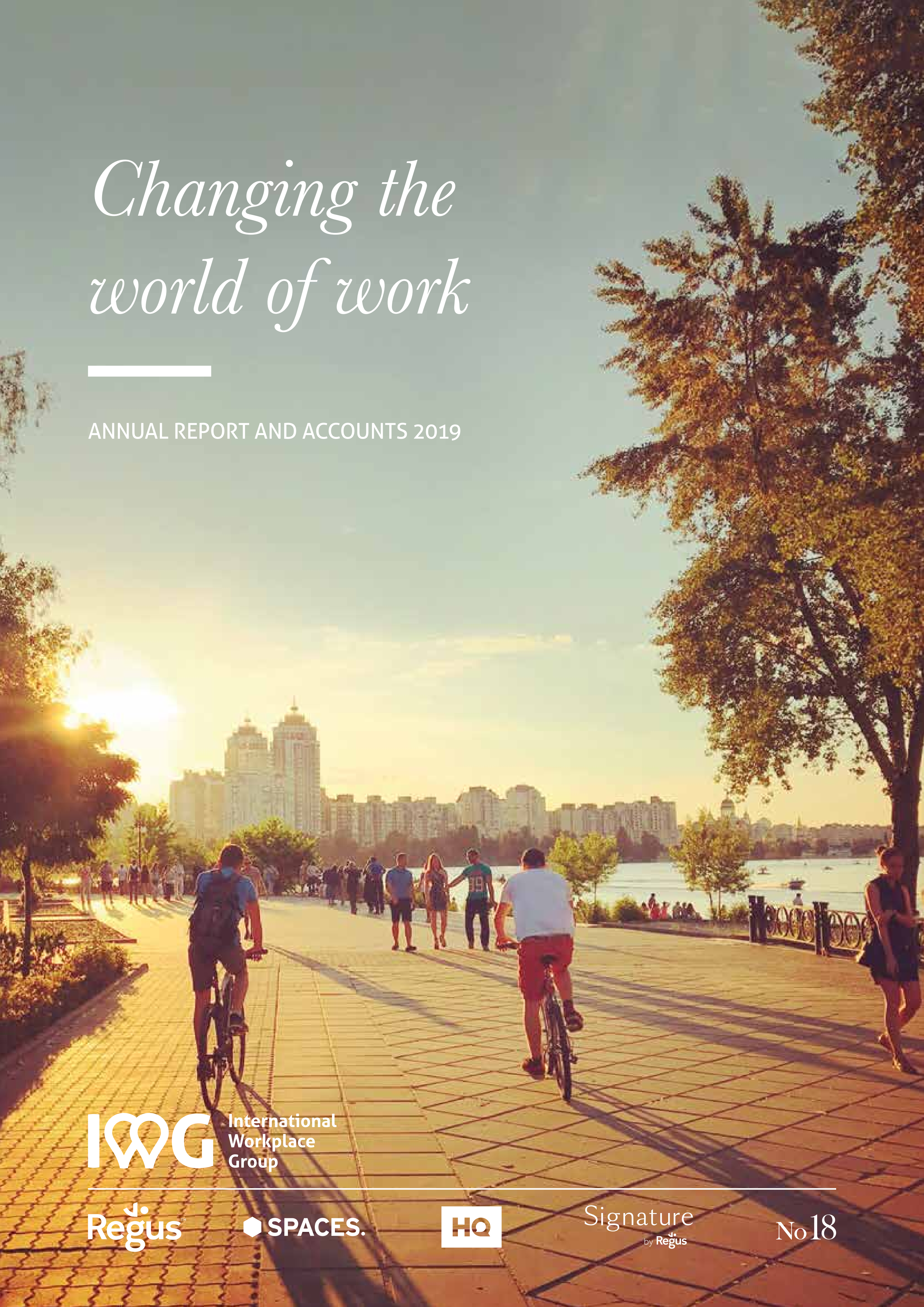


Changing the world of work

ANNUAL REPORT AND ACCOUNTS 2019

IWG International Workplace Group

Regus SPACES. HQ Signature by Regus No 18

2019 highlights

Revenue development (£m)

£2,653.0m

2019	**2,653.0**
2018	2,402.1
2017	2,240.0
2016	2,129.6

EBITDA development (£m)

£428.3m

2019	**428.3*¤**
2018	389.9
2017	376.2
2016	379.7

* including discontinued operations

Net growth capital investment (£m)

