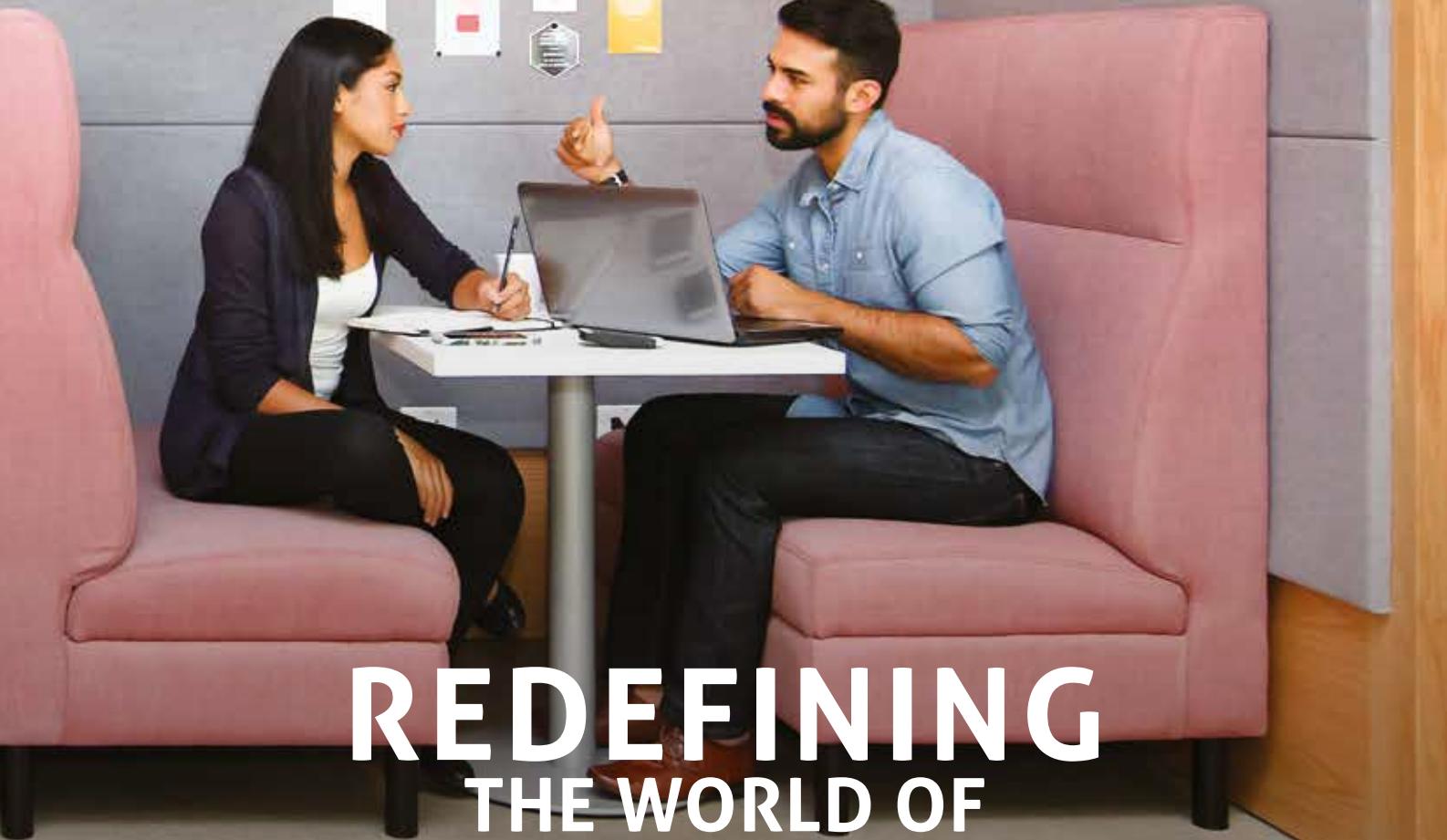




International  
Workplace  
Group

ANNUAL REPORT  
AND ACCOUNTS 2018



**REDEFINING  
THE WORLD OF  
WORK**

## 2018 PERFORMANCE HIGHLIGHTS

### Net growth capital investment (£m)

**£332.0m**



### Number of locations

**3,306**



### Group revenue development (£m)

**£2,535.4m**



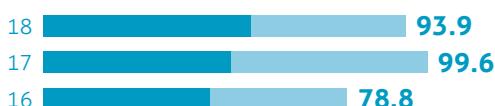
### EBITDA development (£m)

**£389.9m**



### Shareholder returns (£m)

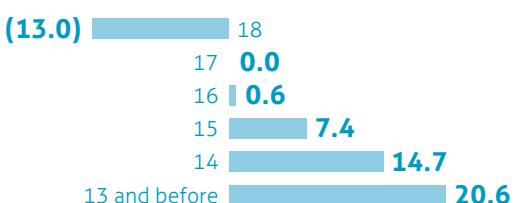
**£93.9m**



Dividends paid in year  
Share repurchases

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

**20.6%<sup>1</sup>**



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

### STRATEGIC REPORT

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Turn to page 33 for details on how we calculate our post-tax cash return on net investment.

A glossary is included on page 139 which defines various alternative measures used to provide useful and relevant information.

Please visit our website [iwgplc.com](http://iwgplc.com)

# REDEFINING THE WORLD OF WORK

The world of work is changing – fast and forever.

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

...a great day at work.

# LEADING THE GLOBAL WORKSPACE REVOLUTION

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

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

IWG provides that choice.

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

In doing so, we help businesses perform better. Be more flexible and agile.

Better able to meet their growth and development ambitions. And staffed by more fulfilled, effective and loyal people.

---

## Our brands



Work, meet and connect wherever your business takes you



Your key to the world's ultimate business locations



Creative spaces with a unique entrepreneurial spirit



Where the real work gets done



The home for a rewarding business lifestyle

# INVESTING IN OUR STRENGTHS

IWG HAS BEEN HELPING PEOPLE WORK MORE PRODUCTIVELY FOR 30 YEARS.

## NETWORK



**3,306**

locations in more than 110 countries.



**1,100**

cities right across the globe.



**10,000**

employees supporting local and international businesses.

## INVESTMENT IN TECHNOLOGY



**24/7**

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

## EXPANDING NETWORKS



**1/3**

of location growth delivered through partnerships in the year

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

## REVENUE GROWTH



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

## OPERATING PROFIT



**£154.1m**

## COST EFFICIENCIES



Enabling businesses everywhere to pay only for the space they need, scaling up or down at will and boosting productivity in their choice of stimulating work environment.

## GLOBAL FOOTPRINT



**57m**

square feet of office, co-working and meeting space.

# LEADING THE GLOBAL WORKSPACE PLATFORM

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

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

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

 HQ – Wallisellen, Switzerland



 Regus – Taichung, Taiwan



 Spaces – California, USA



 No 18 – Stockholm, Sweden



# REDEFINING HOW BUSINESSES WORK

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

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

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

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

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

## HOW WE'RE SUPPORTING BUSINESSES

At IWG, we're doing more than anybody else to deliver these benefits. More centres, offices, co-working and drop-in workspaces across 3,306 locations in over 110 countries. More brands, ensuring we have the workspace solution for every business. More advanced technology and apps, minimising admin and streamlining processes. And more investment in our workspaces via our efficient platform and systems, making certain we deliver what our customers want.

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

**Sabina Bovetti,**  
Inizi Human Capital Consulting



Spaces – Rotterdam, Netherlands

**56%**

of Asia's top 200 occupiers are already using flexible workspace and 91% are considering it<sup>5</sup>

**22%**

the growth rate of flexible office space over seven years. 1%: the growth rate of traditional office space over the same period<sup>6</sup>

# REDEFINING HOW PEOPLE WORK

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

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

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

7. Ericsson Mobile Data Traffic Growth Outlook, November 2018

8. MacDonald's UK: Flexible Working Survey 2018

9. PowWowNow, reported in Real Business, Demand for flexible working among UK employees is on the rise



## HOW WE'RE SUPPORTING PROFESSIONALS

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

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

**Claire Cobblewick,**  
Director of Gumtree, SA

**69%**

of employees who work flexibly say it encourages them to stay in a job for longer<sup>8</sup>

**75%**

of employees favour flexible working, up from 70% in 2017<sup>9</sup>

**53%**

of all US workers value the flexibility to work in different locations<sup>9</sup>

# RESPONDING TO A CHANGING WORLD

## KEY DRIVERS

## WHAT THIS MEANS AND HOW WE ARE RESPONDING



### CHANGING GLOBAL ECONOMY

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

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

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



### GROWING CUSTOMER DEMAND

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

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



### RAPIDLY CHANGING TECHNOLOGY

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

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



### INCREASING COMPETITION

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

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



Spaces – Fort Collins, USA



Regus – Bremen, Germany



# CREATING VALUE FOR THE LONG TERM

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

## WHAT WE DO

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

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

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

### KEY INPUTS

#### Our people

Talented and experienced professionals who drive the success of our business

#### Our brands

Segmenting the market for maximised uptake and returns

#### Our networks

National and international, empowering businesses and individuals to work productively, anywhere in the world

#### Our formats

Versatile, inspiring and practical, driving productivity for every type of customer

#### Our platform

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

## HOW WE DO IT

### OUR STRATEGIC DRIVERS

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

 See page 28 to read more about our strategy

### OUR COMPETITIVE OPERATING MODEL

#### Operational efficiency

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

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

#### Scaled platform

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

## VALUE CREATED

### STRONG GOVERNANCE AND RISK MANAGEMENT SYSTEM

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

### LONG-TERM SHAREHOLDER VALUE

We aim to deliver sustainable returns for shareholders over the long term through a progressive dividend policy. We take a prudent approach to investments in our business, ensuring strong cash generation and attractive post-tax cash returns in order to provide sufficient capital to meet growth demand and changing customer needs.

**28.6p**

Cash flow per share  
pre-growth, up 22%

**6.3p**

Dividend per share, up 11%

### Centralised support functions

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

### Multi-branded

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

**Regus**  **SPACES.**  **No18**

**HQ**

Signature  
by 

 See page 14 for details about our brands

### INVEST IN GROWTH

The flexible workspace market continues to grow at c.13% and to meet future workspace demand we will work with franchisees and property owners to optimise our capital consumption and manage our market risk.

 See page 19 for stakeholders

 See pages 18-19 for value added for stakeholders

# CREATING VALUE THROUGH OUR BRANDS

We give our customers the freedom to choose a way of working that works for their business, through a range of brands designed to serve their unique needs.



Lille, France

Regus is the leading global workspace provider. We have built an unparalleled network of office, co-working and meeting spaces for companies and individuals to use in nearly every major city in the world. It's an infrastructure that enables people to work wherever they need – closer to home, closer to clients, closer to new opportunities.

Our network of workspaces enables businesses to operate without the need for set-up costs or capital investment. It provides them with immediate cost benefits and the opportunity to fully outsource their office portfolio. By removing the administrative burden of managing and maintaining their workspace, people can work free from distraction and focus more time on doing what they do best.



London, UK



Bertrange, Luxembourg

# No18



No18 is 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 – aspirational environments 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.

# ◆ SPACES.



We believe work is about people and ideas. Our Spaces are inhabited by forward thinkers, innovators and game changers who are confident in achieving their goals. Whether a small business, entrepreneur or a corporate intrapreneur, at Spaces we help our community to expand their horizon.

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

By creating dynamic workspaces with a unique and entrepreneurial spirit we help people think, create and collaborate while our friendly team sees to all of the background logistics and services. At Spaces we make sure that our community can focus on driving their business forward.

# HQ



HQ creates professional environments where real work gets done – practical places with all the essentials businesses need, set up and ready-to-go.

Our workspaces are in convenient locations across a growing number of towns and cities. Inside, our spaces are designed for productivity, with no hassles, tech issues or holdups. We take care of everything so our customers can focus without interruption on growing their business and getting important work done.

From major businesses to freelancers, we provide a home for everyone. Whether a workspace for one or 1,000 people, our flexible terms and simple pricing ensure our space works for everybody.



# CREATING VALUE THROUGH REDEFINING WORKSPACES

Customised workspace for rent wherever and whenever it's needed. Offices available by the day, by the week or by the year. Offices with everything included – high-speed internet, office furniture and utilities. People just show up and get to work.



## Ready-to-go offices

Pay-as-you-go offices available as and when you need them.

## Business lounge

A worldwide network of drop-in workspaces in key business locations, equipped with high-speed internet, snacks and comfortable furniture.

## Workplace recovery

Keeping business going in the face of disaster – access to a private office, laptop and phone line assures business continuity within 24 hours.



### Private office

A private office dedicated to you and your business.

### Meeting room

Professional space to meet, from presentations and interviews to conferences and board meetings. Optional extras include catering, coffee and projection equipment.

### Co-working space

Workspace in a shared environment – customers can benefit from our first-class support as well as the opportunity to share ideas and experience with others.

### Virtual office

An instant presence anywhere – includes call answering and mail handling with a professional business address.

## ADDING VALUE FOR STAKEHOLDERS

### PARTNERS

We can offer landlords of all sizes and anywhere in the world exciting opportunities to achieve and sustain reliable revenue streams from their property assets. Depending upon individual risk profiles and preferences, we can tailor our partnership relationships to fit any requirements from simple fit-outs to revenue and profit sharing arrangements.

### CUSTOMERS

Working with IWG helps corporate customers in many ways, from better talent attraction and retention to reduced real-estate costs and an optimised balance sheet. For smaller businesses, including freelancers, startups and expanding companies in local and international growth markets, we provide a global location footprint that's supported by high-quality, hassle-free customer service.

### EMPLOYEES

We recognise the importance that working environment plays in building employee loyalty. We have frontline people with many years' experience of meeting customer expectations while ensuring sustainable rental yields for our partners. Our world-class operating platform enables us to work efficiently across all brands, allowing us to reinvest in the customer experience while delivering strong shareholder returns.

### SHAREHOLDERS

Our operating model and strategy are designed to ensure we can deliver consistent and sustainable returns for shareholders while continuing to invest in our people, our brands and the customer experience. We are committed to a sustainable and progressive dividend, which reflects our confidence in the long-term performance of the business.

# PROFITABLE GROWTH AND LONG-TERM VALUE FOR OUR STAKEHOLDERS



"In a year that offered plenty of opportunity for distraction, the focus of our very talented workforce on the key drivers of our business delivered the performance improvement demonstrated in the second half of the year."

I am pleased to report that after a challenging start to the year our business responded in a strong and positive manner, to deliver a continuous improvement in performance, particularly during the second half of the year. Finishing the year in such a way provides a very encouraging platform for 2019.

During the year, the attractiveness of our business was highlighted by the significant levels of interest expressed by several organisations in potential offers for the Group. In the event, our Board unanimously determined that shareholder value would be maximised by executing upon our strategy as an independent public company. This is driven by our confidence in the long-term value of the business and our unique position in a high-growth industry. We believe we are at the most exciting point in a 30-year journey that has seen us become the outright global leader in the co-working and flexible workspace sector. This industry is fast becoming mainstream and benefiting from powerful global trends that drive long-term demand from every area of the market, from freelancers to global enterprises.

Looking at our results for 2018, Group revenue increased from £2,352.3m to £2,535.4m, an increase of 9.7% at constant currency. Revenues from all our open centres increased 13.3% at constant currency to £2,483.1m from £2,229.9m. The improvement in the growth rate of these revenues as we moved through the year was particularly pleasing. The 8% constant currency decline in operating profit to £154.1m (2017: £163.2m) was in line with our expectations, reflecting a strong year of investment in both our network, marketing and our people to support growth and improve our customer experience and drive greater scale benefits from our business model. We also incurred significant costs related to the potential offers for the Group.

Reflecting the attractive structural growth dynamics of our industry and the capability of our proven business model to deliver profitable growth, we continued to build our global and national networks with the addition of over 6.8m sq. ft. of new

space and 299 new locations, taking the total for the Group to 3,306 locations as at 31 December 2018. In improving the breadth of our offering, we have strengthened our position to meet the growing demand from our customers globally.

We remain encouraged by the strong development of our newer centres which validates the Group's strong focus on capital allocation discipline. This discipline has allowed the Group to maintain a robust financial position, which was further strengthened post the year-end with an increase in our Revolving Credit Facility from £750m to £950m and an improvement in the maturity profile with strong support from our lending banks. Based on the strong cash generation of our business we returned £93.9m during the year to our shareholders through a continuation of our progressive dividend policy and the repurchase of shares.

## STRATEGY

We offer a variety of attractive workspaces through a range of brands that respond to different customer needs and are continuing to rapidly expand our national networks to provide an even broader choice of convenient working locations. We are confident that the approach of offering this uniquely broad choice in type and location of workspace combined with our efforts to continuously improve the customer experience and enhance our digital platform are the right actions to maintain our strong leadership position in the rapidly growing co-working and flexible workspace sector.

Our focus in 2019 and for the foreseeable future remains on achieving and sustaining the profitable growth that will allow us to continue investing in the customer experience, our digital platform, and the development of our employees while delivering strong returns to our shareholders. To achieve this, we are focusing more closely on partnering deals with property owners and investors. We are also strongly promoting opportunities for partners to share in the growing success of our network across the world, and we have an excellent pipeline in

developing and developed markets alike. We see this as a very important growth tool for IWG, and we will be placing even more emphasis upon it during 2019 and beyond.

Our approach during 2018 was highly successful in markets around the world. Total revenue growth in the US, which is our largest market with 1,014 locations, was over 10% at constant currency and profit growth was even stronger. Total revenue growth in EMEA was particularly good with a 17.1% increase at constant currency. We were also delighted by our progress in the Asia Pacific region, with double-digit revenue growth across our Mature businesses in Japan, Hong Kong and the Philippines.

As previously highlighted, our business in the UK has faced challenges in recent times. We took corrective actions to address these challenges which negatively affected our financial performance during 2018. We are focused on completing the revitalising of our UK operations through further selective closures, refurbishing sites where we wish to remain and investing more in customer service. Although this will continue to have a short-term financial impact, these are the right actions to stimulate long-term profitable growth in the UK. This is supported by the highly encouraging performance of our new locations in 2017 and 2018, particularly that of our new Spaces sites in London. Overall, even taking the potential impact of Brexit into account, we remain positive about the medium to long-term future of the UK market.

## OUR BOARD

The Board was very active during 2018 and performed strongly throughout what was a very eventful period for the Group. I would like to thank all my Board colleagues for their significant time commitments and valuable contributions in addressing the challenges the Group faced and efforts towards creating an exciting future for the Group.

I would like to welcome Eric Hageman as our new Chief Financial Officer. Eric brings us highly relevant expertise and experience gained in Chief Financial Officer roles at Telecity Group and Royal KPN. Eric performed strongly as our interim Chief Financial Officer and will be an excellent long-term addition to the management team.

A new role has been established with responsibility for Board engagement with employees and I am delighted that Nina Henderson has agreed to take this role as well as taking over Board oversight for the Group's corporate responsibility activities. Nina's knowledge, experience and passion for these areas makes her well suited for these roles.

After nine years on the Board, Elmar Heggen will resign as a Non-Executive Director with effect from our annual general meeting on 14 May 2019. I would like to thank Elmar for his good counsel, meaningful insights and recommendations over this period. We are pleased to announce that Laurie Harris will join IWG as a Non-Executive Director of the Company and succeed Elmar as Chair of the Audit Committee. The appointment will take effect from 14 May 2019 and is subject to applicable law including shareholder approval at the Company's forthcoming annual general meeting. Laurie has significant executive leadership and boardroom experience. She currently serves as an Independent Director and Audit Committee Chair of the board of directors of QBE North America, an integrated specialist insurer. Previously, Laurie was with PricewaterhouseCoopers LLP as a Global Engagement Audit Partner where she helped

"We offer a variety of attractive workspaces through a range of brands that respond to different customer needs and are continuing to rapidly expand our national networks to provide an even broader choice of convenient working locations."

PricewaterhouseCoopers LLP's larger clients address and act upon complex business challenges and opportunities in the United States and internationally. Laurie advised over 20 Audit Committees of large public companies and private equity backed entities, including Fortune 100 financial services companies.

I would also like to thank our former Chief Financial Officer and Chief Operating Officer, Dominik de Daniel, for his contributions during his time at IWG.

## OUR PEOPLE

In a year that offered plenty of opportunity for distraction, the focus of our very talented workforce on the key drivers of our business delivered the performance improvement demonstrated in the second half of the year. Their energy and commitment are at the core of our ability to improve the performance of our existing business while continuing to deliver strong growth. Their tireless work and creativity are key to our efforts to ensure that our over 2.5 million members in over 110 countries have "a great day at work".

At our senior leadership conference in Rome during January 2019 there was a new and more intense level of enthusiasm for the future plans of the Group and a sense of pride in being on the team of the market leader in our exciting and rapidly growing industry. I see the effects of this enthusiasm and efforts reflected every day at every level of the Group and on behalf of the Board would like to personally thank everybody involved for their continued contributions and commitment to succeed.

## DIVIDEND

We continue with a sustainable and progressive dividend policy that reflects both our confidence in the long-term prospects of the business and our desire to reward shareholders for their loyalty.

We are therefore recommending a 10% increase in the final dividend to 4.35p. Subject to the approval of shareholders at the 2019 AGM, this will be paid on 24 May 2019 to shareholders on the register at the close of business on 26 April 2019. This represents an increase in the full year dividend of 11% to 6.30p (2017: 5.70p).

## DOUGLAS SUTHERLAND CHAIRMAN

6 March 2019

# 2018: CONSISTENT SEQUENTIAL QUARTERLY IMPROVEMENT



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

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

## ATTRACTIVE INVESTMENT RETURNS

The improvement in our performance throughout the year has helped to deliver a strong post-tax cash return on net investment that exceeds the Group's cost of capital. The post-tax cash return on net growth investment from locations opened on or before 31 December 2013 was 20.6% (2017: 19.3%). Moving the maturity profile of the estate forward one year to all those locations opened on or before 31 December 2014, the post-tax cash return was 19.8% (2017: 18.3%). Our post-tax returns are calculated after deducting all net maintenance capital expenditure incurred in the year. During 2018, as expected, we invested more in net maintenance capital expenditure to take the opportunity to refresh some of our existing locations, particularly in the UK.

## SEQUENTIALLY IMPROVING FINANCIAL PERFORMANCE

Group revenue increased 9.7% at constant currency to £2,535.4m. This performance has been achieved through a consistent improvement through the course of the year. First quarter constant currency year-on-year revenue growth was 6.7%, rising to 7.1% for the half year and to 8.1% for the nine months to 30 September. Year-on-year revenue growth achieved in the fourth quarter was 14.3%. These Group numbers also include the impact from closures, which has been significant in 2018, with 118 closures, as we continued to

actively manage our estate. Consequently, a better indication of the performance of the ongoing business is provided by the revenues generated by our open centres. On this basis, revenue increased 13.3%, at constant currency, to £2,483.1m (2017: £2,229.9m). Encouragingly, we witnessed the same trend of improving growth, rising steadily through the year from 9.0% in the first quarter to 18.5% constant currency growth in the fourth quarter with all regions contributing.

## INVESTING IN OUR GLOBAL PLATFORM

To support the ongoing development of the business and strengthen our global operating platform we selectively invested in overheads, particularly in our partnering and enterprise account activities. This investment was made within the strong cost control framework maintained by the Group. We also incurred significant costs in respect of the various approaches for the Group. Overall, overheads increased 10% at constant currency from £237.6m to £253.7m. Notwithstanding the increase in overheads, we maintained our industry leading overhead efficiency with overheads as a percentage of revenue down 10bp to 10.0% (2017: 10.1%). After the investment in overheads, together with the start-up costs from new centres added during the year and the closure of 118 locations, operating profit declined 8% at constant currency to £154.1m (2017: £163.2m). An outcome in line with management's expectations.

Our growth programme accelerated in 2018 with net growth capital expenditure of £332.0m. This investment reflects a record level of organic growth and a significant investment in locations due to open in 2019 resulting from a strong growth pipeline, especially in our Spaces format. In total we added 299 locations, only nine of which were acquired, and 6.8m sq. ft. of space.

## GROUP INCOME STATEMENT

£m	2018	2017	% Change (constant currency)	% Change (actual currency)
Revenue	<b>2,535.4</b>	2,352.3	9.7%	7.8%
Gross profit (centre contribution)	<b>409.2</b>	401.6	3%	2%
Overheads	<b>(253.7)</b>	(237.6)	10%	7%
<b>Operating profit<sup>(1)</sup></b>	<b>154.1</b>	163.2	(8)%	(6)%
<b>Profit before tax</b>	<b>138.7</b>	149.4		(7)%
Taxation	<b>(33.0)</b>	(35.4)		
<b>Profit after tax</b>	<b>105.7</b>	114.0		(7)%
<b>EBITDA</b>	<b>389.9</b>	376.2	4%	4%

1. Including joint ventures

The Group generated a gross profit of £409.2m (2017: £401.6m), an increase of 3% at constant currency. This performance is after a significant investment in the new 2018 openings and the impact of closures. Excluding these factors, the gross profit on the pre-2018 business increased by 17% from £394.6m to £460.0m.

## GROSS MARGIN

	Revenue £m		Gross margin %		
	2018	2017	% Change (constant currency)	2018	2017
2015 Aggregation	<b>2,107.7</b>	2,072.2	3.6%	<b>21.6%</b>	20.6%
New 16	<b>130.1</b>	106.5	24.0%	<b>5.4%</b>	(12.1)%
New 17	<b>179.9</b>	51.2	354.9%	<b>(1.1)%</b>	(36.3)%
Pre-18	<b>2,417.7</b>	2,229.9	10.4%	<b>19.0%</b>	17.7%
New 18 <sup>(2)</sup>	<b>65.4</b>	—	—	<b>(48.2)%</b>	—
Open centre revenue	<b>2,483.1</b>	2,229.9	13.3%	<b>17.2%</b>	17.7%
Closures	<b>52.3</b>	122.4	(55.7)%	<b>(36.1)%</b>	5.7%
Group	<b>2,535.4</b>	2,352.3	9.7%	<b>16.1%</b>	17.1%

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

We generated £447.4m of EBITDA from the pre-2018 estate, up 19%. Group EBITDA increased 4% at constant currency to £389.9m (2017: £376.2m). These metrics are a good indication of the cash generation capability of our business model. With a positive working capital inflow of £166.4m and after the overhead investment noted above, we generated cash of £564.0m (2017: £425.8m).

We generated cash flow of £259.2m (2017: £215.5m) after increased maintenance capital expenditure, taxation and finance costs, but before investment in growth capital expenditure, dividends of £53.7m and £40.2m on buying back shares. After the significant investment in these items, Group net debt increased from an opening position of £296.4m to £460.8m at 31 December 2018. This represents a net debt to EBITDA leverage ratio of 1.2x, thereby continuing our prudent approach to the Group's capital structure. At 31 December 2018, we had approximately £140m of freehold property on the balance sheet.

## THE MARKET IN 2018

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

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

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

### THE FORCES ACCELERATING OUR DEVELOPMENT

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

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

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

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

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

### DEVELOPING THE NETWORK

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

We opened 299 new locations during 2018, 290 of which were organic openings. These locations added approximately 6.8m sq. ft., taking the Group's total space globally to 57.3m sq. ft. as at 31 December 2018. Another important focus area was the roll-out of our Spaces format. During 2018 we accelerated our roll-out of the Spaces format with the addition of 103 locations, which represented approximately 56% of the space added. The investment in our Spaces format during 2018 represented approximately two-thirds of the Group net growth capital expenditure.

During 2018, we invested £332.0m of net growth capital expenditure. This investment included expenditure on locations opened before 2018 and to be opened in 2019 of £91.6m, higher than previous years, primarily reflecting the strong pipeline with which we have entered 2019, most notably in our Spaces brand.

We finished 2018 strongly, with 95 additions in the fourth quarter. This momentum has continued, and we have a good pipeline of new openings already for 2019. At the end of February 2019, we had visibility on 2019 net growth capital expenditure of approximately £200m, representing approximately 190 locations and 5.2m sq. ft. of additional space.

### A CONTINUING GROWTH STORY

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

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

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

To support our goal of providing our customers with a quality experience to ensure they have “a great day at work”, we have continued to innovate our platform. We strengthened our industry-leading and highly scalable digital platform to give customers an even better experience and access to higher levels of service which they can self-serve. We launched an account help desk and provided more centralised call handling. We continued to train and develop our people, simultaneously providing our customer-facing employees with the 24/7 global support they need to drive customer retention by focusing exclusively on meeting customer needs.

## IMPROVING PERFORMANCE AT CENTRE LEVEL

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

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

## ENTERPRISE ACCOUNTS

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

The opportunity is huge. As we reported in our 2018 interim results, our largest strategic corporate client uses 100 centres in 32 countries. Many others are using 10 or more centres, both nationally and in multiple countries. We believe there are many opportunities to develop other relationships of similar scale across the world.

