Committee and has to meet our stringent financial criteria before being approved.

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

It is this strong cash generation that supports our ability to deliver a consistently progressive dividend and share buybacks.

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

£215.5m

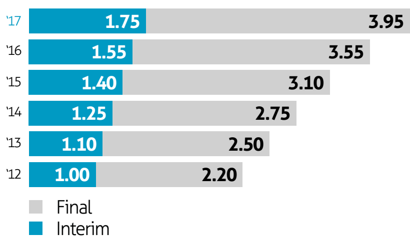


Returns to shareholders

During 2017, we acquired treasury shares for £51.1 million. In addition, we have proposed under our progressive dividend policy to increase the 2017 dividend by 12% to 5.70p.

Dividend per share (p)

5.70p



Investment in growth

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

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

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

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

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

Net growth capital expenditure

£272.5m

A YEAR OF CONTINUED STRONG RETURNS

> Our constructive, resilient and proven business model positions us well to continue to seize the opportunities generated by the flexible workspace sector.
>
> **DOUGLAS SUTHERLAND**
> CHAIRMAN

For the period Group revenue increased from £2,233.4m to £2,352.3m, representing an increase of 1.9% at constant currency (up 5.3% at actual rates). Revenue from all our open centres (excluding closed centres) grew 4.2% to £2,322.4m (2016: £2,154.8m) at constant currency (up 7.8% at actual rates). The growth in open centre revenue accelerated sequentially through the second half of the year, which provides a strong platform for 2018. In line with previous guidance, operating profit declined 15% at constant currency from £185.2m to £163.2m, down 12% at actual currency.

We further enhanced the operational efficiency of the business with overheads reducing in absolute terms from £262.8m to £237.6m (down 12% at constant currency) and as a percentage of revenue by a further 1.7 percentage points to 10.1%. This was achieved whilst building the scale of our business and our national networks with the opening of 314 new centres, adding c. 5.5m sq. ft. of workspace globally. Notwithstanding this increased investment in growth (including £110.2m on property), the strong cash generation capability of the business ensured we maintained a robust and conservative capital structure.

2017 was a year during which we saw the benefits of our strong and balanced global portfolio. While the year was not without its challenges, most notably in London, our good performance in growth markets across the world meant that we delivered a set of results which we are well-positioned to build on in 2018 and beyond.

We were also pleased to note the strong underlying performance of the business, which is shown by an annual post-tax cash return on net investment made up to 31 December 2012 of 20.8%, significantly above our cost of capital. This performance underpins our continuing commitment to a sustainable and progressive dividend (see over), underlining our confidence in the long-term prospects of the Group.

Our confidence is well-placed. All the evidence suggests that we are fast approaching a tipping point which will see the flexible workspace option, in which we are the leading global supplier, become the norm for progressive businesses worldwide as they seek flexibility, employee satisfaction and cost efficiency.

Our constructive, resilient and proven business model positions us well to continue to seize the opportunities generated by the flexible workspace sector. Our operational scale, diverse customer base, innovative approach to service and format development, strong post-tax returns and cash-generative capabilities should enable us to deliver increasing shareholder returns while continuing to invest in growth.

Our strategy

Our strategy enables us to drive, and to benefit from, the continuing and accelerating growth of the flexible workspace market.

In terms of our ability to drive growth, our market-leading global footprint means we can constantly review our investments in growth by region, country and city. For example, Germany is a particularly attractive market where we significantly improved our profile during 2017. However, we still only provide some 100 centres in a country which has the potential for many times that number of locations.

Our operational scale, diverse customer base, innovative approach to service and format development, strong post-tax returns and cash-generative capabilities should enable us to deliver increasing shareholder returns while continuing to invest in growth.

The growth potential therefore remains huge, and we intend to focus on growing in this and other similarly promising markets. This approach of reviewing our investments based on evolving market conditions and opportunities also helps us manage risk through the economic cycle.

In terms of benefiting from growth, there is no doubt that continuing to grow our share of the global flexible workspace sector should deliver increased revenue and returns.

We also recognise, however, that our focus on growth should not distract us from other priorities. During 2017 and into 2018, therefore, we focused on delivering an enhanced service proposition to customers, prioritising the development of key accounts. We also continued to assess and develop new formats, to gain from improved market segmentation by geography and business type.

Above all, we have continued our established efforts to improve further our operating model with a determined focus on simplicity, scalability, people, cost control, risk management and delivering a great customer experience.

Our Board

I would again like to thank my Board colleagues for their valuable contribution during 2017, which helped the Group deliver a robust performance in the face of challenging conditions in some markets.

Our people

Our performance in 2017 was driven by the energy and commitment of our talented workforce.

The engagement demonstrated by more than 220 attendees representing 110 countries at our recent annual leadership conference was extremely impressive. The participants were clearly excited to be part of the leading, global flexible workspace operator.

I would like to thank everybody involved for their continued enthusiasm for providing outstanding service to our customers and growing our business. Their contributions remain key to our success.

Dividend

As I have already stated, we continue our commitment this year to a sustainable and progressive dividend, which reflects our confidence in the long-term prospects of the business and the strength of our cash generation. Accordingly, the Board is recommending an 11% increase in the final dividend to 3.95p. Subject to the approval of shareholders at the 2018 AGM, this will be paid on 25 May 2018 to shareholders on the register at the close of business on 27 April 2018. This represents an increase in the full-year dividend of 12% to 5.70p (2016: 5.10p).

DOUGLAS SUTHERLAND
CHAIRMAN

6 March 2018

THE REVOLUTION ADVANCES

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

MARK DIXON
CHIEF EXECUTIVE OFFICER

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

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

Building the foundations for success

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

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

For example, we opened 36% more new centres across the world than we did in 2016. We opened 314 locations, including 56 Spaces locations, and added c. 5.5m sq. ft. of workspace worldwide, taking our global total to 3,125 locations and c. 52.0m sq. ft. of workspace in over 110 countries. Most of these new openings were organic and just over half of these were delivered through partnering deals, that are variable in nature, with property owners and investors in the global real estate industry. We remain very encouraged by the increased traction with partnering deals which represent attractive opportunities both to grow the network and deliver more capital efficient growth.

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

Growing the platform

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

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

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

A year of strategic importance

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

It was not without its challenges though. In October, a temporary confluence of events affecting certain national markets caused us to lower our profit outlook for the year. Specifically, the anticipated revenue improvement in the third quarter was weaker than expected and resulted in a pause in the recovery of our Mature business. In the UK, our London business was particularly slow. There were also a number of natural disasters affecting certain national markets in the third quarter. However, we were pleased to see our Mature business return to growth in the fourth quarter, with sustained improvements throughout the period, which confirmed our view that the recovery in the growth rate was largely a timing issue and that the underlying market growth drivers remain strong.

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

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

Strong returns generation

We remain focused on the returns we deliver from the investments we make. 2017 has been another year in which we have delivered strong post-tax cash returns on net investment that are well above the Group's cost of capital. The post-tax cash return on net growth investment from locations opened on or before 31 December 2012 was 20.8% (2016: 23.6%). If we roll the estate forward one year to all those locations opened on or before 31 December 2013, the post-tax cash return is 19.3% (2016: 21.5%). The post-tax cash return for the overall business is 11.2% (2016: 13.7%). Our post-tax returns are calculated after deducting net maintenance capital expenditure. In 2017, as expected, we invested more in net maintenance capital expenditure to take the opportunity to refresh some of our existing locations. Overall, a continuing strong performance.

Group revenue increased 1.9% at constant currency to £2,352.3m, an increase of 5.3% at actual rates. This performance reflects the previously reported softness experienced during the third quarter. Encouragingly, our revenue performance improved in the fourth quarter. Growth in Group revenue accelerated from 2.5% in the third quarter to 5.9% in the fourth quarter, at constant currency. These Group numbers reflect the impact of closures. A better indication of the ongoing business, therefore, is provided by the performance of our open centres (excluding closed centres). On this basis, Group revenue increased 4.2%, at constant currency, to £2,322.4m (2016: £2,154.8m), with revenue growth accelerating from 4.4% in the third quarter to 7.5% in the fourth quarter. This acceleration in revenue growth was driven by all regions except for the UK, where revenue stabilised sequentially during the quarter.

Mature revenue declined by 1.2% during the year at constant currency, with a return to growth in the fourth quarter with a 0.5% year-on-year improvement compared with a 1.8% decline for the third quarter and sustained improvement throughout the period primarily driven by improvements in the Americas and Asia Pacific.

Group income statement

£m	2017	2016	% Change actual currency	% Change constant currency
Revenue	**2,352.3**	2,233.4	5.3%	1.9%
Gross profit (centre contribution)	**401.6**	448.8	(11)%	(13)%
Overheads	**(237.6)**	(262.8)	(10)%	(12)%
Operating profit[1]	**163.2**	185.2	(12)%	(15)%
Profit before tax	**149.4**	173.7	(14)%	
Taxation	**(35.4)**	(34.9)		
Profit after tax	**114.0**	138.8	(18)%	
EBITDA	**376.2**	379.7	(1)%	(4)%

1. Including joint ventures

The Group generated a gross profit of £401.6m (2016: £448.8m), down 13% at constant currency. This reflects, in broadly equal measure, a lower Mature business gross profit and the combined impact of higher initial losses from new locations opened and a negative year-on-year impact from closures.

Gross margin

	Revenue £m 2017	Revenue £m 2016	Gross margin % 2017	Gross margin % 2016
2014 Aggregation	**1,857.6**	1,847.3	**21.5%**	24.1%
New 15	**307.1**	270.7	**11.8%**	2.7%
New 16	**106.5**	36.8	**(11.8)%**	(53.8)%
Pre-17	**2,271.2**	2,154.8	**18.7%**	20.1%
New 17[2]	**51.2**	–	**(40.0)%**	–
Closures	**29.9**	78.6	**(6.0)%**	19.8%
Group	**2,352.3**	2,233.4	**17.1%**	20.1%

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

Performance by region

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

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

1. Centres open on or before 31 December 2015

We maintained our strong focus on managing overhead costs whilst investing in areas to support future growth of the business. During 2017 we achieved a further 12% absolute reduction in overheads at constant currency. This reduced overheads as a percentage of revenue by an additional 1.7 percentage points to 10.1%. This helped to mitigate the impact of the third quarter performance and the Group to deliver an operating profit of £163.2m, in line with previous guidance.

We accelerated our growth programme in 2017, reflecting the attractive opportunities to grow our business. Excluding the £110.2m investment in property, we invested £162.3m in net growth capital expenditure during 2017 (2016: £136.7m).

We invested £110.2m in freehold and long-leasehold properties, which have flexible workspace operations (2016: £25.6m). Long term, the Group's strategy remains to pursue a predominantly capital-light approach to network growth.

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

With the significant investment in growth the Group has made over recent years, our depreciation charge has increased accordingly. The result is a broadly unchanged EBITDA performance. This is also a good indication of the attractive cash generation capability of our business model. We generated cash flow after maintenance capital expenditure, but before investment in growth capital expenditure, dividends of £48.5m and £51.1m on buying back shares, of £215.5m. After the significant investment of these latter three items of £372.1m, Group net debt increased from an opening position of £151.3m to £296.4m at 31 December 2017, in line with our expectations. This represents a net debt : EBITDA leverage ratio of 0.8x and reflects the continuation of our prudent approach to the Group's capital structure. At 31 December 2017 we had approximately £130m of property investment on the balance sheet.

Americas

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

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

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

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

EMEA

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

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

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

Asia Pacific

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

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

Partnering with property companies

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

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

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

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

UK

Revenue from all the open centres increased 1.6% to £425.8m. Total revenue (including closed centres) declined 4.8% to £440.0m. Revenue from the Mature business in the UK declined 2.9% to £398.2m after a weak third quarter.

There were two contrasting performances from our business in London and that of the rest of the UK, as previously reported. Revenue outside London increased and saw sequential quarterly year-on-year improvement. Mature revenue in London declined significantly and was particularly weak throughout the second half. Even within the London market there were varied performances, with softer demand experienced in the City. Although enquiry levels remained weak compared to the rest of the UK, there was a distinct improvement in average deal size in the fourth quarter. The absence of larger deals in London had been a particular issue, especially in the third quarter. With the decline in mature revenue, especially in a high value market like London, on a relatively fixed cost base in the near term, the mature gross margin declined from 23.4% to 19.9%. Mature occupancy reduced from 75.6% to 72.1%.

We added 56 new locations in the UK, with a focus on the regions outside London. During the first half we acquired Basepoint which added 31 locations primarily in the South of England which were very complementary to our existing network. Basepoint broadens our product offering in the UK in terms of price point, geographic presence and type of workspace as well as adding another brand to the Group. We now have 313 locations in the UK at 31 December 2017.

Outlook

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

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

While 2017 was not without its challenges, the improved revenue performance in Q4 on the back of a strong uplift in sales activity provides a strong platform for growth in 2018. Sales activity trends remain good and we anticipate improved revenue growth during the year. These trends, together with the very positive outlook for our industry, are reflected in our decision to increase the dividend by 12%, and maintain our progressive dividend policy.

We look forward to the future with great confidence.

MARK DIXON
Chief Executive Officer

6 March 2018

A CLEAR AND SIMPLE STRATEGY

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

Strategic objectives and approach

1 Delivering attractive, sustainable returns

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

2 Cash generation before growth

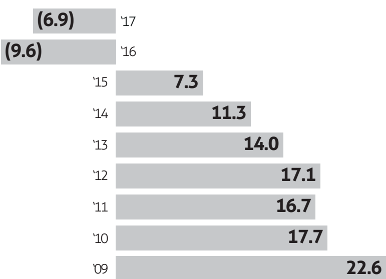
The ability to convert profit into cash remains an attractive feature of the IWG business model, allowing us to use the cash flows delivered by our operations to support the ongoing development of our business. In addition, it underpins our progressive dividend policy and buyback of shares.

Key performance indicators

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

11.2%
Total estate

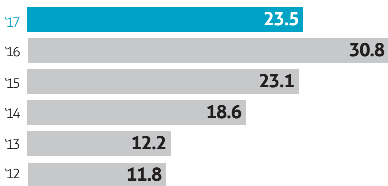
Overall 2017 return on net investment made up to 31 December 2012 of 20.8 %



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

23.5p

During 2017, we generated 23.5p of cash flow per share before growth capex, dividends and share buybacks



Future ambitions and risks – for more information on risks see p37-43

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

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

3 Controlling costs

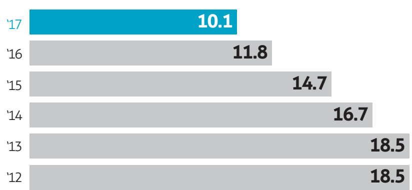
We achieve cost control through operational excellence as well as the significant economies of scale and operational leverage that network growth brings.

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

Total overheads as a % of revenue

10.1%

Overheads as a % of revenues reduced 170bp



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

4 Developing national networks

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

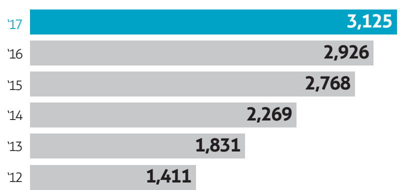
By expanding our network, investing in services and continuously improving the quality of our infrastructure and centres, we are continuing to increase our addressable audience and tying in our existing customers.

We continue to be mindful of growing only in locations where the potential investment opportunity meets our stringent returns criteria. We are also focused on capital-light ways of expanding the network, including partnering with property owners for optimal risk management.

Network location growth

3,125 locations

314 new locations added, opening in 82 new towns and cities, at a net growth capital investment of £272.5m, of which £110.2m was on property assets with workspace operations



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

EQUIPPING OUR PEOPLE FOR THE WORKSPACE REVOLUTION

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

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

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

Learning and development

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

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

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

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

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

Our dynamic succession plan

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

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

Our emphasis on diversity

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

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

Our reward strategy

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

Over

220

of our top executives attended the annual Global Leadership Conference

Approximately

160,000

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

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

LISA AKEROYD,
REGIONAL MANAGING DIRECTOR, UK

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

WILLIE MARTIN,
NETWORK DEVELOPMENT DIRECTOR, LATIN AMERICA

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

PEDRO ALVES VIANA,
COACHING AREA MANAGER, AUSTRALIA

STRONG RETURNS PERFORMANCE UNDERSCORES THE FUNDAMENTAL STRENGTH OF OUR BUSINESS MODEL AND STRATEGY

"We remain focused on delivering strong returns on investment and this has been achieved again during 2017. We reaccelerated the growth of our national networks and did so in an increasingly capital efficient manner. Our cost leadership has been further enhanced. We reduced overheads as a percentage of revenue to 10.1% and target further improvement.

DOMINIK DE DANIEL
CHIEF FINANCIAL OFFICER AND CHIEF OPERATING OFFICER

We remain focused on delivering strong returns on investment and this has been achieved again during 2017. We reaccelerated the growth of our national networks and did so in an increasingly capital efficient manner. Our cost leadership has been further enhanced. We reduced overheads as a percentage of revenue to 10.1% and target further improvement.

Return on investment

Our strategy is focused on generating good returns from our investments. For the 12 months ended 31 December 2017, the Group delivered a strong post-tax cash return on net growth investment of 20.8% in respect of locations opened on or before 31 December 2012 (23.6% on the same estate for the 12 months ended 31 December 2016). Moving the aggregated estate forward and incorporating the centres opened during 2013, the Group delivered a post-tax cash return on net growth investment of 19.3% in respect of all locations opened on or before 31 December 2013 (the equivalent return for the 12 months ended 31 December 2016 on the same estate was 21.5%).

This strong performance, well ahead of our cost of capital, reflects the underlying level of profitability of the Group from the continued focus on efficiency and productivity, and the economies of scale on overheads that we enjoy as the Group continues to grow.

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

Developing the network

We reaccelerated the growth of our network and this remains a strategic priority. Increasing the depth and breadth of our geographic scope, and addressing different styles of working and price points, is a major differentiator for IWG and provides a competitive advantage as well as building further resilience into the business. We continued to maintain a sharp focus on our investment decision-making during 2017, reflecting its critical importance to maintaining strong future returns.

During 2017, we invested £272.5m of net growth capital expenditure, including £110.2m on freehold and long-leasehold properties which have flexible workspace businesses. This investment included expenditure on locations opened before 2017 and to be opened in 2018 of £30.4m.

We opened 314 new locations during 2017. These locations added approximately 5.5m sq. ft., taking the Group's total space globally to 52.0m sq. ft. as at 31 December 2017. Another important focus area was the roll-out of our Spaces format. During 2017 we accelerated our roll-out of the Spaces format with the addition of 56 locations, which represented approximately 44% of the net growth capital expenditure and 35% of the space added. Most of the Group's new additions in 2017 were organic openings and over half of these were delivered through partnering deals.

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

Operational developments

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

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

Revenue

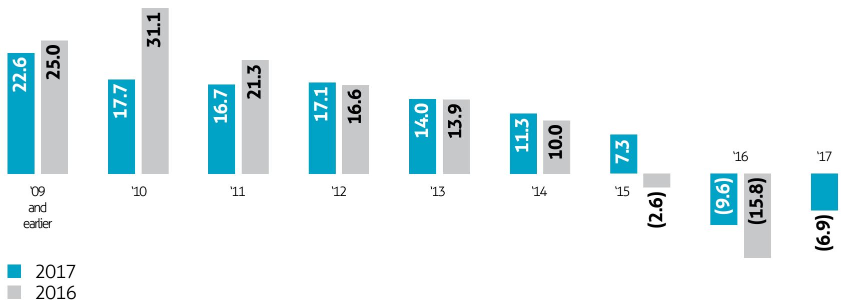
Reported Group revenue increased 1.9% at constant currency to £2,352.3m (2016: £2,233.4m), an increase of 5.3% at actual rates. We experienced a revenue acceleration throughout 2017, at constant currency. Notably, Group revenue growth, at constant currency, accelerated from 2.5% in the third quarter to 5.9% in the fourth quarter. This revenue growth acceleration was driven by all regions, except the UK, where revenue stabilised sequentially through the quarter. Revenue growth from all open centres was stronger and accelerated from 4.4% in the third quarter to 7.5% in the fourth quarter, which delivered a 4.2% increase for the year, all at constant currency. These improvements reflect the strong uplift in sales activity since October 2017.

Our Mature business showed positive 0.5% revenue growth in Q4 2017, at constant currency, with the growth rate accelerating throughout the quarter, which provides a good starting point for 2018. For the year, mature revenue at constant currency (from the 2,581 like-for-like locations added on or before 31 December 2015) declined 1.2% to £2,164.7m (up 2.2% at actual rates), compared to a 2.0% decline at constant currency for the six months to 30 June 2017 and a 1.8% decline for the third quarter. This was primarily driven by improvements in the Americas and Asia Pacific and, to a lesser extent, EMEA. Mature occupancy remained solid at 74.9% (2016: 74.8%), with the decline in occupancy in the UK offset by improvements in the other regions.