£389.0m

2019	**389.0**
2018	332.0
2017	272.5
2016	162.3

Number of locations

3,388

2019	**3,388**
2018	3,306
2017	3,125
2016	2,926

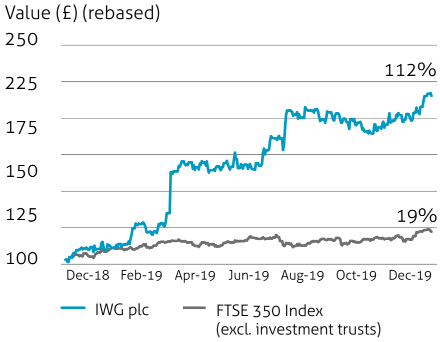
Cash to shareholders (£m)

£107.7m

	Dividends paid in year	Share repurchases
2019	**58.2**	**49.5**
2018	53.7	40.2
2017	48.5	51.1
2016	43.3	35.5

Total shareholder return

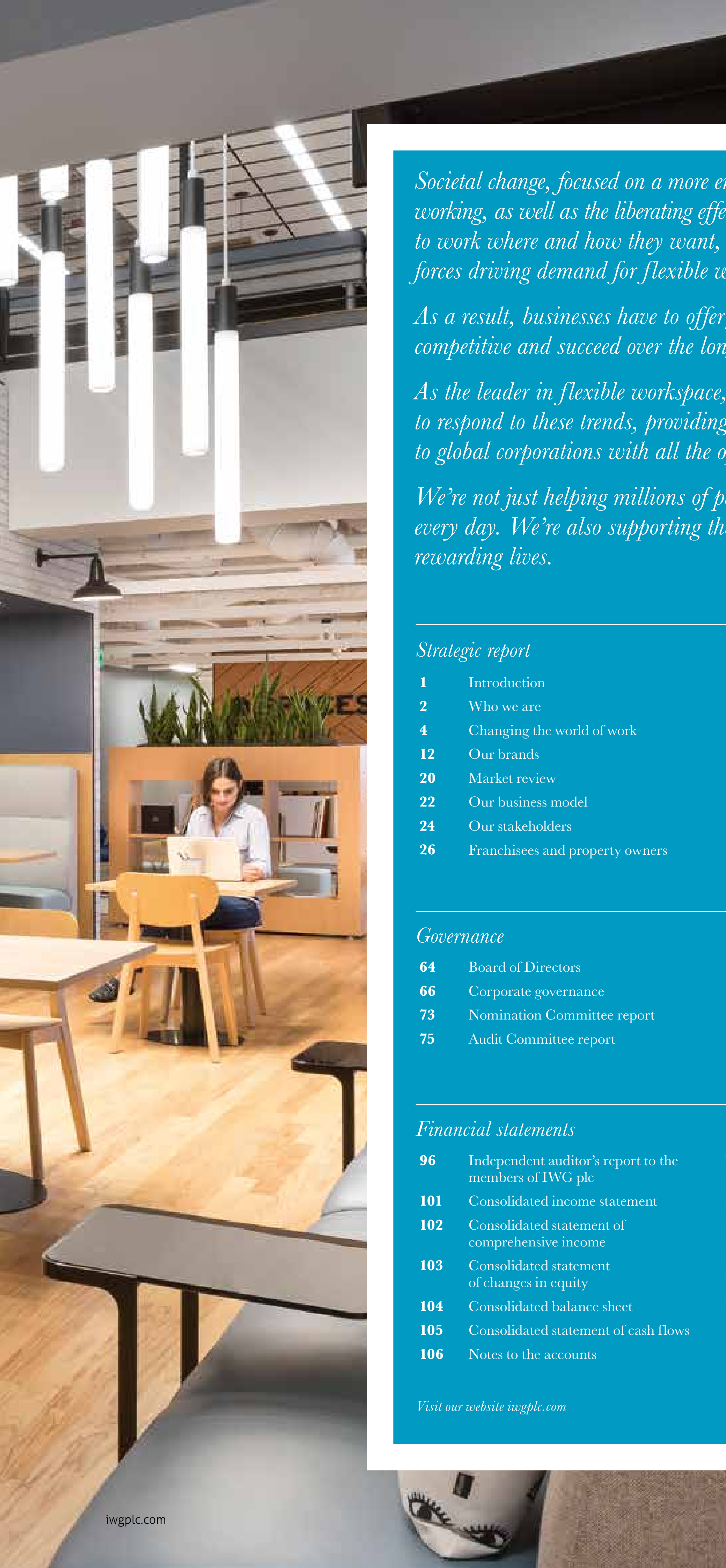
112%



Source: FactSet
Value of £100 invested in IWG plc compared with £100 invested in the FTSE 350 (excl. Investment Trusts) Index.