## BUILDING OUR BRANDS

Our brand strategy is an important element of our commitment to profitable growth. We recognise that not all our customers want exactly the same flexible workspace solutions. This is even true of different departments within the same organisation. Our multi-brand offer addresses this issue, and during the year we expanded brands, including No18 and HQ. We also saw strong growth in our Regus brand, with 175 new centres, and 103 new locations for our extremely popular Spaces co-working format.

## SOLID OPERATING PLATFORM

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

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

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

## EXPANDING SERVICE PORTFOLIO

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

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

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

### PERFORMANCE BY REGION

Looking to our financial performance in more detail, mature revenue increased by 4.6% during the year at constant currency, with sequential improvements in each quarter through the year, culminating in an 8.2% year-on-year improvement in the fourth quarter. This sustained improvement throughout the period was primarily driven by improvements in the Americas and EMEA, which had a particularly strong second half.

On a regional basis, mature<sup>(1)</sup> revenue and contribution can be analysed as follows:

£m	Revenue		Contribution		Mature gross margin (%)			
	2018	2017	% Change (constant currency)	2018	2017	% Change (constant currency)	2018	2017
Americas	<b>961.7</b>	930.3	6.6%	<b>207.6</b>	162.3	31%	<b>21.6%</b>	17.4%
EMEA	<b>527.1</b>	493.7	7.2%	<b>128.0</b>	105.9	21%	<b>24.3%</b>	21.5%
Asia Pacific	<b>368.0</b>	361.1	4.5%	<b>76.2</b>	71.4	9%	<b>20.7%</b>	19.8%
UK	<b>376.5</b>	390.3	(3.5)%	<b>49.3</b>	75.2	(34)%	<b>13.1%</b>	19.3%
Other	<b>4.5</b>	3.3		<b>(0.2)</b>	(1.2)			
<b>Total</b>	<b>2,237.8</b>	2,178.7	4.6%	<b>460.9</b>	413.6	13%	<b>20.6%</b>	19.0%

1. Centres open on or before 31 December 2016

### AMERICAS

Revenue from open centres increased 12.8% at constant currency to breach the billion-mark with £1,030.1m. Total revenue (including closed centres) in the Americas increased 9.8% at constant currency to £1,048.5m (up 6.5% at actual rates). Mature revenue in the region increased 6.6% at constant currency to £961.7m (up 3.4% at actual rates), with good sequential improvements during the year. This resulted in a strong finish to the year with 8.4% growth in mature revenue at constant currency in the fourth quarter.

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

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

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

### EMEA

Our EMEA business has had a strong year overall. Revenue from all open centres increased 20.7% at constant currency to £617.9m. Total revenue increased 17.1% at constant currency to £630.8m (up 16.7% at actual rates). Mature revenue in the region increased 7.2% at constant currency to £527.1m (up

6.8% at actual rates) for the year. These growth rates reflect a very strong second half performance with growth accelerating in Q4. With the improvement in revenue performance, the mature gross margin increased from 21.5% to 24.3%. Mature occupancy increased from 76.6% to 77.0%.

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

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

### ASIA PACIFIC

Overall, our Asia Pacific region reported a solid performance. Revenue from all the open centres increased 13.3% at constant currency to £404.6m. Total revenue in the region increased 10.3% at constant currency to £412.2m (up 7.6% at actual rates) and revenue performance was stronger in the second half of the year. In the Mature business, revenue increased 4.5% at constant currency (up 1.9% at actual rates), with a good Q4 performance of 5.8% growth to finish the year.

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

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

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

## UK

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

Revenue from all the open centres increased 5.2% to £425.6m. Total revenue (including closed centres) was broadly unchanged at £439.0m (2017: £440.0m). Revenue from the Mature business in the UK declined 3.5% to £376.5m. This reflects an improvement in the second half, with revenue increasing 2.8% in Q4.

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

We added 27 new locations in the UK, including 15 new Spaces locations. Over 40% of the new locations were via partnering agreements. In addition to adding high quality new centres into our UK business we have been actively repositioning the existing estate by increased selective investment and, where appropriate, closing locations. We had 326 locations in the UK at 31 December 2018.

## OUTLOOK

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

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

With the continued investment in the building blocks of our business and with the momentum generated through the year, we have had a strong start to 2019. The positive trends in global sales activity have strengthened the order book. The new

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

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

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

## MARK DIXON

CHIEF EXECUTIVE OFFICER

6 March 2018

# A STRATEGY FOR SUSTAINABLE GROWTH

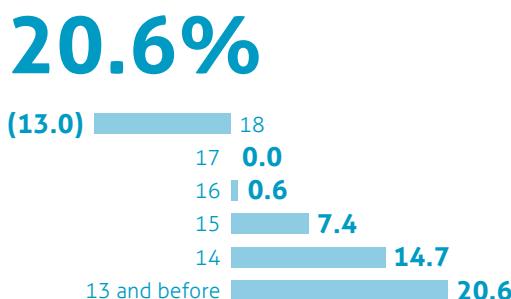
We aim to deliver strong and sustainable returns to our investors through providing customers of all types across the world with convenient, inspiring and innovative work environments that suit the full range of workspace and service needs.

## DELIVERING ATTRACTIVE, SUSTAINABLE RETURNS

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

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

Overall 2018 return on net growth investment made up to 31 December 2013 of 20.6%.



### Future ambitions and risks

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

## DELIVERING PROFITABLE GROWTH

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

### EBITDA development (£m)

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

**£389.9m**



### Future ambitions and risks

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

## CASH GENERATION

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

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

During 2018, we generated £259.2m of cash before growth capital expenditure, dividends and share buybacks.

**£259.2m**



#### Future ambitions and risks

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

## COST LEADERSHIP

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

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

### Total overheads as percentage of revenue (%)

Overheads as a % of revenue well controlled.

**10.0%**



#### Future ambitions and risks

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

## DEVELOPING GLOBAL & NATIONAL MULTI-BRAND NETWORKS

We are continuing to grow our networks in those markets with the greatest growth potential and where demand is strongest. By expanding our network, investing in services and continuously improving the quality of our infrastructure and centres, we are able to expand our potential customer base whilst retaining more of our existing customers.

### Location growth

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

### Number of locations

**3,306**



#### Future ambitions and risks

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

# ENCOURAGING IMPROVEMENT IN PERFORMANCE THROUGH THE YEAR



"A key characteristic of our business model is its cash generation capability through strong profit conversion. Cash generated before net investment in growth capital expenditure, dividends and share repurchases increased by £43.7m to £259.2m from £215.5m, up 20%. Cash flow per share increased 22% to 28.6p from 23.5p."

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

## REVENUE

Reported Group revenue increased 9.7% at constant currency to £2,535.4m (2017: £2,352.3m). Reflecting the uplift in sales activity experienced since October 2017, revenue growth improved consecutively in each quarter. After 6.7% year-on-year constant currency Group revenue growth in the first quarter, this improved to 7.1% for the half year, 8.1% year-to-date to September 2018 and closed the year with a strong fourth quarter performance to deliver the 9.7% growth reported for the whole of 2018. All four regions contributed to this development. There were good double-digit improvements in EMEA and Asia Pacific and near double-digit growth from the Americas. The UK, although marginally down year-on-year, moved into a positive position in the fourth quarter, a quarter which also witnessed stronger growth in the other three regions.

This performance trend was also reflected in open centre revenue growth which is not impacted by the effect of closures in the same way as Group revenue. For 2018 constant currency open centre revenue growth was 13.3% with all regions contributing positively. Again, the trend in growth improved throughout the year from 9.0% in the first quarter to 18.5% in the fourth quarter. Key drivers to this performance have been the conversion of the improved sales activity into better occupancy in the Mature business and strong development of the newer locations. The latter is a reflection of our capital discipline and strong investment processes.

The improved sales activity and the maturation of the 2016-year group additions delivered the anticipated improvement in mature revenue. Growth in mature revenues for the year, at

constant currency, was 4.6%. This is a significant improvement on the 2.4% for the first half of 2018 and was delivered by improvements in all regions, most significantly from EMEA, with a strong second half increase, and the Americas. Mature occupancy moved up 50bp to 74.2% (2017: 73.7%), with the expected decline in occupancy in the UK more than offset by improvements in the other regions, most notably the Americas and EMEA.

## GROSS PROFIT

Group gross profit was £409.2m (2017: £401.6m), up 3% at constant currency, reflecting a stronger second half performance after reporting a 5% decline for the first half. There were strong increases in the Americas and EMEA which more than compensated for the declines in the UK and Asia Pacific. This continuing improvement reflects an increase in the gross profit from the Mature business of £47.3m, a higher level of initial losses from the new centre additions of £14.4m and an adverse variance of £25.3m on closed locations. The 160bp improvement in the mature margin to 20.6% reflects the encouraging development seen through 2018 and provides a good basis for 2019. At the Group level, the improvement in the mature margin has been negated by the dilutive impact from closures and new openings, with the associated investment in pre-recruiting and training additional centre team members. This has resulted in a reduction in the Group gross margin from 17.1% to 16.1%.

## EBITDA

Group EBITDA increased £13.7m to £389.9m. With the continued investment in the building blocks of our business, the increase in our depreciation and amortisation of £22.8m more than offset the £9.1m reduction in operating profit. This higher level of depreciation reflects the significant investment made in recent years to grow the business globally. Consequently, a better indication of the performance of our business is provided by our pre-18 estate EBITDA. We generated £447.4m of EBITDA from our pre-18 estate, an increase of 19% on the £376.2m generated in 2017.

## FINANCIAL PERFORMANCE

### Group income statement

£m	2018	2017	% Change (constant currency)	% Change (actual currency)
Revenue	<b>2,535.4</b>	2,352.3	9.7%	7.8%
Gross profit (centre contribution)	<b>409.2</b>	401.6	3%	2%
Overheads	<b>(253.7)</b>	(237.6)	10%	7%
Joint ventures	<b>(1.4)</b>	(0.8)		
<b>Operating profit</b>	<b>154.1</b>	163.2	(8)%	(6)%
Net finance costs	<b>(15.4)</b>	(13.8)		
<b>Profit before tax</b>	<b>138.7</b>	149.4		(7)%
Taxation	<b>(33.0)</b>	(35.4)		
<i>Effective tax rate</i>	<b>23.8%</b>	23.7%		
<b>Profit after tax</b>	<b>105.7</b>	114.0		
Basic EPS (p)	<b>11.7</b>	12.4		(6)%
Depreciation & amortisation	<b>235.8</b>	213.0		
<b>EBITDA</b>	<b>389.9</b>	376.2	4%	4%

### GROSS MARGIN

£m	Mature centres	New centres	Closed centres	Total 2018
Revenue	2,237.8	245.3	52.3	<b>2,535.4</b>
Cost of sales	(1,776.9)	(278.7)	(70.6)	<b>(2,126.2)</b>
Gross profit (centre contribution)	460.9	(33.4)	(18.3)	<b>409.2</b>
Gross margin	20.6%	(13.6)%	(35.0)%	<b>16.1%</b>

£m	Mature centres	New centres	Closed centres	Total 2017
Revenue	2,178.7	51.2	122.4	2,352.3
Cost of sales	(1,765.1)	(70.2)	(115.4)	(1,950.7)
Gross profit (centre contribution)	413.6	(19.0)	7.0	401.6
Gross margin	19.0%	(37.1)%	5.7%	17.1%

### OVERHEAD INVESTMENT

Measured as a percentage of revenue, overhead reduced 10bp to 10.0% in 2018. Further simplification and centralisation of more activities is expected to unlock more scale benefits which should reflect positively on this ratio over the coming years.

As planned, the second half saw a similar investment in overheads as in the first half with a resultant 10% constant currency increase for the year to £253.7m (2017: £237.6m). This investment is important to build a strong foundation for the anticipated future growth of the business and the way it will be delivered. Accordingly, additional headcount investment has gone into building our partnering and enterprise account teams, as well as investment into the various activities to support the network development, including incremental marketing.

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

### OPERATING PROFIT

Group operating profit reduced £9.1m to £154.1m from £163.2m. This reflects the combination of a lower gross profit margin, for reasons previously discussed, and the absolute increase in overheads as noted above.

It was negatively impacted by closure related provisions of £16.0m, as we continued to actively manage our estate, as well

as costs incurred as part of the interest expressed by several organisations in potential offers for the Group in 2018. This impact was offset by the release of inactive customer deposits of £17.6m identified as part of our ongoing active management of working capital, together with a £6.2m beneficial impact from the recognition of negative goodwill as reported in the interim results.

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

### NET FINANCE COSTS

The Group's net finance costs increased to £15.4m (2017: £13.8m). This reflects the higher level of borrowing through 2018 compared to 2017, and the cost of increasing the Revolving Credit Facility from £550m to £750m in May 2018. These higher costs were partially offset by a small positive benefit from foreign exchange movements.

### TAX

The effective tax rate for 2018 of 23.8% is broadly unchanged (2017: 23.7%). This is marginally higher than anticipated due to profit mix and some one-off items that can occur in a global business of this scale. Looking forward at the factors that can influence the effective tax rate would suggest a similar rate based on pre IFRS 16 GAAP. However, under IFRS 16 the Group's effective tax rate may potentially be higher as the profit before

tax is reduced, reflecting the additional finance costs associated with the lease liability. The extent of this will depend on how local tax rules treat the IFRS 16 deductions where implemented as well as the deferred tax impact in respect of countries not adopting the new standard.

### EARNINGS PER SHARE

Group earnings per share for 2018 were 11.7p (2017: 12.4p). This lower level of earnings per share primarily reflects the lower profitability, as we continue to build out our network, being partially offset by the 1% reduction in the weighted average number of shares outstanding for the year through share repurchases.

The weighted average number of shares for the year was 907,077,048 (2017: 915,676,309). The weighted average number of shares for diluted earnings per share was 914,206,379 (2017: 926,237,704). As at 31 December 2018 the total number of shares in issue was 894,620,484.

For the year to 31 December 2018, IWG plc purchased 17,489,685 shares designated to be held in treasury at a cost of £40.2m and 1,739,476 treasury shares were used to satisfy the exercise of share awards by employees. As at 31 December 2018 the Group held 28,736,954 shares in treasury.

### CASH FLOW AND FUNDING

A key characteristic of our business model is its cash generation capability through strong profit conversion. Cash generated before net investment in growth capital expenditure, dividends and share repurchases increased by £43.7m to £259.2m from £215.5m, up 20%. Cash flow per share increased 22% to 28.6p from 23.5p. This increase arises from the positive impact from the growth in the Group's EBITDA and the strong working capital inflow, which is partly offset by the anticipated increase in investment in maintenance capital expenditure and higher cash outflows in respect of taxation and finance costs. The greater usage of our Revolving Credit Facility is the main driver behind the increase in the cash outflow for finance costs. The strength of the Group's EBITDA performance, particularly the pre-18 estate, in a year when operating profit declined, provides a good indication of the scale of cash generated in the year.

### CAPITAL INVESTMENT

Whilst our strategic focus remains on continuing to target less capital-intensive growth, our net growth capital investment of £332.0m in 2018 is higher than our previous guidance on pipeline visibility of c.£230m and c.275 locations offering approximately 6.7m sq. ft. of flexible space. There are several contributing factors to this outcome. Firstly, we opened 299 locations, with a strong end to the year with 95 locations opened in the fourth quarter. This momentum at the year-end also resulted in a stronger pipeline of openings scheduled for 2019 on which a higher level of capital expenditure was incurred in 2018 than had been assumed in the pipeline guidance. As these locations were in development and not opened, there is also a timing difference in relation to the receipt of partner contributions.

As planned, with our refurbishment programme stepped up during 2018, our investment in maintenance capital expenditure increased by £16.4m to £112.0m (2017: £95.6m). After partner contributions received in the year, net maintenance capital expenditure was £88.5m, a £15.0m increase on the net investment in 2017 of £73.5m. On a gross

and a net basis, the investment in 2018 represented 4.4% and 3.5% of Group revenues. Both percentages are c.40bp higher than in 2017, which is in line with management's expectations.

### NET DEBT

Consequently, net debt increased from £296.4m at 31 December 2017 to £460.8m at 31 December 2018. This increase also comes after paying dividends of £53.7m and spending £40.2m on buying our own shares. Whilst our debt is higher, this still represents a Group net debt to EBITDA leverage ratio of 1.2 times. Although our approach to our borrowing continues to be prudent, we continue to recognise the long-term benefit of also operating with an efficient balance sheet. As at 31 December 2018 we had approximately £140m of freehold property investment on the balance sheet.

### INCREASED FUNDING SUPPORT

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

### CASH FLOW

The table below reflects the Group's cash flow:

£m	2018	2017
Group EBITDA	<b>389.9</b>	376.2
Working capital	<b>166.4</b>	44.2
Less: growth-related partner contributions	<b>(144.8)</b>	(80.6)
Maintenance capital expenditure	<b>(112.0)</b>	(95.6)
Taxation	<b>(37.1)</b>	(22.4)
Finance costs	<b>(15.7)</b>	(11.9)
Other items	<b>12.5</b>	5.6
<b>Cash flow before growth capital expenditure, share repurchases and dividends</b>	<b>259.2</b>	215.5
Gross growth capital expenditure	<b>(476.8)</b>	(353.1)
Less: growth-related partner contributions	<b>144.8</b>	80.6
<b>Net growth capital expenditure<sup>(1)</sup></b>	<b>(332.0)</b>	(272.5)
<b>Total net cash flow from operations</b>	<b>(72.8)</b>	(57.0)
Purchase of shares	<b>(40.2)</b>	(51.1)
Dividend	<b>(53.7)</b>	(48.5)
Corporate financing activities	<b>1.9</b>	4.2
Opening net debt	<b>(296.4)</b>	(151.3)
Exchange movement	<b>0.4</b>	7.3
<b>Closing net debt</b>	<b>(460.8)</b>	(296.4)

1. Net growth capital expenditure of £332.0m relates to the cash outflow in 2018. Accordingly, it includes capital expenditure related to locations opened before 2018 and to be opened in 2019 of £91.6m

## RETURN ON INVESTMENT

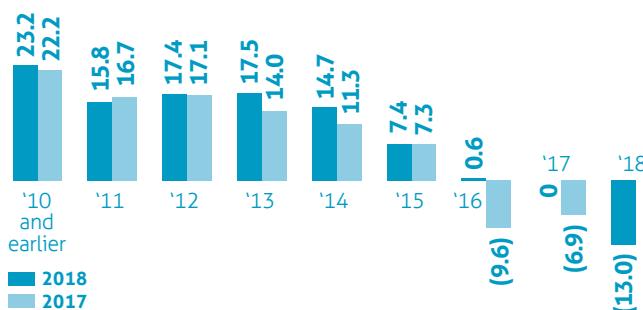
Our strong focus on capital discipline is a fundamental part of our strategy, which is focused on generating attractive returns from our investments. For the 12 months ended 31 December 2018, the Group delivered a strong post-tax cash return on net growth investment of 20.6% in respect of locations opened on or before 31 December 2013 (19.3% on the same estate for the 12 months ended 31 December 2017). This estate encompasses a broad range of centre vintages, including the very first centre opened 30 years ago, and some acquired locations going back even further, which are continuing to contribute strongly to this post-tax cash return. Moving the aggregated estate forward and incorporating the centres opened during 2014, the Group delivered a post-tax cash return on net growth investment of 19.8% (the equivalent return for the 12 months ended 31 December 2017 on the same estate was 18.3%). These post-tax cash returns are calculated after deducting all the maintenance capital expenditure invested during 2018. This investment extends the cash returns we achieve on our centres including the longer established ones.

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

### 2018 POST-TAX CASH RETURN ON NET

### INVESTMENT BY YEAR GROUP

### 12 months to 31 December 2018 (%)



- 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.
- These returns relate to the 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.

## FOREIGN EXCHANGE

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

### Foreign exchange rates

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

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

## RISK MANAGEMENT

The principal risks and uncertainties affecting the Group remain broadly unchanged. A detailed assessment of the principal risks and uncertainties and the risk management structure in place can be found on pages 34 to 41 and 59 to 62 of the Annual Report and Accounts.

## RELATED PARTIES

There have been no changes to the type of related party transactions entered by the Group that had a material effect on the financial statements for the period ended 31 December 2018. Details of related party transactions that have taken place in the period can be found in note 30 to the 2018 Annual Report and Accounts.

## DIVIDENDS

We continue our commitment to a sustainable and progressive dividend policy and, subject to shareholder approval, we will increase the final dividend for 2018 by 10% to 4.35p (2017: 3.95p). This will be paid on Friday, 24 May 2019, to shareholders on the register at the close of business on Friday, 26 April 2018. This represents an increase in the full-year dividend of 11%, taking it from 5.70p for 2017 to 6.30p for 2018.

## IFRS 16 LEASES

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

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

Further details of this initial assessment, together with the approach and assumptions adopted by the Group, can be found on pages 136 and 137.

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

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

## ERIC HAGEMAN

CHIEF FINANCIAL OFFICER

6 March 2019

# STRONG FOCUS ON RISK MANAGEMENT

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

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 on pages 52 to 56.

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 for all countries and Group functions;
- Individual reviews of every new location investment and all acquisitions;
- Annual budgeting and planning process for all markets and Group functions;
- Review of the status of our principal risks at each Audit Committee meeting; and
- Annual review of all risks in our risk register.

## BOARD

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

## AUDIT COMMITTEE

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

## SENIOR LEADERSHIP TEAM

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

## GENERAL MANAGEMENT

- Responsible for compliance and ensuring that staff are adequately trained

## BUSINESS ASSURANCE FUNCTION

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

## PRINCIPAL RISKS

Risk	Mitigation	Changes since 2017
<b>STRATEGIC</b>		
<b>Lease obligations</b>	<p><b>1 2 4</b></p> <p>The single greatest financial risk to IWG is represented by the financial commitments deriving from the portfolio of leases held across the Group. Whilst IWG has demonstrated consistently that it has a fundamentally profitable business model which works in all geographies, the profitability of centres is 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.</p>	<p>This risk is mitigated in a number of ways:</p> <ol style="list-style-type: none"> <li>1 97% of our leases are 'flexible', meaning that they are either terminable at our option within six months and/or located in or assignable to a standalone legal entity, which is not fully cross-guaranteed. In this way, individual centres are sustained by their own profitability and cash flow.</li> <li>2 Approximately one quarter of all our leases are variable in nature, which means that payments to landlords vary with the performance of the relevant centre. In this way the 'risk' to profitability and cash flow of that centre from fluctuations in market rates is softened by the consequent adjustment to rental costs.</li> <li>3 The sheer number of leases and geographic diversity of our business reduce the overall risk to our business as the phasing of the business cycle and the performance of the commercial property market often vary from country to country and region to region.</li> <li>4 Each year a significant number of leases in our portfolio reach a natural break point.</li> </ol>
<b>Economic downturn</b>	<p><b>1 4</b></p> <p>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.</p>	<p>The Group has taken a number of actions to mitigate this risk:</p> <ol style="list-style-type: none"> <li>1 Approximately one quarter of all our leases are variable in nature and our rental payments, if any, vary with the performance of the centre.</li> <li>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.</li> <li>3 We review our customer base to assess exposure to a particular customer or industry group.</li> <li>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.</li> </ol>

### Link to strategy

- 1** Delivering attractive, sustainable returns
- 2** Developing profitable growth
- 3** Cash generation

- 4** Cost leadership
- 5** Developing global & national multi-brand networks

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

### PRINCIPAL RISKS

Risk	Mitigation	Changes since 2017
<b>STRATEGIC</b>		
<b>Emerging trends and disruptive technology</b>		
<b>1</b> 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 2018 IWG continued to invest in research and development – both to unlock efficiencies and improve the overall proposition to customers. In 2018, we launched customer apps for our HQ, BizDojo and No18 brands in addition to Regus, Spaces and Basepoint. We have added many usability and self-service features including community and enhanced payment features. The user base has grown by 77% and we now service more than 700,000 on the platform. We continue to adopt a "Digital Business Centre Strategy" across all stakeholders and are leveraging "Internet of Things" (IoT) technologies to provide our customers with more convenience, comfort and personalisation in addition to creating better visibility and control of our utilisation of inventory in operations.
<b>Increased competition</b>		
<b>1 5</b> Increased competition in the serviced office industry and an inability to maintain sustainable competitive advantage may result in loss of market share.	While physical barriers to entry into the flexible workspace market at a local level are low, the barriers to establishing a national or international network are much higher, making it difficult for any competitor to challenge our market position and commercial success. 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 6% and added 53 new towns and cities and two countries. We accelerated the roll-out of our Spaces co-working format with the opening of 103 new locations and the development of a strong pipeline for 2019. We continued to expand our multi-brand offering during 2018 to cater to different customer segments with varied needs and price points. We increased our investment in refurbishing existing network locations during 2018.
<b>Exposure to UK political developments</b>		
<b>1 2 5</b> Exposure to UK political developments including Brexit.	The Group is continually monitoring political developments in the UK to identify and assess the medium to long-term implications of Brexit and the impact that it may have on our business. Uncertainty over the UK's eventual relationship with the EU creates a more uncertain outlook for the UK economy. Accordingly, the Group has had a prudent approach to growing its presence in the UK market.	 Dependency on the UK market has been reduced by growth being focused outside the UK. Only 9% of the new locations added during 2018 were in the UK. During 2018 the opportunity was taken to consolidate some locations in the UK. In addition, several locations were refurbished, and 27 new locations added, more than half in our Spaces format. Overall our network in the UK increased from 313 to 326 locations. Based on the current position over 34% of our leases with landlords in the UK are variable in nature.

## PRINCIPAL RISKS

Risk	Mitigation	Changes since 2017
<b>STRATEGIC</b>		
<b>Business planning and forecasting</b>		
<b>1 2 3 4</b>		
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.
<b>FINANCIAL</b>		
<b>Funding</b>		
<b>1 3</b>		
The Group relies on external funding to support a net debt position of £460.8m at the end of 2018. The loss of these facilities would cause a liquidity issue for the Group.	The Group constantly monitors its cash flow and financial headroom development and maintains a 12-month rolling forecast and a three-year strategic outlook. The Group also monitors the relevant financial ratios against the covenants in its facilities to ensure the risk of breach is being managed. The measurement of these covenant ratios is unaffected by the forthcoming implementation of IFRS 16. The Group also stress tests these forecasts with downside scenario planning to assess risk and determine potential action plans. The Board intends to maintain a prudent approach to the Group's capital structure. Part of the annual planning process is a debt strategy and action plan to ensure that the Group will have sufficient funding in place to achieve its strategic objectives. The Group also constantly reviews and manages the maturity profile of its external funding.	 We increased our committed Revolving Credit Facility in January 2019 from £750m to £950m and improved the debt maturity profile by extending it to 2024 (previously 2023). There is an option to extend by a further two years. IWG had a net debt : EBITDA ratio at 31 December 2018 of 1.2 times. There is significant headroom on the covenant ratios.
<b>Exchange rates</b>		
<b>1 4</b>		
The principal exposures of the Group are to the US dollar and the euro, with approximately 36% of the Group's revenue being attributable to the US dollar and 16% to the euro. Any depreciation or appreciation of sterling would have an adverse or beneficial impact on the Group's reported financial performance and position respectively. The Group does not generally hedge the translation exchange risk of its business results. Rather, it assumes that shareholders will take whatever steps they deem necessary based on their varied appetites for exchange risk and differing base currency investment positions.	Given that transactions generally take place in the functional currency of Group companies, the Group's exposure to transactional foreign exchange risk is limited. Where possible, the Group attempts to create natural hedges against currency exposures through matching income and expenses, and assets and liabilities, in the same currency. The Group, where deemed appropriate, uses currency swaps to maintain the currency profile of its external debt.	 Overall in 2018 the movement in exchange rates reduced reported revenue and gross profit by £45.9m and £3.2m respectively. Operating profit increased by £2.6m.

### PRINCIPAL RISKS

Risk	Mitigation	Changes since 2017
<b>FINANCIAL</b>		
<b>Interest rates</b>		
<b>4</b>		
Operating in a net debt position, an increase in interest rates would increase finance costs.	The Group constantly monitors its interest rate exposure as part of its monthly treasury review. As part of the Group's balance sheet management it utilises interest rate swaps.	 At the end of 2018 the level of interest rate protection was 25% of the Group's net debt being fixed for periods up to 2021.
<b>IFRS 16</b>		
<b>1</b>		
Impact on internal financial performance review vs IFRS 16 external compliance reporting. Impact of IFRS 16 external compliance reporting on perception of IWG's financial performance.	We will continue to provide IAS 17 (current reporting) as well as IFRS 16 reported numbers. A process has been established to allow for current internal reporting to continue unaffected by IFRS 16 external reporting requirements. Reconciliation between IFRS 16 reported numbers and internal reporting will be undertaken on a quarterly basis. We will prepare quarterly reconciliation between IFRS 16 reported numbers and pre-IFRS 16 compliant reported numbers, reflecting no impact on cash flows.	 The Group plans to supplement the requirement to report externally under IFRS 16 from 1 January 2019 with pre-IFRS 16 compliant numbers to provide a consistency of reporting for stakeholders. The Group intends to engage with stakeholders to explain the implication of IFRS 16.
<b>OPERATIONAL</b>		
<b>Cyber security</b>		
<b>1 4</b>		
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: <ol style="list-style-type: none"><li>1 The Group maintains an active information security programme under the direction of the Group CIO with oversight by the Information Security Committee and the Board.</li><li>2 We continually monitor our security using internal resources and external specialists to identify any vulnerabilities.</li><li>3 The Group ensures compliance with all major legislation and directives.</li><li>4 The Group maintains a mandatory training programme to promote staff awareness of information security and compliance with best practice.</li><li>5 Data, systems and access permissions are strictly segregated to reduce exposure to risk.</li><li>6 The Corporate Communications team is constantly engaged to provide support for any internal and customer facing incidents.</li></ol>	 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. Information security gap assessment against ISO 27000 was conducted by an external party and a risk-based roadmap was created.