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

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

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



1. These returns are based on the post-tax cash return divided by the net growth capital investment. The post-tax return is calculated as the EBITDA achieved, less the amortisation of any partner capital contribution, less tax based on the EBIT and after deducting maintenance capital expenditure. Net growth capital expenditure is the growth capital after any partner contributions. We believe this provides an appropriate and conservative measure of cash return
2. Note these amounts relate to net investment based on the year of opening of the centre. Depending on the timing of opening, some capital expenditure can be incurred in the calendar year before or after opening

Financial performance

Group income statement

£m	2017	2016	% Change (actual currency)	% Change (constant currency)
Revenue	**2,352.3**	2,233.4	5.3%	1.9%
Gross profit (centre contribution)	**401.6**	448.8	(11)%	(13)%
Overheads	**(237.6)**	(262.8)	(10)%	(12)%
Joint ventures	**(0.8)**	(0.8)		
Operating profit	**163.2**	185.2	(12)%	(15)%
Net finance costs	**(13.8)**	(11.5)		
Profit before tax	**149.4**	173.7	(14)%	
Taxation	**(35.4)**	(34.9)		
Effective tax rate	**23.7%**	20.1%		
Profit after tax	**114.0**	138.8	(18)%	
Basic EPS (p)	**12.4**	14.9	(17)%	
Depreciation & amortisation	**213.0**	194.5		
EBITDA	**376.2**	379.7	(1)%	(4)%

Gross margin

£m	Mature centres	New centres	Closed centres	Total 2017
Revenue	2,164.7	157.7	29.9	2,352.3
Cost of sales	(1,728.2)	(190.8)	(31.7)	(1,950.7)
Gross profit (centre contribution)	436.5	(33.1)	(1.8)	401.6
Gross margin	20.2%	(21.0)%	(6.0)%	17.1%

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

Gross profit

Group gross profit was £401.6m (2016: £448.8m), a 13% decline at constant currency (down 11% at actual rates). This reduction reflects the lower gross profit from the Mature business of £16.5m, a higher level of initial losses from the new centre additions of £13.3m and an adverse variance of £17.4m on the closed locations. Reflecting the lower mature gross profitability for the year, the mature gross margin declined 1.2 percentage points to 20.2% (2016: 21.4%). This was a solid performance considering the 1.2% constant currency decline in mature revenue.

Very strong overhead efficiency

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

The absolute level of investment in overheads reduced 12% in constant currency terms to £237.6m (2016: £262.8m) (down 10% at actual rates). Overhead efficiency improved by 1.7 percentage points from 11.8% as a percentage of revenue to 10.1%.

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

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

Cash generated before the net investment in growth capital expenditure, dividends and share repurchases was £215.5m (2016: £286.1m), reflecting the strong cash conversion characteristic of our business model.

Operating profit

The absolute reduction in overheads in 2017 has helped to mitigate some of the drop through of the reduction in gross profit. Group operating profit decreased 15% at constant currency to £163.2m (2016: £185.2m) (down 12% at actual rates). Consequently, the Group operating margin decreased from 8.3% in 2016 to 6.9% in 2017.

Net finance costs

The Group's net finance costs increased to £13.8m (2016: £11.5m). This reflects more interest paid on a higher level of drawdown on the Revolving Credit Facility with an increase in net debt from an opening position of £151.3m to £296.4m as at 31 December 2017. There was also a small negative impact from foreign exchange movements compared to a positive benefit in 2016 following the weakness of sterling after the result of the UK Referendum on EU membership.

Tax

The effective tax rate for the year was 23.7% (2016: 20.1%). The increase in effective tax rate is primarily due to decreased recognition of deferred tax assets in the US. Our expectation is that the effective tax rate will continue to be around 20%.

Earnings per share

Group earnings per share for 2017 reduced to 12.4p (2016: 14.9p). This 17% decrease primarily reflects the lower level of profitability. This was only marginally offset by the 1.5% reduction in the weighted average number of shares outstanding for the year.

The weighted average number of shares for the year was 915,676,309 (2016: 929,830,458). The weighted average number of shares for diluted earnings per share was 926,237,704 (2016: 944,015,143). As at 31 December 2017 the total number of shares in issue was 923,357,438.

For the year to 31 December 2017, IWG plc purchased 16,830,000 shares designated to be held in treasury at a cost of £51.1m and 5,013,954 treasury shares were used to satisfy the exercise of share awards by employees. As at 31 December 2017 the Group held 12,986,745 shares in treasury.

Cash flow and funding

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

Cash generated before the net investment in growth capital expenditure, dividends and share repurchases was £215.5m (2016: £286.1m), reflecting the strong cash conversion characteristic of our business model. Our performance in 2016 benefited from some specific non-recurring projects to unlock approximately £50m of additional working capital.

We have experienced increased traction on our strategic priority of targeting less capital-intensive growth. In addition, we invested £110.2m in property investments during the year. As a consequence, Group net debt increased from £151.3m at 31 December 2016 to £296.4m at 31 December 2017, in line with our expectations. This increase also comes after paying dividends of £48.5m and spending £51.1m on buying our own shares. This represents a Group net debt : EBITDA leverage ratio of 0.8 times. Whilst our approach to our borrowing continues to be prudent, we continue to recognise the long-term benefit of also operating with an efficient balance sheet.

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

Cash flow

The table below reflects the Group's cash flow:

£m	2017	2016
Group EBITDA	**376.2**	379.7
Working capital	**44.2**	104.2
Less: growth-related partner contributions	**(80.6)**	(66.1)
Maintenance capital expenditure	**(95.6)**	(86.7)
Taxation	**(22.4)**	(31.5)
Finance costs	**(11.9)**	(16.1)
Other items	**5.6**	2.6
Cash flow before growth capital expenditure, share repurchases and dividends	**215.5**	286.1
Gross growth capital expenditure	**(353.1)**	(228.4)
Less: growth-related partner contributions	**80.6**	66.1
Net growth capital expenditure[1]	**(272.5)**	(162.3)
Total net cash flow from operations	**(57.0)**	123.8
Purchase of shares	**(51.1)**	(35.5)
Dividend	**(48.5)**	(43.3)
Corporate financing activities	**4.2**	(3.1)
Opening net debt	**(151.3)**	(190.6)
Exchange movement	**7.3**	(2.6)
Closing net debt	**(296.4)**	(151.3)

1. Net growth capital expenditure of £272.5m relates to the cash outflow in 2017. Accordingly, it includes capital expenditure related to locations opened before 2017 and to be opened in 2018 of £30.4m. The remaining investment relates to the 314 locations added in 2017, including a net investment in property assets of £110.2m. The total net investment in the 2017 additions amounts to £268.8m so far

Foreign exchange rates

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

Foreign exchange

The Group's results are exposed to translation risk from the movement in currencies. During 2017 key individual currency exchange rates have moved, as shown in the table above. Overall, the favourable impact of the movement in exchange rates increased reported revenue, gross profit and operating profit by £77.1m, £12.3m and £6.4m respectively.

Risk management

The principal risks and uncertainties affecting the Group remain broadly unchanged. A detailed assessment of the principal risks and uncertainties which could impact the Group's long-term performance and the risk management structure in place to identify, manage and mitigate such risks can be found on pages 37 to 43 and 58 to 60 of the Annual Report and Accounts.

Related parties

There have been no changes to the type of related party transactions entered into by the Group that had a material effect on the financial statements for the period ended 31 December 2017. Details of related party transactions that have taken place in the period can be found in note 31 to the 2017 Annual Report and Accounts.

Dividends

Consistent with IWG's progressive dividend policy and subject to shareholder approval, we will increase the final dividend for 2017 by 11% to 3.95p (2016: 3.55p). This will be paid on Friday, 25 May 2018, to shareholders on the register at the close of business on Friday, 27 April 2018. This represents an increase in the full-year dividend of 12%, taking it from 5.10p for 2016 to 5.70p for 2017.

DOMINIK DE DANIEL
CHIEF FINANCIAL OFFICER
AND CHIEF OPERATING OFFICER

6 March 2018

RISK MANAGEMENT REMAINS AT THE CORE OF WHAT WE DO

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

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

Effective risk management is critical to achieving our strategic objectives and protecting our personnel, assets and our reputation. 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;
- Review of the status of our principal risks in each Audit Committee meeting; and
- Annual review of all risks in our risk register.

Board

Defines IWG's risk appetite and tolerance

Monitors risk identification and assessment

Assesses overall effectiveness of risk management

Audit Committee

Reviews effectiveness of internal controls

Monitors progress against internal and external audit recommendations

Approves the annual internal and external audit plans

Senior leadership team

Accountable for the design and implementation of risk management processes and controls

Accountable for the regular review and appraisal of key risks

Contributes to the identification and assessment of key risks

General management

Responsible for compliance and ensuring that staff are adequately trained

Business assurance function

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

Principal risks

Risk	Mitigation	Changes since 2016
Strategic		
Lease obligations 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 affected 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.	This risk is mitigated in a number of ways: 1 96% of our leases are 'flexible', meaning that they are either terminable at our option within six months and / or located in or assignable to a standalone legal entity, which is not fully cross-guaranteed. In this way, individual centres are sustained by their own profitability and cash flow. During the most recent downturn in selected markets we were able to negotiate revised terms with our partners to reflect downward movements in market rates to help recovery. 2 Over 40% of the leases we entered into during 2017 were variable in nature, which means that payments to landlords vary with the performance of the relevant centre. In this way the 'risk' to profitability and cash flow of that centre from fluctuations in market rates is softened by the consequent adjustment to rental costs. 3 The sheer number of leases and geographic diversity of our business reduces the overall risk to our business as the phasing of the business cycle and the performance of the commercial property market often varies from country to country and region to region. 4 Each year a significant number of leases in our portfolio reach a natural break point.	During 2017, the number of 'flexible' leases as a percentage of the total increased to 96% from 95% on an enlarged estate. At the end of 2017, we were operating 3,125 locations in 1,072 towns and cities across over 110 countries. Status – Same Rating – High Strategic Objective – Delivering attractive, sustainable returns; Controlling costs
Economic downturn An economic downturn could adversely affect the Group's operating revenue, thereby reducing operating profit performance or, in an extreme scenario, resulting in operating losses.	The Group has taken a number of actions to mitigate this risk: 1 More than 40% of the leases added during 2017 were performance-related to a greater or lesser extent and our rental payments, if any, vary with the performance of the centre. 2 Lease contracts include break clauses when leases can be terminated at our behest. The Group also looks to stagger leases in locations where we have multiple centres so that we can manage our overall inventory in those locations. 3 We review our customer base to assess exposure to a particular customer or industry group. 4 The increasing geographic spread of the Group's network increases the depth and breadth of our business and provides better protection from an economic downturn in a single market or region.	During 2017 the number of 'flexible' leases as a percentage of the total increased to 96%. We also increased the scale of our network by 7% and added 82 new towns and cities. Our monthly business performance reviews provide early warning of any impact on our business performance and allow management to react with speed. More generally, investment in our management team has also led to improved, more responsive decision-making at a country and area level. Status – Same Rating – Medium Strategic Objective – Delivering attractive, sustainable returns; Controlling costs

Risk	Mitigation	Changes since 2016
Strategic		
Emerging trends and disruptive technology		
New formats and technological developments are driving demand for flexible working. Failure to recognise these could mean 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 revenue and unlock potential new sources of revenue.	In 2017 IWG continued to invest in research and development – both to unlock efficiencies as well as improving the overall proposition to customers. The customer self-service applications for mobile and web platform have been launched for Spaces and Basepoint brands and enhanced to incorporate many more self-service and customer control capabilities. We have developed app-based digital interaction channels for our broker community which is in pilot and are developing similar applications for our suppliers. We continue to adopt a "Digital Business Centre Strategy" and are implementing Internet of Things (IoT) to provide our customers with more convenience, comfort and personalisation – and improve productivity. Status – Increased Rating – Medium Strategic Objective – Delivering attractive, sustainable returns
Increased competition		
Increased competition in the serviced office industry and an inability to maintain sustainable competitive advantage may result in loss of market share.	While physical barriers to entry into the flexible workspace market at a local level are low, the barriers to establishing a national or international network are much higher hence making it difficult for any competitor to challenge our market position and commercial success. 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. We continuously review our portfolio to ensure that our product and services are aligned to customer expectations and requirements and there are currently active investment programmes being implemented across our estate.	We increased the scale of our network by 7% and added 82 new towns and cities. We accelerated the roll-out of our Spaces co-working format with the opening of 56 new locations and the development of a strong pipeline for 2018. Basepoint acquisition in the UK added 31 locations primarily in the South of England which were very complementary to our existing network. Basepoint broadens our product offering in the UK in terms of price point, geographic presence and type of workspace as well as adding another brand to the Group. Status – Increased Rating – High Strategic Objective – Delivering attractive, sustainable returns
Exposure to UK political developments		
Exposure to UK political developments including Brexit.	The Group is continually monitoring political developments in the UK to identify and assess the medium to long-term implications of Brexit and the impact that it may have on our business. The Group has had a prudent approach to growing its presence in the UK market.	Dependency on the UK market has been reduced by growth being focused outside the UK. Fewer than 18% of the new locations added during 2017 were in the UK and the majority were in locations outside London. During 2017 the opportunity was taken to consolidate some locations in the UK. In addition, several locations were removed from our network following the cessation of a management agreement, the impact of which was negligible on future financial performance. Overall our network in the UK reduced from 330 to 313 locations. Based on the current position over 40% of our leases with landlords in the UK are variable in nature. Status – Increased Rating – High Strategic Objective – Delivering attractive, sustainable returns; Developing national networks

Principal risks

Risk	Mitigation	Changes since 2016
Strategic		
Business planning and forecasting Business plans, forecasts and review processes should provide timely and reliable information for short, mid and long-term opportunities and any risks to performance so that these can be addressed on a proactive basis.	IWG maintains a three-year business plan which is updated and reviewed on an annual basis. We also use a 12-month rolling forecast which is reviewed every month based on actual performance.	The forecasting process has been reviewed and tracking performance against specific budgets and targets in place was further enhanced. Status – Same Rating – Medium Strategic Objective – Delivering attractive, sustainable returns; Controlling costs, Cash generation before growth
Financial		
Funding The Group relies on external funding to support a net debt position of £296.4m at the end of 2017. The loss of these facilities would cause a liquidity issue for the Group.	The Group constantly monitors its cash flow and financial headroom development and maintains a 12-month rolling forecast and a three-year strategic outlook. The Group also monitors the relevant financial ratios against the covenants in its facilities to ensure the risk of breach is being managed. The Group also stresses these forecasts with downside scenario planning to assess risk and determine potential action plans. The Board intends to maintain a prudent approach to the Group's capital structure. Part of the annual planning process is a debt strategy and action plan to ensure that the Group will have sufficient funding in place to achieve its strategic objectives. The Group also constantly reviews and manages the maturity profile of its external funding.	We improved the debt maturity profile of our key Revolving Credit Facility in 2017 by extending it to 2022 (previously 2021). There is a further option to extend until 2023. After taking into account usage of the £550.0m facility for cash drawings and bank guarantees, we had £131.8m of available and undrawn committed facility as at 31 December 2017. IWG had a net debt : EBITDA ratio at 31 December 2017of 0.8 times. There is significant headroom on the covenant ratios. Status – Same Rating – High Strategic Objective – Delivering attractive, sustainable returns; Cash generation before growth
Exchange rates The principal exposures of the Group are to the US dollar and the euro, with approximately 37% of the Group's revenue being attributable to the US dollar and 19% to the euro. Any depreciation or appreciation of sterling would have an adverse or beneficial impact to the Group's reported financial performance and position respectively. The Group does not generally hedge the translation exchange risk of its business results. Rather, it assumes that shareholders will take whatever steps they deem necessary based on their varied appetites for exchange risk and differing base currency investment positions.	Given that transactions generally take place in the functional currency of Group companies, the Group's exposure to transactional foreign exchange risk is limited. Where possible, the Group attempts to create natural hedges against currency exposures through matching income and expenses, and assets and liabilities, in the same currency. The Group, where deemed appropriate, uses currency swaps to maintain the currency profile of its external debt.	Overall in 2017 the movement in exchange rates increased reported revenue, gross profit and operating profit by £77.1m, £12.3m and £6.4m respectively. Status – Same Rating – Medium Strategic Objective – Delivering attractive, sustainable returns; Controlling costs

Risk	Mitigation	Changes since 2016
Financial		
Interest rates Operating in a net debt position, an increase in interest rates would increase finance costs.	The Group constantly monitors its interest rate exposure as part of its monthly treasury review. As part of the Group's balance sheet management it utilises interest rate swaps.	At the end of 2017 the level of interest rate protection was 26% of the Group's debt being fixed until 2019. This is lower than the 51% of debt that was fixed in 2016 due to the investment of £110.2m in freehold and long-leasehold properties which have flexible workspace businesses. The long-term strategy of the Group to operate in an asset-light business model is unchanged. Status – Same Rating – Medium Strategic Objective – Controlling costs
Operational		
Cyber security The trend towards an integrated digital economy and use of external cloud services combined with the rise in malicious attacks and increasing consequential costs warrants particular attention to cyber security risks.	This risk is mitigated as follows: 1 The Group maintains an active information security programme under the direction of the Group CIO with oversight by the Board. 2 We continually monitor our security using internal resources and external specialists to identify any vulnerabilities. 3 The Group ensures compliance with all major legislation and directives. 4 The Group maintains a mandatory training programme to promote staff awareness of information security and compliance best practice. 5 Data, systems and access permissions are strictly segregated to reduce exposure to risk. 6 The Corporate Communications team is constantly engaged to provide support for any internal and customer facing incidents.	The Group has implemented a number of steps such as Multi Factor Authentication and security awareness campaigns to ensure that the business is risk aware and our systems are adequately protected against any external attacks. An ongoing penetration testing programme is in place performed by external security specialists. This allows us to identify and fix any vulnerabilities to emerging cyber threats on a proactive basis. IWG has cyber insurance policies in place which provide immediate response services in the event of a breach. Status – Increased Rating – High Strategic Objective – Delivering attractive, sustainable returns; Controlling costs
Business continuity The Group's systems and applications are housed in data centres. Should the data centres be impacted as a result of circumstances outside the Group's control there could be an adverse impact on the Group's operations and therefore its financial results.	IWG manages this risk through: 1 Business continuity plans. 2 A detailed service agreement with our external data centre provider which incorporates appropriate back-up procedures and controls. 3 Ensuring appropriate business interruption insurance is in place. 4 Transitioning infrastructure to cloud-based and SaaS servers.	We undertake regular testing of business continuity procedures to ensure that they are adequate and appropriate. We have introduced redundant connectivity of independently routed circuits for our main sales call centres. Status – Same Rating – High Strategic Objective – Delivering attractive, sustainable returns; Controlling costs

Principal risks

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

Risk	Mitigation	Changes since 2016
Human resources		
Ability to recruit at the right level Our ability to increase our management capacity and capabilities through the hiring of experienced professionals not only supports our ability to execute our growth strategy, but also enables us to improve succession planning throughout the Group.	Mitigating actions include: 1 Succession planning discussions are an integral part of our business planning and review process. 2 Part of the annual planning process is the Human Resources Plan, and performance against this Plan is reviewed through the year. 3 Our global performance management system and annual staff survey allow us to keep close to our employees and maintain a two-way dialogue throughout the year. 4 Regular external and internal evaluation of the performance of the Board.	Our capability to hire the best talent continued to increase in 2017. A full talent plan is in place with key hires planned to provide complete succession planning and top talent bandwidth. Our diversity continues to flourish with our workforce split fairly evenly male/female. Status – Same Rating – Medium Strategic Objective – Delivering attractive, sustainable returns; Developing national networks
Training and employee engagement As a service-based business the strength and capabilities of our increasingly geographically diverse team are critical to achieving our strategic objectives.	One of the key items in the Human Resources Plan is the Global Induction & Training Plan, which sets out the key objectives for the forthcoming year. Performance against these objectives is reviewed through the year. Our employee survey also provides insight into employee issues, which is then used to improve the Plan.	We trained all our employees, many through the IWG Online Learning Academy, including employees from new centre acquisitions and new talent to IWG. In 2017 employees undertook approximately 160,000 individual training modules. Experienced managers coach new peer level colleagues to give them the best start in the Group. A new platform was rolled out for training, communication and performance management to continually drive focus in these areas across the business. Status – Same Rating – High Strategic Objective – Delivering attractive, sustainable returns; Developing national networks

Viability Statement

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

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

For the purposes of assessing the Group's viability, the Board identified that, of the principal risks detailed on pages 37 to 43, the following are the most important to the assessment of the viability of the Group:

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

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

SUPPORTING OUR COMMUNITIES

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

Community development

As a business working in over 3,100 locations in more than 110 countries, it is our responsibility to ensure that we can have a positive impact on the communities in which our team members, customers, suppliers and other stakeholders live and work. For many, we are a local business – through our presence, we generate wealth for each community by employing local talent and drawing on local supply chain networks.