A glossary is included on page 159 which defines various alternative measures used to provide useful and relevant information.

ʃ The comparative information has been restated to reflect the impact of discontinued operations.
¤ Results presented in accordance with pre-IFRS 16 standards (as defined in the alternative performance measures section).



Societal change, focused on a more environmentally sensitive way of working, as well as the liberating effects of technology, enabling people to work where and how they want, are just some of the powerful forces driving demand for flexible workspace across the world.

As a result, businesses have to offer flexibility to remain competitive and succeed over the long term.

As the leader in flexible workspace, IWG is well-placed to respond to these trends, providing everyone from freelancers to global corporations with all the options they need.

We're not just helping millions of people to be more productive every day. We're also supporting them to lead more balanced and rewarding lives.

Strategic report

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Visit our website iwgplc.com

IWG at a glance: the workspace leader

IWG has been helping people and businesses have a great day at work for more than 30 years.

Our role is set to get more important than ever in the future, when workspace will need to work even harder to better fit customer needs. Our market is driven by a greater need for flexibility and agility, for business growth and productivity, for employee satisfaction and reducing the impact of business on our planet.

Over the years, we have established our position as the global leader in flexible working.

But our vision extends far beyond this. To truly meet the demands of the working world of tomorrow, a much larger footprint and flexspace infrastructure is required.

Our network

3,388

locations in more than 110 countries

>1,100

cities providing a truly global footprint

Ever-growing network

277

new openings supporting an ever-growing network

Franchises

245

locations operated by

30

franchise partners across

26

countries

12,000+
employees supporting local and global businesses

Our customers

>2.5m
users of the network

50NPS
Net Promotor Score

70%
retention level

Revenue

£2,653.0m
from continuing operations

Unrivalled global footprint

62.5m
square feet of office, coworking and meeting space

A diverse portfolio of brands providing customers with unrivalled choice

Regus | SPACES. | HQ | Signature by Regus | No18

See page 12 for more information on all of our brands

Reducing carbon emissions and boosting local economies

At IWG, we are continuously upgrading our property portfolio – investing in state-of-the-art 'green' buildings and closing inefficient, outdated centres. This is reducing our carbon footprint. But far more significant is our pioneering role in accelerating the growth of 'outer-city' locations: taking 'flexspaces' to where people live, cutting pollution, reducing inner-city congestion and boosting local economies everywhere.

7,416 hrs

By allowing people to work closer to home, a local office space will on average save workers 7,416 hours in reduced commuting time, equating to 118 metric tonnes of carbon emissions per centre per year[1]

121 jobs

On average 121 jobs are created in local economies that contain a flexible workspace, adding $9.62m to the local economy[1]

Increasingly, it seems incredible that every day millions of workers across the planet travel many miles to their place of work. It's bad for their health, their happiness and the environment.

And now we are seeing change, with the arrival of flexible workspaces everywhere.

Driven by employee demand and the changing structure of workforces, small business growth and the adoption of 'hub-and-spoke' strategies by corporates, this trend is set to continue to accelerate fast, with investor demand for cleaner working practices and stricter environmental regulation both playing important roles.

At IWG, our vision of creating 50,000 centres serving every small town and village is a significant force in driving this fundamental change, helping create jobs and value while saving time and cutting carbon emissions.

1. Source: Regus Economic Survey 2019

Meeting the demands of people and business

The demand for flexible workspace is rising exponentially. It's anticipated that by 2030, close to a third of corporate real estate will comprise of flexible workspace.

As the global leader, IWG has barely scratched the surface of the growth opportunities that present themselves to us. Now, with the aim of bringing our services to every community, we are poised to deliver unprecedented choice.

The experience of our millions of customers across the world shows that taking a flexible approach to workspace cuts real estate costs and allows a tighter focus on the core business.

But the demand for flexible working is about far more than finance alone. Increasingly, it's about people's preferences and delivering a range of societal benefits, especially by helping to address environmental issues.