# PRINCIPAL RISKS

Risk	Mitigation	Changes since 2017
<b>OPERATIONAL</b>		
<b>Business continuity</b>		
<b>1 2 4</b>		
The Group's systems and applications are housed in data centres. Should the data centres or other key locations such as our sales call centres be impacted as a result of circumstances outside the Group's control there could be an adverse impact on the Group's operations and therefore its financial results.	<p>IWG manages this risk through:</p> <ol style="list-style-type: none"> <li>Business continuity plans for our key systems and sites.</li> <li>A detailed service agreement with our external data centre provider which incorporates appropriate back-up procedures and controls.</li> <li>Ensuring appropriate business interruption insurance is in place.</li> <li>Transitioning core infrastructure to cloud-based and SaaS services.</li> </ol>	 <p>We undertake regular testing of business continuity procedures to ensure that they are adequate and appropriate.</p> <p>We have introduced redundant connectivity of independently routed circuits for our three main sales call centres.</p> <p>Currently implementing a cloud-based BCP solution for our key systems and applications.</p>
<b>Ethics and compliance</b>		
<b>4</b>		
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.	<p>IWG manages this risk through:</p> <ol style="list-style-type: none"> <li>Visible ethical leadership.</li> <li>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.</li> <li>Centralised procurement contracts with suppliers for key services and products.</li> <li>Standardised processes to manage and monitor spend including controls over supplier on-boarding and payments approval.</li> <li>Regular reviews to monitor effectiveness of controls.</li> <li>Independent and confidential ethics hotline available to employees, contractors and third parties.</li> <li>Independent investigation of fraud incidents and allegations of misconduct with Board-level oversight.</li> </ol>	 <p>A robust supplier selection and evaluation process has been implemented with a view to enhance controls to address the risk of fraud.</p> <p>We've also established a dedicated cost function to review spend across all categories and detect any anomalies or exceptions.</p>
<b>Data protection and privacy</b>		
<b>1</b>		
IWG is required to comply with legislation in the jurisdictions in which it operates including the new General Data Protection Regulation (GDPR) that came into force in May 2018 and is aimed at harmonising existing EU privacy laws. Non-compliance and breaches could result in significant financial penalties and reputational damage.	<p>IWG operates a detailed privacy policy that covers all aspects of data privacy including and not limited to personal data, demographic information, financial data, cookies and other digital markers, marketing communication etc.</p>	 <p>A detailed GDPR review has been performed to assess areas for improvement and any resultant actions have been implemented to ensure full compliance with the requirements of GDPR and e-Privacy regulations.</p> <p>Mandatory data protection training rolled out to all employees to raise awareness. All suppliers that are in receipt of any data from IWG are asked to confirm compliance with data protection legislation.</p>

### PRINCIPAL RISKS

Risk	Mitigation	Changes since 2017
<b>GROWTH</b>		
<b>Ensuring demand is there to support our growth</b>		
<b>1 2</b>		
IWG has undertaken significant growth to develop local and national networks. Adding capacity carries the risk of creating overcapacity. Failure to fill new centres would create a negative impact on the Group's profitability and cash generation.	<p>IWG mitigates this risk as follows:</p> <ol style="list-style-type: none"> <li>1 Each investment or acquisition proposal is reviewed and approved by the Investment Committee.</li> <li>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.</li> <li>3 A quarterly review process is in place to monitor new centre performance against the investment case to ensure that the anticipated returns are being generated.</li> <li>4 As part of the annual planning process, a growth plan is agreed for each country which clearly sets out the annual growth objectives.</li> </ol>	 <p>On aggregate, our new centres continue to perform in line with management expectations and are delivering attractive returns.</p>
<b>HUMAN RESOURCES</b>		
<b>Ability to recruit at the right level</b>		
<b>1 5</b>		
Our ability to increase our management capacity and capabilities through the hiring of experienced professionals not only supports our ability to execute our growth strategy, but also enables us to improve succession planning throughout the Group.	<p>Mitigating actions include:</p> <ol style="list-style-type: none"> <li>1 Succession planning discussions are an integral part of our business planning and review process.</li> <li>2 Part of the annual planning process is the Human Resources Plan, and performance against this Plan is reviewed through the year.</li> <li>3 Our global performance management system that allows us to keep close to our employees and maintain a two-way dialogue throughout the year using a monthly feedback process.</li> <li>4 Regular external and internal evaluation of the performance of the Board.</li> </ol>	 <p>Our capability to hire the best talent continued to increase in 2018. A full talent plan is in place with key hires planned to provide complete succession planning and top talent bandwidth. We recruit our team with diverse backgrounds in mind, and the IWG employee base is over 65% female. Our top leadership team is split 36% female and 64% male, placing us at number 66 in relation to diversity in Hampton Alexander's annual review of the UK FTSE 250's best companies to work for. In addition, 28% of our main Board is female, which is above target for UK listed companies.</p>

## PRINCIPAL RISKS

Risk	Mitigation	Changes since 2017
<b>HUMAN RESOURCES</b>		
<b>Training and employee engagement</b>		
<b>1 5</b> As a service-based business the strength and capabilities of our increasingly geographically diverse team are critical to achieving our strategic objectives.	<p>One of the key items in the Human Resources Plan is the Global Induction &amp; Training Plan, which sets out the key objectives for the forthcoming year. Performance against these objectives is reviewed through the year.</p> <p>All new employees are surveyed in the first three months to ensure they have been trained and are receiving effective support.</p>	 <p>Our investment in our new Learning platform has allowed our employees to learn through e-learning, videos, case studies and coaching on the ground rather than by using prescriptive and traditional training channels. Since January 2018, over 6,000 videos, articles, best practice Q&amp;A, white papers and e-learning interactions have been completed, with an average of 968 team members using the learning platform every day.</p> <p>Our top 320 executives attended our global leadership conference in January 2019 where we launched our new Leadership Development Programme. We have partnered with a global leadership specialist to develop our existing talent and leaders of the future.</p> <p>We also launched our Sales &amp; Customer Service Training Academy in September 2018. This suite of training is pivotal to ensuring that our team remains focused on our existing and new customers alike.</p>

## VIABILITY STATEMENT

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

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

For the purposes of assessing the Group's viability, the Board identified that, of the principal risks detailed on pages 34 to 41, the following are the most important to the assessment of the viability of the Group:

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

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

# REDEFINING OUR TALENT

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

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

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

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

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

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

## DIVERSITY OF TALENT

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



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

**MATT KENLEY**

FRANCHISE DEVELOPMENT DIRECTOR



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

**PETER MOGG**

NETWORK DEVELOPMENT DIRECTOR

## SUCCESSION AND INTERNATIONAL OPPORTUNITIES

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

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

## TRAINING AND DEVELOPMENT

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

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

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

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

**KRISTEN BUDA**  
(USA TO NEW ZEALAND)

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

## REWARD

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

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

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

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



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

**ALISA KAPIC**  
(RECENTLY PROMOTED TO VP, SALES FOR NORTHERN EUROPE)

# STRENGTHENING OUR COMMUNITIES

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

## COMMUNITY DEVELOPMENT

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

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

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

## ENVIRONMENTAL IMPACT

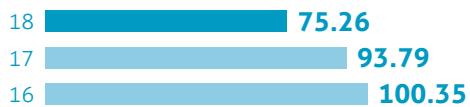
IWG continues to show year-on-year improvement in reducing our global carbon footprint and related costs per centre. An analysis of the global costs of gas and electricity per workstation showed a 6.3% reduction in 2017, with a further 19.8% reduction in 2018, resulting in an overall reduction of 24.9%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

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

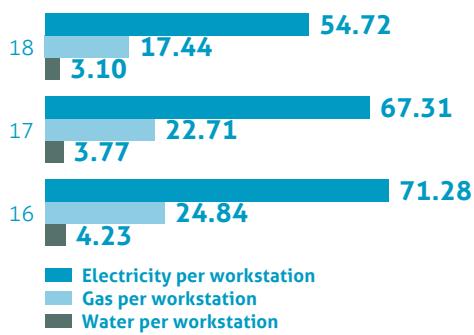
We have systematically been implementing some of the recommendations identified by our lead assessors, PASCHALi, from the Energy Savings Opportunity Scheme (ESOS) audit carried out in Phase 1 (Dec 2015). This approach has supported the positive reduction in energy consumption and improvements in maintenance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

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

## IWG global utility cost per workstation yearly change (£)



## IWG global utility cost per workstation yearly change breakdown (£)



## CRC UK carbon emission yearly reduction (tonnes)



## Generating value from waste

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

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

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

Stephanie Cirilo, CPIM



## Responsible recycling

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

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

## CHARITABLE INVESTMENT

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

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

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

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

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

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

### The transformative power of space

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

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

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

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

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

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

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

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

Lia Grimanis, CEO, Up With Women



## Responding to disaster

Throughout 2018, IWG actively engaged in helping vulnerable people and business communities in areas affected by natural disasters.

In the USA, for example, we continued our support of previous years through the Hurricane Relief Programme, welcoming any businesses and employees that had been affected by Hurricane Florence and Michael. Our centres offered a safe working space and vital connectivity, making all lounges across the USA free to use. As a result, business professionals could drop in, plug in and get a coffee while getting back online. Our colleagues and clients provided further support for hurricane victims by enthusiastically donating food, toiletries, clothing and bottled water.

In California, our colleagues, clients and their friends and family members collected clothing, toiletries, blankets and food, donating them to the temporary housing facilities for people affected by the California wild fires.

***"I always try to put myself in other people's shoes or situations. In this case, I cannot imagine myself or my family going through the devastating fire and losing everything. My heart goes out to those families who have worked so hard for what they have built only to see it suddenly disappear within minutes. Having an opportunity to start and participate in this project meant the world to me, because I wanted to bring a better understanding and awareness. Working at IWG seems like a perfect opportunity for me to spread the word and gather everyone together to show human kindness."***

Susan Elarms (Community Manager)



**"Donating to help the families affected by the Camp Fire in Northern California meant reaching out to help those in need at such a vulnerable, scary and uncertain time in their lives. Some had lost loved ones, including their pets, as well as losing their homes. This is something that I could not even begin to imagine happening to myself. I felt that at such a rough point in their lives I should and could help in any way possible, whether it be to help feed the animals being taken in at the shelters or to provide clothing and food for the families. My heart and prayers go out to all of those (as well as their pets and the surrounding wildlife) who have lost something, from as little as a cherished family photo album to the ones who have lost everything."**

Samantha Veil (IWG client)

Across the globe in Indonesia, our colleagues raised funds and collected clothing to support those affected by the Lombok Earthquake, which injured over 1,500 people. All raised funds were provided to the ACT (Fast Action Response) non-profit organisation, and were used to purchase first aid supplies, food and hygiene items for those affected. Together with a large donation of clothes, our team made a significant impact.

**"Through the amazing support of our clients and centre teams for the Lombok Earthquake Disaster appeal, we received £486 and many boxes of clothing that have made it possible to rush aid to the region."**

IWG colleague

### Running for change

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

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

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

Harsh Lambah, Country Manager, India



### Raising funds for good causes



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

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

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

## Raising awareness

October is marked as the Breast Cancer Awareness month worldwide. In Qatar, the IWG team set out to support the Qatar Cancer Society in helping to raise awareness of breast cancer. An interactive awareness session was arranged, where a leading expert from the largest hospital in Doha talked to our clients, colleagues and other community representatives about the importance of early detection and the range of different available treatment options.

All centres and clients were involved in this event. Further awareness for the cause was raised through the sale of pink roses in each centre.

Breast cancer awareness events were also held in other parts of the world, including New Zealand and the UK.

The team in New Zealand held a 'Pink for a day' campaign, where they dressed in pink and hosted charitable networking events for their clients and stakeholders, providing pink food and drinks to draw further attention to the cause. To coincide with this campaign, the team also raised donations to support the work of the New Zealand Breast Cancer Foundation.

In the United Kingdom colleagues dressed in pink in support of Breast Cancer Now.

**"It was great to be part of a worldwide cause that affects so many people all over the world. Most people know of someone who is suffering from this illness, and I felt very proud of being part of a coffee and cake morning to raise funds for this charity."**

Jane at S-Connect Ltd.



**"Our Basepoint colleagues held a brilliant display of cakes galore and wore pink outfits dressed as the pink ladies from Grease and Penelope Pitstop. Tommy graced us in his Pink Panther onesie, and encouraged the rest of Basepoint to wear pink that day."**

Sue at S-Connect Ltd.

## Volunteering for good causes

The team in New Zealand regularly holds activities with clients to support local causes. Throughout the year, they have also been involved in the 'Eat My Lunch' project in which colleagues and clients volunteer to make over 1,500 lunches for vulnerable children. They also further support these children by providing weekly lunch donations.

**"Through this campaign, with every lunch that we buy a lunch is given to a child who would otherwise go without. It's a small gesture that has had a great impact for so many children. With a good lunch in their tummies they do better in so many ways, from helping them focus on learning to just putting a smile on their faces."**

**Since starting the project at the beginning of the year, we have now fed almost 300 kids with our weekly lunch orders. Our clients in our community also love signing up to attend our volunteer slot at the Eat My Lunch headquarters. This makes us so proud as WE are helping contribute to a great cause."**

The team at the Regus Constellation Drive centre



## BOARD OF DIRECTORS



N

**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. and a Director of Al Monet Parento S.à.r.l.



**MARK DIXON**  
CHIEF EXECUTIVE OFFICER

Appointment to Old Regus  
Founder

Appointment to IWG  
14 October 2016

### Experience

Chief Executive Officer and founder, Mark 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.



**ERIC HAGEMAN**  
CHIEF FINANCIAL OFFICER

Appointment to Old Regus  
–

Appointment to IWG  
1 January 2019

Eric has almost 25 years' experience in financial, operational and strategy roles. Eric previously served as Chief Financial Officer at a number of leading listed companies including TeleCity Group PLC in the UK and Royal KPN NV, the leading communications group in the Netherlands. Eric began his career in the banking sector, working at ABN Amro and Deutsche Bank. He holds a Master's degree in Business Economics from Maastricht University in the Netherlands and an MBA from London Business School.



**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.

 Member of Remuneration Committee

 Chairman, Remuneration Committee

 Member of Audit Committee

 Chairman, Audit Committee

 Member of Nomination Committee

 Chairman, Nomination Committee



N A R

**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.



N A R

**ELMAR HEGGEN**  
INDEPENDENT  
NON-EXECUTIVE DIRECTOR

**Appointment to Old Regus**  
1 June 2010

**Appointment to IWG**  
14 October 2016<sup>(1)</sup>

**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.

1. Elmar has resigned with effect from the annual general meeting on 14 May 2019.



N A R

**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.

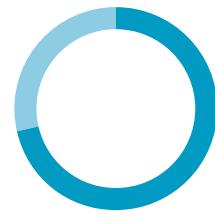
**External appointments**

Nina is a Non-Executive Director of Hikma Pharmaceuticals plc and Director of CNO Financial Inc. (Bankers Life, Washington National and Colonial Penn insurance companies). Nina is Vice Chairman of Drexel University's Board of Trustees where she holds a Bachelor of Science with honours and received the AJ Drexel Distinguished Alumni Award. She is Director of the Visiting Nurse Service of New York and the Foreign Policy Association.

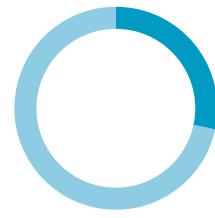
## BOARD BALANCE AND DIVERSITY

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

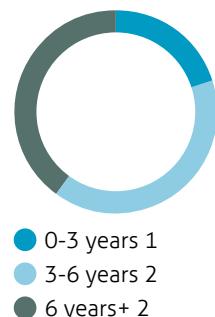
### Board gender diversity



### Balance of Non-Executive and Executive Directors



### Length of tenure of Non-Executive Directors





**"Good governance starts with a strong Board providing entrepreneurial leadership and setting the values and culture of the Group."**

### 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 and culture of the Group against a backdrop of prudent and appropriate safeguards, checks and balances which are regularly reviewed, and which ensure that the right considerations underpin every decision we make.

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

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

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

#### Independent Committee

At the start of the year an Independent Committee comprised of the Chairman and Non-Executive Directors considered the unsolicited approaches made by funds managed by affiliates of Brookfield Asset Management, Inc. and Onex Corporation. The discussions ended on 1 February 2018.

The Independent Committee reformed in May 2018 to consider separate approaches from Lone Star Europe Acquisitions Limited, Starwood Capital European Operations Limited, TDR Capital LLP, Prime Opportunities Investment Group LLC and Terra Firma Investments Limited. All discussions ended by 6 August 2018.

Your Board is confident that IWG has an exciting future as an independent public company and we are exploring a range of potential strategic opportunities to deliver increased value and returns to shareholders.

#### Board composition

In December we were pleased to announce the addition of Eric Hageman to our Board as Chief Financial Officer with effect from 1 January 2019. Eric replaced Dominik de Daniel who stepped down from the Board on 12 September 2018.

Elmar Heggen will be stepping down from the Board with effect from the annual general meeting on 14 May 2019. Laurie Harris will join the Board as Non-Executive Director and Chair of the Audit Committee on the same date.

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 57 and 58.

#### Remuneration Committee

The Directors' Remuneration report is set out on pages 63 to 77 including the Remuneration Policy on pages 65 to 70.

#### Audit Committee and auditors

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 34 to 41. Full details of the work of the Audit Committee are in the Audit Committee report on pages 59 to 62.

#### Board evaluation

An external Board evaluation was performed in respect of 2018 and the process and results are summarised on page 55.

#### Employee engagement and corporate responsibility

Nina Henderson has taken over Board oversight for the Group's corporate responsibility activities and will also take on the new Board role with responsibility for engagement with employees.

#### DOUGLAS SUTHERLAND

CHAIRMAN

## In this section

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63	Directors' Remuneration report
78	Directors' report
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## UK CORPORATE GOVERNANCE CODE

The UK Corporate Governance Code, as published by the Financial Reporting Council in April 2016 and available on [www.frc.org.uk](http://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 2018 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 56.

The UK Corporate Governance Code was updated in July 2018 with changes that will be applicable for accounting years beginning after 1 January 2019. We have taken the appropriate steps to address these changes and will report in compliance with these new rules in our Annual Report for 2019.

## 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 2018 the Board met ten 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):
<b>Douglas Sutherland,</b> <b>Chairman</b>	10/10
Mark Dixon	10/10
Dominik de Daniel <sup>(1)</sup>	6/7
François Pauly	10/10
Elmar Heggen	10/10
Florence Pierre	10/10
Nina Henderson	10/10

1. Dominik de Daniel left the Board on 12 September 2018

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 (with an 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 57 to 77. The terms of reference of each Committee can be found on the Company's website: [www.iwgplc.com](http://www.iwgplc.com).

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

## 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.

### 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. Our aim is to appoint a Board with varied backgrounds and gender to reflect the society in which we operate.

The names of our current Directors and their biographical details are set out on pages 50 and 51. All Directors served throughout the year under review, except for Eric Hageman who was appointed to the Board with effect from 1 January 2019. Dominik de Daniel stepped down from the Board on 12 September 2018.

Elmar Heggen has resigned from the Board with effect from the annual general meeting on 14 May 2019. Laurie Harris will join the Board as Non-Executive Director and Chair of the Audit Committee on the same date.

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 57 and 58.

#### Re-election of the Board

All Directors (unless they are retiring) 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. Eric Hageman, who was appointed after the last general meeting, will seek election at the 2019 annual general meeting.

### 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.

#### 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.

#### ERIC HAGEMAN

##### CHIEF FINANCIAL OFFICER

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

#### 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 required, 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.

#### NINA HENDERSON

##### NON-EXECUTIVE DIRECTOR WITH OVERSIGHT FOR CORPORATE RESPONSIBILITY AND EMPLOYEE ENGAGEMENT

Responsible for overseeing the corporate responsibility activities of the Group, including community and environmental projects and engagement with the workforce as foreseen by the 2018 UK Corporate Governance Code.

#### Non-Executive Directors

The independent counsel, character and judgement of the Non-Executive Directors enhance 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.

## 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 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 50 to 51.

## 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 and reviewed 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.

## 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 external evaluation of Board performance was conducted for 2018 by Condign Board Consulting, with experience in conducting such reviews. The evaluation included a series of one-to-one discussions between the reviewer and each Board member and a review of Board materials. The evaluation results were reviewed by the Board and suggestions are being 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 81 to 83.

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 49.

### 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 85 to 130.

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 22 to 29, as well as the Group's principal risks and uncertainties as set out on pages 34 to 41.

Further details on the going concern basis of preparation can be found in note 23 of the notes to the accounts on page 110.

### Longer-term viability

The Directors have also assessed the viability of the Group and Company over a three-year period. 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 2021. Full details of the viability statement are reported on page 41.

### 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 34 to 41.

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 59 to 62.

### 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 59 to 62.

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. The new Audit Committee Chair, Laurie Harris, who will be appointed to the Board in place of Elmar Heggen, will also be the Committee member deemed to possess the necessary recent and relevant financial experience. Details of the process for the appointment of Laurie Harris are set out on page 58.

The Board proposes that KPMG be re-appointed as the auditor for the financial year ending 31 December 2019.

## REMUNERATION

### Remuneration Committee

The Board has established a Remuneration Committee with responsibility for overseeing and providing independent judgement on all elements of the remuneration of the Executive Directors, the first layer of management below Board level, the Company Secretary and the Chairman of the Board, including pension rights, compensation payments and exit payments. In determining policy the Remuneration Committee will take into account all factors which it deems necessary, including the views of shareholders and other stakeholders, the risk appetite of the Company and alignment with the Company's purpose, values and long-term strategic goals. The objective of the policy will be to promote the long-term sustainable success of the Company and ensure that members of the executive management of the Company are provided with appropriate incentives to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their individual contributions to the success of the Company. Further details of the Remuneration Committee's work are contained on pages 63 to 77.

At our annual general meeting approval will be sought for the renewal of our Directors' Remuneration Policy and an advisory vote will be sought for our Annual Report on Remuneration.

## 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](http://www.iwgplc.com).

### Compliance statement

The Company has complied with the provisions of the Code throughout the year ended 31 December 2018, 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.



"A Board whose breadth and scope in terms of expertise, gender and nationality reflect the size and geographical reach of the business."

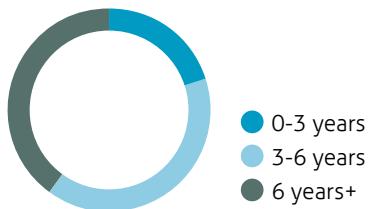
### Members of the Committee

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

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

All members of the Committee are independent.

### Length of tenure of Non-Executive Directors within the 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

The Committee leads the process for the appointment of all new Directors and, in identifying and recommending candidates to the Board, the Committee considers candidates on merit against objective criteria and with due regard to the benefits of diversity on the Board. Nominations are based on the existing balance of skills, knowledge and experience on the Board, on the merits and capabilities of the nominee and on the time they are able to give to the role in order to promote the success of the Company.

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.

### 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.

The Committee notes the provisions relative to the succession of the Board Chair in the 2018 UK Corporate Governance Code. The current Chairman was first appointed on 10 May 2010, having been a Non-Executive of the Group since 28 August 2008. After

## DEAR SHAREHOLDER

I am pleased to present to you my report on the work of the Nomination Committee (the "Committee") during 2018.

2018 was an important year for us and key activities included:

- identifying and recommending the appointment of Eric Hageman as Chief Financial Officer. Eric was appointed interim Chief Financial Officer in September 2018 and was appointed as Chief Financial Officer and Director, effective 1 January 2019, and he offers himself for election at the Company's 2019 annual general meeting. The process followed in his appointment is detailed on page 58;
- leading the process to identify and recommend a new Audit Committee Chairman to replace Elmar Heggen who will step down as Non-Executive director and Audit Committee Chairman at the annual general meeting on 14 May 2019. Laurie Harris will be appointed as Non-Executive Director and Audit Committee Chair on 14 May 2019. The process followed in respect of her appointment is detailed on page 58;
- reviewing our succession policy for Executive Director and senior management roles; and
- evaluating the balance of skills, knowledge and experience on the Board and using this to set a profile and initiate our search for new Non-Executive Directors.

reviewing the Chairman's performance and input from the 2018 independent Board review and in consideration of the Group's current challenges and opportunities, the Committee determined that it was in the interest of the Group for the Chairman to continue in that role with a successor to be selected in the course of 2020 for appointment by the annual general meeting on 11 May 2021.

### Diversity

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.

### Terms of reference

Below is a summary of the terms of reference of the 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

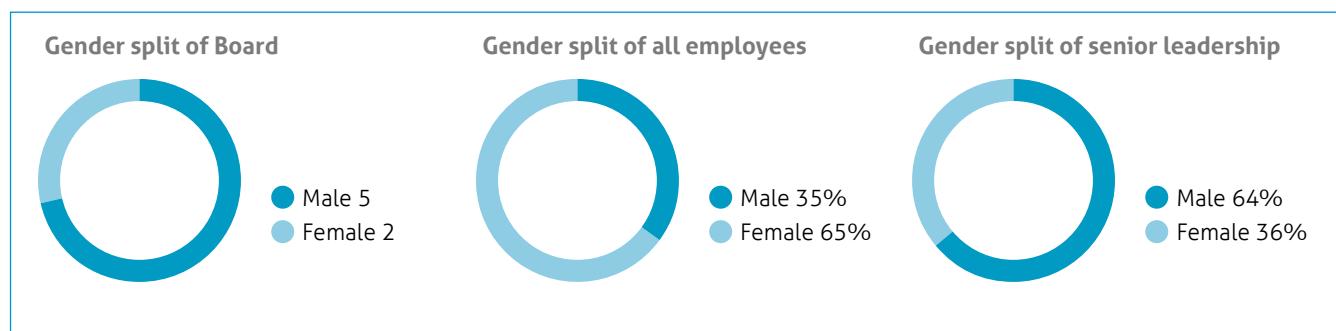
for appointment and reappointment to the Board for the purpose of ensuring a balanced and diverse Board in respect of skills, knowledge and experience.

- 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.
- 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](http://www.iwgplc.com).

**FRANÇOIS PAULY**

CHAIRMAN, NOMINATION COMMITTEE



### Appointment of Eric Hageman

Following a review of the balance of existing skills, knowledge and experience both on the Board and within the Senior Leadership Team and having considered the strategic plans for the Group, the Committee commenced a search for a Chief Financial Officer. The Committee used Russell Reynolds Associates, who provided external executive search consultancy but had no other connections to the Company, as well as the Committee's industry connections, networks and advisors, to identify internal and external candidates from diverse backgrounds. Candidates were considered on merit against the criteria set by the Committee giving due regard to diversity. The shortlisted candidates met with all members of the Committee, the Chief Executive and other members of the Senior Leadership Team. The Committee extensively discussed the merits of all the candidates and recommended the appointment of Eric Hageman who had performed strongly as interim Chief Financial Officer and brought highly relevant experience to the role from his previous positions.

The Board accepted the recommendation of the Committee and Eric Hageman was appointed to the Board as Chief Financial Officer with effect from 1 January 2019.

### Appointment of Laurie Harris

Following a review of the balance of existing skills, knowledge and experience on the Board and specifically the requirements for the Audit Committee Chairman to possess recent and relevant financial experience, and considering the strategic plans for the Group, the Committee commenced a search for an Audit Committee Chairman to succeed Elmar Heggen who will be stepping down at the Company's 2019 annual general meeting. The Committee used its industry connections, professional advisors and networks to identify candidates from diverse backgrounds. Candidates were considered on merit against the criteria set by the Committee giving due regard to diversity. The shortlisted candidates met with members of the Committee, the Chief Executive and the Chief Financial Officer as well as advisors to the Company. The Committee extensively discussed the merits of the candidates and recommend Laurie Harris be appointed as Non-Executive Director and Audit Committee Chair.

The Board accepted the recommendation of the Committee and Laurie Harris will be appointed to the Board on 14 May 2019, subject to her election at the Company's 2019 annual general meeting.



"Particular focus is given to critical accounting policies and practices and changes thereto."