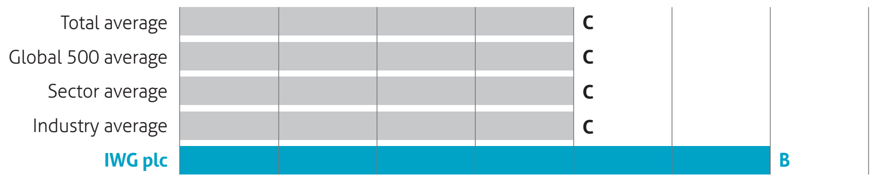
By their very nature, many of our products are inherently sustainable and attract new organisations to the area. These organisations help to improve the business environment by bringing further investment and local opportunities. The success of our Company is dependent on the success of each local community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

Environmental impact

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

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

Average 2017 Carbon Disclosure Project Scores



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

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

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

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

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

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

Generating value from waste

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

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

Charitable investment

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

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

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

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

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

Charitable activities

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

Helping communities overcome disasters

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

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

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

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

Donating minutes of kindness

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

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

Empowering the leaders of tomorrow

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

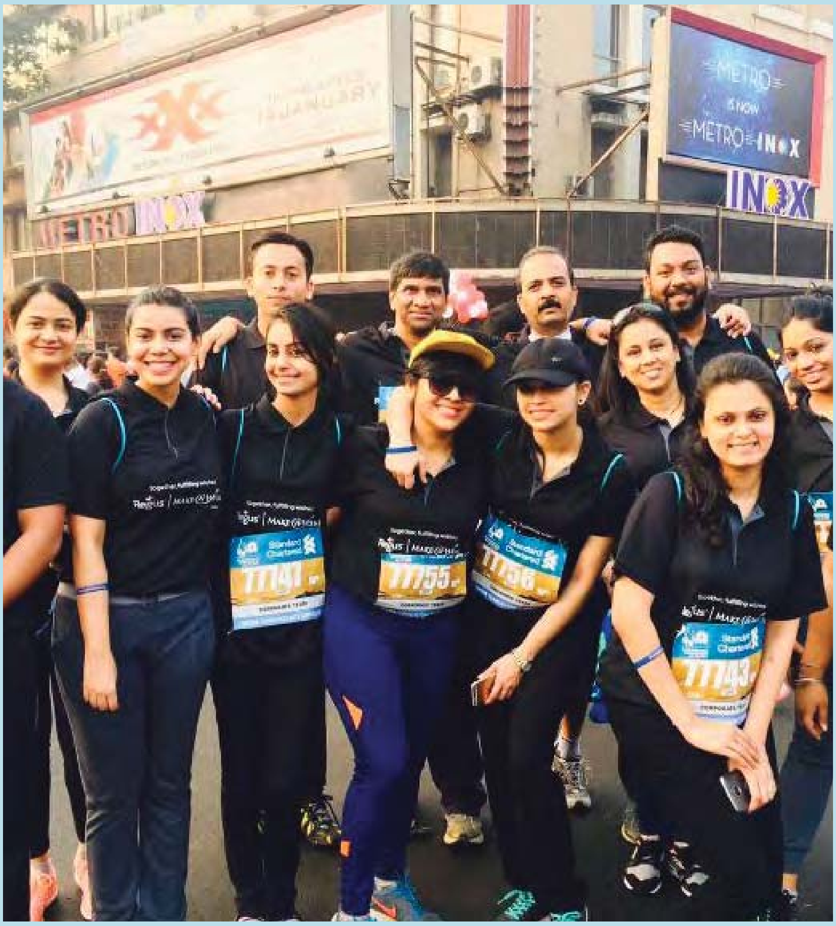
Raising awareness

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

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

Running for change

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



“

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

YOUNG JOURNALIST, ACADEMY SUMMER SCHOOL STUDENT

“

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

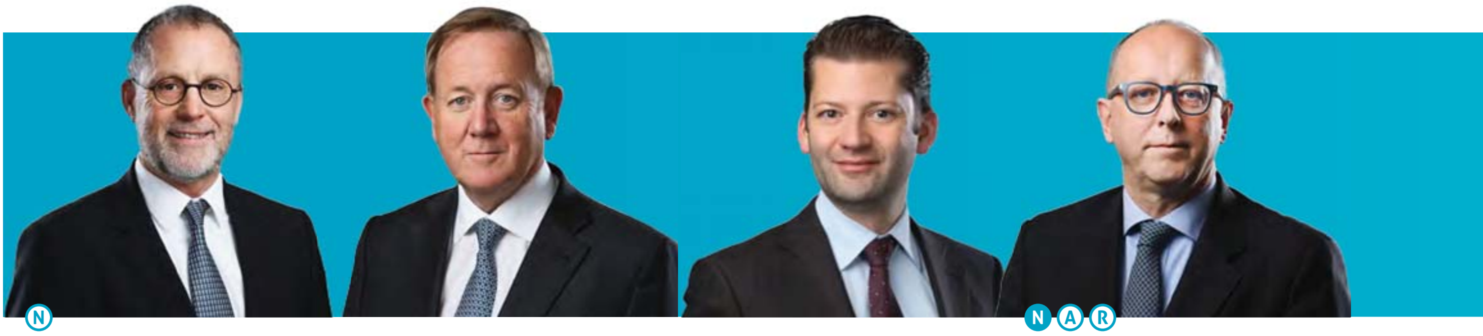
REGUS CUSTOMER

“

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

REGUS CUSTOMER

OUR LEADERSHIP TEAM



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DOUGLAS SUTHERLAND
CHAIRMAN

Appointment to Old Regus
27 August 2008

Appointment to IWG
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.

External appointments
Douglas is currently also the Chairman of Socrates Health Solutions Inc.

MARK DIXON
CHIEF EXECUTIVE OFFICER

Appointment to Old Regus
Founder

Appointment to IWG
14 October 2016

Experience
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 and IWG he established businesses in the retail and wholesale food industries. 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 DE DANIEL
CHIEF FINANCIAL OFFICER AND CHIEF OPERATING OFFICER

Appointment to Old Regus
1 November 2015

Appointment to IWG
27 September 2016

Experience
Dominik served for over nine years as the Chief Financial Officer of Adecco Group, the world's 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.

N A R

FRANÇOIS PAULY
SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointment to Old Regus
19 May 2015

Appointment to IWG
14 October 2016

Experience
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.

External appointments
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.

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

FLORENCE PIERRE
INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointment to Old Regus
21 May 2013

Appointment to IWG
14 October 2016

Experience
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.

External appointments
Florence also shares her time between directorships, private equity investments in hi-growth companies providing innovative and digital-based services, managing her art collection and mountain trekking.

ELMAR HEGGEN
INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointment to Old Regus
1 June 2010

Appointment to IWG
14 October 2016

Experience
Elmar has extensive management experience. Since 2006 he has been 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 and General Manager of Felix Schoeller Digital Imaging in the UK.

External appointments
Elmar is Chief Financial Officer and Deputy Chief Executive Officer 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.

NINA HENDERSON
INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointment to Old Regus
20 May 2014

Appointment to IWG
14 October 2016

Experience
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.

External appointments
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 AJ Drexel Distinguished Alumni Award. She is also a Director of the Visiting Nurse Service of New York and the Foreign Policy Association.

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

Female 2
Male 5

Balance of Non-Executive and Executive Directors

Executive Directors 2
Non-Executive Directors 5

Length of tenure of Non-Executive Directors

0-3 years 1
3-6 years 2
6 years+ 2

ACCOUNTABILITY, TRANSPARENCY, PROBITY AND FOCUS FORM THE BASIS OF THE COMPANY'S GOOD GOVERNANCE

The aim of your Board is to set the values of the Company through a culture of openness and debate.

DOUGLAS SUTHERLAND
CHAIRMAN

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 through facilitating effective entrepreneurial and prudent management.

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.

Independent Committee

An Independent Committee comprised of the Chairman and Non-Executive Directors was formed to consider the unsolicited approach nearing year end by funds managed by affiliates of Brookfield Asset Management, Inc. and Onex Corporation. The discussions ended on 1 February 2018.

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

Following the 2017 annual general meeting, Lance Browne resigned, with François Pauly simultaneously replacing him as Senior Independent Non-Executive Director and Nomination Committee Chairman. We 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 56 to 57.

Remuneration Committee

The Directors' Remuneration report is set out on pages 62 to 73 including the Remuneration Policy on pages 64 to 68.

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 37 to 43. Full details of the work of the Audit Committee are in the Audit Committee report on pages 58 to 61.

DOUGLAS SUTHERLAND
CHAIRMAN

In this section

UK CORPORATE GOVERNANCE CODE

The UK Corporate Governance Code, as published by the Financial Reporting Council in September 2014 and available on www.frc.org.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 2017 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 55.

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 2017 the Board met seven times. 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
Mark Dixon	7/7
Dominik de Daniel	7/7
Lance Browne[1]	3/3
François Pauly	6/7
Elmar Heggen	6/7
Florence Pierre	7/7
Nina Henderson	7/7

1. Lance Browne left the board on 16 May 2017

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 56 to 73. 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 four 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 and the Board considers the correct balance of expertise, skills and dedication in order to discharge its duties effectively has been maintained.

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 56 and 57.

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 Directors' 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 48 and 49.

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; and
- 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.

An annual internal evaluation of Board performance was conducted for 2017. 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 76 to 79.

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 47.

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 80 to 125.

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 24 to 29, as well as the Group's principal risks and uncertainties as set out on pages 37 to 43.

Further details on the going concern basis of preparation can be found in note 24 of the notes to the accounts on page 105.

FRANÇOIS PAULY
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 2020. 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 24 to 29, as well as the Group's principal risks and uncertainties and related mitigation approaches as set out on pages 37 to 43. 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 2020.

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 37 to 43.

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 58 to 60.

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 58 to 61.

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 2018.

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 62 to 73. In order to maintain transparency, approval for 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 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 2017, with the exception of the following:

- Provision E.1.1 – the Senior Independent Non-Executive Director, François Pauly, 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.

> *The diversity of the Board mirrors the wide geographical reach of our business and we continue to place strong emphasis on the same.*
>
> **FRANÇOIS PAULY**
> CHAIRMAN

Members of the Committee

Committee membership during the year and attendance at the meetings are set out below.

Members	Attendance (out of possible maximum number of meetings)
François Pauly, Chairman	4/4
Lance Browne[1]	1/1
Elmar Heggen	3/4
Nina Henderson	4/4
Florence Pierre	4/4
Douglas Sutherland	4/4

1. Lance Browne left the Nomination Committee on 16 May 2017

All members of the Committee are independent.

Dear shareholder

I am pleased to present to you my report on the Nomination Committee (the "Committee") further to my appointment in 2017 to Nomination Committee Chairman.

During 2017, the composition of the Board changed as Lance Browne stepped down. I am delighted to take on his particular responsibility as Senior Independent Non-Executive Director in addition to the role of Chairman of the Nomination Committee.

Our Board composition

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

- the Chairman (Douglas Sutherland);
- two Executive Directors; and
- four 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 five men, representing five nationalities and six 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. 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.

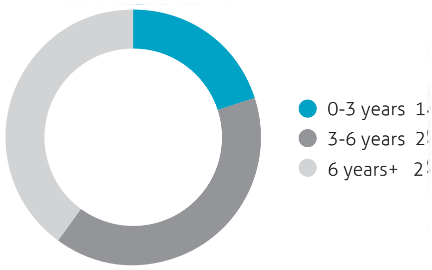
Succession planning discussions continue to be an integral priority of the Group's business planning and review process, as is the continued development of both management capacity and capabilities within the business.

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

FRANÇOIS PAULY
CHAIRMAN, NOMINATION COMMITTEE

Our Board composition

As at the date of this report, the Board comprises seven members: the Chairman (Douglas Sutherland), four 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 2017 and their biographical details are set out on pages 48 and 49.

All Directors served throughout the year under review. Lance Browne stepped down from the Board following the 2017 AGM.

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

The application of the corporate reporting, risk management and internal control principles are the focus of the Committee.

ELMAR HEGGEN
CHAIRMAN

Members of the Committee

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	4/5
Lance Browne[1]	2/2
Nina Henderson	5/5
François Pauly	5/5
Florence Pierre	5/5

1. Lance Browne left the Audit Committee on 16 May 2017

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 2017.

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

Five Committee meetings were held during 2017. 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 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 2017:

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 2017:

- **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 37 to 43 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; and
- 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.

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 2017 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 Ireland ('KPMG') were appointed in 2016 as the auditors of IWG plc. 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.

The value of non-audit services provided by KPMG in 2017 amounted to £0.1m (2016: £0.4m). Non-audit services related to assurance services in relation to reports provided to landlords in the UK, and other non-audit services in relation to statutory declarations in South Africa and India. The services provided are considered by the Committee to be necessary in the interests of the business and, by their nature, these services could not easily be provided by another professional auditing firm. During the year there were no circumstances where KPMG were engaged to provide services which might have led to a conflict of interests.

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 are 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 2017.

The breakdown of the fees paid to the external auditor during the year to 31 December 2017 can be found in note 5 of the notes to the financial statements on page 93.

In assessing the effectiveness of the external audit process for 2017 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 2017 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 2018 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

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The Committee aims to set a policy to motivate our people, reward performance and recruit talented individuals to grow our business.

NINA HENDERSON
CHAIRMAN

Members of the Committee

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, Chairman	4/4
Lance Browne[1]	2/2
Florence Pierre	4/4
François Pauly	4/4
Elmar Heggen	3/4

1. Lance Browne left the Remuneration Committee on 16 May 2017

All members of the Committee are independent.

Dear shareholder

I am pleased to present this Directors' Remuneration report.

The focus of the Remuneration Committee (the "Committee") is to ensure that remuneration is designed to promote the long-term success of the Company. A key driver of the Company's growth has been and will continue to be its people and their talents. We seek to set a policy that enables us to motivate our people, to reward performance and to recruit the calibre of talent that will lead the Company in sustaining its record of profitable growth. The Company's human resource continues to evolve, simultaneously adding new, whilst retaining existing, capabilities and skills.

Our Directors' Remuneration Policy, set out on pages 64 to 68, was approved in a binding vote on 16 May 2016. The policy will continue to apply in 2018 as it has since it became effective. The Annual Report on Remuneration (set out on pages 68 to 73) describes how this policy will be implemented in 2018, together with details of remuneration paid in the 2017 financial year.

2017

2017 was a year in which we reinforced our platform for growth; however, there were some challenges.

The previously anticipated sales improvement in the third quarter of 2017 from the increase experienced in sales activity was weaker than expected and this resulted in a pause in the recovery of the Company's Mature business. This led to the Company lowering its profit outlook for 2017.

However, in the following quarter, we were pleased to see our Mature business return to growth with sustained improvements throughout the period.

The Company achieved an operating profit over the course of 2017 of £163.2m. Revenue has increased by 5.3% to £2,352.3m and EPS was 12.4p.

Towards the end of the year, the Group received an indicative offer proposal from Brookfield Asset Management, Inc. and Onex Corporation. The discussions regarding this unsolicited approach ended on 1 February 2018.

Annual bonus

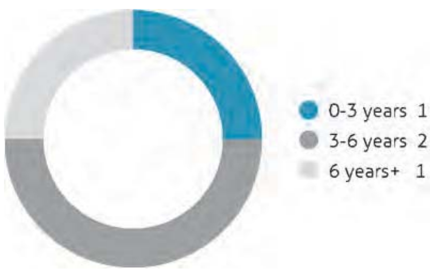
The 2017 annual bonus plan was measured against particularly stretching profit targets. Despite revenue increasing by 5.3%, annual performance failed to meet the threshold required for any bonus pay-out.

Co-Investment Plan

The CIP awards are subject to 75% EPS and 25% TSR performance metrics. Following the year end Matching Shares under the third tranche of the 2013 award (measured over five years), the second tranche of the 2014 award (measured over four years) and the 2015 award (measured over three years) are due to vest based on the performance measured to 31 December 2017. EPS for 2017 of 12.4p was below the threshold target for all of these awards. As a result, all of the shares subject to an EPS performance condition will lapse. With regard to the TSR elements, performance over three and five years resulted in partial vesting and full vesting of the 2015 and 2013 awards respectively. Four year TSR was slightly below the median of the comparator group and resulted in no vesting of the TSR element for the 2014 award. As first reported in 2015, the CIP has been replaced by the Performance Share Plan and no new awards have been granted since March 2015. The final 2015 CIP award will be subject to a holding period ending in 2020.

The Committee believes the above outcomes demonstrate strong pay for performance alignment.

Length of tenure of Non-Executive Directors within the Committee



The year ahead

The Remuneration Committee has made the following decisions for 2018:

- Executive Directors will receive no increase to base salary in 2018. This is the second year that there has been no salary increase;
- The maximum annual 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
- 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, 2018-2020, 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. The Committee is satisfied that our variable pay model ensures alignment between pay and performance through robust target setting. Historically, variable pay has rewarded sound performance, however, as demonstrated this year through the lack of bonus pay-out, award outcomes are significantly scaled back in years when performance is less strong. Such effective alignment ensures that our Remuneration Policy supports the future success of the Company.

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, REMUNERATION COMMITTEE

6 MARCH 2018

REMUNERATION POLICY

The full Directors' Remuneration Policy, approved for three years from the Regus plc AGM held on 17 May 2016 and adopted by IWG plc as part of the Scheme of Arrangement, is shown on pages 64 to 68 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 2016, 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 of the Group.
- 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 1 January. The base salaries effective 1 January 2018 are set out on page 68 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 withholding 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.

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 withholding 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	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. A single fee which reflects all Board and Committee duties. 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.	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	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. A base fee is payable with additional fees for chairing key Board Committees and for being the Senior Independent Director. 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.		

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 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 in 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 66.

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.

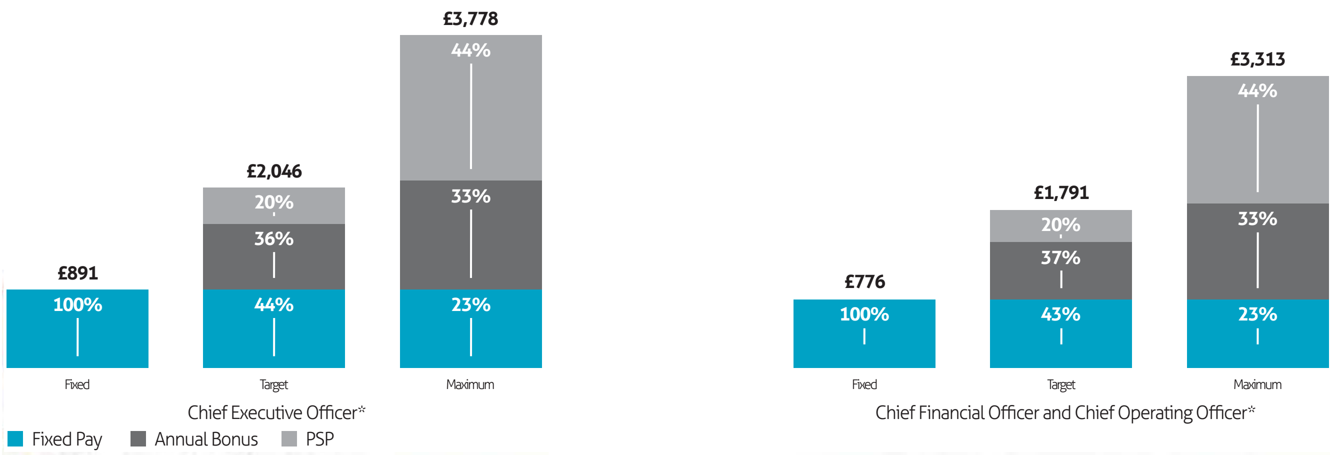
Policy in respect of external Board appointments for Executive Directors

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 2018 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 and 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.



* All figures in £'000s and rounded to the nearest thousand

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 62.

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 2018

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 2018 AGM. The information below includes how we intend to operate our policy in 2018 and the pay outcomes in respect of the 2017 financial year.