A flexible working policy is a proven tool for attracting and retaining top talent, with 70% of job seekers saying that working remotely is a must have when considering a new job. This reflects a natural desire to reduce commuting time with all its negative personal, social and environmental impacts.

So the coverage of IWG's network is already benefiting individuals, society and the environment. It's also helping organisations meet their Diversity & Inclusion commitments, enabling new parents, carers and older workers to flex their working patterns and enjoy rewarding careers.

Flexible working is no longer a perk. It's essential for modern success.

65%

of businesses say that flexible workspace reduces their Capex/Opex, helps manage risk and consolidates their portfolio[2]

70%

of job seekers say that working remotely is a must-have when considering a new job[3]

2. Source: IWG Global Workplace Survey 2019
3. Source: CBRE Survey US Market 2019

Driving value for our customers and partners

People and businesses performing at their best. That's what flexible working delivers. And IWG's approach, from offering multiple brands and workspace options to continually investing in our services, technology and platform, delivers it in more centres and markets than anybody else. Now, the growing impact of our franchising model is set to bring it to many more, as well as benefiting our customers, partners, communities and shareholders right across the world.

85%

of businesses say they are more productive due to flexible working[4]

50NPS

showing high levels of satisfaction from our customers worldwide

Observers agree that our franchising model delivers significantly increased growth potential alongside greatly reduced risk and lower capital investment requirements. By working with ambitious, carefully selected partners, we immediately realise the value of the operations we have built. In addition, we continue to deliver the licensing support and services that drive franchised network growth and sustainable, accelerating income streams.

It's an approach that ensures our success is aligned with that of our franchise partners. And it creates a simple but powerful growth model, without the need for heavy capital investment in network expansion and property maintenance.

We believe this is a compelling message for everyone – our customers and franchise partners, our investors and wider society alike.

It means more opportunities for customers to access a new and more environmentally friendly way of working and gain the productivity and satisfaction benefits of using our platform and experiencing our brands in action. More opportunities for businesses to partner with the company that's leading the global real estate market's most significant structural shift for many decades.

More opportunities for investors to share in the value we generate. And more opportunities for communities to gain from less fractured local employment markets, invigorated local supply chains and business ecosystems, greater job availability and a massive reduction in damaging commuting levels.

4. Source: IWG Global Workplace Survey 2019

Enabling smarter working

The continually expanding and improving range of flexible working options available from IWG ensures benefits for every customer, from global corporations to independents. From tailored office portfolios across several continents right down to a single coworking space, IWG solutions drive multiple gains for all.

Gains like improved working environments and financial effectiveness, heightened organisational agility, employee empowerment and operational excellence.

62%

of businesses today say they have a flexible working strategy[5]

Our ability to help customers become more successful is based on three core elements: fantastic working environments; a platform that unlocks productivity; and a valuable business community.

None of these would work without our passionate, customer-focused people and mutually supportive relationships; our brands, tailored to every need; and our continuous investments in technology and innovation.

It's our highly efficient operating platform that keeps IWG driving forwards, with centralised functions including strategy, planning and product development that ensure we can constantly spot and respond to emerging customer needs. Our global network of strategically sited Operational Centres provides centralised sales and 24/7 customer service in 40 languages. And our Global Service Centre looks after all the administration, freeing our centre staff to focus exclusively on our customers.

This is underpinned by our sophisticated technology infrastructure, our rolling global training programmes and our ongoing investments in customer research to ensure continuous improvement.

These factors have supported our journey to becoming the leader of a fragmented global market. And they play a vital role in attracting new partners as our growth accelerates.

5. Source: IWG Global Workplace Survey 2019

Creating value through our brands

At IWG, we believe that business success is underpinned by the effectiveness and happiness of people. So we've made it our mission to help millions of people have a great day at work – every day. Here, we describe the brands that help to make this possible.

IWG provides a world-leading commercial real estate platform, drawing on our 30-year track record of delivering the best real estate solution for businesses worldwide. IWG's workspace options are risk-free for our customers, with zero balance sheet impact and a great solution for people as they are designed with productivity in mind. They are simple to use, with a full suite of business support services that enable people to focus on their core business and enjoy a great day at work.

IWG covers a wider breadth of sectors and locations than any competitor, offering unparalleled choice to customers through our unique portfolio of global operating brands: Regus, Spaces, HQ, Signature and No18. Our diverse operational portfolio provides businesses with a variation of design, fit-out, location, building and customer base, enabling them to choose a style which meets their unique needs. For individuals, IWG offers the ability to touch down and work in practically every major town and city in the world. Major corporate clients can opt for a presence wherever they need to be, choosing an operating brand that closely matches the needs of their organisation and the people working within it.