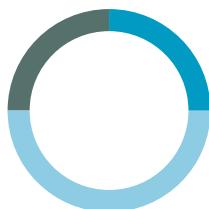
### Members of the Committee

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

Members	Attendance (out of possible maximum number of meetings)
<b>Elmar Heggen, Chairman</b>	5/5
Nina Henderson	5/5
François Pauly	5/5
Florence Pierre	5/5

All members of the Committee are independent.

### Length of tenure of Non-Executive Directors within the Committee



- 0-3 years
- 3-6 years
- 6 years+

### Membership and meetings

Five Committee meetings were held during 2018. At the request of the Committee Chairman, the external auditors, the Executive Directors, the Company Secretary (acting as secretary to the Committee) 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](http://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.

## 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 2018. This will be my last report as Committee Chairman as after almost nine years I will be stepping down from the Board with effect from the upcoming annual general meeting.

### 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.

### 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 2018.

#### 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 its 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 2018:

- **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 additional impairment of intangibles and goodwill is required. See notes 11 and 12 for further information.
- **IFRS 16 Leases – 2019 implementation:** The Committee has had regular updates on all aspects of the Group's IFRS 16 implementation project including the Group's approach to transition, the key assumptions and judgements made and the expected impact of IFRS 16. Particular consideration has been given to the discount rate methodology used by management and other areas of judgement such as the expected duration of a lease. The Committee is satisfied that management have adopted an appropriate approach to the implementation of IFRS 16 in 2019 and made appropriate disclosures in the 2018 financial statements.

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 are 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 34 to 41 of this Annual Report.

### 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;
- 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.

## 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 there is an ongoing process for identifying, evaluating and managing significant risks faced by the Group.

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

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

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

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

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

- the risk assessments of all significant business decisions at the individual transaction level, and as part of the annual business planning process. A Group-wide risk register is maintained and updated at least annually whereby all Company-inherent risks are identified and assessed, and appropriate action plans developed to manage the risk per the Company's risk appetite. The Board reviews the Group's principal risks register at least annually and management periodically reports on the progress against agreed actions to keep a close watch on how key risks are managed;
- the annual strategic planning process, which is designed to ensure consistency with the Company's strategic objectives. The final budget is reviewed and approved by the Board. Performance is reviewed against objectives at each Board meeting;
- comprehensive monthly business review processes under which business performance is reviewed at business centre, area, country, regional and functional levels. Actual results are reviewed against targets, explanations are received for all material movements, and recovery plans are agreed where appropriate;

- the documentation of key policies and control procedures (including finance, operations, and health and safety) having Group-wide application. These are available to all staff via the Group's intranet system;
- formal procedures for the review and approval of all investment and acquisition projects. The Group Investment Committee reviews and approves all investments. Additionally, the form and content of routine investment proposals are standardised to facilitate the review process;
- the delegation of authority limits with regard to the approval of transactions;
- the generation of targeted, action-oriented reports from the Group's sales and operating systems on a daily, weekly and monthly basis, which provide management at all levels with performance data for their area of responsibility, and which help them to focus on key issues and manage them more effectively;
- the delivery of a centrally co-ordinated assurance programme by the business assurance department that includes key business risk areas. The findings and recommendations of each review are reported to both management and the Committee; and
- 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 2018 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 for the year ended 31 December 2018 and completed a review of the half-year results of the Group for the period to 30 June 2018.

The value of non-audit services provided by KPMG in 2018 amounted to £39,000 (2017: £53,157). Non-audit services related to assurance services in relation to reports provided to landlords in the UK, tax services in relation to statutory tax certifications in South Africa and IT services in the Philippines. 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. The current lead audit partner has been responsible since the audit of the 2016 financial statements.

The breakdown of the fees paid to the external auditor during the year to 31 December 2018 can be found in note 5 of the notes to the financial statements on page 98.

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

There was a tender process conducted for the external audit during 2018 which resulted in proposals from several firms. Amongst other criteria, the tender process addressed an effective audit approach relative to the Group's operations and organisation, use of technology and relevant expertise, geographic coverage and location of key team members, the ability to provide best practice insights and a competitive level of fees. Following the Committee's assessment of the results of the tender process, the effectiveness of the external audit process for 2018 and of KPMG's continuing independence, and in view of changes in the Audit Committee Chair and Chief Financial Officer, 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 2019 be proposed at the annual general meeting.

**ELMAR HEGGEN**

CHAIRMAN, AUDIT COMMITTEE



"Focused on ensuring that remuneration is designed to drive our strategic priorities, support our company culture and promote the long-term sustainable success of the Company."

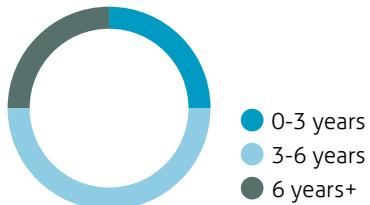
### Members of the Committee

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

Members	Attendance (out of possible maximum number of meetings)
<b>Nina Henderson, Chairman</b>	5/5
Florence Pierre	5/5
François Pauly	5/5
Elmar Heggen	5/5

All members of the Committee are independent.

### Length of tenure of Non-Executive Directors within the Committee



### DEAR SHAREHOLDER

I am pleased to present this Directors' Remuneration report.

The Remuneration Committee (the "Committee") is focused on ensuring that remuneration is designed to drive our strategic priorities, support our company culture and promote the long-term sustainable 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 (the "Policy"), approved on 16 May 2016, is subject to renewal at our 2019 annual general meeting. The Committee's view is that the existing Policy has served the Company well and the fundamental design continues to provide a strong basis for linking the Group's strategy and performance to Executive remuneration. Given developments in good corporate governance, there were some areas identified where updates could be made to reflect best practice and improve the Policy. The primary changes are summarised below:

- the Committee's discretion with respect to determining the outcome of performance measures has been enhanced so that it can, where appropriate, override formulaic outcomes. The Committee has ensured that the discretion in the plan rules aligns with that set out in the updated policy;
- the circumstances in which the recovery and withholding provisions may be operated have been augmented in line with best practice;
- the Committee will now be responsible for setting the remuneration for the first layer of management below Board level and the Company Secretary as well as the Executive Directors and the Chairman; and
- introduction of a five-year time limit in which Executive Directors are required to build a shareholding in the Company equal to 200% of base salary.

No other significant changes to the Policy are proposed and the maximum incentive opportunity remains unchanged.

### 2018

Despite a difficult start to 2018 the business responded well and actions taken across the Group facilitated continuous improvement and delivered record sales at the end of the year. Group revenue was up 9.7% at constant currency, to a record £2,535.4m.

Management continues to focus on delivering profitable growth and long-term value to shareholders. The Company achieved an operating profit over the course of 2018 of £154.1m (2017 £163.2m) with an underlying operating profit before growth costs of £193.8m. EPS was 11.7p (2017: 12.4p). For the 12 months ended 31 December 2018, the Group delivered a strong post-tax cash return on net growth investment of 20.6% in respect of locations opened on or before 31 December 2013 (19.3% on the same estate for the 12 months ended 31 December 2017).

### Annual bonus

The 2018 annual bonus plan was measured against an underlying operating profit target. The achieved underlying operating profit before growth of £193.8m resulted in a bonus equivalent to 64.9% of the respective salary (the maximum being 150% of salary) being awarded. Half of the bonus will be deferred in shares for three years, with vesting subject to continued employment.

### Performance Share Plan ("PSP")

The Performance Share Plan was introduced in 2015 to replace the Co-Investment Plan.

The first award made under the PSP in 2016 will lapse in its entirety, the Committee having determined that EPS growth, ROI improvements and TSR performance metrics (each a 33.33% weighting) measured over a three-year period to 31 December 2018 had not met the threshold targets for vesting to occur. Further details are included on page 73.

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

The CIP awards are subject to 75% EPS and 25% TSR performance metrics.

The third tranche of the 2014 CIP Matching Share awards is due to vest in March 2019 based on the performance measured over five years to 31 December 2018. The Committee has determined that EPS for 2018 of 11.7p was below the threshold target for these awards and, as a result, all of the shares subject to an EPS performance condition will lapse. With regard to the TSR elements, performance over five years was slightly above median and resulted in partial vesting of the 2014 awards.

No new awards have been granted since March 2015. The final 2015 CIP award vested based on the performance measured to 31 December 2017 and is subject to a holding period ending in 2020.

### One-off award

The vesting of the one-off share award granted to Dominik de Daniel in November 2015 is subject to EPS growth measured over a three-year period ending on 31 December 2018. Compound EPS growth of (2.95%) for the three-year period ended 31 December 2018 was below target and the award will lapse.

### Consideration of outcomes for 2018

The Committee believes the above outcomes demonstrate strong pay for performance alignment and therefore did not exercise its discretion in adjusting the performance outcomes.

### Executive Director changes

Effective from 1 January 2019 Eric Hageman was appointed as Chief Financial Officer of the Group; he had been in the position of interim Chief Financial Officer since September 2018. The Committee developed and approved a competitive package for Eric Hageman, which is in line with the Policy and details of which can be found on page 75.

When Dominik de Daniel stepped down from the Board in September 2018, the Committee determined an appropriate exit package for him with due consideration to shareholders, with specific reference to the Policy and the Company's legal and contractual commitments to him. Further information can be found on page 75.

### The year ahead

The Committee has made the following decisions for 2019:

- Executive Directors will receive no increase to base salary in 2019. This is the third 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, 2019-2021, against EPS, relative TSR and ROI 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 65% bonus pay-out award and the 2016 PSP awards not vesting, outcomes are scaled back in years when performance is less strong or when long-term shareholder value is weaker. Such effective alignment ensures that our Remuneration Policy supports the future success of the Company.

You will be asked to approve two remuneration-related resolutions at our annual general meeting. First the renewal of our Directors' Remuneration Policy and second the Annual Report on Remuneration, which will be subject to an advisory vote.

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

**NINA HENDERSON**

CHAIRMAN, REMUNERATION COMMITTEE

## DIRECTORS' REMUNERATION POLICY

This report sets out the Group's policy on remuneration for Executive and Non-Executive Directors, to be proposed to shareholders at the annual general meeting on 14 May 2019, from which date the policy will apply if approved. This policy will, if approved, supersede the Directors' Remuneration Policy approved by the shareholders of Regus plc in 2016.

### Overview of Directors' Remuneration Policy

The revised policy, which was developed as part of a remuneration review carried out during 2019, considers principles of clarity, simplicity, risk, predictability, proportionality and alignment to culture and has the following objectives:

- to provide a balanced package between fixed and variable pay, and long and short-term elements, to align with the Company's strategic goals and time horizons whilst encouraging prudent risk management;
- to incorporate incentives that are aligned with and support the Group's business strategy and align executives to the creation of long-term shareholder value, within a framework that is sufficiently flexible to adapt as our strategy evolves;
- to align the interests of the Executive Directors, senior executives and employees with the long-term interests of shareholders and strategic objectives of the Company;
- to align management and shareholder interests through building material share ownership over time;
- to reflect the remuneration received by the wider employees through considering proportionality;
- to ensure that our remuneration structures are transparent and easily understood;
- to ensure that remuneration practices are consistent with and encourage the principles of equality, diversity and inclusion; and
- to reflect the global operating model of the Group whilst taking account of governance best practice.

### Policy Table for Executive Directors

Component	Purpose / link to strategy	Operation	Maximum	Performance framework
Base salary	To provide a competitive component of fixed remuneration to attract and retain people of the highest calibre and experience needed to shape and execute the Company's strategy.	Salaries are set by the Committee. The Committee reviews all relevant factors such as: the scope and responsibilities of the role, the skills, experience and circumstances of the individual, sustained performance in role, the level of increase for other roles within the business, and appropriate market data. Salaries are normally reviewed annually and any changes normally made effective from 1 January. The base salaries effective 1 January 2019 are set out on page 71 of the 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. Any reasonable business related expenses (including tax thereon) can be reimbursed if determined to be a taxable benefit. Executive Directors are eligible for other benefits which are introduced for the wider workforce on broadly similar terms. Executive Directors will be eligible to participate in any all-employee share plan operated by the Company, on the same terms as other eligible employees. The maximum level of participation is subject to limits imposed by relevant legislation from time to time (or a lower cap set by the Company).	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

## DIRECTORS' REMUNERATION REPORT CONTINUED

Component	Purpose / link to strategy	Operation	Maximum	Performance framework
Pension	To provide retirement benefits in line with the overall Group policy.	<p>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.</p> <p>The Company may amend the form of an Executive Director's pension arrangements in response to changes in legislation or similar developments.</p>	<p>7% of base salary for existing Directors which is consistent with provisions provided to the wider workforce.</p> <p>The Committee may set a higher level for new executives to reflect local practice, but this will be limited to 15% of base salary.</p>	N/A
Annual bonus	To incentivise and reward annual performance and create further alignment with shareholders via the delivery and retention of deferred equity.	<p>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.</p> <p>Half of any annual bonus paid will be deferred in 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.</p> <p>A dividend equivalent provision allows the Committee to pay dividends, at the Committee's discretion, on vested shares at the time of vesting and may assume the reinvestment of dividends on a cumulative basis.</p> <p>Recovery and withholding provisions apply to bonus awards (see note 1 below).</p>	150% of base salary per annum.	<p>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).</p> <p>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.</p>
Performance Share Plan ("PSP")	Motivates and rewards the creation of long-term shareholder value. Aligns executives' interests with those of the shareholders.	<p>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.</p> <p>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.</p> <p>Recovery and withholding provisions apply to PSP awards (see note 1 below).</p> <p>A dividend equivalent provision allows the Committee to pay dividends, at the Committee's discretion, on vested shares at the time of vesting and may assume the reinvestment of dividends on a cumulative basis.</p>	The normal plan limit is 250% of base salary.	<p>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). The Committee may introduce or reweight performance measures so that they are directly aligned with the Company's strategic objectives for each performance period.</p> <p>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.</p>

Component	Purpose / link to strategy	Operation	Maximum	Performance framework
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 within five years. This may be built via the retention of the net-of-tax shares vesting under the Company's equity based share plans. Deferred shares and shares subject to a holding period (net-of-tax) can be counted towards the total.	N/A	N/A

#### Notes to the policy table:

1. Recovery and withholding provisions may be applied in circumstances which include misconduct or material error by a participant, material misstatement in the Company's audited accounts or a material downturn in the performance of the Company, or error in the assessment of performance and in other circumstances in which the Committee thinks the operation of the process is appropriate. 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. All cash and share bonuses alongside long-term incentives are subject to a malus and clawback policy.
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. Performance targets are set annually taking into account a number of internal and external reference points including: the level of performance that is achievable over a sustained period of time; historic performance and internal forecasts of future performance; market expectations, and any guidance provided to the market.
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 and to ensure that it can, in appropriate circumstances, override formulaic outcomes. In addition, the Committee may adjust elements of the Plans including but not limited to:
  - participation;
  - in exceptional circumstances determining that any share-based award (or any dividend equivalent) will be settled (in full or in part) in cash;
  - determining the extent of payment or vesting of an award based on the assessment of any performance condition, including discretion as to the basis on which performance is to be measured if an award vests in advance of normal timetable (on cessation of employment as a good leaver or on the occurrence of a corporate event) and whether (and to what extent) pro-ration will apply in such circumstances;
  - whether (and to what extent) recovery and/or withholding will apply to any award;
  - ability to adjust the number of shares under the DSBP, PSP or other share-based award to take into account a variation in the share capital;
  - the timing of the grant of award and/or payment;
  - the size of an award (up to plan limits) and/or payment within the limits set out in the policy table above;
  - discretion relating to the measurement of performance within the limits set out in the policy table above 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 at any point before vesting 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. For the avoidance of doubt, in approving this Remuneration Policy, authority is given to the Company to make payments and honour any prior commitments entered into with current or former Directors (such as the payment of pension or the unwinding of legacy share schemes prior to the approval of the current Remuneration Policy). Details of any payments will be set out in the Annual Report on Remuneration as they arise. 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" include 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.

**Policy Table for the Chairman and Non-Executive Directors**

Component	Purpose / link to strategy	Operation	Maximum
Chairman fees	<p>Normally reviewed, but not necessarily increased, annually and as determined by the Remuneration Committee. The Committee will consider, where appropriate, pay data at companies of a similar scale.</p> <p>A single fee which reflects all Board and Committee duties.</p> <p>Set at a level sufficient to attract and retain individuals with the required skills, experience and knowledge to allow the Board to effectively carry out its duties.</p>	<p>There is no prescribed maximum although fees and fee increases will be considered in line with the increases of the wider workforce and market rates.</p>	Neither the Chairman nor the Non-Executive Directors are eligible for any performance related remuneration.
Non-Executive Director fees	<p>Normally reviewed, but not necessarily increased, annually and as determined by the Chairman and the Executive Directors. The Committee will consider, where appropriate, pay data at companies of a similar scale.</p> <p>A base fee is payable with additional fees for chairing key Board Committees and for being the Senior Independent Director.</p> <p>Set at a level sufficient to attract and retain individuals with the required skills, experience and knowledge to allow the Board to effectively carry out its duties. Any reasonable business-related expenses (including tax thereon) can be reimbursed if determined to be a taxable benefit. Additional fees may be payable in relation to extra responsibilities undertaken such as chairing a Board Committee or other similar duties or being a member of a committee. If there is a temporary yet material increase in the time commitments for Non-Executive Directors, the Board may pay extra fees on a pro-rata basis to recognise the additional workload.</p> <p>Fees are paid entirely in cash.</p>	<p>There is no prescribed maximum although fees and fee increases will be considered in line with the increases of the wider workforce and market rates.</p>	Neither the Chairman nor the Non-Executive Directors are eligible for any performance related remuneration.

**Consideration of conditions elsewhere in the Group**

The Committee has regard to the pay and employment conditions of employees within the Group when it sets the Remuneration Policy for the remuneration of Executive Directors, the first layer of management below the Board, the Company Secretary and the Chairman of the Board. The Committee does not consult directly with employees when formulating the Remuneration Policy but has established a conduit for consulting with employees and representing their feedback at Board level and if this feedback were to include matters of remuneration, this would be taken into consideration by the Committee.

The general principles of the Group's Remuneration Policy are broadly applied throughout the Group and are designed to support recruitment, motivation and retention as well as to reward high performance in a framework of approved risk management, and to promote the long-term sustainable success of the Company.

The structure of total remuneration packages for those within the Committee's remit and for the broader employee population is similar, comprising salary, pension and benefits and eligibility for a discretionary annual bonus. The level of bonus opportunity is determined by role and responsibility. Executive Directors, the first layer of management below the Board and other selected senior executives participate in the Company's share schemes to aid retention and motivate the delivery of long-term growth in shareholder value and to align their interests with those of shareholders. Annual base pay increases for the Executive Directors and the first layer of management below the Board are normally limited to the average base pay increase for the wider employee population unless there are exceptional circumstances such as a change in role or salary progression for a newly appointed Director.

**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. 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 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 the role. Where salaries are set below market, multi-year staged increases may be awarded to achieve the desired market positioning over time. Where necessary these increases may be above those of the wider workforce but will be subject to continued development in the role.
- Benefits will be limited to those outlined in the Policy, with relocation assistance provided where appropriate. Where provided, relocation assistance will normally be for a capped amount and/or limited time. Pension provisions will be set in line with the Policy.
- 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 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.
- Depending on the timing of the appointment, the Committee may deem it appropriate to set different performance conditions to the current Executive Directors for the first performance year of appointment. A long-term incentive award can be made shortly following an appointment (assuming the Company is not in a close period).
- 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.
- For an overseas appointment, the Committee will have discretion to offer cost-effective benefits and pension provisions which reflect local market practice and relevant legislation.

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 68.

## 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. The service contract policy for new appointments will be on similar terms as existing Executive Directors, with the facility to include a notice period of no more than 12 months. The Company may terminate employment of the Executive Directors 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.

The Directors' service contracts are available for inspection at the Company's registered office within normal business hours.

## 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.

### **Policy on payment for loss of office (continued)**

- 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 entirely in cash. 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 or in any other circumstances at the discretion of the Committee. 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. The Committee may also pay reasonable outplacement and legal fees where considered appropriate.

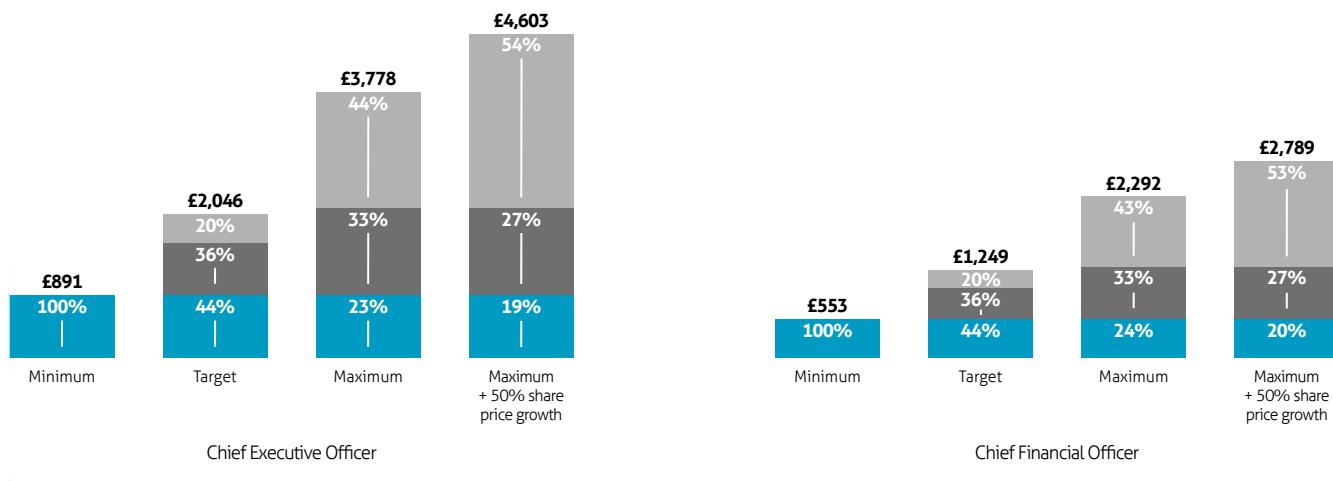
### **Policy in respect of external Board appointments for Executive Directors**

It is recognised that external non-executive directorships may be beneficial for both the Company and Executive Directors. 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 2019 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. Note, target levels of award are for illustrative purposes only.
- "Maximum" represents the maximum annual bonus of 150% of salary and full vesting of the normal PSP grant of 200% of base salary.
- "Maximum + 50% share price growth" represents maximum levels of award plus the impact of 50% share price growth on the PSP award.



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

The Chief Financial Officer's benefits value is based on the estimated cost in 2019 of the benefits package and excludes the commuter costs which will be paid on the basis of receipted cost incurred and will be disclosed in next year's DRR. The Chief Executive Officer's benefit value is based on the value of benefits received in relation to 2018.

## 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 63.

### Terms of reference

The Committee's terms of reference are available on the Company's website: [www.iwgplc.com](http://www.iwgplc.com).

### Implementation of the Remuneration Policy for 2019

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 2019 AGM. The information below includes how we intend to operate our policy in 2019 and the pay outcomes in respect of the 2018 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 2019 (and compared to 2018) are as follows. Eric Hageman was appointed with effect from 1 January 2019 and his salary will first be reviewed with effect from 1 January 2020:

	2019	2018	Percentage change
Mark Dixon	£825,000	£825,000	0%
Eric Hageman	£440,000	—	—

For context, the average base salary increase received by Group support employees was 5%.

### Benefits and pension

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

### Annual bonus

For 2019, 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 normally deferred into shares under the DSBP, which will vest after three years subject to continued employment.

The 2019 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 2021. 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 2018 performance	100%	Return to be 300 basis points above 2018 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 2019:

	2019 (£'000)	2018 (£'000)	Percentage change
Non-Executive Chairman	250	250	0%
Basic fee for Non-Executive Director	57	57	0%
<b>Additional fees:</b>			
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	0%
Variable dislocation allowance for non-Swiss Directors <sup>(1)</sup>	2.5 to 7.5	2.5 to 7.5	0%

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

## REMUNERATION OUTCOMES FOR 2018

### Single total figure of remuneration table (audited)

The following table shows the total remuneration in respect of the year ending 31 December 2018, together with the prior year comparative.

£'000	Salary / Fees		Benefits		Pension		Annual bonus		Long Term Incentive Awards		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Mark Dixon	<b>825.0</b>	825.0	<b>7.8</b>	7.8	<b>57.8</b>	57.8	<b>535.4</b>	—	<b>24.0</b>	24.2	<b>1,450.0</b>	914.8
Dominik de Daniel	<b>506.5</b>	725.0	—	—	<b>35.5</b>	50.8	—	—	—	—	<b>542.0</b>	775.8

#### **Non-Executive Directors**

Douglas Sutherland	<b>250.0</b>	241.7	—	—	—	—	—	—	—	—	<b>250.0</b>	241.7
Lance Browne	—	27.7	—	—	—	—	—	—	—	—	—	27.7
Elmar Heggen	<b>71.5</b>	69.6	—	—	—	—	—	—	—	—	<b>71.5</b>	69.6
Nina Henderson	<b>76.5</b>	75.0	—	—	—	—	—	—	—	—	<b>76.5</b>	75.0
Florence Pierre	<b>59.5</b>	58.3	—	—	—	—	—	—	—	—	<b>59.5</b>	58.3
François Pauly	<b>71.5</b>	65.4	—	—	—	—	—	—	—	—	<b>71.5</b>	65.4

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 award in respect of the relevant financial year. Half of the bonus awarded is normally deferred into shares for three years.

Long Term Incentive Awards – Includes the value of Matching Share awards made to Mark Dixon under the Co-Investment Plan ("CIP") in previous years which vested in respect of a performance period ending in the relevant financial year. The vesting of the third tranche of the 2013 award (62,862 shares out of a maximum of 251,447) and the 2015 CIP (37,819 shares out of a maximum 529,304) are included in the 2017 column. The figure reflects the actual share price on the date of vesting of 240.2p. The third tranche of the 2014 award (10,687 shares will vest out of a maximum of 137,401) shall vest in March 2019 based on performance until 31 December 2018; the value of this is shown in 2018 and reflects a three-month average share price ending 31 December 2018 of 224.9p.

Dominik de Daniel stepped down as Executive Director on 12 September 2018. Remuneration detailed above reflects time served.

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 2018 annual bonus (audited)

The 2018 annual bonus plan was on performance against the following:

Measure	Weighting	Performance required			Actual performance achieved	Bonus payable (% of maximum)
		Threshold (50% of salary)	Target (90% of salary)	Maximum (150% of salary)		
Operating profit before growth cost	100%	£186.0m	£207.0m	£225.0m	£193.8m	43.3%

The achieved underlying operating profit of £193.8m in 2018 resulted in a bonus equivalent to 64.9% of the respective salary (the maximum being 150% of salary) being awarded as follows:

Director	Bonus maximum (% of base salary)	Operating profit achievement (% of award)	Bonus awarded (£'000)	Cash bonus (£'000) <sup>(1)</sup>	Deferred shares (£'000) <sup>(2)</sup>
Mark Dixon	150%	64.9%	£535.4	£267.7	£267.7

1. Dominik de Daniel stepped down from the Board in September 2018. He was placed on garden leave in September 2018 and left the Group in 2019. The Committee has determined that no annual bonus will be payable to Dominik de Daniel in respect of 2018. See page 75 for further details.

2. Half of any bonus awarded is normally paid in cash with half deferred in shares which vest after three years.

The Committee decided that the resulting award was aligned with Company performance and therefore approved the bonus payment at 64.9% of base salary.

### PSP awards vesting in respect of 2018 performance (audited)

The table below summarises the performance conditions and the actual performance against the first award made under the PSP. This award was subject to performance conditions measured over the three financial years ending 31 December 2018.

	Relative TSR versus FTSE 350 (excluding investment trusts) (33.3% weighting)		EPS (33.3% weighting)		Return on investment (33.3% weighting)	
	% of each element vesting	Target	% of each element vesting	Target	% of each element vesting	Target
Below threshold	0%	Below median	0%	Compound annual growth of less than 5%	0%	Return below 2015 performance
Threshold	25%	Median	0%	Compound annual growth of 5%	0%	Return to be equal to 2015 performance
Maximum	100%	10% compound annual growth above median	100%	Compound annual growth of 25%	100%	Return to be 300 basis points above 2015 performance
Performance achieved		(28.2%)		(2.95%)		17.5%
Actual % vesting		0%		0%		0%

Director	2016 award number of shares	Total vesting (% of maximum)	No. of shares to vest	Award value
Mark Dixon	552,579	0%	–	£0
Dominik de Daniel	485,600	0%	–	£0

The Committee believes the above outcome is representative of Company performance and therefore no discretion was exercised and the 2016 PSP awards did not vest.