Base salaries for the Executive Directors

The Executive Directors' salaries were reviewed, however, no salary increases have been awarded. The current salaries as at 1 January 2018 (and compared to 2017) are as follows:

	2018	2017	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 3%.

Benefits and pension

Benefits and pension provisions will operate in line with the approved policy. Both Executive Directors will receive a salary supplement in lieu of pension of 7% of base salary.

Annual bonus

For 2018, 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 2018 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 31 December 2020. 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 2017 performance	100%	Return to be 300 basis points above 2017 performance

Awards will be subject to a post-vesting holding period of two years. This requires 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

No fee increases are proposed for 2018:

	2018 (£'000)	2017 (£'000)	Percentage change
Non-Executive Chairman	**250**	250	0%
Basic fee for Non-Executive Director	**57**	57	0%
Additional fees:			
Chair of Audit Committee	**12**	12	0%
Chair of Remuneration Committee	**12**	12	0%
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 2017

Single total figure of remuneration table (audited)

The following table shows the total remuneration in respect of the year ending 31 December 2017, together with the prior year comparative.

£'000	Salary / Fees		Benefits		Pension		Annual bonus		CIP		Total	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
Mark Dixon	**825.0**	825.0	**7.8**	5.4	**57.8**	57.8	**–**	1,155.8	**230.3**	990.5	**1,120.9**	3,034.5
Dominik de Daniel	**725.0**	725.0	**–**	–	**50.8**	50.8	**–**	1,015.7	**–**	–	**775.8**	1,791.5
Non-Executive Directors												
Douglas Sutherland	**241.7**	200.0	**–**	–	**–**	–	**–**	–	**–**	–	**241.7**	200.0
Lance Browne	**27.7**	69.5	**–**	–	**–**	–	**–**	–	**–**	–	**27.7**	69.5
Elmar Heggen	**69.6**	60.0	**–**	–	**–**	–	**–**	–	**–**	–	**69.6**	60.0
Nina Henderson	**75.0**	67.5	**–**	–	**–**	–	**–**	–	**–**	–	**75.0**	67.5
Florence Pierre	**58.3**	52.5	**–**	–	**–**	–	**–**	–	**–**	–	**58.3**	52.5
François Pauly	**65.4**	50.0									**65.4**	50.0

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 second tranche of the 2013 award (251,447 shares vested out of the maximum of 251,447) and the first tranche of the 2014 award (100,303 shares out of 137,402) are included in the 2016 column. The figure reflects the actual share price on the date of vesting of 281.6p. The third tranche of the 2013 award (62,862 shares will vest out of a maximum of 251,447) and the 2015 CIP (37,819 shares shall vest out of a maximum 529,304) shall vest in March 2018 based on performance until 31 December 2017, the value of which is shown in 2017 and reflects a three-month average share price ending 31 December 2017 of 228.8p. The second tranche of the 2014 award will not vest.

Lance Browne stepped down as Senior Independent Director and Chairman of the Nomination Committee on 16 May 2017. Remuneration detailed above reflects time served.

François Pauly was appointed as Senior Independent Director and Chairman of the Nomination Committee on 16 May 2017. Remuneration detailed above reflects time served.

Determination of 2017 annual bonus (audited)

The 2017 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%	£220.0m	£242.0m	£163.2m	0%

The performance of the Group during 2017 resulted in the Group failing to reach the threshold target and hence no bonus was awarded to either of the Directors.

Director	Bonus maximum (% of base salary)	Operating profit achievement (% of award)	Bonus awarded (£'000)	Cash bonus (£'000)	Deferred bonus (£'000)
Mark Dixon	150%	–	–	–	–
Dominik de Daniel	150%	–	–	–	–

CIP awards vesting in respect of 2017 performance (audited)

The 2013 and 2014 Matching Share awards are divided into three separate equal tranches subject to performance over three, four and five years from 1 January 2013 and 1 January 2014. The third tranche of the 2013 award and the second tranche of the 2014 award are due to vest in March 2018 based on performance until 31st December 2017. In addition, the 2015 CIP, the last award to be granted under the plan, was assessed against EPS and TSR targets, and shall vest in March 2018 subject to a holding period ending March 2020.

TSR target (25% of tranche) (audited)

IWG TSR % relative to FTSE 350 (excluding financial services and mining companies) (2015 CIP) performance period 01.01.2015 – 31.12.2017	IWG TSR % relative to FTSE 350 (excluding financial services and mining companies) (2014 award tranche 2) performance period 01.01.2014 – 31.12.2017	IWG TSR % achieved relative to FSTE All Share Total Return Index (2013 award tranche 3) performance period 01.01.2013 – 31.12.2017	% of shares vesting
Below median	Below median	Below index	0%
Median	Median	Equal to index	25%
Upper quartile or above	Upper quartile or above	Equal to index +15% p.a.	100%

EPS target (75% of tranche) (audited)

Compound annual growth in EPS (2015 CIP) over the three year period 01.01.2015 – 31.12.2017	Adjusted EPS targets for year ending 2017 (2014 award tranche 2) performance period 01.01.2014 – 31.12.2017	Adjusted EPS targets for year ending 2017 (2013 award tranche 3) performance period 01.01.2013 – 31.12.2017	% of shares vesting
24%	16.1p	16.0p	25%
32%	20.2p	18.0p	100%

Straight-line vesting between these points. No vesting below the threshold target. Performance against the TSR and EPS targets set in 2013, 2014 and 2015 was such that 25.0% of the 2013 award and 7.15% of the 2015 award will vest, however, the second tranche of the 2014 award will not vest. The Committee has reviewed these outcomes, including adjustments related to growth, and its 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 – 31 December 2017)	Estimated value (£'000)
2013 award tranche 3	Mark Dixon	Matching: 62,862	–	100.0	228.8p	143.8
2014 award tranche 2	Mark Dixon	Matching: 0	–	–	228.8p	–
2015 award	Mark Dixon	Matching: 37,819	–	28.6	228.8p	86.5

Note the estimated 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 date of vesting.

PSP awards granted in the year (audited)

PSP awards granted to Executive Directors on 1 March 2017 which vest subject to three-year performance ending 31 December 2019 were as follows:

Executive	Number of PSP awards	Face/maximum value of awards at grant date[1]
Mark Dixon	583,039	£1,650,000
Dominik de Daniel	512,367	£1,449,999

1. Based on a face value grant of 200% of salary and using a share price of 283.0p.

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 2016 performance	100%	Return to be 300 basis points above 2016 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 2017 alongside the interests in share schemes for the Executive Directors.

		Shareholding guidelines			Interests in share/option awards				
							CIP		
	Shares held	% of salary required	Guideline met?	% of salary attained[1]	Deferred Share Bonus Plan[2]	Performance Share Plan[3]	Investment Shares[4]	Matching Shares[5]	One-off award[6]
Executive Directors									
Mark Dixon	230,856,675	200%	Yes	64,024%	204,208	1,135,618	132,326	1,055,553	–
Dominik de Daniel	595,589	200%	No	188%	179,456	997,967	–	–	328,751
Non-Executive Directors									
Douglas Sutherland	400,000								
Lance Browne	14,994[7]								
Elmar Heggen	–								
Nina Henderson	30,800								
François Pauly	100,000								
Florence Pierre	–								

1. Percentage based on a share price of 228.8p
2. Half of any bonus awarded is deferred in shares which vest after three years, subject to continued employment but no further performance targets
3. 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
4. The CIP Investment Shares are in the form of unvested conditional shares granted 4 March 2015, and which vest subject to continued employment at the end of a three-year holding period
5. 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 2017. For Mark Dixon, the number includes 251,447 Matching Shares granted on 6 March 2013, 274,802 Matching Shares granted on 5 March 2014, and 529,304 Matching Shares granted on 4 March 2015
6. 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. 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)
7. Number of shares held as at 16 May 2017

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 2016 and the year ending 31 December 2017. Given the significant scale and diversity of the overall global employee population, the Committee considers the Group support employees a more relevant comparison.

	Chief Executive	Group support employees
Salary	0%	3%
Benefits	44%	(3%)
Annual bonus	(100%)[1]	(100%)[1]

1. No annual bonus was paid in relation to 2017

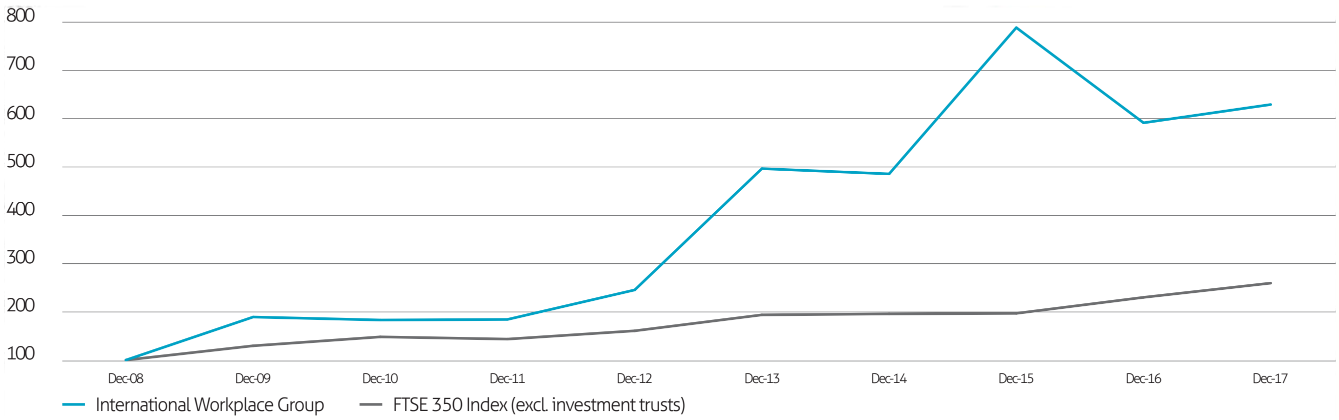
Relative importance of spend on pay

The table below shows total employee remuneration and distributions to shareholders in respect of the years ending 31 December 2017 and 2016 and the percentage changes between years:

	2017	2016	Change 2016 to 2017
Total employee remuneration	**£331.5m**	£335.6m	(1.2)%
Distributions to shareholders	**£48.5m**	£43.3m	12.0%

Performance graph and table

The graph below shows the TSR of IWG in the nine-year period to 31 December 2017 against the TSR of the FTSE 350 (excluding investment trusts). 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 nine financial years over the equivalent period.

	2009	2010	2011	2012	2013	2014	2015	2016	**2017**
Single total figure of remuneration	£628k	£759k	£1,130k	£1,773k	£1,854k	£2,770k	£1,968k	£3,034.5k	**£1,120.9k**
Bonus (% of maximum)	0%	19%	50%	100%	79%	100%	100%	93%	**0%**
Long-term incentive vesting (% of maximum)	0%	0%	0%	11%	35%	86%	97%	90.5%(1)	**11.0%(2)**

1. Based on 100% of tranche two of the 2013 Matching Shares vesting and 73% of tranche one of the 2014 Matching Shares vesting
2. Based on 25% of tranche three of the 2013 Matching Shares vesting, 0% of tranche two of the 2014 Matching Shares vesting and 7.15% of the 2015 Matching Shares vesting

Advisors to the Remuneration Committee

Details of the composition of the Remuneration Committee and attendance at Committee meetings are set out on page 62 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 provided independent advice to the Committee during the year. Aon was appointed by the Committee during 2016 following a competitive selection process undertaken by the Committee. The fees charged by Aon for the provision of independent advice to the Committee during 2017 were £41,500 (exclusive of VAT) (2016: £49,000). With regard to remuneration advice, the Committee is comfortable that Aon'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 16 May 2017 in respect of remunerated related resolutions are shown in the table below:

	Votes for		Votes against			
Resolution	#	%	#	%	Total votes cast	Votes withheld
Approval of Annual Remuneration Report for year ending 31 December 2016	694,124,616	94.74%	38,562,156	5.26%	732,686,772	0%

For and on behalf of the Board

NINA HENDERSON
CHAIRMAN OF THE REMUNERATION COMMITTEE

6 MARCH 2018

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 2017.

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
François Pauly
Elmar Heggen
Florence Pierre
Nina Henderson

Biographical details for the Directors are shown on pages 48 and 49.

Details of the Directors' interests and shareholdings are given in the Remuneration Report on page 72.

The Corporate Responsibility Report, People Report, Corporate Governance Report, Nomination Committee Report, Audit Committee Report, Remuneration Report and Directors' Statements on pages 44 to 47 and 50 to 75 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 24 to 27 and 32 to 36 respectively address:

- review of the Company's business (pages 24 to 27);
- trends and factors likely to affect the future development, performance and position of the business (page 24);
- development and performance during the financial year (pages 32 to 36); and
- position of the business at the end of the year (pages 33 to 36).

The Risk Management report, on pages 37 to 43, includes a description of the principal risks and uncertainties facing the Company.

The Corporate Responsibility Report, on pages 44 to 47, includes the sections of the Strategic Report in respect of:

- environmental matters; and
- social and community issues.

The People Report on pages 30 to 31 of the Strategic Report addresses employee development and performance.

The Nomination Committee Report on pages 56 and 57 covers our diversity.

The Directors' statements on page 75 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 £149.4m (2016: £173.7m).

The Directors are pleased to recommend a final dividend of £36.0m (2016: paid £32.5m), being 3.95p per share (2016: 3.55p per share). The total dividend for the year will therefore be 5.70p per share, made up of the interim dividend of 1.75p per share paid in October 2017 (2016: 1.55p per share) and, assuming the final dividend is approved by shareholders at the forthcoming annual general meeting, an additional 3.95p per share (2016: 3.55p per share) which is expected to be paid on 25 May 2018 to shareholders on the register at the close of business on 27 April 2018.

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 £302,066 during the year (2016: £237,479).

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 (2016: 923,357,438). 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 48 to 49, and 56 to 57.

Substantial interests

At 6 March 2018, 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 (excluding treasury shares)
Estorn Limited[1]	230,856,675	25.4%
Toscafund Asset Management LLP	81,624,557	9.0%
M&G Investment Management	63,438,365	7.0%
Standard Life Aberdeen	45,915,218	5.0%
Harris Associates L.P.	45,621,617	5.0%

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 27 February 2018.

On behalf of the Board

TIMOTHY REGAN
COMPANY SECRETARY

6 March 2018

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

6 March 2018

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF IWG PLC

OPINIONS AND CONCLUSIONS ARISING FROM OUR AUDIT

1. Our opinion is unmodified

We have audited the consolidated financial statements of IWG plc for the year ended 31 December 2017 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.

In our opinion:

- the consolidated financial statements give a true and fair view of the assets, liabilities and financial position of the Group as at 31 December 2017 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in Jersey, together with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code") and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

2. Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

In arriving at our audit opinion above, the key audit matters, in decreasing order of significance, were as follows:

Goodwill and intangible assets of £712.1m (2016: £738.1m)

Refer to page 59 (Report of the Audit Committee), page 88 (accounting policy) and Notes 12 and 13 to the Group Financial Statements.

The key audit matter

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.

How the matter was addressed in our audit

Our audit procedures in this area included, among others, assessing the Group's impairment model for each group of CGU's 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 obtained and documented our understanding of the impairment testing process and tested the design and implementation of the relevant controls therein.

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 capitalization 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.

As a result of our work, noting that no impairments were identified by the Group, we found that these judgements were supported by reasonable assumptions. We found the disclosures to be adequate.

Taxation (current tax liabilities of £21.6m (2016: £17.7m); deferred tax assets of £23.0m (2016: £29.3m) and deferred tax liabilities of £1.3m (2016: £2.4m))

Refer to page 59 (Report of the Audit Committee), page 90 (accounting policy) and Note 9 to the Group Financial Statements.

The key audit matter

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 recognized 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.

How the matter was addressed in our audit

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 obtained and documented our understanding of the taxation process and tested the design and implementation of the relevant controls therein.

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.

We found that the Group's estimates of the amounts recognised as tax liabilities and deferred tax assets to be appropriate and that the disclosures provide an adequate description of the assumptions and estimates made by the Group, sensitivity to changes thereon and the current status of material, uncertain tax positions.

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 £10 million, which is 0.4% of total revenue and 6.7% of profit before tax from continuing operations. We have determined, in our professional judgement, that these benchmarks are two 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 £7.5 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 £0.5 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 to which we perform audit procedures, we considered the relevant size and risk profile of the components.

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 certain other components. These audits covered 80% of total Group revenue, 80% 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 £3m to £8m, 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 going concern

We are required to report to you if:

- we have anything material to add or draw attention to in relation to the directors' statement in note 2 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group's use of that basis for a period of at least twelve months from the date of approval of the financial statements; or
- if the related statement under the Listing Rules set out on page 54 is materially inconsistent with our audit knowledge.

We have nothing to report in these respects.

5. We have nothing to report on the other information in the Annual Report

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Disclosures of principal risks and longer-term viability

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

- the Principal Risks disclosures describing these risks and explaining how they are being managed and mitigated;
- the directors' confirmation within the viability statement that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity; and
- the directors' explanation in the viability statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Other Corporate governance disclosures

We are required to address the following items and report to you in the following circumstances:

- *Fair, balanced and understandable*: if we have identified material inconsistencies between the knowledge we acquired during our financial statements audit and the directors' statement that they consider that 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; or
- *Report of the Audit Committee*: if the section of the annual report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee; or
- *Statement of compliance with UK Corporate Governance Code*: if the directors' statement does not properly disclose a departure from provisions of the UK Corporate Governance Code specified by the Listing Rules for our review.

We have nothing to report in these respects.

6. We have nothing to report on the other matters on which we are required to report by the Companies (Jersey) Law 1991 by exception

We have nothing to report in respect of the following matters where the Companies (Jersey) Law 1991 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.

7. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 75, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud, other irregularities, or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud, other irregularities or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Further details relating to our work as auditor is set out in the Scope of Responsibilities Statement contained in the appendix to this report, which is to be read as an integral part of our report.

8. The purpose of our audit and to whom we owe our responsibilities

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 Group and the Group'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
6 March 2018

Appendix to the Independent Auditor's Report

Further information regarding the scope of our responsibilities as auditor

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

CONSOLIDATED INCOME STATEMENT

Continuing operations	Notes	Year ended 31 Dec 2017 £m	Year ended 31 Dec 2016 £m
Revenue	3	**2,352.3**	2,233.4
Cost of sales		**(1,950.7)**	(1,784.6)
Gross profit (centre contribution)		**401.6**	448.8
Selling, general and administration expenses		**(237.6)**	(262.8)
Share of loss of equity-accounted investees, net of tax	21	**(0.8)**	(0.8)
Operating profit	5	**163.2**	185.2
Finance expense	8	**(14.1)**	(11.6)
Finance income	8	**0.3**	0.1
Net finance expense		**(13.8)**	(11.5)
Profit before tax for the year		**149.4**	173.7
Income tax expense	9	**(35.4)**	(34.9)
Profit after tax for the year		**114.0**	138.8
Earnings per ordinary share (EPS):			
Basic (p)	10	**12.4**	14.9
Diluted (p)	10	**12.3**	14.7

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Year ended 31 Dec 2017 £m	Year ended 31 Dec 2016 £m
Profit for the year		**114.0**	138.8
Other comprehensive income that is or may be reclassified to profit or loss in subsequent periods:			
Cash flow hedges – reclassified through the income statement, net of income tax		**–**	2.1
Cash flow hedges – effective portion of changes in fair value		**0.5**	(0.3)
Foreign currency translation differences for foreign operations		**(34.4)**	90.2
Items that are or may be reclassified to profit or loss in subsequent periods		**(33.9)**	92.0
Other comprehensive income that will never be reclassified to profit or loss in subsequent periods:			
Re-measurement of defined benefit liability, net of income tax	26	**(0.7)**	–
Items that will never be reclassified to profit or loss in subsequent periods		**(0.7)**	–
Other comprehensive (loss)/income for the period, net of income tax		**(34.6)**	92.0
Total comprehensive income for the year		**79.4**	230.8

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Issued share capital £m	Treasury shares £m	Foreign currency translation reserve £m	Hedging reserve £m	Other reserves £m	Retained earnings £m	Total equity £m
Balance at 1 January 2016	**9.5**	**(42.9)**	**7.4**	**(2.1)**	**25.8**	**586.0**	**583.7**
Total comprehensive income for the year:							
Profit for the year	–	–	–	–	–	138.8	138.8
Other comprehensive income:							
Cash flow hedges – reclassified through the income statement	–	–	–	2.1	–	–	2.1
Cash flow hedges – effective portion of changes in fair value	–	–	–	(0.3)	–	–	(0.3)
Foreign currency translation differences for foreign operations	–	–	90.2	–	–	–	90.2
Other comprehensive income, net of tax	–	–	90.2	1.8	–	–	92.0
Total comprehensive income for the year	–	–	90.2	1.8	–	138.8	230.8
Share-based payments	–	–	–	–	–	2.4	2.4
Ordinary dividend paid (note 11)	–	–	–	–	–	(43.3)	(43.3)
Purchase of shares (note 22)	–	(34.2)	–	–	–	(1.3)	(35.5)
Proceeds from exercise of share awards (note 22)	–	8.5	–	–	–	(4.6)	3.9
Cancellation of treasury shares (note 22)	(0.3)	65.7	–	–	–	(65.4)	–
Balance at 31 December 2016	**9.2**	**(2.9)**	**97.6**	**(0.3)**	**25.8**	**612.6**	**742.0**
Total comprehensive income for the year:							
Profit for the year	**–**	**–**	**–**	**–**	**–**	**114.0**	**114.0**
Other comprehensive income:							
Remeasurement of the defined benefit liability, net of tax (note 26)	**–**	**–**	**–**	**–**	**–**	**(0.7)**	**(0.7)**
Cash flow hedges – effective portion of changes in fair value	**–**	**–**	**–**	**0.5**	**–**	**–**	**0.5**
Foreign currency translation differences for foreign operations	**–**	**–**	**(34.4)**	**–**	**–**	**–**	**(34.4)**
Other comprehensive (loss)/income, net of tax	**–**	**–**	**(34.4)**	**0.5**	**–**	**(0.7)**	**(34.6)**
Total comprehensive income for the year	**–**	**–**	**(34.4)**	**0.5**	**–**	**113.3**	**79.4**
Share-based payments	**–**	**–**	**–**	**–**	**–**	**1.7**	**1.7**
Ordinary dividend paid (note 11)	**–**	**–**	**–**	**–**	**–**	**(48.5)**	**(48.5)**
Purchase of shares (note 22)	**–**	**(51.1)**	**–**	**–**	**–**	**–**	**(51.1)**
Proceeds from exercise of share awards (note 22)	**–**	**14.4**	**–**	**–**	**–**	**(10.2)**	**4.2**
Balance at 31 December 2017	**9.2**	**(39.6)**	**63.2**	**0.2**	**25.8**	**668.9**	**727.7**

Other reserves include £10.5m for the restatement of the assets and liabilities of the UK associate from historic to fair value at the time of the acquisition of the outstanding 58% interest on 19 April 2006, £37.9m arising from the Scheme of Arrangement undertaken on 14 October 2008, £6.5m relating to merger reserves and £0.1m to the redemption of preference shares partly offset by £29.2m arising from the Scheme of Arrangement undertaken in 2003.