Work your way

Regus was founded in 1989 and is the world's largest provider of flexible workspace solutions. Regus helps businesses find and create the right workplace for their people, offering choice, flexibility, community, custom workspaces and consistently professional locations all over the world.

SPACES.

A unique entrepreneurial spirit

Spaces was founded in 2006 in Amsterdam. It creates an environment where people have freedom to do their jobs however they want to do them. Each Spaces is designed to offer a professional and inspirational working environment full of timeless design classics, inspiring art and accessories combined with a strong community programme of partnerships, professional events and hospitality services.

HQ

Where real work gets done

HQ provides efficient, functional space, offering practical places with all the essentials businesses need, set up and ready-to-go. It is currently available in the UK, Germany, France, North America and Thailand, and more countries are expected in 2020.

Signature

by Regus

Your key to the world's ultimate business locations

Signature by Regus was launched in 2018 as Regus' iconic building brand. It represents an exclusive selection of landmark buildings in the most sought-after locations in the world. Signature by Regus provides a premium working environment, with custom designs reflecting the quality and nature of the building. It provides businesses with ultimate prestige, offering an exclusive address and place to work that truly enhances their reputation.

No18

The home for a rewarding business lifestyle

No18 was launched during 2012 in the fashion district of Stockholm. The brand is a blend of curated business club environments in the best locations, with first-class service and expansive member benefits. It's a uniquely blended workplace, where people do business and socialise, moving from premium office to contemporary restaurant and collaborative workspaces. No18 is now growing within the IWG portfolio, with new locations opening in Asia, Europe and the UK in 2020.

Expanding our platform

Our domestic office and coworking brands

In addition to our global brands, we also operate domestic office and coworking brands, providing a unique service in key markets around the world.

BASEPOINT

Basepoint Business Centres comprises a network of locations across England and Wales, providing multifunctional workspace to start-ups and SMEs. In addition to office space, virtual offices and meeting rooms, Basepoint offers practical business units which are ideally suited as studio or workshop space.

BizDojo

More than just a desk, BizDojo is a coworking and collaboration network. It is passionate about supporting its diverse community with an active and collaborative culture of events, projects, programmes and networking.

THE CLUBHOUSE

The Clubhouse is a leading business club in London, providing offices, lounge and meeting space. Designed to meet the requirements of growing businesses, The Clubhouse provides a luxurious, professional space where customers can meet and work in an inspiring and productive environment.

too THE OFFICE OPERATORS

The Office Operators is based in the Netherlands and Belgium, specialising in flexible office space, reception services and conference products. As an organisation, it aims to unburden its customers as much as possible in all facility and operational matters.

stop&work by Regus

Stop & Work is a flexible working brand operating in France. Throughout its locations, it provides a drop-in service and professional environment for telecommuters to use open-plan or private workspaces and meeting rooms. Customers can access the locations for hours, days or longer as required.

Openoffice

This flexible workspace brand has locations exclusively in Japan and Korea. OpenOffice provides office space, virtual offices and meeting rooms in a productive, self service office environment.

Our digital businesses

IWG also operates several digital businesses, making it easy for our customers to find and book workspace online.

Meetingo

Meetingo is a digital platform that provides everything customers need for a successful meeting, all in one place. With thousands of meeting rooms to choose from, Meetingo provides customers with the right space, in the right place, at the right price. There's somewhere for every need, from team training to five-star board meetings, from city centres to business parks. Customers can compare features, locations, pricing and style of meeting rooms, and can book and pay in moments.

EasyOffices

Easy Offices is an online broker that makes it easier for people to find great places to work. It provides a powerful online search and comparison tool to help people find their perfect workspace. Customers can also contact the team directly for impartial advice and support.

Rovva

Rovva is an online toolkit which provides a range of products and services to help people take their businesses further – whether they're just getting started, trying to improve efficiency, or exploring new markets. From virtual offices to telephone answering. Rovva makes it easy for people to do better business.