### CIP awards vesting in respect of 2018 performance (audited)

The 2014 Matching Share awards are divided into three separate equal tranches subject to performance over three, four and five years from 1 January 2014. The third tranche of the 2014 award is due to vest in March 2019 based on performance until 31 December 2018, as shown in the table below.

	Relative TSR versus FTSE 350 (excluding financial services and mining companies) (25% of tranche)		EPS (33.3% weighting)	
	% of each element vesting	Target	% of each element vesting	Target
Below threshold	0%	Below median	0%	Below 16.1p
Threshold	25%	Median	25%	16.1p
Maximum	100%	Upper quartile or above	100%	20.2p
Performance achieved		24%		11.7p
Actual % vesting		31.1%		0%

Straight-line vesting between these points. The Committee has reviewed these outcomes, including adjustments related to growth, and it is content that they are a fair reflection of underlying performance over the period.

2014 award Tranche 3	Tranche 3 award number of shares	Total vesting (% of maximum)	No. of shares to vest	Average share price (1 October – 31 December 2018)	Estimated award value
Mark Dixon	137,401	7.8%	10,687	£2.249	£24,035

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.

**One-off award vesting in respect of 2018 performance (audited)**

The vesting of the one-off share award granted to Dominik de Daniel in November 2015 was subject to an EPS performance condition measured over a three-year period ending on 31 December 2018, with the shares vesting as follows:

Compound annual growth in EPS over the period 01.01.2016 – 31.12.2018	% of shares vesting
5%	100%

Performance achieved (2.95%)	Actual % of shares vesting
	0%

The Committee believes the above outcomes demonstrate strong pay for performance alignment and therefore did not exercise its discretion in adjusting the performance outcomes.

**PSP awards granted in the year (audited)**

PSP awards granted to Executive Directors on 7 March 2018 which vest subject to a three-year performance period ending 31 December 2020 were as follows:

Executive	Number of shares	% of base salary	Value of award <sup>(1)</sup>	% of maximum amount receivable for threshold vesting
Mark Dixon	680,412	200%	£1,649,999	8.3%
Dominik de Daniel <sup>(2)</sup>	597,938	200%	£1,450,000	8.3%

1. Based on a face value grant of 200% of salary and using a share price of 242.5p.

2. Dominik de Daniel left the Group in 2019, therefore the PSP awards granted to him have lapsed in full.

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 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.

**DSBP awards granted in the year**

No awards were granted under the DSBP in 2018.

**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 expected to build a holding in the Company's shares to a minimum value of two times their base salary within five years of their appointment. This must be built via the retention of the net-of-tax shares vesting under the Company's equity-based share plans. 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 2018 alongside the interests in share schemes for the Executive Directors. For Dominik de Daniel, the shareholding is at the date he stepped down from the Board.

	Shareholding guidelines						Interests in share/option awards	
	Shares held	% of salary required	Guideline met?	% of salary attained <sup>(1)</sup>	Deferred Share Bonus Plan <sup>(2)</sup>	Performance Share Plan <sup>(3)</sup>	CIP Matching Shares <sup>(4)</sup>	One-off award <sup>(5)</sup>
<b>Executive Directors</b>								
Mark Dixon	243,853,270	200%	Yes	61,676%	204,208	1,816,030	175,220	–
Dominik de Daniel <sup>(6)</sup>	595,589	200%	Yes	173%	179,456	1,595,905	–	328,751
<b>Non-Executive Directors</b>								
Douglas Sutherland	400,000							
Elmar Heggen		–						
Nina Henderson	30,800							
François Pauly	100,000							
Florence Pierre	–							

1. Based on a share price of 209.0p and base salary as at 31 December 2018, save for Dominik de Daniel whose percentage salary achieved is based on a share price of 232.3p as at 12 September 2018 and base salary as at 12 September 2018.

2. Half of any bonus awarded is deferred in shares which vest after three years, subject to continued employment but no further performance targets. DSBP awards granted to Dominik de Daniel will lapse when he ceases to be an employee.

3. The Performance Share Plan is in the form of unvested conditional shares awarded in 2016, 2017 and 2018 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. The Committee has determined that performance conditions for the 2016 award were not met and accordingly the award will not vest. PSP awards granted to Dominik de Daniel will lapse when he ceases to be an employee.

4. The CIP Matching Shares includes 137,401 unvested conditional shares granted on 5 March 2014 which will vest subject to the achievement of EPS and TSR performance targets and 37,819 vested shares granted on 4 March 2015 which are subject to a holding period ending in March 2020. The Committee has determined that only 10,687 of the conditional shares granted on 5 March 2014 will vest.

5. 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). The Committee has determined that performance conditions for the award were not met and accordingly the award will not vest.

6. Number of shares held and interests in share/option awards as at 12 September 2018 when Dominik de Daniel stepped down from the Board.

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. Eric Hageman was appointed to the Board on 1 January 2019 and holds 300,000 options issued to him in 2018; no other Director has any additional interests in the share capital of the Company since year end to the date of this report.

### Dominik de Daniel

Dominik de Daniel stepped down from the Board on 12 September 2018. Dominik de Daniel was placed on garden leave (to expire no later than 30 September 2019) as of 18 September 2018 for the remainder of his notice period. He remained an employee of the Group until 31 January 2019.

The Committee has determined that Dominik de Daniel will receive an amount of CHF 410,000 (in two equal instalments, payable on or about 11 March 2019 and 31 January 2020 respectively) in respect of his contractual entitlement to salary and benefits for the period of his remaining garden leave. This sum has been reduced in accordance with the principles of mitigation to reflect remuneration payable to Dominik de Daniel in connection with subsequent employment he has undertaken during this period. No payment for loss of office or further remuneration payments will be made to him.

The Committee has determined, as detailed on pages 73 and 74, that the performance metrics applicable to the 2016 PSP award and the one-off award held by Dominik de Daniel were not met and accordingly those awards will lapse. The Committee did not exercise their discretion to adjust the award outcomes.

The Committee has exercised its discretion to permit the deferred bonus award granted to Dominik de Daniel on 1 March 2017 over 179,456 shares to vest in full on 1 March 2020, being the date that it would otherwise have vested but for his termination.

The Committee considered the 2018 bonus of Dominik de Daniel at the same time as for the other Executive Director and concluded that no 2018 bonus would be payable to Dominik de Daniel.

### Eric Hageman

Eric Hageman was appointed as Director and Chief Financial Officer of the Group with effect from 1 January 2019, from September 2018 until his appointment to the Board he served as interim Chief Financial Officer. In line with the Policy, the Committee took account of market levels of remuneration as well as of the remuneration received by Eric in previous roles. His remuneration package is set at an appropriate level to reward the skills and expertise he brings to the role.

Eric Hageman will receive a salary per annum of £440,000 and is entitled to benefits including a pension (7% of salary), health insurance and medical insurance. Eric will also be reimbursed for his weekly commute including weekday accommodation in Switzerland and airfares. He will participate in the annual bonus scheme for financial years starting on or after 1 January 2019 with a maximum bonus potential of 150% of gross annual salary. Eric is entitled to participate in Company share schemes and for 2019 will be granted an award under the Performance Share Plan at 200% of salary; the awards will vest subject to performance measures over three financial years, 2019-2021, against EPS, relative TSR and ROI targets and any award that vests will be subject to an additional two-year holding period.

## 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 2017 and the year ending 31 December 2018. 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%	5%
Benefits	0%	6%
Annual bonus	— <sup>(1)</sup>	— <sup>(1)</sup>

1. No annual bonuses were awarded based on 2017 performance. Bonuses were awarded based on 2018 performance, including a £535.4k bonus awarded to the Chief Executive Officer.

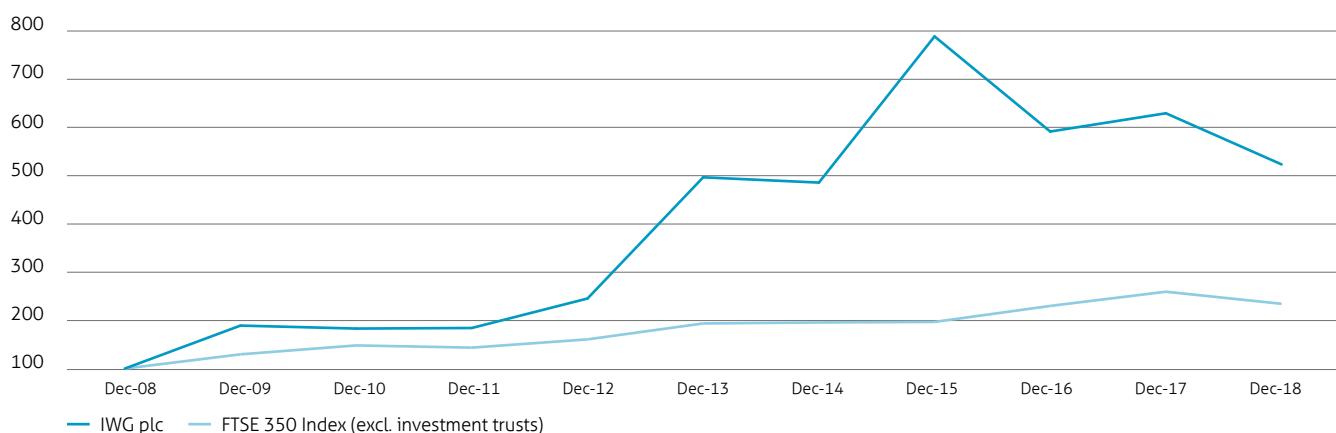
### Relative importance of spend on pay

The table below shows total employee remuneration and distributions to shareholders in respect of the years ending 31 December 2018 and 2017 and the percentage changes between years:

	2018	2017	Change 2017 to 2018
Total employee remuneration	<b>£380.9m</b>	£331.5m	14.9%
Distributions to shareholders via dividends and share buybacks	<b>£93.9m</b>	£99.6m	(5)%

### Performance graph and table

The graph below shows the TSR of IWG in the nine-year period to 31 December 2018 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.



Source: FactSet

This graph shows the value, by 31 December 2018, of £100 invested in IWG plc on 31 December 2008, compared with the value of £100 invested in the FTSE 350 (excl. Investment Trusts) Index on the same date.

The other points plotted are the values at intervening financial year-ends.

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Single total figure of remuneration	£628k	£759k	£1,130k	£1,773k	£1,854k	£2,770k	£1,968k	£3,034.5k	£914.8k	<b>£1,450.0k</b>
Bonus (% of maximum)	0%	19%	50%	100%	79%	100%	100%	93%	0%	<b>43.3%</b>
Long-term incentive vesting (% of maximum)	0%	0%	0%	11%	35%	86%	97%	90.5% <sup>(1)</sup>	11.0% <sup>(1)</sup>	<b>1.5%<sup>(2)</sup></b>

1. 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. The single total figure of remuneration has been restated to reflect that the share price for the CIP on the date of vesting is now known.

2. Based on 7.8% of tranche three of the 2014 Matching Shares vesting, and 0% of the 2016 PSP award vesting.

## Advisors to the Remuneration Committee

Details of the composition of the Remuneration Committee and attendance at Committee meetings are set out on page 63 of the Corporate Governance Report. The Committee's terms of reference are freely available on the Company's website: [www.iwgplc.com](http://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.

The Executive Compensation team within Aon provided independent advice to the Committee during the year. No other services were provided by Aon 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 2018 were £63,010 (exclusive of VAT) (2017: £41,500). 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 15 May 2018 in respect of remunerated related resolutions are shown in the table below:

Resolution	Votes for		Votes against		Total votes cast	Votes withheld
	#	%	#	%		
Approval of Annual Remuneration Report for year ending 31 December 2017	714,887,247	95.58%	33,073,045	4.42%	766,111,782	0%

For and on behalf of the Board

**NINA HENDERSON**

CHAIRMAN OF THE REMUNERATION COMMITTEE

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 2018.

### Directors

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

#### Executive Directors

Mark Dixon  
Dominik de Daniel (resigned 12 September 2018)

#### Non-Executive Directors

Douglas Sutherland  
François Pauly  
Elmar Heggen  
Florence Pierre  
Nina Henderson

Biographical details for the Directors are shown on pages 50 and 51.

Details of the Directors' interests and shareholdings are given in the Remuneration Report on page 75.

The Corporate Governance Report, Nomination Committee Report, Audit Committee Report, Remuneration Report and Directors' Statements on pages 52 to 77 and 80 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 22 to 27 and 30 to 33 respectively address:

- review of the Company's business (pages 22 to 27);
- an indication of the likely future developments in the business (page 24);
- development and performance during the financial year (pages 30 to 33); and
- position of the business at the end of the year (pages 31 to 33).

The Risk Management and Principal Risks Report, on pages 34 to 41, includes a description of the principal risks facing the Company, including financial risks, and the steps taken and policies implemented to mitigate those risks.

The Company's activities in research and development are also detailed in the Risk Management and Principal Risks Report on page 36.

The Corporate and Social Responsibility Report, on pages 44 to 49, includes the sections in respect of:

- environmental matters; and
- social and community issues.

The Our People Report on pages 42 and 43 addresses employee development and performance.

The Nomination Committee Report on pages 57 and 58 covers our approach to diversity.

The Directors' statements on page 80 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.

### Anti-bribery and anti-corruption

The Company is committed to carrying out business in an honest and ethical manner and has a zero tolerance of bribery and corruption. All employees receive training on our bribery and corruption policy. The Company's statement of commitment can be found on the Company's website: [www.iwgplc.com](http://www.iwgplc.com).

### Respect for human rights

The Company has zero tolerance to slavery and human trafficking and our statement made in accordance with the Modern Slavery Act 2015, which is reviewed by the Board annually, can be found on the Company's website: [www.iwgplc.com](http://www.iwgplc.com).

### Results and dividends

Profit before taxation for the year was £138.7m (2017: £149.4m).

The Directors are pleased to recommend a final dividend of £38.9m (2017: paid £36.0m), being 4.35p per share (2017: 3.95p per share). The total dividend for the year will therefore be 6.30p per share, made up of the interim dividend of 1.95p per share paid in October 2018 (2017: 1.75p per share) and, assuming the final dividend is approved by shareholders at the forthcoming annual general meeting, an additional 4.35p per share (2017: 3.95p per share) which is expected to be paid on 24 May 2019 to shareholders on the register at the close of business on 26 April 2019.

## 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. Employee surveys are routinely fielded to gather information on the Company, employee contribution to performance and other issues.

## 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 £317,891 during the year (2017: £302,066).

## Capital structure

The Company's share capital (including treasury shares) comprises 923,357,438 issued and fully paid up ordinary shares of 1p nominal value in IWG plc (2017: 923,357,438). All ordinary shares (excluding treasury 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 50 and 51, and 57 and 58.

At the Company's annual general meeting held on 15 May 2018 the shareholders of the Company approved a resolution giving authority for the Company to purchase in the market up to 91,070,626 ordinary shares representing approximately 10% of the issued share capital (excluding treasury shares) as at 10 April 2018. 17,489,685 shares were repurchased during 2018, the purpose of which was to satisfy share option obligations and as part of a share buyback programme supporting the Board's prudent approach to managing its capital structure.

Details of the Company's employee share schemes can be found on pages 116 to 125. The outstanding awards and options do not carry any rights in relation to the control of the Company.

## Branches

The Company is incorporated in Jersey with a head office branch in Switzerland.

## Substantial interests

At 6 March 2019, the Company has been notified of the following substantial interests held in the issued share capital of the Company.

	Number of voting rights	% of issued share capital (excluding treasury shares)
Estorn Limited <sup>(1)</sup>	243,853,270	27.3%
Toscafund Asset Management LLP	161,605,841	18.1%
M&G Investment Management	60,068,384	6.6%

1. Mark Dixon indirectly owns 100% of Estorn Limited.

## Post balance sheet 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 2019.

On behalf of the Board

**TIMOTHY REGAN**

COMPANY SECRETARY

6 March 2019

### 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

**ERIC HAGEMAN**

CHIEF FINANCIAL OFFICER

6 March 2019

## OUR OPINION IS UNMODIFIED

We have audited the Group financial statements of IWG plc for the year ended 31 December 2018 which comprise the Group income statement, the Group statement of comprehensive income, the Group balance sheet, the Group statement of changes in equity, the Group 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 financial statements give a true and fair view of the assets, liabilities and financial position of the Group as at 31 December 2018 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union; and
- the 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.

## KEY AUDIT MATTERS: OUR ASSESSMENT OF RISKS OF MATERIAL MISSTATEMENT

Key audit matters are those matters that, in our professional judgement, 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 £721.7 million (2017: £712.1 million)

Refer to page 60 (Report of the Audit Committee), page 93 (accounting policy) and notes 11 and 12 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 as highlighted in note 11, 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 CGUs and challenging the key assumptions used by the Group in the model. Key assumptions include revenue growth, occupancy rates, discount rates and terminal values. We considered the historical accuracy of the Group's forecasts. We obtained and documented our understanding of the impairment testing process and 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 capitalisation of the Group to assess whether the projected cash flows appear reasonable. We also assessed whether the disclosures as set out in note 11 were appropriate and in compliance with IAS 36.

The Group's impairment model identified impairments of goodwill amounting to £1.0 million during the year ended 31 December 2018. As a result of our work, we found that the judgements applied by management in arriving at this conclusion were supported by reasonable assumptions. We found the disclosures to be adequate.

### Taxation (current tax liabilities of £31.0 million (2017: £21.6 million) and deferred tax assets of £30.6 million (2017: £23.0 million))

Refer to page 60 (Report of the Audit Committee), page 95 (accounting policy) and note 8 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 recognised with consideration to the timing and level of future taxable income.

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

### How the matter was addressed in our audit

Our approach to the audit of taxation is underpinned by the inclusion of foreign and domestic KPMG Taxation Specialists in the Group audit team. These specialists evaluated and challenged the key assumptions and methodologies used by the Group and its taxation advisors in calculating the taxation provisions for the period. Particular focus is placed on key 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 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. 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 in accordance with IAS 12.

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.

### 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 (2017: £10 million), which is 0.4% (2017: 0.4%) of total revenue and 7.2% (2017: 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 5.4% (2017: 5.0%) 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 member's 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 (2017: £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% (2017: 80%) of total Group revenue, 82% (2017: 80%) of Group total assets and 87% (2017: 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.

### 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 use of that basis for a period of at least 12 months from the date of approval of the financial statements ; or
- if the related statement under the Listing Rules set out on page 55 is materially inconsistent with our audit knowledge.

We have nothing to report in these respects.

### OTHER INFORMATION

The Directors are responsible for the other information presented in the Annual Report together with the financial statements. The other information comprises the information included in the Annual Report other than the financial statements. The financial statements and our auditor's report thereon do not comprise part of the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or 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.

## Corporate governance disclosures

We are required to report to you 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
- 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.

We are required to report to you if the Corporate Governance Statement does not properly disclose a departure from the 11 provisions of the 2016 UK Corporate Governance Code specified by the Listing Rules for our review.

We have nothing to report in these respects.

## WE HAVE NOTHING TO REPORT ON THE OTHER MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

Under the Companies (Jersey) Law 1991, we are required 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.

We have nothing to report in respect of the above responsibilities.

## RESPECTIVE RESPONSIBILITIES

### Directors' responsibilities

As explained more fully in their statement set out on page 80, 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.

## 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 2019

### 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 judgement 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 auditor's 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 auditor's 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the (consolidated) financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## CONSOLIDATED INCOME STATEMENT

	Notes	Year ended 31 Dec 2018 £m	Year ended 31 Dec 2017 £m
<b>Continuing operations</b>			
<b>Revenue</b>	3	<b>2,535.4</b>	2,352.3
Cost of sales		<b>(2,126.2)</b>	(1,950.7)
<b>Gross profit (centre contribution)</b>		<b>409.2</b>	401.6
Selling, general and administration expenses		<b>(253.7)</b>	(237.6)
Share of loss of equity-accounted investees, net of tax	20	<b>(1.4)</b>	(0.8)
<b>Operating profit</b>	5	<b>154.1</b>	163.2
Finance expense	7	<b>(15.9)</b>	(14.1)
Finance income	7	<b>0.5</b>	0.3
<b>Net finance expense</b>		<b>(15.4)</b>	(13.8)
<b>Profit before tax for the year</b>		<b>138.7</b>	149.4
Income tax expense	8	<b>(33.0)</b>	(35.4)
<b>Profit after tax for the year</b>		<b>105.7</b>	114.0
 <b>Earnings per ordinary share (EPS):</b>			
Basic (p)	9	<b>11.7</b>	12.4
Diluted (p)	9	<b>11.6</b>	12.3

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Year ended 31 Dec 2018 £m	Year ended 31 Dec 2017 £m
Profit for the year		<b>105.7</b>	114.0
Other comprehensive income that is or may be reclassified to profit or loss in subsequent periods:			
Cash flow hedges – effective portion of changes in fair value		<b>0.1</b>	0.5
Foreign currency translation differences for foreign operations		<b>9.2</b>	(34.4)
<b>Items that are or may be reclassified to profit or loss in subsequent periods</b>		<b>9.3</b>	(33.9)
Other comprehensive income that will never be reclassified to profit or loss in subsequent periods:			
Re-measurement of defined benefit liability, net of income tax	25	–	(0.7)
<b>Items that will never be reclassified to profit or loss in subsequent periods</b>		<b>–</b>	(0.7)
<b>Other comprehensive income/(loss) for the period, net of income tax</b>		<b>9.3</b>	(34.6)
<b>Total comprehensive income for the year</b>		<b>115.0</b>	79.4

## 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
<b>Balance at 1 January 2017</b>	<b>9.2</b>	<b>(2.9)</b>	<b>97.6</b>	<b>(0.3)</b>	<b>25.8</b>	<b>612.6</b>	<b>742.0</b>
<b>Total comprehensive income for the year:</b>							
Profit for the year	–	–	–	–	–	114.0	114.0
<b>Other comprehensive income:</b>							
Re-measurement of the defined benefit liability, net of tax (note 25)	–	–	–	–	–	(0.7)	(0.7)
Cash flow hedges – effective portion of changes in fair value	–	–	–	0.5	–	–	0.5
Foreign currency translation differences for foreign operations	–	–	(34.4)	–	–	–	(34.4)
<b>Other comprehensive (loss)/income, net of tax</b>	<b>–</b>	<b>–</b>	<b>(34.4)</b>	<b>0.5</b>	<b>–</b>	<b>(0.7)</b>	<b>(34.6)</b>
<b>Total comprehensive income for the year</b>	<b>–</b>	<b>–</b>	<b>(34.4)</b>	<b>0.5</b>	<b>–</b>	<b>113.3</b>	<b>79.4</b>
Share-based payments	–	–	–	–	–	1.7	1.7
Ordinary dividend paid (note 10)	–	–	–	–	–	(48.5)	(48.5)
Purchase of shares (note 21)	–	(51.1)	–	–	–	–	(51.1)
Proceeds from exercise of share awards	–	14.4	–	–	–	(10.2)	4.2
<b>Balance at 31 December 2017</b>	<b>9.2</b>	<b>(39.6)</b>	<b>63.2</b>	<b>0.2</b>	<b>25.8</b>	<b>668.9</b>	<b>727.7</b>
<b>Total comprehensive income for the year:</b>							
Profit for the year	–	–	–	–	–	<b>105.7</b>	<b>105.7</b>
<b>Other comprehensive income:</b>							
Cash flow hedges – effective portion of changes in fair value	–	–	–	0.1	–	–	0.1
Foreign currency translation differences for foreign operations	–	–	9.2	–	–	–	9.2
<b>Other comprehensive income, net of tax</b>	<b>–</b>	<b>–</b>	<b>9.2</b>	<b>0.1</b>	<b>–</b>	<b>–</b>	<b>9.3</b>
<b>Total comprehensive income for the year</b>	<b>–</b>	<b>–</b>	<b>9.2</b>	<b>0.1</b>	<b>–</b>	<b>105.7</b>	<b>115.0</b>
Share-based payments	–	–	–	–	–	0.5	0.5
Ordinary dividend paid (note 10)	–	–	–	–	–	(53.7)	(53.7)
Purchase of shares (note 21)	–	(40.2)	–	–	–	–	(40.2)
Proceeds from exercise of share awards	–	5.7	–	–	–	(3.8)	1.9
<b>Balance at 31 December 2018</b>	<b>9.2</b>	<b>(74.1)</b>	<b>72.4</b>	<b>0.3</b>	<b>25.8</b>	<b>717.6</b>	<b>751.2</b>

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 2018 £m	As at 31 Dec 2017 £m
<b>Non-current assets</b>			
Goodwill	11	<b>679.2</b>	666.7
Other intangible assets	12	<b>42.5</b>	45.4
Property, plant and equipment	13	<b>1,751.2</b>	1,367.2
Deferred tax assets	8	<b>30.6</b>	23.0
Non-current derivative financial assets	23	<b>0.3</b>	0.2
Other long-term receivables	14	<b>86.0</b>	80.7
Investments in joint ventures	20	<b>12.2</b>	12.4
<b>Total non-current assets</b>		<b>2,602.0</b>	2,195.6
<b>Current assets</b>			
Trade and other receivables	15	<b>717.5</b>	581.8
Corporation tax receivable	8	<b>32.7</b>	27.6
Cash and cash equivalents	22	<b>69.0</b>	55.0
<b>Total current assets</b>		<b>819.2</b>	664.4
<b>Total assets</b>		<b>3,421.2</b>	2,860.0
<b>Current liabilities</b>			
Trade and other payables (incl. customer deposits)	16	<b>1,058.9</b>	904.8
Deferred income		<b>320.0</b>	285.3
Corporation tax payable	8	<b>31.0</b>	21.6
Bank and other loans	18	<b>9.9</b>	8.5
Provisions	19	<b>9.7</b>	4.5
<b>Total current liabilities</b>		<b>1,429.5</b>	1,224.7
<b>Non-current liabilities</b>			
Other long-term payables	17	<b>704.2</b>	553.2
Bank and other loans	18	<b>519.9</b>	342.9
Deferred tax liability	8	–	1.3
Provisions	19	<b>9.4</b>	4.9
Provision for deficit in joint ventures	20	<b>5.5</b>	3.8
Retirement benefit obligations	25	<b>1.5</b>	1.5
<b>Total non-current liabilities</b>		<b>1,240.5</b>	907.6
<b>Total liabilities</b>		<b>2,670.0</b>	2,132.3
<b>Total equity</b>			
Issued share capital	21	<b>9.2</b>	9.2
Treasury shares	21	<b>(74.1)</b>	(39.6)
Foreign currency translation reserve		<b>72.4</b>	63.2
Hedging reserve		<b>0.3</b>	0.2
Other reserves		<b>25.8</b>	25.8
Retained earnings		<b>717.6</b>	668.9
<b>Total equity</b>		<b>751.2</b>	727.7
<b>Total equity and liabilities</b>		<b>3,421.2</b>	2,860.0

Approved by the Board on 6 March 2019

**MARK DIXON**  
CHIEF EXECUTIVE OFFICER

**ERIC HAGEMAN**  
CHIEF FINANCIAL OFFICER

## CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Year ended 31 Dec 2018 £m	Year ended 31 Dec 2017 £m
<b>Operating activities</b>			
<b>Profit before tax for the year</b>		<b>138.7</b>	149.4
Adjustments for:			
Net finance expense	7	<b>15.4</b>	13.8
Share of loss of equity-accounted investees, net of tax	20	<b>1.4</b>	0.8
Depreciation charge	5, 13	<b>225.4</b>	202.1
Loss on impairment of goodwill	11	<b>1.0</b>	–
Loss on disposal of property, plant and equipment	5	<b>13.6</b>	4.3
Loss on disposal of intangible assets	5	<b>0.1</b>	1.6
(Reversal of impairment)/impairment of property, plant and equipment	5, 13	<b>(0.1)</b>	0.1
Amortisation of intangible assets	5, 12	<b>10.4</b>	10.9
Gain on disposal of other investments		<b>(4.3)</b>	–
Amortisation of acquired lease fair value adjustments	5	<b>(2.0)</b>	(3.6)
Negative goodwill arising on an acquisition	11, 26	<b>(6.2)</b>	–
Increase in provisions	19	<b>9.7</b>	–
Share-based payments		<b>0.5</b>	1.7
Other non-cash movements		<b>(6.0)</b>	0.5
<b>Operating cash flows before movements in working capital</b>		<b>397.6</b>	381.6
Increase in trade and other receivables		<b>(133.4)</b>	(72.1)
Increase in trade and other payables		<b>299.8</b>	116.3
<b>Cash generated from operations</b>		<b>564.0</b>	425.8
Interest paid		<b>(16.2)</b>	(12.2)
Tax paid		<b>(37.1)</b>	(22.4)
<b>Net cash inflow from operating activities</b>		<b>510.7</b>	391.2
<b>Investing activities</b>			
Purchase of property, plant and equipment	13	<b>(579.6)</b>	(344.9)
Purchase of subsidiary undertakings (net of cash acquired)	26	<b>(2.3)</b>	(40.1)
Disposal of other investments		<b>4.4</b>	–
Purchase of intangible assets	12	<b>(6.9)</b>	(3.6)
Purchase of joint ventures	20	<b>–</b>	(0.3)
Proceeds on sale of property, plant and equipment		<b>0.4</b>	0.5
Interest received	7	<b>0.5</b>	0.3
<b>Net cash outflow from investing activities</b>		<b>(583.5)</b>	(388.1)
<b>Financing activities</b>			
Net proceeds from issue of loans		<b>644.3</b>	651.6
Repayment of loans		<b>(467.4)</b>	(558.8)
Purchase of treasury shares	21	<b>(40.2)</b>	(51.1)
Proceeds from exercise of share awards		<b>1.9</b>	4.2
Payment of ordinary dividend	10	<b>(53.7)</b>	(48.5)
<b>Net cash inflow/(outflow) from financing activities</b>		<b>84.9</b>	(2.6)
Net increase in cash and cash equivalents		<b>12.1</b>	0.5
Cash and cash equivalents at the beginning of the year		<b>55.0</b>	50.1
Effect of exchange rate fluctuations on cash held		<b>1.9</b>	4.4
<b>Cash and cash equivalents at the end of the year</b>	22	<b>69.0</b>	55.0

### 1. AUTHORISATION OF FINANCIAL STATEMENTS

The Group and Company financial statements for the year ended 31 December 2018 were authorised for issue by the Board of Directors on 6 March 2019 and the balance sheets were signed on the Board's behalf by Mark Dixon and Eric Hageman. 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 31, and information on other related party relationships of the Group is provided in note 30.