CONSOLIDATED BALANCE SHEET

	Notes	As at 31 Dec 2017 £m	As at 31 Dec 2016 £m
Non-current assets			
Goodwill	12	**666.7**	685.3
Other intangible assets	13	**45.4**	52.8
Property, plant and equipment	14	**1,367.2**	1,194.4
Deferred tax assets	9	**23.0**	29.3
Non-current derivative financial asset	24	**0.2**	–
Other long-term receivables	15	**80.7**	83.7
Investments in joint ventures	21	**12.4**	13.6
Total non-current assets		**2,195.6**	2,059.1
Current assets			
Trade and other receivables	16	**581.8**	517.1
Corporation tax receivable	9	**27.6**	34.8
Cash and cash equivalents	23	**55.0**	50.1
Total current assets		**664.4**	602.0
Total assets		**2,860.0**	2,661.1
Current liabilities			
Trade and other payables (incl. customer deposits)	17	**904.8**	875.2
Deferred income		**285.3**	276.4
Corporation tax payable	9	**21.6**	17.7
Bank and other loans	19	**8.5**	7.8
Provisions	20	**4.5**	6.0
Total current liabilities		**1,224.7**	1,183.1
Non-current liabilities			
Other long-term payables	18	**553.2**	532.1
Non-current derivative financial liabilities	24	**–**	0.3
Bank and other loans	19	**342.9**	193.6
Deferred tax liability	9	**1.3**	2.4
Provisions	20	**4.9**	3.4
Provision for deficit in joint ventures	21	**3.8**	3.4
Retirement benefit obligations	26	**1.5**	0.8
Total non-current liabilities		**907.6**	736.0
Total liabilities		**2,132.3**	1,919.1
Total equity			
Issued share capital	22	**9.2**	9.2
Treasury shares	22	**(39.6)**	(2.9)
Foreign currency translation reserve		**63.2**	97.6
Hedging reserve		**0.2**	(0.3)
Other reserves		**25.8**	25.8
Retained earnings		**668.9**	612.6
Total equity		**727.7**	742.0
Total equity and liabilities		**2,860.0**	2,661.1

Approved by the Board on 6 March 2018

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 2017 £m	Year ended 31 Dec 2016 £m
Operating activities			
Profit before tax for the year		**149.4**	173.7
Adjustments for:			
Net finance expense	8	**13.8**	11.5
Share of loss of equity-accounted investees, net of tax	21	**0.8**	0.8
Depreciation charge	5, 14	**202.1**	181.8
Loss on disposal of property, plant and equipment	5	**4.3**	1.0
Loss on disposal of assets held for sale	6	**–**	2.2
Impairment of intangible assets	5	**1.6**	–
Impairment of property, plant and equipment	5, 14	**0.1**	–
Amortisation of intangible assets	5, 13	**10.9**	12.7
Amortisation of acquired lease fair value adjustments	5	**(3.6)**	(3.1)
Decrease in provisions	20	**–**	(3.2)
Share-based payments		**1.7**	2.4
Other non-cash movements		**0.5**	(3.4)
Operating cash flows before movements in working capital		**381.6**	376.4
(Increase)/decrease in trade and other receivables		**(72.1)**	81.0
Increase in trade and other payables		**116.3**	23.2
Cash generated from operations		**425.8**	480.6
Interest paid		**(12.2)**	(16.2)
Tax paid		**(22.4)**	(31.5)
Net cash inflow from operating activities		**391.2**	432.9
Investing activities			
Purchase of property, plant and equipment	14	**(344.9)**	(313.8)
Purchase of subsidiary undertakings (net of cash acquired)	27	**(40.1)**	(8.9)
Purchase of intangible assets	13	**(3.6)**	(5.5)
Purchase of joint ventures	21	**(0.3)**	(1.3)
Dividends received from joint ventures	21	**–**	0.9
Proceeds on sale of property, plant and equipment		**0.5**	16.1
Proceeds on the sale of assets held for sale	6	**–**	3.3
Interest received	8	**0.3**	0.1
Net cash outflow from investing activities		**(388.1)**	(309.1)
Financing activities			
Net proceeds from issue of loans		**651.6**	599.8
Repayment of loans		**(558.8)**	(670.0)
Settlement of financial derivatives		**–**	(7.0)
Purchase of shares	22	**(51.1)**	(35.5)
Proceeds from exercise of share awards		**4.2**	3.9
Payment of ordinary dividend	11	**(48.5)**	(43.3)
Net cash outflow from financing activities		**(2.6)**	(152.1)
Net increase/(decrease) in cash and cash equivalents		**0.5**	(28.3)
Cash and cash equivalents at the beginning of the year		**50.1**	63.9
Effect of exchange rate fluctuations on cash held		**4.4**	14.5
Cash and cash equivalents at the end of the year	23	**55.0**	50.1

NOTES TO THE ACCOUNTS

1. AUTHORISATION OF FINANCIAL STATEMENTS

The Group and Company financial statements for the year ended 31 December 2017 were authorised for issue by the Board of Directors on 6 March 2018 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 utilised by a variety of business customers. Information on the Group's structure is provided in note 32, and information on other related party relationships of the Group is provided in note 31.

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 accounting policies based on the Swiss Code of Obligations; extracts from these are presented on page 126.

2. ACCOUNTING POLICIES

Basis of preparation

The Group financial statements consolidate those of the parent company and its subsidiaries (together referred to as the 'Group') and equity account the Group's interest in joint ventures. The extract from the parent company annual accounts presents information about the Company as a separate entity and not about its Group.

The accounting policies set out below have been applied consistently to all periods presented in these Group financial statements. Amendments to adopted IFRSs issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) with an effective date from 1 January 2017 did not have a material effect on the Group financial statements, unless otherwise indicated.

The following standards, interpretations and amendments to standards were adopted by the Group for periods commencing on or after 1 January 2017:

IAS 7	Disclosure Initiative – Amendments to IAS 7
IAS 12	Recognition of Deferred Tax Assets for Unrealised losses – Amendments to IAS 12
Various	Annual Improvements (2012 – 2014 Cycle)

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

The consolidated financial statements are prepared on a historical cost basis, with the exception of certain financial assets and liabilities that are measured at fair value as described in note 24.

The Directors, having made appropriate enquiries, have a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the consolidated financial statements on pages 80 to 125.

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 24 to 27 as well as the Group's principal risks and uncertainties as set out on pages 38 to 43.

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

These Group consolidated financial statements are presented in pounds sterling (£), which is 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.

Joint ventures are those entities over whose activities the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities. The consolidated financial statements include the Group's share of the total recognised gains and losses of joint ventures on an equity accounted basis, from the date that joint control commences until the date that joint control ceases or the joint venture qualifies as a disposal group, at which point the investment is carried at the lower of fair value less costs to sell and carrying value. When the Group's share of losses exceeds its interest in a joint venture, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of a joint venture.

2. ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

Estimated impact of the adoption of IFRS 9

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

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

Classification – financial assets

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

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

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

Classification – financial liabilities

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

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

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

Impairment – financial assets

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

Hedge accounting

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

The Group is exposed to foreign currency exchange rate movements. The majority of day-to-day transactions of overseas subsidiaries are carried out in local currency and the underlying foreign exchange exposure is small. Transactional exposures do arise in some countries where it is local market practice for a proportion of the payables or receivables to be in other than the functional currency of the affiliate. Intercompany charging, funding and cash management activity may also lead to foreign exchange exposures. It is the policy of the Group to seek to minimise such transactional exposures through careful management of non-local currency assets and liabilities, thereby minimising the potential volatility in the income statement. Net investments in 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. The Group designates these derivatives as fair value hedges.

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

Estimated impact of the adoption of IFRS 15

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

The Group is involved in the provision of flexible workspace, as well as performing related services. Revenue from the provision of these services to customers is measured at the fair value of consideration received or receivable (excluding sales taxes). Where rent-free periods are granted to customers, rental income is spread on a straight-line basis over the length of the customer contract. The services performed are based on the list price at which the Group provides the contracted services.

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

IFRS 16 Leases

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

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

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

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

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

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

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

2. ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation

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

Impairment of non-financial assets

For goodwill, assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount was estimated at 30 September 2017. At each reporting date, the Group reviews the carrying amount of these assets to determine whether there is an indicator of impairment. If any indicator is identified then the assets' recoverable amount is re-evaluated.

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

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

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

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

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

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

Calculation of recoverable amount

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

Goodwill

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

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

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, at the Group's option, discounted at an appropriate pre-tax rate that reflects the time value of money and the risks specific to the liability.

Partner contributions

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

Property, plant and equipment

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

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

Revenue

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

- **Workstations**
  Workstation revenue is recognised when the provision of the service is rendered. Amounts invoiced in advance are accounted for as deferred income and recognised as revenue upon provision of the service.
- **Customer service income**
  Service income (including the rental of meeting rooms) is recognised as services are rendered. In circumstances where 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.

2. ACCOUNTING POLICIES (CONTINUED)

Employee benefits

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

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

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

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

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

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

Share-based payments

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

The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using the Black-Scholes valuation model or the Monte Carlo method, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest in respect of non-market conditions except where forfeiture is due to the expiry of the option.

Share awards are granted by the Company to certain employees and are equity settled. The fair value of the amount payable to the employee is recognised as an expense with a corresponding increase in equity. The fair value is initially recognised at grant date and spread over the period during which the employees become unconditionally entitled to payment. The fair value of the share awards is measured based on the Monte Carlo valuation model, taking into account the terms and conditions upon which the instruments were granted. The amount recognised as an expense is adjusted to reflect the actual number of awards that vest in respect of non-market conditions.

Taxation

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

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

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

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

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

Provisions

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

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

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

Equity

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

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

Net finance expenses

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

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

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

Interest bearing borrowings and other financial liabilities

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

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

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

Financial assets

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

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

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

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

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

Customer deposits

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

Foreign currency transactions and foreign operations

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

Cash and cash equivalents

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

2. ACCOUNTING POLICIES (CONTINUED)

Derivative financial instruments

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

Foreign currency translation rates

	At 31 December		Annual average	
	2017	2016	**2017**	2016
US dollar	**1.35**	1.24	**1.30**	1.35
Euro	**1.13**	1.17	**1.14**	1.22
Japanese yen	**152**	145	**145**	147

3. SEGMENTAL ANALYSIS – STATUTORY BASIS

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

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

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

The accounting policies of the operating segments are the same as those described in the Annual Report and Accounts for the Group for the year ended 31 December 2016.

	Americas		EMEA		Asia Pacific		United Kingdom		Other		Total	
	2017 £m	2016 £m	**2017 £m**	2016 £m	**2017 £m**	2016 £m	**2017 £m**	2016 £m	**2017 £m**	2016 £m	**2017 £m**	2016 £m
Revenue from external customers	**984.8**	923.0	**540.5**	476.8	**383.2**	363.2	**440.0**	462.1	**3.8**	8.3	**2,352.3**	2,233.4
Gross profit (centre contribution)	**153.2**	161.0	**97.1**	101.6	**65.9**	67.5	**83.6**	110.4	**1.8**	8.3	**401.6**	448.8
Share of loss of equity-accounted investees	**–**	–	**(0.8)**	(0.7)	**–**	–	**–**	(0.1)	**–**	–	**(0.8)**	(0.8)
Operating profit	**96.5**	102.0	**47.7**	49.3	**34.6**	33.6	**60.3**	84.5	**(75.9)**	(84.2)	**163.2**	185.2
Finance expense											**(14.1)**	(11.6)
Finance income											**0.3**	0.1
Profit before tax for the year											**149.4**	173.7
Depreciation and amortisation	**112.2**	101.9	**32.8**	28.6	**29.4**	26.3	**29.9**	29.3	**8.7**	8.4	**213.0**	194.5
Assets	**1,213.2**	1,179.1	**573.5**	481.5	**378.1**	378.9	**571.1**	496.8	**124.1**	124.8	**2,860.0**	2,661.1
Liabilities	**(861.5)**	(852.1)	**(386.0)**	(323.5)	**(244.1)**	(251.9)	**(266.1)**	(279.8)	**(374.6)**	(211.8)	**(2,132.3)**	(1,919.1)
Net assets/(liabilities)	**351.7**	327.0	**187.5**	158.0	**134.0**	127.0	**305.0**	217.0	**(250.5)**	(87.0)	**727.7**	742.0
Non-current asset additions[1]	**148.6**	163.4	**83.4**	47.6	**36.3**	38.5	**64.6**	37.9	**15.6**	31.9	**348.5**	319.3

1. Excluding deferred taxation

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

4. SEGMENTAL ANALYSIS – ENTITY-WIDE DISCLOSURES

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

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

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

	2017		2016	
£m	External revenue	Non-current assets[1]	External revenue	Non-current assets[1]
Country of tax domicile – Switzerland	**26.6**	**22.5**	25.1	14.5
United States of America	**819.6**	**878.5**	766.6	930.0
United Kingdom	**440.0**	**440.1**	462.1	347.1
All other countries	**1,066.1**	**831.5**	979.6	738.2
	2,352.3	**2,172.6**	2,233.4	2,029.8

1. Excluding deferred tax assets

5. OPERATING PROFIT

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

	Notes	2017 £m	2016 £m
Revenue		**2,352.3**	2,233.4
Depreciation on property, plant and equipment	14	**202.1**	181.8
Amortisation of intangibles	13	**10.9**	12.7
Amortisation of partner contributions		**(60.6)**	(50.2)
Property rents payable in respect of operating leases:		**1,003.2**	909.2
Property		**966.8**	872.5
Contingent rents paid		**36.4**	36.7
Equipment rents payable in respect of operating leases		**3.4**	3.4
Staff costs	7	**331.5**	335.6
Facility and other property costs		**348.7**	319.0
Provision for bad debts	24	**16.2**	10.3
Loss on disposal of property, plant and equipment	14	**4.3**	1.0
Loss on disposal of assets held for sale	6	**–**	2.2
Impairment of intangible assets	13	**1.6**	–
Impairment of property, plant and equipment		**0.1**	–
Amortisation of acquired lease fair value adjustments		**(3.6)**	(3.1)
Other costs		**330.5**	325.5
		164.0	186.0
Share of loss of equity-accounted investees, net of tax		**(0.8)**	(0.8)
Operating profit		**163.2**	185.2

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

6. DISPOSAL OF ASSETS HELD FOR SALE

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

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

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

7. STAFF COSTS

	2017 £m	2016 £m
The aggregate payroll costs were as follows:		
Wages and salaries	**278.6**	282.2
Social security	**45.9**	45.6
Pension costs	**5.3**	5.4
Share-based payments	**1.7**	2.4
	331.5	335.6

	2017 Average full time equivalents	2016 Average full time equivalents
The average number of persons employed by the Group (including Executive Directors), analysed by category and geography, was as follows:		
Centre staff	**6,786**	6,551
Sales and marketing staff	**497**	425
Finance staff	**739**	768
Other staff	**766**	864
	8,788	8,608
Americas	**2,860**	2,802
EMEA	**2,161**	2,044
Asia Pacific	**1,641**	1,746
United Kingdom	**848**	907
Corporate functions	**1,278**	1,109
	8,788	8,608

Details of Directors' emoluments and interests are given on pages 62 to 73 in the Remuneration Report, with audited schedules identified where relevant.

8. NET FINANCE EXPENSE

	2017 £m	2016 £m
Interest payable and similar charges on bank loans and corporate borrowings	**(7.5)**	(7.4)
Total interest expense	**(7.5)**	(7.4)
Other finance costs (including foreign exchange)	**(5.7)**	(3.3)
Unwinding of discount rates	**(0.9)**	(0.9)
Total finance expense	**(14.1)**	(11.6)
Total interest income	**0.3**	0.1
Total finance income	**0.3**	0.1
Net finance expense	**(13.8)**	(11.5)

9. TAXATION

(a) Analysis of charge in the year

	2017 £m	2016 £m
Current taxation		
Corporate income tax	**(26.8)**	(30.4)
Previously unrecognised tax losses and other differences	**1.3**	1.5
(Under)/over provision in respect of prior years	**(5.2)**	4.4
Total current taxation	**(30.7)**	(24.5)
Deferred taxation		
Origination and reversal of temporary differences	**(5.2)**	(12.2)
Previously unrecognised tax losses and other differences	**1.0**	1.4
(Under)/over provision in respect of prior years	**(0.5)**	0.4
Total deferred taxation	**(4.7)**	(10.4)
Tax charge on profit	**(35.4)**	(34.9)

(b) Reconciliation of taxation charge

	2017		2016	
	£m	%	£m	%
Profit before tax	**149.4**		173.7	
Tax on profit at 14.6% (2016: 14.6%)	**(21.8)**	**(14.6)**	(25.4)	(14.6)
Tax effects of:				
Expenses not deductible for tax purposes	**(19.2)**	**(12.8)**	(26.5)	(15.3)
Items not chargeable for tax purposes	**23.4**	**15.7**	33.8	19.5
Recognition of previously unrecognised deferred tax assets	**2.3**	**1.5**	2.9	1.7
Movements in temporary differences in the year not recognised in deferred tax	**(91.1)**	**(61.0)**	(85.5)	(49.2)
Adjustment to tax charge in respect of previous years	**(5.7)**	**(3.8)**	4.8	2.7
Differences in tax rates on overseas earnings	**76.7**	**51.3**	61.0	35.1
	(35.4)	**(23.7)**	(34.9)	(20.1)

The applicable tax rate is determined based on the tax rate in the canton of Zug in Switzerland which is 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:

	2017 £m	2016 £m
2017	–	7.3
2018	**4.9**	8.2
2019	**8.1**	15.6
2020	**54.7**	57.2
2021	**37.4**	37.8
2022	**43.4**	18.8
2023	**22.9**	21.7
2024	**29.9**	13.3
2025 and later	**235.5**	79.1
	436.8	259.0
Available indefinitely	**642.4**	453.9
Tax losses available to carry forward	**1,079.2**	712.9
Amount of tax losses recognised in deferred tax assets	**117.0**	131.2
Total tax losses available to carry forward	**1,196.2**	844.1

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

	2017 £m	2016 £m
Intangibles	**16.9**	22.0
Accelerated capital allowances	**32.1**	24.5
Tax losses	**271.5**	187.7
Rent	**8.7**	11.3
Short-term temporary differences	**5.5**	8.2
	334.7	253.7

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

(d) Corporation tax

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

(e) Deferred taxation

The movement in deferred tax is analysed below:

	Intangibles £m	Property, plant and equipment £m	Tax losses £m	Rent £m	Short-term temporary differences £m	Total £m
Deferred tax asset						
At 1 January 2016	(39.6)	(4.4)	32.0	50.5	(2.1)	36.4
Current year movement	(4.0)	(14.0)	(3.2)	9.6	1.7	(9.9)
Prior year movement	–	(1.3)	3.9	–	(2.2)	0.4
Transfers	0.3	(0.1)	(0.3)	(0.2)	0.5	0.2
Exchange rate movements	(11.5)	(0.7)	1.9	9.9	2.6	2.2
At 1 January 2017	**(54.8)**	**(20.5)**	**34.3**	**69.8**	**0.5**	**29.3**
Current year movement	**19.9**	**1.3**	**(5.5)**	**(17.2)**	**(3.1)**	**(4.6)**
Prior year movement	**–**	**(1.6)**	**0.3**	**0.4**	**–**	**(0.9)**
Transfers	**–**	**2.2**	**(1.3)**	**(0.5)**	**(0.6)**	**(0.2)**
Exchange rate movements	**5.5**	**1.1**	**(0.9)**	**(5.4)**	**(0.9)**	**(0.6)**
At 31 December 2017	**(29.4)**	**(17.5)**	**26.9**	**47.1**	**(4.1)**	**23.0**
Deferred tax liability						
At 1 January 2016	–	(1.5)	0.7	–	(0.8)	(1.6)
Current year movement	(0.1)	(1.9)	1.3	(0.4)	0.2	(0.9)
Prior year movement	–	0.1	(0.1)	–	–	–
Transfers	(0.3)	0.2	0.2	0.2	(0.5)	(0.2)
Exchange rate movements	–	(0.1)	0.3	–	0.1	0.3
At 1 January 2017	**(0.4)**	**(3.2)**	**2.4**	**(0.2)**	**(1.0)**	**(2.4)**
Current year movement	**(0.1)**	**0.3**	**(0.2)**	**0.6**	**(0.2)**	**0.4**
Prior year movement	**–**	**–**	**(0.3)**	**–**	**0.7**	**0.4**
Transfers	**–**	**(2.2)**	**1.3**	**0.5**	**0.6**	**0.2**
Exchange rate movements	**–**	**–**	**–**	**–**	**0.1**	**0.1**
At 31 December 2017	**(0.5)**	**(5.1)**	**3.2**	**0.9**	**0.2**	**(1.3)**

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

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

At the balance sheet date, the temporary difference arising from unremitted earnings of overseas subsidiaries was £19.8m (2016: £94.1m). The only tax that would arise on these reserves would be non-recoverable withholding tax.

10. EARNINGS PER ORDINARY SHARE (BASIC AND DILUTED)

	2017	2016
Basic and diluted profit for the year attributable to shareholders (£m)	**114.0**	138.8
Basic earnings per share (p)	**12.4**	14.9
Diluted earnings per share (p)	**12.3**	14.7
Weighted average number of shares for basic EPS	**915,676,309**	929,830,458
Weighted average number of shares under option	**20,223,265**	26,744,249
Weighted average number of shares that would have been issued at average market price	**(11,750,214)**	(14,295,963)
Weighted average number of share awards under the CIP and LTIP	**2,088,344**	1,736,399
Weighted average number of shares for diluted EPS	**926,237,704**	944,015,143

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

The average market price of one share during the year was 285.56p (2016: 283.67p).

11. DIVIDENDS

	2017	2016
Dividends per ordinary share proposed	**3.95p**	3.55p
Interim dividends per ordinary share declared and paid during the year	**1.75p**	1.55p

Dividends of £48.5m were paid during the year (2016: £43.3m). The Company has proposed to shareholders that a final dividend of 3.95p per share will be paid (2016: 3.55p). Subject to shareholder approval, it is expected that the dividend will be paid on 25 May 2018.

12. GOODWILL

	£m
Cost	
At 1 January 2016	612.2
Recognised on acquisition of subsidiaries	6.8
Disposals	(1.3)
Transferred to assets held for sale	(4.5)
Exchange rate movements	72.1
At 31 December 2016	685.3
Recognised on acquisition of subsidiaries [1]	**3.3**
Exchange rate movements	**(21.9)**
At 31 December 2017	**666.7**
Net book value	
At 31 December 2016	685.3
At 31 December 2017	**666.7**

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

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

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

Carrying amount of goodwill included within:	2017 £m	2016 £m
Americas	**285.8**	311.1
EMEA	**125.1**	119.4
Asia	**34.7**	35.4
United Kingdom	**221.1**	219.4
	666.7	685.3

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

	Goodwill £m	Intangible assets £m	2017 £m	2016 £m
USA	262.4	–	**262.4**	286.3
United Kingdom	221.1	11.2	**232.3**	230.6
Other countries	183.2	–	**183.2**	179.6
	666.7	11.2	**677.9**	696.5

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

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

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

- Future cash flows are based on forecasts prepared by management. The model excludes cost savings and restructurings that are anticipated but had not been committed to at the date of the determination of the value in use. Thereafter, forecasts have been prepared by management for a further four years from 2018 that reflect an average annual growth rate of 3% (2017: 3%);
- These forecasts exclude the impact of acquisitive growth expected to take place in future periods;
- Management considers these projections to be a reasonable projection of margins expected at the mid-cycle position. Cash flows beyond 2021 have been extrapolated using a 2% growth rate which management believes is a reasonable long-term growth rate for any of the markets in which the relevant countries operate. A terminal value is included in the assessment, reflecting the Group's expectation that it will continue to operate in these markets and the long-term nature of the businesses; and
- The Group applies a country specific pre-tax discount rate to the pre-tax cash flows for each country. The country specific discount rate is based on the underlying weighted average cost of capital (WACC) for the Group. The Group WACC is then adjusted for each country to reflect the assessed market risk specific to that country. The Group pre-tax WACC decreased from 11.3% in 2016 to 9.9% in 2017 (post-tax WACC: 7.9%). The country specific pre-tax WACC reflecting the respective market risk adjustment has been set between 9.3% and 12.8% (2016: 10.7% to 14.2%).

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

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

The UK model assumes an average centre contribution of 17% over the next five years. Revenue and costs grow at 3% per annum from 2018. A terminal value centre gross margin of 17% is adopted from 2021, with a 2% long-term growth rate assumed on revenue and costs into perpetuity. The cash flows have been discounted using a pre-tax discount rate of 10% (2016: 11%).

12. GOODWILL (CONTINUED)

Management has considered the following sensitivities:

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

Discount rate – Management has considered the impact of an increase in the discount rate applied to the calculation. The value in use calculation shows that for the recoverable amount to be less than its carrying value, the pre-tax discount rate would have to be increased to 12% (2016: 24%) for the US and 16% (2016: 38%) for the UK.

13. OTHER INTANGIBLE ASSETS

	Brand £m	Customer lists £m	Software £m	Total £m
Cost				
At 1 January 2016	56.3	28.8	58.7	143.8
Additions at cost	0.2	–	5.3	5.5
Acquisition of subsidiaries	–	1.1	–	1.1
Disposals	–	(0.1)	(0.3)	(0.4)
Exchange rate movements	8.8	2.8	2.9	14.5
At 31 December 2016	65.3	32.6	66.6	164.5
Additions at cost	**–**	**–**	**3.6**	**3.6**
Acquisition of subsidiaries [1]	**–**	**1.6**	**–**	**1.6**
Impairment	**–**	**–**	**(6.6)**	**(6.6)**
Exchange rate movements	**(4.4)**	**(2.0)**	**(3.1)**	**(9.5)**
At 31 December 2017	**60.9**	**32.2**	**60.5**	**153.6**
Amortisation				
At 1 January 2016	25.6	26.5	37.9	90.0
Charge for year	2.5	2.4	7.8	12.7
Disposals	–	(0.1)	–	(0.1)
Exchange rate movements	5.2	2.6	1.3	9.1
At 31 December 2016	**33.3**	**31.4**	**47.0**	**111.7**
Charge for year	**2.6**	**1.4**	**6.9**	**10.9**
Impairment	**–**	**–**	**(5.0)**	**(5.0)**
Exchange rate movements	**(2.9)**	**(1.9)**	**(4.6)**	**(9.4)**
At 31 December 2017	**33.0**	**30.9**	**44.3**	**108.2**
Net book value				
At 1 January 2016	30.7	2.3	20.8	53.8
At 31 December 2016	32.0	1.2	19.6	52.8
At 31 December 2017	**27.9**	**1.3**	**16.2**	**45.4**

1. Includes £0.1m on the finalisation of the accounting for prior year acquisitions previously reported on a provisional basis

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

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

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

14. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings £m	Leasehold improvements £m	Furniture and equipment £m	Computer hardware £m	Total £m
Cost					
At 1 January 2016	11.4	1,136.0	497.1	94.9	1,739.4
Additions	26.3	215.7	57.9	13.9	313.8
Acquisition of subsidiaries	–	2.6	0.6	0.7	3.9
Disposals	(11.4)	(20.0)	(10.7)	(2.9)	(45.0)
Exchange rate movements	–	198.9	83.3	16.1	298.3
At 1 January 2017	**26.3**	**1,533.2**	**628.2**	**122.7**	**2,310.4**
Additions	9.5	253.0	71.2	11.2	344.9
Acquisition of subsidiaries (1)	95.5	1.5	2.0	0.2	99.2
Disposals	–	(16.5)	(8.5)	(1.4)	(26.4)
Exchange rate movements	0.1	(82.9)	(32.4)	(4.7)	(119.9)
At 31 December 2017	**131.4**	**1,688.3**	**660.5**	**128.0**	**2,608.2**
Accumulated depreciation					
At 1 January 2016	–	469.9	290.6	61.9	822.4
Charge for the year	0.4	116.4	49.4	15.6	181.8
Disposals	–	(14.9)	(8.9)	(3.0)	(26.8)
Exchange rate movements	–	81.0	47.8	9.8	138.6
At 1 January 2017	**0.4**	**652.4**	**378.9**	**84.3**	**1,116.0**
Charge for the year	2.0	132.6	51.1	16.4	202.1
Disposals	–	(12.8)	(7.5)	(1.3)	(21.6)
Impairment	–	0.1	–	–	0.1
Exchange rate movements	–	(32.7)	(19.8)	(3.1)	(55.6)
At 31 December 2017	**2.4**	**739.6**	**402.7**	**96.3**	**1,241.0**
Net book value					
At 1 January 2016	11.4	666.1	206.5	33.0	917.0
At 31 December 2016	25.9	880.8	249.3	38.4	1,194.4
At 31 December 2017	**129.0**	**948.7**	**257.8**	**31.7**	**1,367.2**

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

Additions include £nil in respect of assets acquired under finance leases (2016: £nil).

15. OTHER LONG-TERM RECEIVABLES

	2017 £m	2016 £m
Deposits held by landlords against rent obligations	**76.3**	78.2
Acquired lease fair value asset	**4.4**	5.3
Other	**–**	0.2
	80.7	83.7

16. TRADE AND OTHER RECEIVABLES

	2017 £m	2016 £m
Trade receivables, net	**199.3**	200.9
Prepayments and accrued income	**167.3**	171.8
Other receivables	**108.7**	85.6
VAT recoverable	**98.1**	49.5
Deposits held by landlords against rent obligations	**7.2**	7.6
Acquired lease fair value asset	**1.2**	1.7
	581.8	517.1

17. TRADE AND OTHER PAYABLES (INCLUDING CUSTOMER DEPOSITS)

	2017 £m	2016 £m
Customer deposits	**429.8**	421.0
Deferred rents	**121.3**	113.2
Other accruals	**108.5**	134.4
Deferred partner contributions	**59.2**	68.5
Trade payables	**74.0**	60.3
VAT payable	**90.2**	53.1
Other payables	**13.7**	12.5
Other tax and social security	**5.1**	9.0
Acquired lease fair value liability	**3.0**	3.2
Total current	**904.8**	875.2

18. OTHER LONG-TERM PAYABLES

	2017 £m	2016 £m
Deferred partner contributions	**293.8**	265.4
Deferred rents	**244.6**	244.1
Acquired lease fair value liability	**3.7**	8.3
Other payables	**11.1**	14.3
Total non-current	**553.2**	532.1

19. BORROWINGS

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

Bank and other loans

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

20. PROVISIONS

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

Onerous leases and closures

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

Other

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

21. INVESTMENTS IN JOINT VENTURES

	Investments in joint ventures £m	Provision for deficit in joint ventures £m	Total £m
At 1 January 2016	5.6	(4.1)	1.5
Additions	6.8	–	6.8
Dividends received	(0.9)	–	(0.9)
Share of loss	(1.5)	0.7	(0.8)
Disposal of investment	3.0	–	3.0
Exchange rate movements	0.6	–	0.6
At 31 December 2016	13.6	(3.4)	10.2
Additions	**0.3**	**–**	**0.3**
Share of loss	**(0.4)**	**(0.4)**	**(0.8)**
Exchange rate movements	**(1.1)**	**–**	**(1.1)**
At 31 December 2017	**12.4**	**(3.8)**	**8.6**

21. INVESTMENTS IN JOINT VENTURES (CONTINUED)

The Group has 49 joint ventures (2016: 41) at the reporting date, all of which are individually immaterial. The Group has a legal obligation in respect of its share of any deficits recognised by these operations.

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

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

22. SHARE CAPITAL

Ordinary equity share capital

	2017		2016	
	Number	Nominal value £m	Number	Nominal value £m
Authorised				
Ordinary 1p shares in IWG plc (2016: Regus plc) at 1 January	**8,000,000,000**	**80.0**	8,000,000,000	80.0
Ordinary 1p shares in IWG plc at 31 December	**8,000,000,000**	**80.0**	8,000,000,000	80.0
Issued and fully paid up				
Ordinary 1p shares in IWG plc (2016: Regus plc) at 1 January	**923,357,438**	**9.2**	950,969,822	9.5
Cancellation of 1p shares in Regus plc held in treasury (1)	**–**	**–**	(27,612,384)	(0.3)
Ordinary shares in IWG plc issued on formation of the company (1)	**–**	**–**	923,357,438	9.2
Ordinary shares in Regus plc exchanged for ordinary shares in IWG plc (1)	**–**	**–**	(923,357,438)	(9.2)
Ordinary 1p shares in IWG plc at 31 December	**923,357,438**	**9.2**	923,357,438	9.2

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

On 19 December 2016 under a Scheme of Arrangement between Regus plc, 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 shares were purchased in the open market by Regus plc and 4,712,856 treasury shares held by Regus plc were utilised to satisfy the exercise of share awards by employees. At 19 December 2016, 27,612,384 shares were held as treasury shares. These shares were cancelled as part of the Group reorganisation and Scheme of Arrangement.

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 31 December 2016, 1,170,699 shares were held as treasury shares.

Treasury share transactions involving IWG plc shares between 1 January 2017 and 31 December 2017

During the year, 16,830,000 shares were purchased in the open market and 5,013,954 treasury shares held by the Group were utilised to satisfy the exercise of share awards by employees. As at 6 March 2018, 12,883,481 treasury shares were held. 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.

	2017		2016	
	Number of shares	**£m**	Number of shares	£m
1 January	**1,170,699**	**2.9**	20,490,613	42.9
Purchase of treasury shares in Regus plc	**–**	**–**	11,834,627	31.1
Treasury shares in Regus plc utilised	**–**	**–**	(4,712,856)	(8.3)
Cancellation of treasury shares in Regus plc	**–**	**–**	(27,612,384)	(65.7)
Purchase of treasury shares in IWG plc	**16,830,000**	**51.1**	1,280,032	3.1
Treasury shares in IWG plc utilised	**(5,013,954)**	**(14.4)**	(109,333)	(0.2)
31 December	**12,986,745**	**39.6**	1,170,699	2.9

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

23. ANALYSIS OF FINANCIAL ASSETS/(LIABILITIES)

	At 1 Jan 2017 £m	Cash flow £m	Non-cash changes £m	Exchange rate movements £m	**At 31 Dec 2017 £m**
Cash and cash equivalents	50.1	0.5	–	4.4	**55.0**
Gross cash	50.1	0.5	–	4.4	**55.0**
Debt due within one year	(7.8)	(1.4)	–	0.7	**(8.5)**
Debt due after one year	(193.6)	(91.4)	(60.1)	2.2	**(342.9)**
	(201.4)	(92.8)	(60.1)	2.9	**(351.4)**
Net financial assets/(liabilities)	(151.3)	(92.3)	(60.1)	7.3	**(296.4)**

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

The Group acquired debt of £60.1m as part of an acquisition during the current period.

24. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

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

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

Going concern

The Strategic Report on pages 1 to 43 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 32 to 36 within the Strategic Report reviews the trading performance, financial position and cash flows of the Group. During the year ended 31 December 2017, the Group made a significant investment in growth and the Group's net debt position increased by £145.1m to a net debt position of £296.4m as at 31 December 2017. The investment in growth is funded by a combination of cash flow generated from the Group's mature business centres and debt. The Group has a £550.0m revolving credit facility provided by a group of relationship banks with a final maturity in 2022, with a further option to extend to 2023. As at 31 December 2017, £131.8m was available and undrawn.

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

24. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk

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

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

The maximum exposure to credit risk for trade receivables at the reporting date, not taking into account customer deposits held, analysed by geographic region, is summarised below.

	2017 £m	2016 £m
Americas	**27.8**	36.9
EMEA	**75.0**	71.0
Asia Pacific	**41.6**	41.8
United Kingdom	**54.9**	51.2
	199.3	200.9

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

The ageing of trade receivables at 31 December was:

	Gross 2017 £m	Provision 2017 £m	Gross 2016 £m	Provision 2016 £m
Not overdue	**132.4**	**–**	128.5	–
Past due 0 – 30 days	**43.3**	**–**	43.9	(0.1)
Past due 31 – 60 days	**13.8**	**–**	12.0	–
More than 60 days	**31.6**	**(21.8)**	35.6	(19.0)
	221.1	**(21.8)**	220.0	(19.1)

At 31 December 2017, the Group maintained a provision of £21.8m against potential bad debts (2016: £19.1m) arising from trade receivables. The Group had provided £16.2m (2016: £10.3m) in the year and utilised £13.5m (2016: £4.5m). Customer deposits of £429.8m (2016: £421.0m) are held by the Group, mitigating the risk of default.

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

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

Liquidity risk

The Group manages liquidity risk by closely monitoring the global cash position, the available and undrawn credit facilities, and forecast capital expenditure and expects to have sufficient liquidity to meet its financial obligations as they fall due. The Group has free cash and liquid investments (excluding blocked cash) of £45.7m (2016: £38.8m). In addition to cash and liquid investments, the Group had £131.8m available and undrawn under its committed borrowings. The Directors consider the Group has adequate liquidity to meet day-to-day requirements.

The Group maintains a revolving credit facility provided by a group of international banks. During the year, the maturity was extended until 2022, with a further option to extend to 2023.

The debt provided under the bank facility is floating rate, however, as part of the Group's balance sheet management and to protect against a future increase in interest rates, £70.0m and $30.0m were swapped into a fixed rate liability for a three-year period with an average fixed rate of respectively 0.7% and 1.8% (excluding funding margin).

Although the Group has net current liabilities of £560.3m (2016: £581.1m), 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. The Group holds customer deposits of £429.8m (2016: £421.0m) which are spread across a large number of customers and no deposit held for an individual customer is material. Therefore, the Group does not believe the balance represents a liquidity risk. The net current liabilities, excluding deferred income, were £275.0m at 31 December 2017 (2016: £304.7m).

Market risk

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

Interest rate risk

The Group manages its exposure to interest rate risk through the relative proportions of fixed rate debt and floating rate debt. Any surplus cash balances are invested short-term, and at the end of 2017 no cash was invested for a period exceeding three months.

Foreign currency risk

The Group is exposed to foreign currency exchange rate movements. The majority of day-to-day transactions of overseas subsidiaries are carried out in local currency and the underlying foreign exchange exposure is small. Transactional exposures do arise in some countries where it is local market practice for a proportion of the payables or receivables to be in other than the functional currency of the affiliate. Intercompany charging, funding and cash management activity may also lead to foreign exchange exposures. It is the policy of the Group to seek to minimise such transactional exposures through careful management of non-local currency assets and liabilities, thereby minimising the potential volatility in the income statement. Net investments in 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.