The Group financial statements have been prepared and approved by the Directors in accordance with Companies (Jersey) Law 1991 and International Financial Reporting Standards as adopted by the European Union ('Adopted IFRSs'). The Company prepares its parent company annual accounts in accordance with accounting policies based on the Swiss Code of Obligations; extracts from these are presented on page 131.

### 2. ACCOUNTING POLICIES

#### Basis of preparation

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

The accounting policies set out below have been applied consistently to all periods presented in these Group financial statements. Amendments to adopted IFRSs issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) with an effective date from 1 January 2018 did not have a material effect on the Group financial statements, unless otherwise indicated.

The following standards, interpretations and amendments to standards were adopted by the Group for periods commencing on or after 1 January 2018:

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers

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

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

The Directors, having made appropriate enquiries, have a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the consolidated financial statements on pages 85 to 130.

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 22 to 27 as well as the Group's principal risks and uncertainties as set out on pages 35 to 41.

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

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

## Impact of the adoption of IFRS 9

The Group adopted IFRS 9 Financial Instruments from 1 January 2018. IFRS 9 Financial Instruments sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. This standard replaced IAS 39 Financial Instruments: Recognition and Measurement.

### Classification – financial assets

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. It contains three principal classification categories for financial assets: measured at amortised 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.

The new classification requirements didn't have a material impact on any of its accounting balances. Furthermore, at 31 December 2018, the Group did not have any balances classified as available-for-sale. Consequently, there are no adjustments to be recognised in either the income statement or other comprehensive income.

### Classification – financial liabilities

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

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

The Group has not designated any financial liabilities at fair value through the profit or loss and it has no current intention to do so. The Group's adoption of IFRS 9 did not result in any change in the classification of financial liabilities at 1 January 2018. Consequently, there were no adjustments to be recognised in either the income statement or other comprehensive income.

### Impairment – financial assets

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

### Hedge accounting

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

The Group is exposed to foreign currency exchange rate movements. The majority of day-to-day transactions of overseas subsidiaries are carried out in local currency and the underlying foreign exchange exposure is small. Transactional exposures do arise in some countries where it is local market practice for a proportion of the payables or receivables to be in other than the functional currency of the affiliate. Intercompany charging, funding and cash management activity may also lead to foreign exchange exposures. It is the policy of the Group to seek to minimise such transactional exposures through careful management of non-local currency assets and liabilities, thereby minimising the potential volatility in the income statement. Net investments in 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. As IFRS 9 does not change the general principles of how an entity accounts for effective hedges, applying the hedging requirements of IFRS 9 does not impact the Group's financial statements.

## 2. ACCOUNTING POLICIES (CONTINUED)

### Impact of the adoption of IFRS 15

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

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

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

### IFRSs not yet effective

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

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

### IFRS 16 Leases

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

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

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

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

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

The most significant impact identified is the right-of-use asset and related lease liability the Group recognises for its leases in respect of its global network, which will be recognised based on the modified retrospective approach. Based on the lease portfolio at 31 December 2018, the Group expects to report a right-of-use asset of approximately £4,417m to £4,882m and a related lease liability of approximately £5,075m to £5,609m at 31 December 2019. These balances exclude the impact of any lease terminations, lease renewals and expected

growth in the lease portfolio in 2019. The recognition of these balances will not impact the overall cash flows of the Group or cash generation per share. The pro forma impact from the adoption of IFRS 16 as at 1 January 2019 is disclosed on pages 136 and 137.

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

The Group has also considered the impact of lessor accounting, which is not considered to be material.

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

The Group does not expect the adoption of IFRS 16 to impact its ability to comply with the covenant requirements on its revolving credit facility described in note 23.

### Basis of consolidation

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

### Impairment of non-financial assets

For goodwill, assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount was estimated at 30 September 2018. At each reporting date, the Group reviews the carrying amount of these assets to determine whether there is an indicator of impairment. If any indicator is identified, then the assets' recoverable amount is re-evaluated.

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

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

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

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

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

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

### Calculation of recoverable amount

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

### Goodwill

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

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

### Intangible assets

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

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

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

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

## 2. ACCOUNTING POLICIES (CONTINUED)

### Acquisitions of non-controlling interests

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

### Assets held for sale

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

### Leases

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

### Operating leases

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

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

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

### Partner contributions

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

### Property, plant and equipment

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

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

### Revenue

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

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

- **Workstations**

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

- **Customer service income**

Service income (including the rental of meeting rooms) is recognised as services are rendered. In circumstances where 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.

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

## Employee benefits

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

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

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

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

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

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

## 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 and awards granted under the Group's share-based payment plans outlined in note 24 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.

## Taxation

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

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

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

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

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

## Provisions

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

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

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

## 2. ACCOUNTING POLICIES (CONTINUED)

### Equity

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

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

### Net finance expenses

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

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

Costs arising on bank guarantees and letters of credit and foreign exchange gains or losses are included in other finance costs (note 7).

### Interest bearing borrowings and other financial liabilities

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

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

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

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

### Financial assets

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

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

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

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

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

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

### Customer deposits

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

### Foreign currency transactions and foreign operations

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

### Cash and cash equivalents

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

## Derivative financial instruments

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

## Foreign currency translation rates

	At 31 December		Annual average	
	2018		2017	2018
	US dollar	1.28	1.35	1.33
Euro		1.12	1.13	1.13
Japanese yen		141	152	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): the Americas; EMEA (Europe, Middle East and Africa); Asia Pacific; and the United Kingdom. These geographical segments exclude the Group's non-trading, holding and corporate management companies. The results of business centres in each of these regions form the basis for reporting geographical results to the chief operating decision maker. All reportable segments are involved in the provision of global workplace solutions.

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

The accounting policies of the operating segments are the same as those described in the Annual Report and Accounts for the Group for the year ended 31 December 2017.

	Americas		EMEA		Asia Pacific		United Kingdom		Other		Total	
	2018 £m	2017 £m	2018 £m	2017 £m	2018 £m	2017 £m	2018 £m	2017 £m	2018 £m	2017 £m	2018 £m	2017 £m
Revenue from external customers	1,048.5	984.8	630.8	540.5	412.2	383.2	439.0	440.0	4.9	3.8	2,535.4	2,352.3
<i>Mature<sup>(1)</sup></i>	961.7	930.3	527.1	493.7	368.0	361.1	376.5	390.3	4.5	3.3	2,237.8	2,178.7
<i>2017 Expansions<sup>(1)</sup></i>	48.6	10.9	70.0	20.2	25.1	5.2	35.8	14.4	0.4	0.5	179.9	51.2
<i>2018 Expansions<sup>(1)</sup></i>	19.8	–	20.8	–	11.5	–	13.3	–	–	–	65.4	–
<i>Closures<sup>(1)</sup></i>	18.4	43.6	12.9	26.6	7.6	16.9	13.4	35.3	–	–	52.3	122.4
Gross profit (centre contribution)	173.8	153.2	119.0	97.1	60.8	65.9	55.3	83.6	0.3	1.8	409.2	401.6
Share of loss of equity-accounted investees	–	–	(1.3)	(0.8)	(0.1)	–	–	–	–	–	(1.4)	(0.8)
Operating profit/(loss)	122.6	96.5	57.2	47.7	26.9	34.6	36.1	60.3	(88.7)	(75.9)	154.1	163.2
Finance expense											(15.9)	(14.1)
Finance income											0.5	0.3
Profit before tax for the year											138.7	149.4
Depreciation and amortisation	118.3	112.2	40.2	32.8	32.3	29.4	35.0	29.9	10.0	8.7	235.8	213.0
Assets	1,417.4	1,213.2	751.7	573.5	472.5	378.1	672.0	571.1	107.6	124.1	3,421.2	2,860.0
Liabilities	(1,042.5)	(861.5)	(502.9)	(386.0)	(316.4)	(244.1)	(310.7)	(266.1)	(497.5)	(374.6)	(2,670.0)	(2,132.3)
Net assets/(liabilities)	374.9	351.7	248.8	187.5	156.1	134.0	361.3	305.0	(389.9)	(250.5)	751.2	727.7
Non-current asset additions <sup>(2)</sup>	228.7	148.6	141.5	83.4	84.1	36.3	112.8	64.6	19.4	15.6	586.5	348.5

1. Revenue has been disaggregated to reflect the basis on which it is reported to the chief operating decision maker. Further information can be found in the unaudited "Segmental analysis – Management basis" on pages 132 and 133.

2. Excluding deferred taxation

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

#### 4. SEGMENTAL ANALYSIS – ENTITY-WIDE DISCLOSURES

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

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

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

£m	2018		2017	
	External revenue	Non-current assets <sup>(1)</sup>	External revenue	Non-current assets <sup>(1)</sup>
Country of tax domicile – Switzerland	<b>32.1</b>	<b>27.0</b>	26.6	22.5
United States of America	<b>883.7</b>	<b>1,022.1</b>	819.6	878.5
United Kingdom	<b>439.0</b>	<b>508.8</b>	440.0	440.1
All other countries	<b>1,180.6</b>	<b>1,013.5</b>	1,066.1	831.5
	<b>2,535.4</b>	<b>2,571.4</b>	2,352.3	2,172.6

1. Excluding deferred tax assets

#### 5. OPERATING PROFIT

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

	Notes	2018 £m	2017 £m
Revenue		<b>2,535.4</b>	2,352.3
Depreciation on property, plant and equipment	13	<b>225.4</b>	202.1
Amortisation of intangibles	12	<b>10.4</b>	10.9
Amortisation of partner contributions		<b>(67.5)</b>	(60.6)
Property rents payable in respect of operating leases:		<b>1,072.1</b>	1,003.2
Property		<b>1,035.4</b>	966.8
Contingent rents paid		<b>36.7</b>	36.4
Equipment rents payable in respect of operating leases		<b>3.5</b>	3.4
Staff costs	6	<b>380.9</b>	331.5
Facility and other property costs		<b>383.5</b>	348.7
Expected credit losses of trade receivables	23	<b>17.7</b>	16.2
Loss on disposal of property, plant and equipment		<b>13.6</b>	4.3
Impairment of goodwill	11	<b>1.0</b>	–
Loss on disposal of intangible assets	12	<b>0.1</b>	1.6
(Reversal of impairment)/Impairment of property, plant and equipment	13	<b>(0.1)</b>	0.1
Amortisation of acquired lease fair value adjustments		<b>(2.0)</b>	(3.6)
Negative goodwill arising on acquisition	11	<b>(6.2)</b>	–
Other costs		<b>347.5</b>	330.5
		<b>155.5</b>	164.0
Share of loss of equity-accounted investees, net of tax		<b>(1.4)</b>	(0.8)
Operating profit		<b>154.1</b>	163.2
		<b>2018 £m</b>	2017 £m
Fees payable to the Group's auditor and its associates for the audit of the Group accounts		<b>1.0</b>	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		<b>2.2</b>	1.7
Other services pursuant to legislation:			
Tax services		–	–
Other services		–	0.1

#### Change in estimate

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

## 6. STAFF COSTS

	2018 £m	2017 £m
<b>The aggregate payroll costs were as follows:</b>		
Wages and salaries	<b>324.8</b>	278.6
Social security	<b>50.3</b>	45.9
Pension costs	<b>5.3</b>	5.3
Share-based payments	<b>0.5</b>	1.7
	<b>380.9</b>	331.5

	2018 Average full time equivalents	2017 Average full time equivalents
<b>The average number of persons employed by the Group (including Executive Directors), analysed by category and geography, was as follows:</b>		
Centre staff	<b>7,424</b>	6,786
Sales and marketing staff	<b>493</b>	497
Finance staff	<b>791</b>	739
Other staff	<b>907</b>	766
	<b>9,615</b>	8,788
Americas	<b>3,001</b>	2,860
EMEA	<b>2,425</b>	2,161
Asia Pacific	<b>1,670</b>	1,641
United Kingdom	<b>926</b>	848
Corporate functions	<b>1,593</b>	1,278
	<b>9,615</b>	8,788

Details of Directors' emoluments and interests are given on pages 63 to 77 in the Remuneration Report, with audited schedules identified where relevant.

**7. NET FINANCE EXPENSE**

	2018 £m	2017 £m
Interest payable and similar charges on bank loans and corporate borrowings	(12.4)	(7.5)
<b>Total interest expense</b>	<b>(12.4)</b>	(7.5)
Other finance costs (including foreign exchange)	(3.3)	(5.7)
Unwinding of discount rates	(0.2)	(0.9)
<b>Total finance expense</b>	<b>(15.9)</b>	(14.1)
 Total interest income	 0.5	0.3
<b>Total finance income</b>	<b>0.5</b>	0.3
 <b>Net finance expense</b>	 <b>(15.4)</b>	(13.8)

**8. TAXATION**

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

	2018 £m	2017 £m
<b>Current taxation</b>		
Corporate income tax	(40.3)	(26.8)
Previously unrecognised tax losses and other differences	4.0	1.3
Under provision in respect of prior years	(5.3)	(5.2)
<b>Total current taxation</b>	<b>(41.6)</b>	(30.7)
<b>Deferred taxation</b>		
Origination and reversal of temporary differences	(0.7)	(5.2)
Previously unrecognised tax losses and other differences	9.7	1.0
Under provision in respect of prior years	(0.4)	(0.5)
<b>Total deferred taxation</b>	<b>8.6</b>	(4.7)
<b>Tax charge on profit</b>	<b>(33.0)</b>	(35.4)

**(b) Reconciliation of taxation charge**

	2018 £m	2017 £m	2018 %	2017 %
<b>Profit before tax</b>	<b>138.7</b>	149.4		
<b>Tax on profit at 14.6% (2017: 14.6%)</b>	<b>(20.3)</b>	(21.8)	(14.6)	(14.6)
Tax effects of:				
Expenses not deductible for tax purposes	(26.2)	(19.2)	(18.9)	(12.8)
Items not chargeable for tax purposes	24.9	23.4	18.0	15.7
Recognition of previously unrecognised deferred tax assets	13.7	2.3	9.9	1.5
Movements in temporary differences in the year not recognised in deferred tax	(104.1)	(91.1)	(75.2)	(61.0)
Adjustment to tax charge in respect of previous years	(5.7)	(5.7)	(4.1)	(3.8)
Differences in tax rates on overseas earnings	84.7	76.7	61.1	51.3
	<b>(33.0)</b>	(35.4)	<b>(23.8)</b>	(23.7)

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.

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

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

	2018 £m	2017 £m
2018	–	4.9
2019	<b>5.6</b>	8.1
2020	<b>20.5</b>	54.7
2021	<b>31.7</b>	37.4
2022	<b>40.5</b>	43.4
2023	<b>54.2</b>	22.9
2024	<b>31.5</b>	29.9
2025	<b>37.6</b>	13.4
2026 and later	<b>432.0</b>	222.1
	<b>653.6</b>	436.8
Available indefinitely	<b>671.8</b>	642.4
<b>Tax losses available to carry forward</b>	<b>1,325.4</b>	1,079.2
Amount of tax losses recognised in deferred tax assets	<b>207.8</b>	117.0
<b>Total tax losses available to carry forward</b>	<b>1,533.2</b>	1,196.2

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

	2018 £m	2017 £m
Intangibles	<b>17.0</b>	16.9
Accelerated capital allowances	<b>39.3</b>	32.1
Tax losses	<b>336.8</b>	271.5
Rent	<b>7.9</b>	8.7
Short-term temporary differences	<b>9.8</b>	5.5
	<b>410.8</b>	334.7

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

### (d) Corporation tax

	2018 £m	2017 £m
Corporation tax payable	<b>(31.0)</b>	(21.6)
Corporation tax receivable	<b>32.7</b>	27.6

## 8. TAXATION (CONTINUED)

### (e) Deferred taxation

The movement in deferred tax is analysed below:

	Intangibles £m	Property, plant and equipment £m	Tax losses £m	Rent £m	Short-term temporary differences £m	Total £m
<b>Deferred tax asset</b>						
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
Current year movement	(1.6)	(6.2)	19.2	2.7	(6.5)	7.6
Prior year movement	0.1	–	(0.3)	–	(0.2)	(0.4)
Transfers	(0.1)	–	–	0.1	0.1	0.1
Exchange rate movements	(2.5)	(1.1)	–	2.5	1.4	0.3
<b>At 31 December 2018</b>	<b>(33.5)</b>	<b>(24.8)</b>	<b>45.8</b>	<b>52.4</b>	<b>(9.3)</b>	<b>30.6</b>
<b>Deferred tax liability</b>						
At 1 January 2017	(0.4)	(3.2)	2.4	(0.2)	(1.0)	(2.4)
Current year movement	(0.1)	0.3	(0.2)	0.6	(0.2)	0.4
Prior year movement	–	–	(0.3)	–	0.7	0.4
Transfers	–	(2.2)	1.3	0.5	0.6	0.2
Exchange rate movements	–	–	–	–	0.1	0.1
At 31 December 2017	(0.5)	(5.1)	3.2	0.9	0.2	(1.3)
Current year movement	(0.1)	0.4	1.8	(0.4)	(0.3)	1.4
Prior year movement	0.3	–	(0.4)	0.1	–	–
Transfers	0.1	–	–	(0.1)	(0.1)	(0.1)
Exchange rate movements	–	–	–	–	–	–
<b>At 31 December 2018</b>	<b>(0.2)</b>	<b>(4.7)</b>	<b>4.6</b>	<b>0.5</b>	<b>(0.2)</b>	<b>–</b>

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

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

## 9. EARNINGS PER ORDINARY SHARE (BASIC AND DILUTED)

	2018	2017
Basic and diluted profit for the year attributable to shareholders (£m)	<b>105.7</b>	114.0
Basic earnings per share (p)	11.7	12.4
Diluted earnings per share (p)	11.6	12.3
Weighted average number of shares for basic EPS	<b>907,077,048</b>	915,676,309
Weighted average number of shares under option	<b>13,715,757</b>	20,223,265
Weighted average number of shares that would have been issued at average market price	<b>(8,736,525)</b>	(11,750,214)
Weighted average number of share awards under the CIP, PSP, DSBP and One-off Award	<b>2,150,099</b>	2,088,344
Weighted average number of shares for diluted EPS	<b>914,206,379</b>	926,237,704

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 253.22p (2017: 285.56p).

## 10. DIVIDENDS

	2018	2017
Dividends per ordinary share proposed	<b>4.35p</b>	3.95p
Interim dividends per ordinary share declared and paid during the year	<b>1.95p</b>	1.75p

Dividends of £53.7m were paid during the year (2017: £48.5m). The Company has proposed to shareholders that a final dividend of 4.35p per share will be paid (2017: 3.95p). Subject to shareholder approval, it is expected that the dividend will be paid on 24 May 2019.

## 11. GOODWILL

	£m
<b>Cost</b>	
At 1 January 2017	685.3
Recognised on acquisition of subsidiaries	3.3
Exchange rate movements	(21.9)
<b>At 31 December 2017</b>	<b>666.7</b>
Recognised on acquisition of subsidiaries <sup>(1)</sup>	(7.5)
Negative goodwill	6.2
Goodwill impairment	(1.0)
Exchange rate movements	14.8
<b>At 31 December 2018</b>	<b>679.2</b>
<b>Net book value</b>	
At 31 December 2017	666.7
<b>At 31 December 2018</b>	<b>679.2</b>

1. Net of £8.5m 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.

## 11. GOODWILL (CONTINUED)

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

Carrying amount of goodwill included within:	2018 £m	2017 £m
Americas	<b>299.7</b>	285.8
EMEA	<b>125.4</b>	125.1
Asia	<b>35.2</b>	34.7
United Kingdom	<b>218.9</b>	221.1
	<b>679.2</b>	666.7

The carrying value of goodwill and indefinite life intangibles allocated to two countries, the USA and the UK, is material relative to the total carrying value, comprising 73% of the total. The remaining 27% of the carrying value is allocated to a further 43 countries. The goodwill and indefinite life intangibles allocated to the USA and the UK are set out below:

	Goodwill £m	Intangible assets £m	2018 £m	2017 £m
USA	277.1	—	<b>277.1</b>	262.4
United Kingdom	218.9	11.2	<b>230.1</b>	232.3
Other countries	183.2	—	<b>183.2</b>	183.2
	679.2	11.2	<b>690.4</b>	677.9

The indefinite life intangible asset relates to the brand value arising from the acquisition of the remaining 58% of the UK business in the year ended 31 December 2006 (see note 12).

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

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

- Future cash flows are based on forecasts prepared by management. The model excludes cost savings and restructurings that are anticipated but had not been committed to at the date of the determination of the value in use. Thereafter, forecasts have been prepared by management for a further four years from 2019 that reflect an average annual growth rate of the three-year average inflation rate of the country (2017: 3%);
- These forecasts exclude the impact of acquisitive growth expected to take place in future periods;
- Management considers these projections to be a reasonable projection of margins expected at the mid-cycle position. Cash flows beyond 2022 have been extrapolated using the same three-year average inflation growth rate which management believes is a reasonable long-term growth rate for any of the markets in which the relevant countries operate. A terminal value is included in the assessment, reflecting the Group's expectation that it will continue to operate in these markets and the long-term nature of the businesses; and
- The Group applies a country specific pre-tax discount rate to the pre-tax cash flows for each country. The country specific discount rate is based on the underlying weighted average cost of capital (WACC) for the Group. The Group WACC is then adjusted for each country to reflect the assessed market risk specific to that country. The Group pre-tax WACC increased from 9.9% in 2017 to 10.4% in 2018 (post-tax WACC: 8.3%). The country specific pre-tax WACC reflecting the respective market risk adjustment has been set between 9.7% and 14.1% (2017: 9.3% to 12.8%).

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

The US model assumes an average centre contribution of 17% over the next five years. Revenue and costs grow at 1.2% per annum from 2019. A terminal value centre gross margin of 17% is adopted from 2023, with a 1.2% long-term growth rate assumed on revenue and costs into perpetuity. The cash flows have been discounted using a pre-tax discount rate of 14% (2017: 10%).

The UK model assumes an average centre contribution of 11% over the next five years. Revenue and costs grow at 2.4% per annum from 2019. A terminal value centre gross margin of 13% is adopted from 2023, with a 2.4% long-term growth rate assumed on revenue and costs into perpetuity. The cash flows have been discounted using a pre-tax discount rate of 10% (2017: 10%).

Management has considered the following sensitivities:

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

Discount rate – Management has considered the impact of an increase in the discount rate applied to the calculation. The value in use calculation shows that for the recoverable amount to be less than its carrying value, the pre-tax discount rate would have to be increased to 20% (2017: 12%) for the US and 12% (2017: 16%) for the UK.

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

## 12. OTHER INTANGIBLE ASSETS

	Brand £m	Customer lists £m	Software £m	Total £m
<b>Cost</b>				
At 1 January 2017	65.3	32.6	66.6	164.5
Additions at cost	–	–	3.6	3.6
Acquisition of subsidiaries	–	1.6	–	1.6
Disposals	–	–	(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
Additions at cost	–	–	<b>6.9</b>	<b>6.9</b>
Acquisition of subsidiaries <sup>(1)</sup>	–	<b>0.1</b>	–	<b>0.1</b>
Disposals	–	–	(1.8)	(1.8)
Exchange rate movements	<b>2.7</b>	<b>0.2</b>	<b>0.5</b>	<b>3.4</b>
<b>At 31 December 2018</b>	<b>63.6</b>	<b>32.5</b>	<b>66.1</b>	<b>162.2</b>
<b>Amortisation</b>				
At 1 January 2017	33.3	31.4	47.0	111.7
Charge for year	2.6	1.4	6.9	10.9
Disposals	–	–	(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
Charge for year	<b>2.5</b>	<b>0.8</b>	<b>7.1</b>	<b>10.4</b>
Disposals	–	–	(1.7)	(1.7)
Exchange rate movements	<b>1.9</b>	<b>0.6</b>	<b>0.3</b>	<b>2.8</b>
<b>At 31 December 2018</b>	<b>37.4</b>	<b>32.3</b>	<b>50.0</b>	<b>119.7</b>
<b>Net book value</b>				
At 1 January 2017	32.0	1.2	19.6	52.8
At 31 December 2017	27.9	1.3	16.2	45.4
<b>At 31 December 2018</b>	<b>26.2</b>	<b>0.2</b>	<b>16.1</b>	<b>42.5</b>

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

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

As a result of the Regus brand acquired with the UK business having an indefinite useful life no amortisation is charged but the carrying value is assessed for impairment on an annual basis. The brand was tested at the balance sheet date against the recoverable amount of the UK business segment at the same time as the goodwill arising on the acquisition of the UK business (see note 11).

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

**13. PROPERTY, PLANT AND EQUIPMENT**

	Land and buildings £m	Leasehold improvements £m	Furniture and equipment £m	Computer hardware £m	Total £m
<b>Cost</b>					
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	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
Additions	<b>6.4</b>	<b>474.1</b>	<b>84.6</b>	<b>14.5</b>	<b>579.6</b>
Acquisition of subsidiaries <sup>(1)</sup>	<b>8.6</b>	<b>0.2</b>	<b>0.3</b>	–	<b>9.1</b>
Disposals	–	(125.8)	(56.2)	(7.0)	(189.0)
Exchange rate movements	(0.1)	49.0	19.9	1.4	70.2
<b>At 31 December 2018</b>	<b>146.3</b>	<b>2,085.8</b>	<b>709.1</b>	<b>136.9</b>	<b>3,078.1</b>
<b>Accumulated depreciation</b>					
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
Charge for the year	<b>2.8</b>	<b>155.6</b>	<b>52.3</b>	<b>14.7</b>	<b>225.4</b>
Disposals	–	(114.4)	(53.6)	(7.0)	(175.0)
Reversal of impairment	–	(0.1)	–	–	(0.1)
Exchange rate movements	0.1	22.2	11.8	1.5	35.6
<b>At 31 December 2018</b>	<b>5.3</b>	<b>802.9</b>	<b>413.2</b>	<b>105.5</b>	<b>1,326.9</b>
<b>Net book value</b>					
At 1 January 2017	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
<b>At 31 December 2018</b>	<b>141.0</b>	<b>1,282.9</b>	<b>295.9</b>	<b>31.4</b>	<b>1,751.2</b>

1. Includes £8.5m on the finalisation of the accounting for prior year acquisitions previously reported on a provisional basis

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

**14. OTHER LONG-TERM RECEIVABLES**

	2018 £m	2017 £m
Deposits held by landlords against rent obligations	<b>82.4</b>	76.3
Acquired lease fair value asset	<b>3.6</b>	4.4
	<b>86.0</b>	80.7

## 15. TRADE AND OTHER RECEIVABLES

	2018 £m	2017 £m
Trade receivables, net	<b>229.8</b>	199.3
Prepayments and accrued income	<b>213.3</b>	167.3
Other receivables	<b>164.3</b>	108.7
VAT recoverable	<b>103.1</b>	98.1
Deposits held by landlords against rent obligations	<b>6.0</b>	7.2
Acquired lease fair value asset	<b>1.0</b>	1.2
	<b>717.5</b>	581.8

## 16. TRADE AND OTHER PAYABLES (INCLUDING CUSTOMER DEPOSITS)

	2018 £m	2017 £m
Customer deposits	<b>483.2</b>	429.8
Deferred rents	<b>147.6</b>	121.3
Other accruals	<b>132.3</b>	108.5
Trade payables	<b>110.0</b>	74.0
VAT payable	<b>79.2</b>	90.2
Deferred partner contributions	<b>78.7</b>	59.2
Other payables	<b>21.4</b>	13.7
Other tax and social security	<b>4.8</b>	5.1
Acquired lease fair value liability	<b>1.7</b>	3.0
Total current	<b>1,058.9</b>	904.8

## 17. OTHER LONG-TERM PAYABLES

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

## 18. BORROWINGS

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

### Bank and other loans

	2018 £m	2017 £m
Repayments falling due as follows:		
In more than one year but not more than two years	<b>8.7</b>	8.9
In more than two years but not more than five years	<b>506.3</b>	329.2
In more than five years	<b>4.9</b>	4.8
<b>Total non-current</b>	<b>519.9</b>	342.9
<b>Total current</b>	<b>9.9</b>	8.5
<b>Total bank and other loans</b>	<b>529.8</b>	351.4

## 19. PROVISIONS

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

### Onerous leases and closures

Provisions for onerous leases and closure costs relate to the estimated future costs of centre closures and onerous property leases. The maximum period over which the provisions are expected to be utilised expires by 31 December 2026.