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

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

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

Other market risks

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

Sensitivity analysis

For the year ended 31 December 2017, it is estimated that a general increase of one percentage point in interest rates would have decreased the Group's profit before tax by approximately £2.6m (2016: decrease of £1.9m) with a corresponding decrease in total equity.

It is estimated that a five percentage point weakening in the value of the US dollar against sterling would have decreased the Group's profit before tax by approximately £8.6m for the year ended 31 December 2017 (2016: decrease of £8.8m). It is estimated that a five percentage point weakening in the value of the euro against sterling would have decreased the Group's profit before tax by approximately £1.7m for the year ended 31 December 2017 (2016: decrease of £2.7m).

It is estimated that a five percentage point weakening in the value of the US dollar against sterling would have decreased the Group's total equity by approximately £11.1m for the year ended 31 December 2017 (2016: £11.3m). It is estimated that a five percentage point weakening in the value of the euro against sterling would have decreased the Group's total equity by approximately £1.1m for the year ended 31 December 2017 (2016: decrease of £0.4m).

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 55. 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 62 to 73. In addition, the Group operates various share option plans for key management and other senior employees.

Treasury share transactions involving IWG plc shares between 1 January 2017 and 31 December 2017

During the year, 16,830,000 shares were purchased in the open market and 5,013,954 treasury shares held by the Group were utilised to satisfy the exercise of share awards by employees. As at 31 December 2017, 12,986,745 treasury shares were held.

24. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

The Company declared an interim dividend of 1.75p per share (2016: 1.55p) during the year ended 31 December 2017 and proposed a final dividend of 3.95p per share (2016: 3.55p per share), a 11% increase on the 2016 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 £296.4m at the end of 2017 (2016: £151.3m) and £131.8m (2016: £299.4m) of committed undrawn borrowings.

Effective interest rates

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

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

As at 31 December 2017

	Effective interest rate %	Carrying value £m	Contractual cash flow £m	Less than 1 year £m	1-2 years £m	2-5 years £m	More than 5 years £m
Cash and cash equivalents	**0.1%**	**55.0**	**55.0**	**55.0**	**–**	**–**	**–**
Trade and other receivables[1]	**–**	**413.3**	**435.1**	**435.1**	**–**	**–**	**–**
Other long-term receivables[2]	**–**	**76.3**	**76.3**	**–**	**38.1**	**38.2**	**–**
Derivative financial assets:							
Interest rate swaps							
• Outflow	**–**	**–**	**–**	**–**	**–**	**–**	**–**
• Inflow	**–**	**0.2**	**0.2**	**0.2**	**–**	**–**	**–**
Financial assets[3]		**544.8**	**566.6**	**490.3**	**38.1**	**38.2**	**–**
Non-derivative financial liabilities[4]:							
Bank loans and corporate borrowings	**2.5%**	**(330.5)**	**(330.5)**	**–**	**(6.2)**	**(324.3)**	**–**
Other loans	**1.9%**	**(20.9)**	**(20.9)**	**(8.5)**	**(2.7)**	**(4.9)**	**(4.8)**
Trade and other payables[5]	**–**	**(721.3)**	**(721.3)**	**(721.3)**	**–**	**–**	**–**
Other long-term payables[5]	**–**	**(11.1)**	**(11.1)**	**–**	**(11.1)**	**–**	**–**
Financial liabilities		**(1,083.8)**	**(1,083.8)**	**(729.8)**	**(20.0)**	**(329.2)**	**(4.8)**

As at 31 December 2016

	Effective interest rate %	Carrying value £m	Contractual cash flow £m	Less than 1 year £m	1-2 years £m	2-5 years £m	More than 5 years £m
Cash and cash equivalents	0.0%	50.1	50.1	50.1	–	–	–
Trade and other receivables[1]	–	343.6	362.7	362.7	–	–	–
Other long-term receivables[2]	–	78.4	78.4	–	39.3	39.1	–
Financial assets[3]		472.1	491.2	412.8	39.3	39.1	–
Non-derivative financial liabilities[4]:							
Bank loans and corporate borrowings	2.9%	(193.6)	(193.6)	–	(6.9)	(186.7)	–
Other loans	4.6%	(7.8)	(7.8)	(7.8)	–	–	–
Trade and other payables[5]	–	(690.3)	(690.3)	(690.3)	–	–	–
Other long-term payables[5]	–	(14.3)	(14.3)	–	(14.3)	–	–
Derivative financial liabilities:							
Interest rate swaps							
• Outflow	–	(0.3)	(0.3)	–	–	(0.3)	–
• Inflow	–	–	–	–	–	–	–
Financial liabilities		(906.3)	(906.3)	(698.1)	(21.2)	(187.0)	–

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

Fair value disclosures

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

31 December 2017	**Carrying amount**				**Fair value**			
£m	**Cash, loans and receivables**	**Other financial liabilities**	**Cash flow – hedging instruments**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Cash and cash equivalents	**55.0**	**–**	**–**	**55.0**	**–**	**–**	**–**	**–**
Trade and other receivables	**413.3**	**–**	**–**	**413.3**	**–**	**–**	**–**	**–**
Other long-term receivables	**76.3**	**–**	**–**	**76.3**	**–**	**–**	**–**	**–**
Derivative financial asset	**–**	**–**	**0.2**	**0.2**	**–**	**0.2**	**–**	**0.2**
Bank loans and corporate borrowings	**–**	**(330.5)**	**–**	**(330.5)**	**–**	**–**	**–**	**–**
Other loans	**–**	**(20.9)**	**–**	**(20.9)**	**–**	**–**	**–**	**–**
Trade and other payables	**–**	**(721.3)**	**–**	**(721.3)**	**–**	**–**	**–**	**–**
Other long-term payables	**–**	**(11.1)**	**–**	**(11.1)**	**–**	**–**	**–**	**–**
	544.6	**(1,083.8)**	**0.2**	**(539.0)**	**–**	**0.2**	**–**	**0.2**
Unrecognised gain								**–**

31 December 2016	Carrying amount				Fair value			
£m	Cash, loans and receivables	Other financial liabilities	Cash flow – hedging instruments	Total	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	50.1	–	–	50.1	–	–	–	–
Trade and other receivables	343.6	–	–	343.6	–	–	–	–
Other long-term receivables	78.4	–	–	78.4	–	–	–	–
Bank loans and corporate borrowings	–	(193.6)	–	(193.6)	–	–	–	–
Other loans	–	(7.8)	–	(7.8)	–	–	–	–
Trade and other payables	–	(690.3)	–	(690.3)	–	–	–	–
Other long-term payables	–	(14.3)	–	(14.3)	–	–	–	–
Derivative financial liabilities	–	–	(0.3)	(0.3)	–	(0.3)	–	(0.3)
	472.1	(906.0)	(0.3)	(434.2)	–	(0.3)	–	(0.3)
Unrecognised gain								–

24. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

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

Valuation techniques

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: inputs for the asset or liability that are not based on observable market data.

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

Type	Valuation technique
Cash and cash equivalents, trade and other receivables/payables and customer deposits	For cash and cash equivalents, receivables/payables with a remaining life of less than one year and customer deposits, the book value approximates the fair value because of their short-term nature.
Loans and overdrafts	The fair value of bank loans, overdrafts and other loans approximates the carrying value because interest rates are at floating rates where payments are reset to market rates at intervals of less than one year.
Foreign exchange contracts and interest rate swaps	The fair values are based on a combination of broker quotes, forward pricing and swap models.

There was no significant unobservable input used in our valuation techniques.

Derivative financial instruments

The following table summarises the notional amount of the open contracts as at the reporting date:

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

Committed borrowings

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

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

The debt provided under the credit facility is floating rate, however, as part of the Group's balance sheet management and to protect against a future increase in interest rates, £70.0m and $30.0m were swapped into a fixed rate liability for a three-year period with an average fixed rate of respectively 0.7% and 1.8% (excluding funding margin).

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

25. SHARE-BASED PAYMENTS

There are four 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

	2017		2016	
	Number of share options	**Weighted average exercise price per share**	Number of share options	Weighted average exercise price per share
At 1 January	**24,519,624**	**169.62**	29,494,624	155.35
Granted during the year	**2,200,507**	**244.28**	1,848,431	301.59
Lapsed during the year	**(4,475,884)**	**189.71**	(2,972,532)	190.48
Exercised during the year	**(3,984,457)**	**107.80**	(3,850,899)	101.69
Outstanding at 31 December	**18,259,790**	**179.79**	24,519,624	169.62
Exercisable at 31 December	**5,622,041**	**118.81**	6,357,981	119.87

Date of grant	Numbers granted	Weighted average exercise price per share	Lapsed	Exercised	At 31 Dec 2017	Exercisable from	Expiry date
23/03/2010	3,986,000	100.50	(3,463,777)	(425,258)	96,965 [1]	23/03/2013	23/03/2020
28/06/2010	617,961	75.00	(546,198)	(50,956)	20,807 [1]	28/06/2013	28/06/2020
01/09/2010	160,646	69.10	(146,728)	(9,856)	4,062 [1]	01/09/2013	01/09/2020
01/04/2011	2,400,000	114.90	(954,402)	(481,866)	963,732 [1]	01/04/2014	01/04/2021
30/06/2011	9,867,539	109.50	(4,900,647)	(4,089,695)	877,197 [1]	30/06/2014	30/06/2021
13/06/2012	11,189,000	84.95	(3,833,070)	(5,315,855)	2,040,075 [1]	13/06/2015	13/06/2022
12/06/2013	7,741,000	155.60	(4,280,910)	(1,553,703)	1,906,387	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	(750,000)	–	250,000	18/12/2016	17/12/2023
20/05/2014	1,845,500	187.20	(1,658,500)	(53,433)	133,567	20/05/2017	19/05/2024
05/11/2014	12,875,796	186.00	(4,606,142)	(9,677)	8,259,977	05/11/2017	04/11/2024
19/05/2015	1,906,565	250.80	(1,794,565)	–	112,000	19/05/2018	18/05/2025
22/12/2015	1,154,646	322.20	(270,528)	–	884,118	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	(33,389)	–	216,200	28/09/2019	28/09/2026
01/03/2017	1,200,000	283.70	–	–	1,200,000	01/03/2020	01/03/2027
14/12/2017	1,000,507	197.00	–	–	1,000,507	14/12/2020	14/12/2027
Total	58,238,945	151.73	(27,988,856)	(11,990,299)	18,259,790		

1. All options have vested as of 31 December 2016

25. SHARE-BASED PAYMENTS (CONTINUED)

Performance conditions for share options

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

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 Group performance targets for the options awarded in December 2015, based on Group operating profit for the year ending 31 December 2016, were met. 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 Group performance targets for the options awarded in June 2016, based on Group operating profit for the year ending 31 December 2016, were met. 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

March 2017 share option plan

The total number of shares awarded is subject to three different performance conditions. These conditions are measured over three financial years commencing on 1 January 2017. Thus, conditional on meeting these performance targets, these shares will vest in March 2020. 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.

25. SHARE-BASED PAYMENTS (CONTINUED)

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 2016 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 growth against the median TSR growth of the comparator group as follows:

Vesting scale	% of one third of the award that vest
Exceeds the median by 10% or more	100%
Exceeds the median by less than 10%	On a straight-line basis between 25% and 100%
Ranked at median	25%
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 2016 as follows:

Vesting scale	% of one third of the award that vest
Exceeds 2016 ROI plus 300 basis points	100%
Exceeds 2016 ROI by less than 300 basis points	On a straight-line basis between 0% and 100%
Equal to or less than the 2016 ROI	0%

Once this condition is satisfied, those options that are eligible to vest will vest as follows:

	Proportion to vest
September 2020	1/3
September 2021	1/3
September 2022	1/3

December 2017 share option plan

The options awarded in December 2017 are conditional on the ongoing employment of the related employee for a specified period of time and are also subject to Group performance targets based on Group operating profit and employee's key performance indicators. Once performance conditions are satisfied those options that are eligible to vest will vest as follows:

	Proportion to vest
December 2020	1/3
December 2021	1/3
December 2022	1/3

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:

	December 2017	**March 2017**	September 2016	June 2016	December 2015	May 2015
Share price on grant date	**197.00p**	**283.70p**	258.00p	272.50p	322.20p	250.80p
Exercise price	**197.00p**	**283.70p**	258.00p	272.50p	322.20p	250.80p
Expected volatility	**33.31% – 35.93%**	**27.42% – 29.87%**	27.45% – 32.35%	27.71% – 34.81%	24.80% – 37.08%	27.23% – 30.12%
Number of simulations	**–**	**–**	–	–	–	–
Number of companies	**–**	**–**	–	–	–	–
Option life	**3–5 years**	**3–5 years**	3–7 years	3–7 years	3–7 years	3–7 years
Expected dividend	**2.69%**	**1.80%**	1.80%	1.71%	1.40%	1.59%
Fair value of option at time of grant	**40.06p – 44.20p**	**44.51p – 76.88p**	40.96p – 67.89p	44.28p – 78.68p	29.76p – 90.61p	42.35p – 69.12p
Risk-free interest rate	**0.54% – 0.75%**	**0.23% – 0.56%**	0.09% – 0.38%	0.14% – 0.39%	0.14% – 0.21%	0.81% – 1.53%

	November 2014	May 2014	December 2013	November 2013	June 2013
Share price on grant date	188.40p	191.00p	195.00p	191.90p	158.00p
Exercise price	186.00p	187.20p	195.00p	191.90p	155.60p
Expected volatility	24.67% – 33.53%	27.30% – 41.91%	32.91%	32.69%	40.31% – 48.98%
Number of simulations	–	–	–	–	30,000
Number of companies	–	–	–	–	–
Option life	3–7 years	3–5 years	5–8 years	3–5 years	3–5 years
Expected dividend	2.02%	2.00%	1.46%	1.46%	2.03%
Fair value of option at time of grant	27.24p – 54.58p	30.80p – 59.63p	52.41p – 65.95p	45.73p	39.21p – 58.39p
Risk-free interest rate	0.90% – 1.81%	0.99% – 1.47%	1.57% – 2.30%	1.22%	0.67% – 1.20%

25. 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 of the bonus 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

	2017 Number of awards	2016 Number of awards
At 1 January	**3,292,656**	3,673,686
PSP awards granted during the year	**1,095,406**	1,038,179
Lapsed during the year	**(37,099)**	(9,129)
Exercised during the year	**(1,029,499)**	(1,410,080)
Outstanding at 31 December	**3,321,464**	3,292,656
Exercisable at 31 December	**–**	–

The weighted average share price at the date of exercise for share awards exercised during the year ended 31 December 2017 was 289.66p (2016: 302.63p).

Plan	Date of grant	Numbers granted	Lapsed	Exercised	At 31 Dec 2017	Release date
PSP	03/03/2016	1,038,179	–	–	1,038,179	03/03/2021
PSP	01/03/2017	1,095,406	–	–	1,095,406	01/03/2022
		2,133,585	–	–	**2,133,585**	

Plan	Date of grant	Numbers granted	Lapsed	Exercised	At 31 Dec 2017	Release date[1]
CIP: Matching shares	06/03/2013	1,217,176	(317,687)	(648,042)	**251,447**	06/03/2018
CIP: Investment shares	05/03/2014	161,922	–	(161,922)	**–**	05/03/2017
CIP: Matching shares	05/03/2014	647,688	(272,583)	(100,303)	**274,802**	See below[2]
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**	04/03/2020
		3,066,546	(892,774)	(985,893)	**1,187,879**	

1. Based on the outstanding shares as at 31 December 2017
2. The release dates for the remaining two tranches of the March 2014 CIP Matching Shares are 5 March 2018 and 5 March 2019 respectively

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:

	01/03/2017	03/03/2016	04/03/2015	05/03/2014	06/03/2013
	PSP	PSP	CIP	CIP	CIP
Share price on grant date	**283.70p**	300.00p	225.00p	253.30p	143.50p
Exercise price	**Nil**	Nil	Nil	Nil	Nil
Number of simulations	**250,000**	250,000	250,000	250,000	250,000
Number of companies	**32**	32	32	32	32
Award life	**5 years**	5 years	3 years	3 years	3 years
Expected dividend	**1.80%**	1.50%	1.78%	1.66%	2.23%
Fair value of award at time of grant	**155.83p–236.08p**	183.08p–277.36p	75.67p–114.6p	83.11p–214.33p	83.11p–134.21p
Risk-free interest rate	**0.56%**	0.86%	1.01%	0.99%–1.47%	0.35%

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.

The performance conditions are as follows:

2013 CIP Investment and matching grants

The total number of matching awards made in 2013 to each participant was divided into three separate equal amounts and is subject to future performance periods of three, four and five years respectively. Thus, conditional on meeting the performance targets, the first amount will vest in March 2016, the second will vest in March 2017 and the third will vest in March 2018. These vesting dates relate to the financial years ending 31 December 2015, 31 December 2016 and 31 December 2017 respectively. The vesting of these awards is subject to the achievement of challenging corporate performance targets. 75% of each of the three amounts is subject to defined adjusted earnings per share (EPS) targets over the respective performance periods. The remaining 25% of each will be subject to relative total shareholder return (TSR) targets over the respective periods. The targets are as follows:

	Adjusted EPS targets for the financial years ending		
% of awards eligible for vesting	2015	2016	2017
25%	12.0p	14.0p	16.0p
50%	12.6p	14.6p	16.6p
75%	13.3p	15.3p	17.3p
100%	14.0p	16.0p	18.0p

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

% of awards eligible for vesting	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

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25. SHARE-BASED PAYMENTS (CONTINUED)

2014 CIP Investment and matching grants

The total number of matching awards made in 2014 to each participant was divided into three separate equal amounts and is subject to future performance periods of three, four and five years respectively. Thus, conditional on meeting the performance targets, the first amount will vest in March 2017, the second will vest in March 2018 and the third will vest in March 2019. These vesting dates relate to the financial years ending 31 December 2016, 31 December 2017 and 31 December 2018 respectively. The vesting of these awards is subject to the achievement of challenging corporate performance targets. 75% of each of the three amounts is subject to defined adjusted earnings per share (EPS) targets over the respective performance periods. The remaining 25% of each will be subject to relative total shareholder return (TSR) targets over the respective periods. The targets are as follows:

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

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

% of awards eligible for vesting	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 financial year of the performance period, being 31 December 2017. The vesting of these awards is subject to the achievement of challenging corporate performance targets. 75% is subject to defined adjusted EPS targets over the performance period. The remaining 25% will be subject to relative total shareholder return (TSR) targets over the period. The targets are as follows:

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

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

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

2016 PSP Investment grant

The total number of shares awarded is 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 growth against the median TSR growth of the comparator group as follows:

Vesting scale	% of one third of the award that vest
Exceeds the median by 10% or more	100%
Exceeds the median by less than 10%	On a straight-line basis between 25% and 100%
Ranked at median	25%
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
Exceeds 2015 ROI plus 300 basis points	100%
Exceeds 2015 ROI by less than 300 basis points	On a straight-line basis between 0% and 100%
Equal to or less than the 2015 ROI	0%

2017 PSP Investment grant

The total number of shares awarded is subject to three different performance conditions. These conditions are measured over three financial years commencing on 1 January 2017. Thus, conditional on meeting these performance targets, these shares will vest in March 2022. 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 2016 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 growth against the median TSR growth of the comparator group as follows:

Vesting scale	% of one third of the award that vest
Exceeds the median by 10% or more	100%
Exceeds the median by less than 10%	On a straight-line basis between 25% and 100%
Ranked at median	25%
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 2016 as follows:

Vesting scale	% of one third of the award that vest
Exceeds 2016 ROI plus 300 basis points	100%
Exceeds 2016 ROI by less than 300 basis points	On a straight-line basis between 0% and 100%
Equal to or less than the 2016 ROI	0%

25. SHARE-BASED PAYMENTS (CONTINUED)

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

	2017 Number of awards	2016 Number of awards
At 1 January	**328,751**	328,751
Outstanding at 31 December	**328,751**	328,751
Exercisable at 31 December	**–**	–

Measurement of fair values

The fair value of the rights granted through the employee share purchase plan was measured based on 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:

	November 2015
Share price on grant date	**334.70p**
Exercise price	**Nil**
Award life	**5 years**
Expected dividend	**1.24%**
Fair value of award at time of grant	**313.65p**
Risk-free interest rate	**1.37%**

Plan 4: Deferred Shared Bonus Plan

In March 2017, an award of 383,664 ordinary shares of 1p each in the Company was granted to the Chief Executive Officer, Mark Dixon and to the Company's Chief Financial Officer and Chief Operating Officer, Dominik de Daniel.

The awards are conditional on the ongoing employment of the related employees for a specified period of time. Once this condition is satisfied, those awards are eligible to vest in March 2020.

Reconciliation of outstanding share options

	2017 Number of awards
At 1 January	**–**
DSBP award granted during the year	**383,664**
Outstanding at 31 December	**383,664**
Exercisable at 31 December	**–**

Measurement of fair values

The fair value of the rights granted through the employee share purchase plan was measured based on 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:

	March 2017 DBSP
Share price on grant date	**283.70p**
Exercise price	**Nil**
Number of simulations	**–**
Number of companies	**–**
Award life	**3 years**
Expected dividend	**1.80%**
Fair value of award at time of grant	**236.04p**
Risk-free interest rate	**0.23%**

26. RETIREMENT BENEFIT OBLIGATIONS

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

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

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

27. ACQUISITIONS

Current period acquisitions

During the year ended 31 December 2017 the Group made various individually immaterial acquisitions for a total consideration of £43.5m.

£m	Book value	Provisional fair value adjustments	Provisional fair value
Net assets acquired			
Intangible assets	–	1.5	1.5
Property, plant and equipment	98.4	0.6	99.0
Cash	5.5	–	5.5
Other current and non-current assets	0.4	0.4	0.8
Current liabilities	(6.6)	–	(6.6)
Non-current liabilities	(60.2)	–	(60.2)
	37.5	2.5	40.0
Goodwill arising on acquisition(1)			3.5
Total consideration			43.5
Less: Fair value adjustment of historical investment in acquired joint venture			–
Less: Contingent consideration			–
			43.5
Cash flow on acquisition			
Cash paid			43.5
Net cash outflow			43.5

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

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

If the above acquisitions had occurred on 1 January 2017, the revenue and net retained profit arising from these acquisitions would have been £19.6m and £3.2m respectively. In the year, the equity acquisitions contributed revenue of £11.6m and net retained profit of £3.3m.

27. ACQUISITIONS (CONTINUED)

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

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

For a number of the acquisitions in 2017, the fair value of assets acquired has only been provisionally assessed at the reporting date. The main changes in the provisional fair values expected are for the fair value of the leases (asset or liability), customer relationships and 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 2017, which will be accounted for in accordance with IFRS 3. Due to the timing of these transactions, it is not practical to disclose the information associated with the initial accounting for these acquisitions.

Prior period acquisitions

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

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

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

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

There was £0.9m contingent consideration arising on the above acquisitions.

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

The prior year comparative information has not been restated due to the immaterial nature of the final fair value adjustments recognised in 2017.

28. CAPITAL COMMITMENTS

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

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

29. NON-CANCELLABLE OPERATING LEASE COMMITMENTS

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

	2017			2016		
	Property £m	Other £m	Total £m	Property £m	Other £m	Total £m
Lease obligations falling due:						
Within one year	**914.8**	**0.5**	**915.3**	882.4	1.3	883.7
Between one and five years	**2,630.5**	**0.4**	**2,630.9**	2,386.9	1.0	2,387.9
After five years	**1,511.3**	**–**	**1,511.3**	1,170.4	–	1,170.4
	5,056.6	**0.9**	**5,057.5**	4,439.7	2.3	4,442.0

Non-cancellable operating lease commitments exclude future contingent rental amounts such as the variable amounts payable under performance-based leases, where the rents vary in line with a centre's performance.

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

30. CONTINGENT ASSETS AND LIABILITIES

The Group has bank guarantees and letters of credit held with certain banks, substantially in support of leasehold contracts with a variety of landlords, amounting to £142.7m (2016: £151.7m). There are no material lawsuits pending against the Group.

31. RELATED PARTIES

Parent and subsidiary entities

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

Joint ventures

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

£m	Management fees received from related parties	Amounts owed by related party	Amounts owed to related party
2017			
Joint ventures	**3.0**	**9.0**	**2.2**
2016			
Joint ventures	2.9	8.6	8.0

As at 31 December 2017, £nil of the amounts due to the Group have been provided for (2016: £nil). All outstanding balances with these related parties are priced on an arm's length basis. None of the balances are secured.

Key management personnel

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

Compensation of key management personnel (including Directors)

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

	2017 £m	2016 £m
Short-term employee benefits	**6.7**	9.8
Retirement benefit obligations	**0.5**	0.5
Share-based payments	**1.4**	0.5
	8.6	10.8

Share-based payments included in the table above reflect the accounting charge in the year. The full fair value of awards granted in the year was £3.9m (2016: £2.9m). These awards are subject to performance conditions and vest over three, four and five years from the award date.

31. RELATED PARTIES (CONTINUED)

Transactions with related parties

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

All transactions with these related parties are priced on an arm's length basis and are to be settled in cash. None of the balances are secured.

32. PRINCIPAL GROUP COMPANIES

The Group's principal subsidiary undertakings at 31 December 2017, their principal activities and countries of incorporation are set out below:

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

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

33. KEY JUDGEMENTAL AREAS ADOPTED IN PREPARING THESE ACCOUNTS

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

Fair value accounting for business combinations

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

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

Valuation of intangibles and goodwill

We evaluate the fair value of goodwill and other indefinite life intangible assets to assess potential impairments on an annual basis, or during the year if an event or other circumstance indicates that we may not be able to recover the carrying amount of the asset. We evaluate the carrying value of goodwill based on our CGUs aggregated at a country level and make that determination based upon future cash flow projections which assume certain growth projections which may or may not occur. We record an impairment loss for goodwill when the carrying value of the asset is less than its estimated recoverable amount. Further details of the methodology and assumptions applied to the impairment review in the year ended 31 December 2017, including the sensitivity to changes in those assumptions, can be found in note 12.

Impairment of property, plant and equipment

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

Tax assets and liabilities

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

Onerous lease provisions

We evaluate the performance of centres to determine whether any leases are considered onerous, i.e. the Group does not expect to recover the unavoidable lease costs up to the first break point at the Group's option. A provision for our estimate of the net amounts payable under the terms of the lease to the first break point, discounted at an appropriate discount rate, is recognised where appropriate.

Dilapidations

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

PARENT COMPANY ACCOUNTS

SUMMARISED EXTRACT OF COMPANY BALANCE SHEET (ACCOUNTING POLICIES ARE BASED ON THE SWISS CODE OF OBLIGATIONS)

	As at 31 Dec 2017 £m	As at 31 Dec 2016 £m
Trade and other receivables	9.8	8.5
Prepayments	1.1	–
Total current assets	**10.9**	**8.5**
Investments	2,295.4	2,296.4
Total non-current assets	**2,295.4**	**2,296.4**
Total assets	**2,306.3**	**2,304.9**
Trade and other payables	1.6	0.7
Accrued expenses	1.4	2.6
Total short-term liabilities	**3.0**	**3.3**
Long-term interest bearing liabilities	106.8	2.6
Total long-term liabilities	**106.8**	**2.6**
Total liabilities	**109.8**	**5.9**
Issued share capital	9.2	9.2
Legal capital reserves	–	–
Reserves from capital contributions	2,238.7	2,295.4
Retained earnings	(3.0)	–
Loss for the year	(8.8)	(2.7)
Treasury shares	(39.6)	(2.9)
Total shareholders' equity	**2,196.5**	**2,299.0**
Total liabilities and shareholders' equity	**2,306.3**	**2,304.9**

Approved by the Board on 6 March 2018

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 in accordance with accounting policies based on 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 for the year ended 31 December 2017, which are available from the Company's registered office, Dammstrasse 19, CH-6300, Zug, Switzerland.

FIVE-YEAR SUMMARY

	31 Dec 2017 £m	31 Dec 2016 £m	31 Dec 2015 £m	31 Dec 2014 £m	31 Dec 2013 £m
Income statement (full year ended)					
Revenue	**2,352.3**	2,233.4	1,927.0	1,676.1	1,533.5
Cost of sales	**(1,950.7)**	(1,784.6)	(1,498.6)	(1,293.0)	(1,159.7)
Gross profit (centre contribution)	**401.6**	448.8	428.4	383.1	373.8
Administration expenses	**(237.6)**	(262.8)	(268.6)	(279.6)	(283.1)
Share of post-tax (loss)/profit of joint ventures	**(0.8)**	(0.8)	0.3	0.8	0.1
Operating profit	**163.2**	185.2	160.1	104.3	90.8
Finance expense	**(14.1)**	(11.6)	(15.0)	(17.3)	(10.5)
Finance income	**0.3**	0.1	0.6	0.1	1.2
Profit before tax for the year	**149.4**	173.7	145.7	87.1	81.5
Income tax expense	**(35.4)**	(34.9)	(25.8)	(17.2)	(14.6)
Profit after tax for the year	**114.0**	138.8	119.9	69.9	66.9
Earnings per ordinary share (EPS):					
Basic (p)	**12.4p**	14.9p	12.8p	7.4p	7.1p
Diluted (p)	**12.3p**	14.7p	12.6p	7.2p	7.0p
Weighted average number of shares outstanding ('000s)	**915,676**	929,830	933,458	944,082	943,775
Balance sheet data (as at)					
Intangible assets	**712.1**	738.1	666.0	549.9	491.7
Property, plant and equipment	**1,367.2**	1,194.4	917.0	718.8	608.7
Deferred tax assets	**23.0**	29.3	36.4	40.0	33.4
Other assets	**702.7**	649.2	644.3	565.2	423.8
Cash and cash equivalents	**55.0**	50.1	63.9	72.8	84.7
Total assets	**2,860.0**	2,661.1	2,327.6	1,946.7	1,642.3
Current liabilities	**1,224.7**	1,183.1	1,085.7	891.9	758.8
Non-current liabilities	**907.6**	736.0	658.2	517.4	369.3
Equity	**727.7**	742.0	583.7	537.4	514.2
Total equity and liabilities	**2,860.0**	2,661.1	2,327.6	1,946.7	1,642.3

SEGMENTAL ANALYSIS

SEGMENTAL ANALYSIS – MANAGEMENT BASIS (UNAUDITED)

	Americas 2017	EMEA 2017	Asia Pacific 2017	United Kingdom 2017	Other 2017	Total 2017
Mature[1]						
Workstations[4]	165,329	87,102	87,414	69,233	–	409,078
Occupancy (%)	75.8%	77.3%	73.0%	72.1%	–	74.9%
Revenue (£m)	926.4	486.1	351.1	398.2	2.9	2,164.7
Contribution (£m)	177.6	105.6	74.3	79.2	(0.2)	436.5
REVPOW (£)	7,392	7,220	5,504	7,977	–	7,065
2016 Expansions[2]						
Workstations[4]	14,593	9,870	8,850	3,929	–	37,242
Occupancy (%)	55.8%	64.6%	52.9%	62.9%	–	58.2%
Revenue (£m)	40.8	29.1	23.0	13.2	0.4	106.5
Contribution (£m)	(9.6)	(1.4)	(1.4)	(0.4)	0.2	(12.6)
2017 Expansions[2]						
Workstations[4]	7,306	7,380	3,694	6,640	–	25,020
Occupancy (%)	27.0%	39.0%	25.2%	73.1%	–	42.5%
Revenue (£m)	10.9	20.2	5.2	14.4	0.5	51.2
Contribution (£m)[5]	(14.3)	(5.5)	(5.1)	2.6	1.8	(20.5)
Closures						
Workstations[4]	1,450	1,552	1,032	1,716	–	5,750
Occupancy (%)	66.8%	51.7%	64.9%	63.1%	–	61.3%
Revenue (£m)	6.7	5.1	3.9	14.2	–	29.9
Contribution (£m)	(0.5)	(1.6)	(1.9)	2.2	–	(1.8)
Total						
Workstations[4]	188,678	105,904	100,990	81,518	–	477,090
Occupancy (%)	72.3%	73.1%	69.4%	71.5%	–	71.7%
Revenue (£m)	984.8	540.5	383.2	440.0	3.8	2,352.3
Contribution (£m)	153.2	97.1	65.9	83.6	1.8	401.6
REVPAW (£)	5,219	5,104	3,794	5,398	–	4,931
Period end workstations[6]						
Mature	166,755	89,656	87,987	70,254	–	414,652
2016 Expansions	14,328	9,684	9,043	4,019	–	37,074
2017 Expansions	12,948	16,162	7,497	12,700	–	49,307
Total	194,031	115,502	104,527	86,973	–	501,033

SEGMENTAL ANALYSIS – MANAGEMENT BASIS (UNAUDITED)

	Americas 2016	EMEA 2016	Asia Pacific 2016	United Kingdom 2016	Other 2016	Total 2016
Mature[1]						
Workstations[4]	162,875	85,793	87,569	64,137	–	400,374
Occupancy (%)	75.5 %	75.9%	71.8%	75.6%	–	74.8%
Revenue (£m)	897.4	461.8	342.1	409.9	6.8	2,118.0
Contribution (£m)	173.8	106.6	69.9	95.9	6.8	453.0
REVPOW (£)	7,298	7,092	5,441	8,454	–	7,072
2016 Expansions[2]						
Workstations[4]	7,723	3,903	4,325	3,080	–	19,031
Occupancy (%)	30.4%	35.0%	31.0%	57.2%	–	35.8%
Revenue (£m)	12.1	6.2	7.6	9.4	1.5	36.8
Contribution (£m)	(12.8)	(5.1)	(3.3)	(0.1)	1.5	(19.8)
Closures[3]						
Workstations[4]	3,330	2,290	3,236	5,279	–	14,135
Occupancy (%)	70.8%	62.5%	75.8%	77.4%	–	73.0%
Revenue (£m)	13.5	8.8	13.5	42.8	–	78.6
Contribution (£m)	–	0.1	0.9	14.6	–	15.6
Total						
Workstations[4]	173,928	91,986	95,130	72,496	–	433,540
Occupancy (%)	73.4%	73.8%	70.1%	75.0%	–	73.0%
Revenue (£m)	923.0	476.8	363.2	462.1	8.3	2,233.4
Contribution (£m)	161.0	101.6	67.5	110.4	8.3	448.8
REVPAW (£)	5,307	5,183	3,818	6,374	–	5,152

Notes:

1. The mature business comprises centres not opened in the current or previous financial year
2. Expansions include new centres opened and acquired businesses
3. A closure for the 2016 comparative data is defined as a centre closed during the period from 1 January 2016 to 31 December 2017
4. Workstation numbers are calculated as the weighted average for the year
5. 2017 expansions includes any costs incurred in 2017 for centres which will open in 2018
6. Workstations available at period end

POST-TAX CASH RETURN ON NET INVESTMENT

The purpose of this unaudited page is to reconcile some of the key numbers used in the returns calculation back to the Group's audited statutory accounts, and thereby, give the reader greater insight into the returns calculation drivers. The methodology and rationale for the calculation are discussed in the Chief Financial Officer's review on page 32 of this Annual Report.

Description	Reference	2014 Aggregation	2015 Expansions	2016 Expansions	2017 Expansions	2018 Expansions	Closures	Total
Post-tax cash return on net investment		**18.3%**	**7.3%**	**(9.6%)**	**(6.9%)**	**–**	**–**	**11.2%**
Revenue	Income statement, p80	1,857.6	307.1	106.5	51.2	–	29.9	2,352.3
Centre contribution	Income statement, p80	400.2	36.3	(12.6)	(20.2)	(0.3)	(1.8)	401.6
Loss on disposal of assets	EBIT reconciliation (analysed below)	0.5	–	–	–	–	3.8	4.3
Impairment of assets	EBIT reconciliation (analysed below)	–	–	–	–	–	1.7	1.7
Underlying centre contribution		**400.7**	**36.3**	**(12.6)**	**(20.2)**	**(0.3)**	**3.7**	**407.6**
Selling, general and administration expenses[1]	Income statement, p80	(161.6)	(39.9)	(20.5)	(13.2)	(0.1)	(2.3)	(237.6)
EBIT	EBIT reconciliation (analysed below)	**239.1**	**(3.6)**	**(33.1)**	**(33.4)**	**(0.4)**	**1.4**	**170.0**
Depreciation and amortisation	Note 5, p93	142.0	36.6	19.4	11.6	–	3.4	213.0
Amortisation of partner contributions	Note 5, p93	(42.0)	(8.6)	(6.4)	(3.4)	–	(0.2)	(60.6)
Amortisation of acquired lease fair value adjustments	Note 5, p93	(4.3)	0.7	0.1	–	–	(0.1)	(3.6)
Non-cash items		**95.7**	**28.7**	**13.1**	**8.2**	**–**	**3.1**	**148.8**
Taxation[2]		**(47.9)**	**0.7**	**6.6**	**6.7**	**0.1**	**(0.3)**	**(34.1)**
Adjusted net cash profit		**286.9**	**25.8**	**(13.4)**	**(18.5)**	**(0.3)**	**4.2**	**284.7**
Maintenance capital expenditure	Capital expenditure (analysed below)	87.0	8.6	–	–	–	–	95.6
Partner contributions	Partner contributions (analysed below)	(20.2)	(1.9)	–	–	–	–	(22.1)
Net maintenance capital expenditure		**66.8**	**6.7**	**–**	**–**	**–**	**–**	**73.5**
Post-tax cash return		**220.1**	**19.1**	**(13.4)**	**(18.5)**	**(0.3)**	**4.2**	**211.2**
Growth capital expenditure	Capital expenditure (analysed below)	1,425.9	328.6	197.9	343.7	14.0	–	2,310.1
Partner contributions	Partner contributions (analysed below)	(219.9)	(65.9)	(58.2)	(74.9)	(0.6)	–	(419.5)
Net investment		**1,206.0**	**262.7**	**139.7**	**268.8**	**13.4**	**–**	**1,890.6**

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

2017

Movement in capital expenditure	2014 Aggregation	2015 Expansions	2016 Expansions	2017 Expansions	2018 Expansions	Closures	Total
December 2016	1,454.4	325.0	183.7	30.0	–	–	1,993.1
2017 Capital expenditure[3]	3.7	6.7	15.0	304.2	14.0	–	343.6
Properties acquired	–	–	–	9.5	–	–	9.5
Centre closures[4]	(32.2)	(3.1)	(0.8)	–	–	–	(36.1)
December 2017	1,425.9	328.6	197.9	343.7	14.0	–	2,310.1

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

4. The growth capital expenditure for an estate is reduced by the investment in centres closed during the year, but only where that investment has been fully recovered

2017

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

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

2017

EBIT reconciliation	Reference	£m
EBIT		170.0
Loss on disposal of assets	Note 5, p93	(4.3)
Impairment of assets	Note 5, p93	(1.7)
Share of profit in joint ventures	Income statement, p80	(0.8)
Operating profit	Income statement, p80	**163.2**

2017

Partner contributions	Reference	£m
Opening partner contributions		333.9
• Current	Note 17, p102	68.5
• Non-current	Note 18, p102	265.4
Acquired in the period		–
Received in the period		102.7
• Maintenance partner contributions		22.1
• Growth partner contributions		80.6
Utilised in the period	Note 5, p93	(60.6)
Exchange differences		(23.0)
Closing partner contributions		**353.0**
• Current	Note 17, p102	59.2
• Non-current	Note 18, p102	293.8

2017

Capital expenditure	Reference	£m
Maintenance capital expenditure	CFO review, p36	95.6
Growth capital expenditure	CFO review, p36	353.1
• 2017 Capital expenditure		343.6
• Properties acquired		9.5
Total capital expenditure		**448.7**
Analysed as		
• Purchase of subsidiary undertakings	Cash flow, p84	40.1
• Purchase of property, plant and equipment	Cash flow, p84 Note 14, p101	344.9
• Purchase of intangible assets	Cash flow, p84 Note 13, p100	3.6
• Settlement of acquired debt[6]		60.1

6. The acquired debt of £60.1m is included in the repayment of loans in the Group Cash Flow Statement on page 84

GLOSSARY

Available workstations
The total number of workstations in the Group (also termed Inventory). During the year, this is expressed as a weighted average. At period ends the absolute number is used

Centre contribution
Gross profit comprising centre revenue less direct operating expenses but before administrative expenses

EBIT
Earnings before interest and tax

EBITDA
Earnings before interest, tax, depreciation and amortisation

EPS
Earnings per share

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

Like-for-like
The financial performance from centres owned and operated for a full 12 month period prior to the start of the financial year, which therefore have a full-year comparative

Mature business
Operations owned for a full 12 month period prior to the start of the financial year and operated throughout the current financial year, which therefore have a full-year comparative

Occupancy
Occupied workstations divided by available workstations expressed as a percentage

Occupied workstations
Workstations which are in use by clients. This is expressed as a weighted average for the year

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

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

REVPOW
Total revenue per occupied workstation

ROI
Return on investment

TSR
Total shareholder return

WIPOW
Workstation income per occupied workstation

SHAREHOLDER INFORMATION

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