### Other

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

## 20. INVESTMENTS IN JOINT VENTURES

	Investments in joint ventures £m	Provision for deficit in joint ventures £m	Total £m
At 1 January 2017	13.6	(3.4)	10.2
Additions	0.3	–	0.3
Share of loss	(0.4)	(0.4)	(0.8)
Exchange rate movements	(1.1)	–	(1.1)
At 31 December 2017	12.4	(3.8)	8.6
Share of profit/(loss)	<b>0.3</b>	<b>(1.7)</b>	<b>(1.4)</b>
Exchange rate movements	<b>(0.5)</b>	–	<b>(0.5)</b>
<b>At 31 December 2018</b>	<b>12.2</b>	<b>(5.5)</b>	<b>6.7</b>

The Group has 52 joint ventures (2017: 49) at the reporting date, all of which are individually immaterial. The Group has a legal obligation in respect of its share of any deficits recognised by these operations.

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

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

## 21. SHARE CAPITAL

### Ordinary equity share capital

	2018		2017	
	Number	Nominal value £m	Number	Nominal value £m
<b>Authorised</b>				
Ordinary 1p shares in IWG plc at 1 January	<b>8,000,000,000</b>	<b>80.0</b>	8,000,000,000	80.0
Ordinary 1p shares in IWG plc at 31 December	<b>8,000,000,000</b>	<b>80.0</b>	8,000,000,000	80.0
<b>Issued and fully paid up</b>				
Ordinary 1p shares in IWG plc at 1 January	<b>923,357,438</b>	<b>9.2</b>	923,357,438	9.2
Ordinary 1p shares in IWG plc at 31 December	<b>923,357,438</b>	<b>9.2</b>	923,357,438	9.2

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

### Treasury share transactions involving IWG plc shares between 1 January 2018 and 31 December 2018

During the year, 17,489,685 shares were purchased in the open market and 1,739,476 treasury shares held by the Group were utilised to satisfy the exercise of share awards by employees. As at 6 March 2019, 28,736,954 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.

	2018		2017	
	Number of shares	£m	Number of shares	£m
1 January	<b>12,986,745</b>	<b>39.6</b>	1,170,699	2.9
Purchase of treasury shares in IWG plc	<b>17,489,685</b>	<b>40.2</b>	16,830,000	51.1
Treasury shares in IWG plc utilised	<b>(1,739,476)</b>	<b>(5.7)</b>	(5,013,954)	(14.4)
31 December	<b>28,736,954</b>	<b>74.1</b>	12,986,745	39.6

## 22. ANALYSIS OF FINANCIAL ASSETS/(LIABILITIES)

	At 1 Jan 2018 £m	Cash flow £m	Exchange rate movements £m	At 31 Dec 2018 £m
<b>Cash and cash equivalents</b>	55.0	12.1	1.9	<b>69.0</b>
<b>Gross cash</b>	55.0	12.1	1.9	<b>69.0</b>
Debt due within one year	(8.5)	(1.4)	–	(9.9)
Debt due after one year	(342.9)	(175.5)	(1.5)	(519.9)
	(351.4)	(176.9)	(1.5)	(529.8)
<b>Net financial assets/(liabilities)</b>	(296.4)	(164.8)	0.4	<b>(460.8)</b>

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

## 23. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The objectives, policies and strategies applied by the Group with respect to financial instruments and the management of capital are determined at 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 44 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 30 to 33 within the Strategic Report reviews the trading performance, financial position and cash flows of the Group. During the year ended 31 December 2018, the Group made a significant investment in growth and the Group's net debt position increased by £164.4m to a net debt position of £460.8m as at 31 December 2018. The investment in growth is funded by a combination of cash flow generated from the Group's mature business centres and debt. The Group had a £750.0m revolving credit facility provided by a group of relationship banks with a final maturity in 2023. As at 31 December 2018, £125.4m was available and undrawn. The revolving credit facility was increased from £750.0m to £950.0m in January 2019 and the final maturity extended to 2024 with an option to extend until 2026.

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

### Credit risk

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

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

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

	2018 £m	2017 £m
Americas	<b>33.3</b>	27.8
EMEA	<b>94.8</b>	75.0
Asia Pacific	<b>51.7</b>	41.6
United Kingdom	<b>50.0</b>	54.9
	<b>229.8</b>	199.3

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

The ageing of trade receivables at 31 December was:

	Gross 2018 £m	Provision 2018 £m	Gross 2017 £m	Provision 2017 £m
Not overdue	<b>175.6</b>	—	132.4	—
Past due 0 – 30 days	<b>38.2</b>	—	43.3	—
Past due 31 – 60 days	<b>11.6</b>	—	13.8	—
More than 60 days	<b>26.6</b>	<b>(22.2)</b>	31.6	(21.8)
	<b>252.0</b>	<b>(22.2)</b>	221.1	(21.8)

At 31 December 2018, the Group maintained a provision of £22.2m for expected credit losses (2017: £21.8m) arising from trade receivables. The Group had provided £17.7m (2017: £16.2m) in the year and utilised £17.3m (2017: £13.5m). Customer deposits of £483.2m (2017: £429.8m) are held by the Group, mitigating the risk of default.

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

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

### Liquidity risk

The Group manages liquidity risk by closely monitoring the global cash position, the available and undrawn credit facilities, and forecast capital expenditure and expects to have sufficient liquidity to meet its financial obligations as they fall due. The Group has free cash and liquid investments (excluding blocked cash) of £64.8m (2017: £45.7m). In addition to cash and liquid investments, the Group had £125.4m available and undrawn under its committed borrowings. The Directors consider the Group has adequate liquidity to meet day-to-day requirements.

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

The debt provided under the credit facility is floating rate, however, as part of the Group's balance sheet management and to protect against a future increase in interest rates, £70.0m and \$30.0m were swapped into a fixed rate liability for a three-year period, maturing in 2019 with an average fixed rate of respectively 0.7% and 1.8% (excluding funding margin). A further £30.0m maturing in 2021 was added in 2018 with a fixed rate of 1.2%.

Although the Group has net current liabilities of £610.3m (2017: £560.3m), the Group does not consider that this gives rise to a liquidity risk. A large proportion of the net current liabilities comprise non-cash liabilities such as deferred income which will be recognised in future periods through the income statement. The Group holds customer deposits of £483.2m (2017: £429.8m) which are spread across a large number of customers and no deposit held for an individual customer is material. Therefore, the Group does not believe the balance represents a liquidity risk. The net current liabilities, excluding deferred income, were £290.3m at 31 December 2018 (2017: £275.0m).

### Market risk

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

### Interest rate risk

The Group manages its exposure to interest rate risk through the relative proportions of fixed rate debt and floating rate debt. Any surplus cash balances are invested short-term, and at the end of 2018 no cash was invested for a period exceeding three months.

## 23. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

### 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:

£m	2018		
	GBP	EUR	USD
Trade and other receivables	1.1	20.8	2.3
Trade and other payables	(0.8)	(3.9)	(8.6)
Net statement of financial position exposure	0.3	16.9	(6.3)
2017			
£m	GBP	EUR	USD
Trade and other receivables	0.1	0.6	16.7
Trade and other payables	(6.7)	(8.7)	(10.4)
Net statement of financial position exposure	(6.6)	(8.1)	6.3

### Other market risks

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

### Sensitivity analysis

For the year ended 31 December 2018, it is estimated that a general increase of one percentage point in interest rates would have decreased the Group's profit before tax by approximately £4.0m (2017: decrease of £2.6m) with a corresponding decrease in total equity.

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

It is estimated that a five-percentage point weakening in the value of the US dollar against sterling would have decreased the Group's total equity by approximately £11.6m for the year ended 31 December 2018 (2017: £11.1m). It is estimated that a five-percentage point weakening in the value of the euro against sterling would have decreased the Group's total equity by approximately £3.0m for the year ended 31 December 2018 (2017: decrease of £1.1m).

### 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 52. 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. Details of the Directors' shareholdings can be found in the report of the Remuneration Committee on pages 63 to 77. 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 2018 and 31 December 2018

During the year, 17,489,685 shares were purchased in the open market and 1,739,476 treasury shares held by the Group were utilised to satisfy the exercise of share awards by employees. As at 31 December 2018, 28,736,954 treasury shares were held.

The Company declared and paid an interim dividend of 1.95p per share (2017: 1.75p) during the year ended 31 December 2018 and proposed a final dividend of 4.35p per share (2017: 3.95p per share), a 10% increase on the 2017 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 £460.8m at the end of 2018 (2017: £296.4m) and £125.4m (2017: £131.8m) of committed undrawn borrowings on the £750.0m revolving credit facility as at the end of the year.

### Effective interest rates

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

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

#### As at 31 December 2018

	Effective interest rate %	Carrying value £m	Contractual cash flow £m	Less than 1 year £m	1-2 years £m	2-5 years £m	More than 5 years £m
Cash and cash equivalents	–	<b>69.0</b>	<b>69.0</b>	<b>69.0</b>	–	–	–
Trade and other receivables <sup>(1)</sup>	–	<b>503.2</b>	<b>525.4</b>	<b>525.4</b>	–	–	–
Other long-term receivables <sup>(2)</sup>	–	<b>82.4</b>	<b>82.4</b>	–	<b>41.2</b>	<b>41.2</b>	–
Derivative financial assets:							
Interest rate swaps							
• Outflow	–	–	–	–	–	–	–
• Inflow	–	<b>0.3</b>	<b>0.3</b>	<b>0.3</b>	–	–	–
<b>Financial assets<sup>(3)</sup></b>		<b>654.9</b>	<b>677.1</b>	<b>594.7</b>	<b>41.2</b>	<b>41.2</b>	–
Non-derivative financial liabilities <sup>(4)</sup> :							
Bank loans and corporate borrowings	<b>2.9%</b>	<b>(505.4)</b>	<b>(505.4)</b>	<b>(0.1)</b>	<b>(2.0)</b>	<b>(503.3)</b>	–
Other loans	<b>1.4%</b>	<b>(24.4)</b>	<b>(24.4)</b>	<b>(9.8)</b>	<b>(6.7)</b>	<b>(3.0)</b>	<b>(4.9)</b>
Trade and other payables <sup>(5)</sup>	–	<b>(830.9)</b>	<b>(830.9)</b>	<b>(830.9)</b>	–	–	–
Other long-term payables <sup>(5)</sup>	–	<b>(6.4)</b>	<b>(6.4)</b>	–	<b>(6.4)</b>	–	–
<b>Financial liabilities</b>		<b>(1,367.1)</b>	<b>(1,367.1)</b>	<b>(840.8)</b>	<b>(15.1)</b>	<b>(506.3)</b>	<b>(4.9)</b>

#### 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 <sup>(1)</sup>	–	413.3	435.1	435.1	–	–	–
Other long-term receivables <sup>(2)</sup>	–	76.3	76.3	–	38.1	38.2	–
Derivative financial assets:							
Interest rate swaps							
• Outflow	–	–	–	–	–	–	–
• Inflow	–	0.2	0.2	0.2	–	–	–
<b>Financial assets<sup>(3)</sup></b>		<b>544.8</b>	<b>566.6</b>	<b>490.3</b>	<b>38.1</b>	<b>38.2</b>	–
Non-derivative financial liabilities <sup>(4)</sup> :							
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 <sup>(5)</sup>	–	(721.3)	(721.3)	(721.3)	–	–	–
Other long-term payables <sup>(5)</sup>	–	(11.1)	(11.1)	–	(11.1)	–	–
<b>Financial liabilities</b>		<b>(1,083.8)</b>	<b>(1,083.8)</b>	<b>(729.8)</b>	<b>(20.0)</b>	<b>(329.2)</b>	<b>(4.8)</b>

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

## 23. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

### Fair value disclosures

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

£m	31 December 2018	Carrying amount			Fair value			
		Cash, loans and receivables	Other financial liabilities	Cash flow – hedging instruments	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	69.0	–	–	–	69.0	–	–	–
Trade and other receivables	503.2	–	–	–	503.2	–	–	–
Other long-term receivables	82.4	–	–	–	82.4	–	–	–
Derivative financial asset	–	–	0.3	0.3	0.3	–	0.3	0.3
Bank loans and corporate borrowings	–	(505.4)	–	(505.4)	–	–	–	–
Other loans	–	(24.4)	–	(24.4)	–	–	–	–
Trade and other payables	–	(830.9)	–	(830.9)	–	–	–	–
Other long-term payables	–	(6.4)	–	(6.4)	–	–	–	–
	654.6	(1,367.1)	0.3	(712.2)	–	0.3	–	0.3
Unrecognised gain								–

£m	31 December 2017	Carrying amount			Fair value			
		Cash, loans and receivables	Other financial liabilities	Cash flow – hedging instruments	Total	Level 1	Level 2	Level 3
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								–

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

### Valuation techniques

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

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

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

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

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

### Derivative financial instruments

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

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

### Committed borrowings

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

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

The debt provided under the credit facility is floating rate, however, as part of the Group's balance sheet management and to protect against a future increase in interest rates, £70.0m and \$30.0m were swapped into a fixed rate liability for a three-year period, maturing in 2019 with an average fixed rate of respectively 0.7% and 1.8% (excluding funding margin). A further £30.0m maturing in 2021 was added in 2018 with a fixed rate of 1.2%.

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

## 24. 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. 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

		2018	2017		
		Number of share options	Weighted average exercise price per share	Number of share options	Weighted average exercise price per share
At 1 January		<b>18,259,790</b>	<b>179.79</b>	24,519,624	169.62
Granted during the year		<b>14,785,127</b>	<b>200.95</b>	2,200,507	244.28
Lapsed during the year		<b>(2,159,407)</b>	<b>182.91</b>	(4,475,884)	189.71
Exercised during the year		<b>(1,544,288)</b>	<b>129.27</b>	(3,984,457)	107.80
Outstanding at 31 December		<b>29,341,222</b>	<b>191.87</b>	18,259,790	179.79
Exercisable at 31 December		<b>5,999,946</b>	<b>136.24</b>	5,622,041	118.81

Date of grant	Numbers granted	Weighted average exercise price per share	Lapsed	Exercised	At 31 Dec 2018	Exercisable from	Expiry date
23/03/2010	3,986,000	100.50	(3,473,779)	(425,258)	86,963 <sup>(1)</sup>	23/03/2013	23/03/2020
28/06/2010	617,961	75.00	(541,798)	(57,086)	19,077 <sup>(1)</sup>	28/06/2013	28/06/2020
01/09/2010	160,646	69.10	(146,728)	(13,918)	— <sup>(1)</sup>	01/09/2013	01/09/2020
01/04/2011	2,400,000	114.90	(954,402)	(481,866)	963,732 <sup>(1)</sup>	01/04/2014	01/04/2021
30/06/2011	9,867,539	109.50	(4,905,047)	(4,301,951)	660,541 <sup>(1)</sup>	30/06/2014	30/06/2021
13/06/2012	11,189,000	84.95	(3,805,914)	(5,830,003)	1,553,083 <sup>(1)</sup>	13/06/2015	13/06/2022
12/06/2013	7,741,000	155.60	(4,290,683)	(2,185,921)	1,264,396	12/06/2016	12/06/2023
18/11/2013	600,000	191.90	(575,000)	—	25,000 <sup>(1)</sup>	18/11/2016	17/11/2023
18/12/2013	1,000,000	195.00	(750,000)	(83,333)	166,667 <sup>(1)</sup>	18/12/2016	17/12/2023
20/05/2014	1,845,500	187.20	(1,658,500)	(106,866)	80,134	20/05/2017	19/05/2024
05/11/2014	12,875,796	186.00	(6,390,041)	(48,385)	6,437,370	05/11/2017	04/11/2024
19/05/2015	1,906,565	250.80	(1,829,565)	—	77,000	19/05/2018	18/05/2025
22/12/2015	1,154,646	322.20	(320,186)	—	834,460	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	(181,367)	—	68,222	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	(150,253)	—	850,254	14/12/2020	14/12/2027
10/10/2018	685,127	223.20	—	—	685,127	10/10/2021	10/10/2028
21/12/2018 (Grant 1)	300,000	203.10	—	—	300,000	21/12/2021	21/12/2028
28/12/2018 (Grant 2)	13,800,000	199.80	—	—	13,800,000	28/12/2021	28/12/2028
Total	73,024,072	158.36	(30,148,263)	(13,534,587)	29,341,222		

1. All options have vested as of 31 December 2018

## 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

### 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

## 24. SHARE-BASED PAYMENTS (CONTINUED)

### 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.

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

#### October 2018 share option plan

The options awarded in October 2018 are conditional on the ongoing employment of the related employees for a specified period of time and are also subject to Group performance targets based on Group operating profit. Once performance conditions are satisfied those options that are eligible to vest will vest as follows:

	Proportion to vest
October 2021	1/3
October 2022	1/3
October 2023	1/3

#### December 2018 (Grant 1) share option plan

The options awarded in December 2018 are conditional on the ongoing employment of the related employee for a specified period of time and are also subject to the achievement of a TSR performance condition.

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%

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

	Proportion to vest
December 2021	1/3
December 2022	1/3
December 2023	1/3

## 24. SHARE-BASED PAYMENTS (CONTINUED)

### December 2018 (Grant 2) share option plan

The options awarded in December 2018 are conditional on the ongoing employment of the related employee for a specified period of time and are also subject to various non-market performance targets. Once performance conditions are satisfied, those options that are eligible to vest will vest as follows:

	Proportion to vest
December 2021	1/3
December 2022	1/3
December 2023	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 2018 (Grant 2)	December 2018 (Grant 1)	October 2018	December 2017	March 2017	September 2016
Share price on grant date	<b>199.80p</b>	<b>203.10p</b>	<b>223.20p</b>	197.00p	283.70p	258.00p
Exercise price	<b>199.80p</b>	<b>203.10p</b>	<b>223.20p</b>	197.00p	283.70p	258.00p
Expected volatility	<b>37.66% – 44.35%</b>	<b>37.63% – 44.25%</b>	<b>37.15% – 43.32%</b>	33.31% – 35.93%	27.42% – 29.87%	27.45% – 32.35%
Option life	<b>3–5 years</b>	<b>3–5 years</b>	<b>3–5 years</b>	3–5 years	3–5 years	3–7 years
Expected dividend	<b>2.95%</b>	<b>2.90%</b>	<b>2.64%</b>	2.69%	1.80%	1.80%
Fair value of option at time of grant	<b>58.77p – 69.33p</b>	<b>39.36p – 46.42p</b>	<b>67.69p – 78.56p</b>	40.06p – 44.20p	44.51p – 76.88p	40.96p – 67.89p
Risk-free interest rate	<b>0.87% – 1.01%</b>	<b>0.73% – 0.88%</b>	<b>0.70% – 0.91%</b>	0.54% – 0.75%	0.23% – 0.56%	0.09% – 0.38%

	June 2016	December 2015	May 2015	November 2014	May 2014	June 2013
Share price on grant date	272.50p	322.20p	250.80p	188.40p	191.00p	158.00p
Exercise price	272.50p	322.20p	250.80p	186.00p	187.20p	155.60p
Expected volatility	27.71% – 34.81%	24.80% – 37.08%	27.23% – 30.12%	24.67% – 33.53%	27.30% – 41.91%	40.31% – 48.98%
Option life	3–7 years	3–7 years	3–7 years	3–7 years	3–5 years	3–5 years
Expected dividend	1.71%	1.40%	1.59%	2.02%	2.00%	2.03%
Fair value of option at time of grant	44.28p – 78.68p	29.76p – 90.61p	42.35p – 69.12p	27.24p – 54.58p	30.80p – 59.63p	39.21p – 58.39p
Risk-free interest rate	0.14% – 0.39%	0.14% – 0.21%	0.81% – 1.53%	0.90% – 1.81%	0.99% – 1.47%	0.67% – 1.20%

### 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

	2018	2017
	Number of awards	Number of awards
At 1 January	<b>3,321,464</b>	3,292,656
PSP awards granted during the year	<b>1,278,350</b>	1,095,406
Lapsed during the year	<b>(2,413,376)</b>	(37,099)
Exercised during the year	<b>(195,188)</b>	(1,029,499)
Outstanding at 31 December	<b>1,991,250</b>	3,321,464
Exercisable at 31 December	—	—

The weighted average share price at the date of exercise for share awards exercised during the year ended 31 December 2018 was 234.00p (2017: 289.66p).

Plan	Date of grant	Numbers granted	Lapsed	Exercised	At 31 Dec 2018	Release date
PSP	03/03/2016	1,038,179	(485,600)	—	<b>552,579</b>	03/03/2021
PSP	01/03/2017	1,095,406	(512,367)	—	<b>583,039</b>	01/03/2022
PSP	07/03/2018	1,278,350	(597,938)	—	<b>680,412</b>	07/03/2023
			3,411,935	(1,595,905)	—	<b>1,816,030</b>

Plan	Date of grant	Numbers granted	Lapsed	Exercised	At 31 Dec 2018	Release date <sup>(1)</sup>
CIP: Matching shares	06/03/2013	1,217,176	(506,272)	(710,904)	—	06/03/2018
CIP: Matching shares	05/03/2014	647,688	(409,984)	(100,303)	<b>137,401</b>	05/03/2019
CIP: Investment shares	04/03/2015	207,952	—	(207,952)	—	04/03/2018
CIP: Matching shares	04/03/2015	831,808	(793,989)	—	<b>37,819</b>	04/03/2020
		2,904,624	(1,710,245)	(1,019,159)	<b>175,220</b>	

1. Based on the outstanding shares as at 31 December 2018

### 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:

	07/03/2018	01/03/2017	03/03/2016	04/03/2015	05/03/2014	06/03/2013
	PSP	PSP	PSP	CIP	CIP	CIP
Share price on grant date	<b>240.90p</b>	283.70p	300.00p	225.00p	253.30p	143.50p
Exercise price	<b>Nil</b>	Nil	Nil	Nil	Nil	Nil
Number of simulations	<b>250,000</b>	250,000	250,000	250,000	250,000	250,000
Number of companies	<b>32</b>	32	32	32	32	32
Award life	<b>5 years</b>	5 years	5 years	3 years	3 years	3 years
Expected dividend	<b>2.37%</b>	1.80%	1.50%	1.78%	1.66%	2.23%
Fair value of award at time of grant	<b>124.92p–189.26p</b>	155.83p–236.08p	183.08p–277.36p	75.67p–114.6p	83.11p–214.33p	83.11p–134.21p
Risk-free interest rate	<b>1.21%</b>	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.

## 24. SHARE-BASED PAYMENTS (CONTINUED)

### 2014 CIP Investment and matching grants

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

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

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

% of awards eligible for vesting	IWG TSR % achieved relative to FTSE All Share Total Return index <sup>(1)</sup>	
	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%

## 24. SHARE-BASED PAYMENTS (CONTINUED)

### 2018 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 2018. Thus, conditional on meeting these performance targets, these shares will vest in March 2023. 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 2017 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 2017 as follows:

Vesting scale	% of one third of the award that vest
Exceeds 2017 ROI plus 300 basis points	100%
Exceeds 2017 ROI by less than 300 basis points	On a straight-line basis between 0% and 100%
Equal to or less than the 2017 ROI	0%

### Plan 3: One-Off Award

In November 2015, an award of 328,751 ordinary shares of 1p each in the Company was granted to the Company's then 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). This award lapsed in 2018.

#### 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 then 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 that are eligible will vest in March 2020.

#### Reconciliation of outstanding share options

	2018	2017
	Number of awards	Number of awards
At 1 January	<b>383,664</b>	–
DSBP award granted during the year	–	383,664
Outstanding at 31 December	<b>383,664</b>	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%

## 25. RETIREMENT BENEFIT OBLIGATIONS

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

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

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

## 26. ACQUISITIONS

### Current period acquisitions

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

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

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

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

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

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

For a number of the acquisitions in 2018, the fair value of assets acquired has only been provisionally assessed, pending completion of a fair value assessment which has not yet been completed due to the limited time available between the date of acquisitions and the year-end date. The main changes in the provisional fair values expected are for the fair value of the leases (asset or liability), customer relationships and 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.

## Prior 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	Final fair value adjustments	Final fair value
<b>Net assets acquired</b>					
Intangible assets	–	1.5	1.5	0.1	1.6
Property, plant and equipment	98.4	0.6	99.0	8.5	107.5
Cash	5.5	–	5.5	–	5.5
Other current and non-current assets	0.4	0.4	0.8	–	0.8
Current liabilities	(6.6)	–	(6.6)	(0.1)	(6.7)
Non-current liabilities	(60.2)	–	(60.2)	–	(60.2)
	37.5	2.5	40.0	8.5	48.5
Goodwill arising on acquisition			3.5	(8.5)	(5.0)
<b>Total consideration</b>					
			43.5	–	43.5
<b>Cash flow on acquisition</b>					
Cash paid			43.5		43.5
<b>Net cash outflow</b>					
			43.5		43.5

Goodwill arising on acquisitions includes negative goodwill of £6.2m recognised as part of the selling, general and administration expenses line item in the consolidated income statement. The negative goodwill recognised is primarily due to the fair value uplift on the acquired properties based on the valuation provided by external valuation experts.

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.

There was £nil contingent consideration arising on the above acquisitions. Contingent consideration of £2.1m was also paid during the prior year with respect to milestones achieved on previous acquisitions.

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

The prior year comparative information has not been restated due to the immaterial nature of the final fair value adjustments recognised in 2018.

## 27. CAPITAL COMMITMENTS

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

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

## 28. NON-CANCELABLE OPERATING LEASE COMMITMENTS

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

	2018			2017		
	Property £m	Other £m	Total £m	Property £m	Other £m	Total £m
<b>Lease obligations falling due:</b>						
Within one year	1,047.8	0.1	1,047.9	914.8	0.5	915.3
Between one and five years	3,119.0	–	3,119.0	2,630.5	0.4	2,630.9
After five years	2,474.7	–	2,474.7	1,511.3	–	1,511.3
	6,641.5	0.1	6,641.6	5,056.6	0.9	5,057.5

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

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

## 29. CONTINGENT ASSETS AND LIABILITIES

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

## 30. RELATED PARTIES

### Parent and subsidiary entities

The consolidated financial statements include the results of the Group and its subsidiaries listed in note 31.

### 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
<b>2018</b>			
<b>Joint ventures</b>	<b>2.8</b>	<b>12.8</b>	<b>3.4</b>
2017			
Joint ventures	3.0	9.0	2.2

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

### Key management personnel

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

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

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

	2018 £m	2017 £m
Short-term employee benefits	7.9	6.7
Retirement benefit obligations	0.4	0.5
Share-based payments	1.0	1.4
	<b>9.3</b>	8.6

Share-based payments included in the table above reflect the accounting charge in the year. The full fair value of awards granted in the year was £2.1m (2017: £3.9m). These awards are subject to performance conditions and vest over three, four and five years from the award date.

### Transactions with related parties

During the year ended 31 December 2018 the Group acquired goods and services from a company indirectly controlled by a Director of the Company amounting to £43,288 (2017: £91,120). There was a £53,630 balance outstanding at the year-end (2017: £9,506).

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

### 31. PRINCIPAL GROUP COMPANIES

The Group's principal subsidiary undertakings at 31 December 2018, their principal activities and countries of incorporation are set out below:

Name of undertaking	Country of incorporation	% of ordinary shares and votes held	Name of undertaking	Country of incorporation	% of ordinary shares and votes held
<b>Trading companies</b>					
Regus Australia Management Pty Ltd	Australia	100	RGN Management Limited Partnership	Canada	100
Regus Belgium SA	Belgium	100	Pathway IP Sarl	Luxembourg	100
Regus do Brasil Ltda	Brazil	100	Franchise International Sarl	Luxembourg	100
Regus Business Service (Shenzen) Ltd	China	100	RBW Global Sarl	Luxembourg	100
Regus Management ApS	Denmark	100	Regus Service Centre Philippines B.V.	Philippines	100
Regus Management (Finland) Oy	Finland	100	Regus Global Management Centre SA	Switzerland	100
Regus HK Management Ltd	Hong Kong	100	Regus Group Services Ltd	United Kingdom	100
Regus CME Ireland Limited	Ireland	100	IW Group Services (UK) Ltd	United Kingdom	100
Regus Business Centres Limited	Israel	100	Regus Management Group LLC	United States	100
Regus Business Centres Italia Srl	Italy	100	<b>Holding and finance companies</b>		
Regus Japan K.K.	Japan	100	Umbrella Group Sarl	Luxembourg	100
Regus Management Malaysia Sdn Bhd	Malaysia	100	IWG Global Investments Sarl	Luxembourg	100
Regus Management de Mexico, SA de CV	Mexico	100	Regus Plc SA	Luxembourg	100
Regus New Zealand Management Ltd	New Zealand	100	IWG Group Holdings Sarl	Luxembourg	100
Regus Business Centre Norge AS	Norway	100	Pathway Finance Sarl	Switzerland	100
IWG Management Sp. z o.o.	Poland	100	Pathway Finance EUR 2 Sarl	Switzerland	100
Regus Management Singapore Pte Ltd	Singapore	100	Pathway Finance USD 2 Sarl	Switzerland	100
Regus Management (Sweden) AB	Sweden	100	Regus Group Limited	United Kingdom	100
Avanta Managed Offices Ltd	United Kingdom	100	Regus Corporation	United States	100
Basepoint Centres 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			

### 32. KEY JUDGEMENTAL AND ESTIMATES 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 2018, including the sensitivity to changes in those assumptions, can be found in note 11.

#### **Impairment of property, plant and equipment**

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

#### **Tax assets and liabilities**

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

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

	As at 31 Dec 2018 £m	As at 31 Dec 2017 £m
Trade and other receivables	9.4	9.8
Prepayments	0.2	1.1
<b>Total current assets</b>	<b>9.6</b>	<b>10.9</b>
Investments	2,295.4	2,295.4
<b>Total non-current assets</b>	<b>2,295.4</b>	<b>2,295.4</b>
<b>Total assets</b>	<b>2,305.0</b>	<b>2,306.3</b>
Trade and other payables	4.3	1.6
Accrued expenses	2.3	1.4
<b>Total short-term liabilities</b>	<b>6.6</b>	<b>3.0</b>
Long-term interest bearing liabilities	207.7	106.8
<b>Total long-term liabilities</b>	<b>207.7</b>	<b>106.8</b>
<b>Total liabilities</b>	<b>214.3</b>	<b>109.8</b>
Issued share capital	9.2	9.2
Legal capital reserves	–	–
Reserves from capital contributions	2,185.0	2,238.7
Retained earnings	(15.1)	(3.0)
Loss for the year	(14.3)	(8.8)
Treasury shares	(74.1)	(39.6)
<b>Total shareholders' equity</b>	<b>2,090.7</b>	<b>2,196.5</b>
<b>Total liabilities and shareholders' equity</b>	<b>2,305.0</b>	<b>2,306.3</b>

Approved by the Board on 6 March 2019

**MARK DIXON**  
CHIEF EXECUTIVE OFFICER

**ERIC HAGEMAN**  
CHIEF FINANCIAL 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 2018, which are available from the Company's registered office, Dammstrasse 19, CH-6300, Zug, Switzerland.

## SEGMENTAL ANALYSIS

### SEGMENTAL ANALYSIS – MANAGEMENT BASIS (UNAUDITED)

	Americas 2018	EMEA 2018	Asia Pacific 2018	United Kingdom 2018	Other 2018	Total 2018
<b>Mature<sup>(1)</sup></b>						
Workstations <sup>(4)</sup>	<b>174,629</b>	<b>96,850</b>	<b>92,879</b>	<b>74,106</b>	–	<b>438,464</b>
Occupancy (%)	<b>75.7%</b>	<b>77.0%</b>	<b>72.8%</b>	<b>68.8%</b>	–	<b>74.2%</b>
Revenue (£m)	<b>961.7</b>	<b>527.1</b>	<b>368.0</b>	<b>376.5</b>	<b>4.5</b>	<b>2,237.8</b>
Contribution (£m)	<b>207.6</b>	<b>128.0</b>	<b>76.2</b>	<b>49.3</b>	<b>(0.2)</b>	<b>460.9</b>
<b>REVPOW (£)</b>	<b>7,278</b>	<b>7,072</b>	<b>5,440</b>	<b>7,387</b>	–	<b>6,880</b>
<b>2017 Expansions<sup>(2)</sup></b>						
Workstations <sup>(4)</sup>	<b>15,703</b>	<b>20,211</b>	<b>9,467</b>	<b>13,721</b>	–	<b>59,102</b>
Occupancy (%)	<b>55.1%</b>	<b>62.4%</b>	<b>52.0%</b>	<b>76.6%</b>	–	<b>62.1%</b>
Revenue (£m)	<b>48.6</b>	<b>70.0</b>	<b>25.1</b>	<b>35.8</b>	<b>0.4</b>	<b>179.9</b>
Contribution (£m)	<b>(13.0)</b>	<b>3.1</b>	<b>(3.9)</b>	<b>12.4</b>	<b>0.5</b>	<b>(0.9)</b>
<b>2018 Expansions<sup>(2)</sup></b>						
Workstations <sup>(4)</sup>	<b>9,421</b>	<b>15,264</b>	<b>7,989</b>	<b>6,036</b>	–	<b>38,710</b>
Occupancy (%)	<b>37.4%</b>	<b>31.9%</b>	<b>29.4%</b>	<b>30.0%</b>	–	<b>32.4%</b>
Revenue (£m)	<b>19.8</b>	<b>20.8</b>	<b>11.5</b>	<b>13.3</b>	–	<b>65.4</b>
Contribution (£m) <sup>(5)</sup>	<b>(12.3)</b>	<b>(8.1)</b>	<b>(7.2)</b>	<b>(4.9)</b>	–	<b>(32.4)</b>
<b>Closures<sup>(6)</sup></b>						
Workstations <sup>(4)</sup>	<b>3,625</b>	<b>2,828</b>	<b>2,269</b>	<b>2,346</b>	–	<b>11,068</b>
Occupancy (%)	<b>60.5%</b>	<b>61.2%</b>	<b>54.0%</b>	<b>63.4%</b>	–	<b>60.0%</b>
Revenue (£m)	<b>18.4</b>	<b>12.9</b>	<b>7.6</b>	<b>13.4</b>	–	<b>52.3</b>
Contribution (£m)	<b>(8.5)</b>	<b>(4.0)</b>	<b>(4.3)</b>	<b>(1.5)</b>	–	<b>(18.3)</b>
<b>Total</b>						
<b>Workstations<sup>(4)</sup></b>	<b>203,378</b>	<b>135,153</b>	<b>112,604</b>	<b>96,209</b>	–	<b>547,344</b>
<b>Occupancy (%)</b>	<b>72.0%</b>	<b>69.4%</b>	<b>67.6%</b>	<b>67.3%</b>	–	<b>69.6%</b>
<b>Revenue (£m)</b>	<b>1,048.5</b>	<b>630.8</b>	<b>412.2</b>	<b>439.0</b>	<b>4.9</b>	<b>2,535.4</b>
<b>Contribution (£m)</b>	<b>173.8</b>	<b>119.0</b>	<b>60.8</b>	<b>55.3</b>	<b>0.3</b>	<b>409.2</b>
<b>REVPAW (£)</b>	<b>5,155</b>	<b>4,667</b>	<b>3,661</b>	<b>4,563</b>	–	<b>4,632</b>
<b>Period end workstations<sup>(7)</sup></b>						
<b>Mature</b>	<b>175,582</b>	<b>99,795</b>	<b>93,805</b>	<b>76,371</b>	–	<b>445,553</b>
<b>2017 Expansions</b>	<b>14,626</b>	<b>19,963</b>	<b>9,694</b>	<b>15,260</b>	–	<b>59,543</b>
<b>2018 Expansions</b>	<b>19,015</b>	<b>35,424</b>	<b>17,565</b>	<b>13,383</b>	–	<b>85,387</b>
<b>Total</b>	<b>209,223</b>	<b>155,182</b>	<b>121,064</b>	<b>105,014</b>	–	<b>590,483</b>

## SEGMENTAL ANALYSIS – MANAGEMENT BASIS (UNAUDITED)

	Americas 2017	EMEA 2017	Asia Pacific 2017	United Kingdom 2017	Other 2017	Total 2017
<b>Mature<sup>(1)</sup></b>						
Workstations <sup>(4)</sup>	174,309	92,301	92,587	69,713	–	428,910
Occupancy (%)	74.3%	76.6%	71.3%	71.6%	–	73.7%
Revenue (£m)	930.3	493.7	361.1	390.3	3.3	2,178.7
Contribution (£m)	162.3	105.9	71.4	75.2	(1.2)	413.6
<b>REVPOW (£)</b>	<b>7,183</b>	<b>6,983</b>	<b>5,470</b>	<b>7,819</b>	–	<b>6,892</b>
<b>2017 Expansions<sup>(2)</sup></b>						
Workstations <sup>(4)</sup>	7,309	7,626	3,694	6,641	–	25,270
Occupancy (%)	27.0%	38.4%	25.2%	73.1%	–	42.3%
Revenue (£m)	10.9	20.2	5.2	14.4	0.5	51.2
Contribution (£m)	(14.1)	(5.5)	(5.0)	2.6	3.0	(19.0)
<b>Closures<sup>(3)</sup></b>						
Workstations <sup>(4)</sup>	7,060	5,977	4,709	5,164	–	22,910
Occupancy (%)	70.6%	60.3%	67.1%	68.7%	–	66.8%
Revenue (£m)	43.6	26.6	16.9	35.3	–	122.4
Contribution (£m)	5.0	(3.3)	(0.5)	5.8	–	7.0
<b>Total</b>						
<b>Workstations<sup>(4)</sup></b>	<b>188,678</b>	<b>105,904</b>	<b>100,990</b>	<b>81,518</b>	–	<b>477,090</b>
<b>Occupancy (%)</b>	<b>72.3%</b>	<b>73.1%</b>	<b>69.4%</b>	<b>71.5%</b>	–	<b>71.7%</b>
<b>Revenue (£m)</b>	<b>984.8</b>	<b>540.5</b>	<b>383.2</b>	<b>440.0</b>	<b>3.8</b>	<b>2,352.3</b>
<b>Contribution (£m)</b>	<b>153.2</b>	<b>97.1</b>	<b>65.9</b>	<b>83.6</b>	<b>1.8</b>	<b>401.6</b>
<b>REVPAW (£)</b>	<b>5,219</b>	<b>5,104</b>	<b>3,794</b>	<b>5,398</b>	–	<b>4,931</b>

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

## 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	2015 Aggregation	2016 Expansions	2017 Expansions	2018 Expansions	2019 Expansions	Closures	Total
<b>Post-tax cash return on net investment (unaudited)</b>		<b>17.6%</b>	<b>0.6%</b>	–	–	–	–	<b>9.9%</b>
Revenue	Income statement, p85	2,107.7	130.1	179.9	65.4	–	52.3	2,535.4
Centre contribution	Income statement, p85	454.0	6.8	(0.9)	(31.4)	(1.0)	(18.3)	409.2
Loss on disposal of assets	EBIT reconciliation (analysed below)	0.4	–	–	–	–	13.2	13.6
<b>Underlying centre contribution</b>		<b>454.4</b>	<b>6.8</b>	<b>(0.9)</b>	<b>(31.4)</b>	<b>(1.0)</b>	<b>(5.1)</b>	<b>422.8</b>
Selling, general and administration expenses <sup>(1)</sup>	Income statement, p85	(179.4)	(20.1)	(28.3)	(20.9)	(0.8)	(4.2)	(253.7)
<b>EBIT</b>	EBIT reconciliation (analysed below)	<b>275.0</b>	<b>(13.3)</b>	<b>(29.2)</b>	<b>(52.3)</b>	<b>(1.8)</b>	<b>(9.3)</b>	<b>169.1</b>
Depreciation and amortisation	Note 5, p98	166.0	19.6	31.1	13.6	–	5.5	235.8
Amortisation of partner contributions	Note 5, p98	(48.3)	(6.2)	(7.9)	(4.7)	–	(0.4)	(67.5)
Amortisation of acquired lease fair value adjustments	Note 5, p98	(2.2)	0.1	0.1	0.1	–	(0.1)	(2.0)
<b>Non-cash items</b>		<b>115.5</b>	<b>13.5</b>	<b>23.3</b>	<b>9.0</b>	–	<b>5.0</b>	<b>166.3</b>
<b>Taxation<sup>(2)</sup></b>		<b>(54.9)</b>	<b>2.7</b>	<b>5.8</b>	<b>10.5</b>	<b>0.4</b>	<b>1.9</b>	<b>(33.6)</b>
<b>Adjusted net cash profit</b>		<b>336.6</b>	<b>2.9</b>	<b>(0.1)</b>	<b>(32.8)</b>	<b>(1.4)</b>	<b>(2.4)</b>	<b>301.8</b>
Maintenance capital expenditure	Capital expenditure (analysed below)	109.3	2.7	–	–	–	–	112.0
Partner contributions	Partner contributions (analysed below)	(22.8)	(0.7)	–	–	–	–	(23.5)
<b>Net maintenance capital expenditure</b>		<b>86.5</b>	<b>2.0</b>	–	–	–	–	<b>88.5</b>
<b>Post-tax cash return</b>		<b>249.1</b>	<b>0.9</b>	<b>(0.1)</b>	<b>(32.8)</b>	<b>(1.4)</b>	<b>(2.4)</b>	<b>213.3</b>
Growth capital expenditure	Capital expenditure (analysed below)	1,695.7	200.3	384.4	381.1	57.8	–	2,719.3
Partner contributions	Partner contributions (analysed below)	(278.6)	(58.0)	(84.8)	(128.2)	(4.5)	–	(554.1)
<b>Net investment (unaudited)</b>		<b>1,417.1</b>	<b>142.3</b>	<b>299.6</b>	<b>252.9</b>	<b>53.3</b>	–	<b>2,165.2</b>

1. Including research and development expenses

2. Based on EBIT at the Group's long-term effective tax rate of 20%

**2018**

Movement in capital expenditure (unaudited)	2015 Aggregation	2016 Expansions	2017 Expansions	2018 Expansions	2019 Expansions	Closures	Total
December 2017	1,754.5	197.9	343.7	14.0	–	–	2,310.1
2018 Capital expenditure <sup>(3)</sup>	8.0	3.2	40.5	361.7	57.1	–	470.5
Properties acquired	–	–	–	5.6	0.7	–	6.3
Centre closures <sup>(4)</sup>	(66.8)	(0.8)	0.2	(0.2)	–	–	(67.6)
December 2018	1,695.7	200.3	384.4	381.1	57.8	–	2,719.3

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

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

**2018**

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

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

**2018**

EBIT reconciliation (unaudited)	Reference	£m
EBIT		169.1
Loss on disposal of assets	Note 5, p98	(13.6)
Share of profit in joint ventures	Income statement, p85	(1.4)
<b>Operating profit</b>	Income statement, p85	<b>154.1</b>

**2018**

Partner contributions (unaudited)	Reference	£m
Opening partner contributions		353.0
• Current	Note 16, p107	59.2
• Non-current	Note 17, p107	293.8
Acquired in the period		–
Received in the period		168.3
• Maintenance partner contributions		23.5
• Growth partner contributions		144.8
Utilised in the period	Note 5, p98	(67.5)
Exchange differences		14.5
<b>Closing partner contributions</b>		<b>468.3</b>
• Current	Note 16, p107	78.7
• Non-current	Note 17, p107	389.6

**2018**

Capital expenditure (unaudited)	Reference	£m
Maintenance capital expenditure	CFO review, p32	112.0
Growth capital expenditure	CFO review, p32	476.8
• 2018 Capital expenditure		470.5
• Properties acquired		6.3
<b>Total capital expenditure</b>		<b>588.8</b>
Analysed as		
• Purchase of subsidiary undertakings	Cash flow, p89	2.3
• Purchase of property, plant and equipment	Cash flow, p89 Note 13, p106	579.6
• Purchase of intangible assets	Cash flow, p89 Note 12, p105	6.9

**CONSOLIDATED INCOME STATEMENT (UNAUDITED)**

The purpose of these unaudited pages is to provide a reconciliation from the 2018 reported financial results to the pro forma statements in accordance with IFRS 16, and thereby, give the reader greater insight into the expected impact of IFRS 16 on the performance of the Group.

Continuing operations	Notes	Year ended 31 Dec 2018 As reported				Taxation £m	Year ended 31 Dec 2018 per IFRS 16 £m
		£m	Rent & finance costs £m	Depreciation £m	Other adjustments £m		
<b>Revenue</b>	3	<b>2,535.4</b>	—	—	(7.0)	—	<b>2,528.4</b>
Cost of sales		(2,126.2)	1,022.5	(866.1)	32.8	—	(1,937.0)
<b>Gross profit (centre contribution)</b>		<b>409.2</b>	<b>1,022.5</b>	<b>(866.1)</b>	<b>25.8</b>	—	<b>591.4</b>
Selling, general and administration expenses		(253.7)	—	—	—	—	(253.7)
Share of loss of equity-accounted investees, net of tax	20	(1.4)	—	—	—	—	(1.4)
<b>Operating profit</b>	5	<b>154.1</b>	<b>1,022.5</b>	<b>(866.1)</b>	<b>25.8</b>	—	<b>336.3</b>
Finance expense	7	(15.9)	(225.6)	—	—	—	(241.5)
Finance income	7	0.5	—	—	0.6	—	1.1
<b>Net finance expense</b>		<b>(15.4)</b>	<b>(225.6)</b>	—	<b>0.6</b>	—	<b>(240.4)</b>
<b>Profit before tax for the year</b>		<b>138.7</b>	<b>796.9</b>	<b>(866.1)</b>	<b>26.4</b>	—	<b>95.9</b>
Income tax expense	8	(33.0)	—	—	—	0.7	(32.3)
<b>Profit after tax for the year</b>		<b>105.7</b>	<b>796.9</b>	<b>(866.1)</b>	<b>26.4</b>	<b>0.7</b>	<b>63.6</b>
<b>Earnings per ordinary share (EPS):</b>							
Basic (p)	9	<b>11.7</b>					<b>7.0</b>
Diluted (p)	9	<b>11.6</b>					<b>7.0</b>

**Pro forma adjustments recognised**

The performance of the Group is impacted by the following significant adjustments in adopting IFRS 16. The recognition of these balances will not impact the overall cash flows of the Group or the cash generation per share.

**1. Right-of-use asset & related lease liability**

These adjustments reflect the right-of-use asset recognised on transition, together with the related lease liability. The initial lease liability is equal to the present value of the lease payments during the lease term that have not yet been paid. The cost of the right-of-use asset comprises the amount of the initial measurement of the lease liability, plus any additional direct costs associated with setting up the lease. Rent prepayments at the date of transition have been offset against the value of the liability recognised.

**2. Rent & finance costs**

Conventional rent charges recognised in the profit or loss under IAS 17 are de-recognised on adoption of IFRS 16. The payments associated with these charges instead form part of the lease payments used in calculating the right-of-use asset and related lease liability noted above. The lease liability is measured in subsequent periods using the effective interest rate method, based on the applicable interest rate determined at the date of transition. The related finance costs arising on subsequent measurement are recognised directly through profit or loss.

**3. Depreciation & lease payments**

Depreciation on the right-of-use asset recognised is depreciated over the life of the lease on a straight-line basis, adjusted for any period between the lease commencement date and the date the related centre opens, reflecting the lease related costs directly incurred in preparing the business centre for trading. Lease payments reduce the lease liability recognised in the balance sheet.

**4. Other adjustments**

On transition, the remaining net book value of rent costs previously capitalised, as costs directly incurred in preparing the business centre for trading (i.e. as part of property, plant and equipment), are de-recognised and eliminated directly against retrained earnings.

Parking related costs previously expensed under IAS 17, but explicitly detailed within lease agreements, are de-recognised from profit or loss and included as part of the right-of-use asset and related lease liability recognised on transition.

IWG acts as a lessor in a handful of instances. On transition, the difference between the right-of-use asset costs arising on the head-lease and the related finance lease receivable on the sub-lease is recognised directly in retained earnings. The income statement is only impacted by the finance expenses from the head-lease offset by the finance income from the sub-lease.

**5. Taxation**

The underlying tax charge is not impacted by IFRS 16 over the life of the leases but there is expected to be an upward impact on the expected tax rate (ETR) in the short term. On transition however, the adoption of IFRS 16 impacts the profitability of various countries across the Group, resulting in a decrease in the deferred tax asset recognised in respect of those countries. As this impact arises on the adoption of IFRS 16, the corresponding tax adjustment is recognised directly in retained earnings.

## CONSOLIDATED BALANCE SHEET (UNAUDITED)

Notes	As at 31 Dec 2018 £m	Right-of-use asset & related lease liability £m	Rent & Depreciation finance costs £m			Other adjustments £m	Taxation £m	Year ended 31 Dec 2018 per IFRS 16 £m
			£m	£m	£m			
<b>Non-current assets</b>								
Goodwill	11	<b>679.2</b>	—	—	—	—	—	<b>679.2</b>
Other intangible assets	12	<b>42.5</b>	—	—	—	—	—	<b>42.5</b>
Property, plant and equipment	13	<b>1,751.2</b>	6,530.8	—	(892.0)	(135.9)	—	<b>7,254.1</b>
Deferred tax assets	8	<b>30.6</b>	—	—	—	—	(4.2)	<b>26.4</b>
Non-current derivative financial assets	23	<b>0.3</b>	—	—	—	—	—	<b>0.3</b>
Other long-term receivables	14	<b>86.0</b>	—	—	—	—	—	<b>86.0</b>
Investments in joint ventures	20	<b>12.2</b>	—	—	—	—	—	<b>12.2</b>
<b>Total non-current assets</b>		<b>2,602.0</b>	6,530.8	—	(892.0)	(135.9)	(4.2)	<b>8,100.7</b>
<b>Current assets</b>								
Trade and other receivables	15	<b>717.5</b>	(131.4)	(0.8)	—	5.5	—	<b>590.8</b>
Corporation tax receivable	8	<b>32.7</b>	—	—	—	—	0.7	<b>33.4</b>
Cash and cash equivalents	22	<b>69.0</b>	—	—	—	—	—	<b>69.0</b>
<b>Total current assets</b>		<b>819.2</b>	(131.4)	(0.8)	—	5.5	0.7	<b>693.2</b>
<b>Total assets</b>		<b>3,421.2</b>	6,399.4	(0.8)	(892.0)	(130.4)	(3.5)	<b>8,793.9</b>
<b>Current liabilities</b>								
Trade and other payables (incl. customer deposits)	16	<b>1,058.9</b>	—	(163.2)	—	—	—	<b>895.7</b>
Deferred income		<b>320.0</b>	—	—	—	—	—	<b>320.0</b>
Corporation tax payable	8	<b>31.0</b>	—	—	—	—	—	<b>31.0</b>
Bank and other loans	18	<b>9.9</b>	905.8	—	—	12.8	—	<b>928.5</b>
Provisions	19	<b>9.7</b>	—	—	—	—	—	<b>9.7</b>
<b>Total current liabilities</b>		<b>1,429.5</b>	905.8	(163.2)	—	12.8	—	<b>2,184.9</b>
<b>Non-current liabilities</b>								
Other long-term payables	17	<b>704.2</b>	—	(305.9)	—	—	—	<b>398.3</b>
Bank and other loans	18	<b>519.9</b>	6,002.3	231.2	(1,000.9)	—	—	<b>5,752.5</b>
Deferred tax liability	8	<b>—</b>	—	—	—	—	—	<b>—</b>
Provisions	19	<b>9.4</b>	—	—	—	—	—	<b>9.4</b>
Provision for deficit in joint ventures	20	<b>5.5</b>	—	—	—	—	—	<b>5.5</b>
Retirement benefit obligations	25	<b>1.5</b>	—	—	—	—	—	<b>1.5</b>
<b>Total non-current liabilities</b>		<b>1,240.5</b>	6,002.3	(74.7)	(1,000.9)	—	—	<b>6,167.2</b>
<b>Total liabilities</b>		<b>2,670.0</b>	6,908.1	(237.9)	(1,000.9)	12.8	—	<b>8,352.1</b>
<b>Total equity</b>								
Issued share capital	21	<b>9.2</b>	—	—	—	—	—	<b>9.2</b>
Treasury shares	21	<b>(74.1)</b>	—	—	—	—	—	<b>(74.1)</b>
Foreign currency translation reserve		<b>72.4</b>	—	(5.6)	(25.9)	—	—	<b>40.9</b>
Hedging reserve		<b>0.3</b>	—	—	—	—	—	<b>0.3</b>
Other reserves		<b>25.8</b>	—	—	—	—	—	<b>25.8</b>
Retained earnings		<b>717.6</b>	(508.7)	242.7	134.8	(143.2)	(3.5)	<b>439.7</b>
Reported balance / profit for the year		<b>717.6</b>	—	796.9	(866.1)	26.4	0.7	<b>675.5</b>
Directly in reserves – on adoption of IFRS 16		<b>—</b>	(508.7)	(554.2)	1,000.9	(169.6)	(4.2)	<b>(235.8)</b>
<b>Total equity</b>		<b>751.2</b>	(508.7)	237.1	108.9	(143.2)	(3.5)	<b>441.8</b>
<b>Total equity and liabilities</b>		<b>3,421.2</b>	6,399.4	(0.8)	(892.0)	(130.4)	(3.5)	<b>8,793.9</b>

## FIVE-YEAR SUMMARY

	31 Dec 2018 £m	31 Dec 2017 £m	31 Dec 2016 £m	31 Dec 2015 £m	31 Dec 2014 £m
<b>Income statement (full year ended)</b>					
Revenue	<b>2,535.4</b>	2,352.3	2,233.4	1,927.0	1,676.1
Cost of sales	<b>(2,126.2)</b>	(1,950.7)	(1,784.6)	(1,498.6)	(1,293.0)
<b>Gross profit (centre contribution)</b>	<b>409.2</b>	401.6	448.8	428.4	383.1
Administration expenses	<b>(253.7)</b>	(237.6)	(262.8)	(268.6)	(279.6)
Share of post-tax (loss)/profit of joint ventures	<b>(1.4)</b>	(0.8)	(0.8)	0.3	0.8
<b>Operating profit</b>	<b>154.1</b>	163.2	185.2	160.1	104.3
Finance expense	<b>(15.9)</b>	(14.1)	(11.6)	(15.0)	(17.3)
Finance income	<b>0.5</b>	0.3	0.1	0.6	0.1
<b>Profit before tax for the year</b>	<b>138.7</b>	149.4	173.7	145.7	87.1
Income tax expense	<b>(33.0)</b>	(35.4)	(34.9)	(25.8)	(17.2)
<b>Profit after tax for the year</b>	<b>105.7</b>	114.0	138.8	119.9	69.9
<b>Earnings per ordinary share (EPS):</b>					
Basic (p)	<b>11.7p</b>	12.4p	14.9p	12.8p	7.4p
Diluted (p)	<b>11.6p</b>	12.3p	14.7p	12.6p	7.2p
Weighted average number of shares outstanding ('000s)	<b>907,077</b>	915,676	929,830	933,458	944,082
<b>Balance sheet data (as at)</b>					
Intangible assets	<b>721.7</b>	712.1	738.1	666.0	549.9
Property, plant and equipment	<b>1,751.2</b>	1,367.2	1,194.4	917.0	718.8
Deferred tax assets	<b>30.6</b>	23.0	29.3	36.4	40.0
Other assets	<b>848.7</b>	702.7	649.2	644.3	565.2
Cash and cash equivalents	<b>69.0</b>	55.0	50.1	63.9	72.8
<b>Total assets</b>	<b>3,421.2</b>	2,860.0	2,661.1	2,327.6	1,946.7
Current liabilities	<b>1,429.5</b>	1,224.7	1,183.1	1,085.7	891.9
Non-current liabilities	<b>1,240.5</b>	907.6	736.0	658.2	517.4
Equity	<b>751.2</b>	727.7	742.0	583.7	537.4
<b>Total equity and liabilities</b>	<b>3,421.2</b>	2,860.0	2,661.1	2,327.6	1,946.7

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

These APMs are primarily used for the following purposes:

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

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

### Available workstations

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

### Centre contribution

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

### Closures

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

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

### EBIT

Earnings before interest and tax

### EBITDA

Earnings before interest, tax, depreciation and amortisation

### EPS

Earnings per share

### Expansions

A general term which includes new business centres established by 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

### Operating profit before growth

Reported operating profit adjusted for the gross profit impact arising from centres opening in the current year and centres to be opened in the subsequent year

### Post-tax cash return

EBITDA achieved, less the amortisation of any partner capital contribution, less tax based on the EBIT and after deducting maintenance capital expenditure over growth capital expenditure less partner contributions

### REPAW

Total revenue per available workstation (revenue/available workstations)

### REPOW

Total revenue per occupied workstation

### ROI

Return on investment

### TSR

Total shareholder return

### WIPOW

Workstation income per occupied workstation

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Tim Regan, Company Secretary

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