Our managed conventional office space

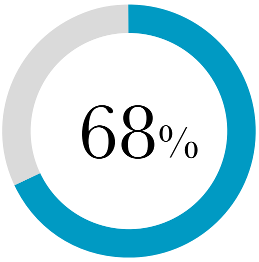
Managed Office Solutions

Whether it's a new workspace brief or an adaptation to an existing office, IWG's Managed Office Solutions (MOS) can also provide customised workspaces designed to every client's unique requirements. MOS can provide additional revenue opportunities for businesses' surplus space with the flexibility to re-occupy that space in future.

The growing flexible workspace market

Key drivers	Impact on our industry
Concern about the environment • An increasing sense of global citizenship, with a particular focus on the environment • Growing awareness and understanding of the environmental crisis, creating a desire to actively make a change and take positive action • Desire by millennials and Gen Z to work for environmentally conscious businesses	• Increasing consumer, shareholder and legislative demand for reduced environmental impact • Growing demand for flexible workspace solutions as businesses and individuals seek to reduce their carbon footprints
Societal change • Increasing demand by workers for flexible working options enabling them to work closer to home • Growth of small businesses requiring high-quality offices and service levels in local markets	• Workers rejecting offers of employment without flexible options, forcing employers to meet demands • Local communities increasingly require high-quality workspace
Evolving global economy • Enterprise companies re-engineering their real estate strategies to reflect business priorities • Increasing need for companies to be close to customers in dispersed local markets across the world • Growing emphasis on ethical/environmental standards in supplier selection and management	• Companies taking a portfolio approach to real estate, seeking a hierarchy of sites from head office to local offices • Businesses seeking new ways of building dispersed customer relationships and delivering personalised service • Increasing need for customers to understand and influence supplier behaviour in local markets
Rapidly advancing technology • Smart technology and universal connectivity enabling people to choose how, when and where they work	• Companies finding it difficult to identify appropriate investments in technology • Keeping up with advances is expensive and the need to maintain services is mission-critical • Ability to expand range of digital offerings is becoming a key differentiator
Demand for more agile property models • Increased demand for advanced buildings and high-quality, personalised services in the precise permutation required • Growing requirement for 'portfolio' solutions rather than single-office provision, enabling rapid shifts in location and scale	• Companies seeking partners who can meet increasingly rigorous and mission-critical demands • Growing complexity is increasing the need for enterprise companies to have a single point of contact for their property requirements

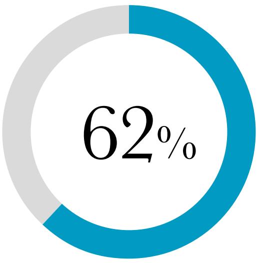
How we are responding



68% of people worldwide see climate change as a major threat

Source: Pew Research Center, 2019, A look at how people around the world view climate change

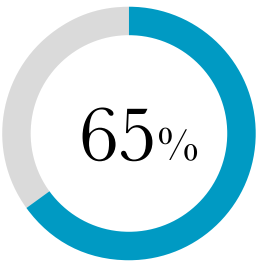
- Investing in advanced buildings, continuously upgrading the estate and enabling reduced commuting
- Upgrading or closing inefficient centres to improve environmental performance across our portfolio



62% of companies worldwide said they had a flexible working policy

Source: IWG's Global Workspace Survey 2019

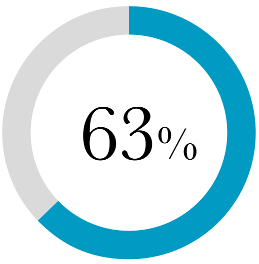
- Focusing network growth on local markets, enabled and accelerated by our franchising strategy that will drive global presence to ca. 50,000 centres
- Ability to leverage scale and brand portfolio to meet customer needs at every stage of development
- Giving customers the opportunity to share in IWG's local environmental and social investment programmes across the world



65% of companies worldwide said flexible workspace helps reduce capital and operational expenditure, manage risk and consolidate a portfolio

Source: IWG's Global Workspace Survey 2019

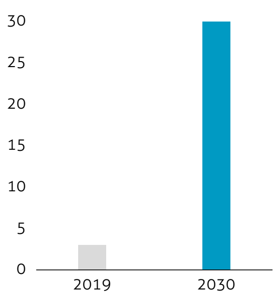
- Ability to offer global solutions, including hub-and-spoke infrastructure to meet regional development plans
- Global network enables regional and local presence anywhere that's required, allowing rapid shifts in location, scale, strategy, customer focus and product development



63% of US companies surveyed said they had remote workers

Source: Future Workforce Report, Upwork in 2018

- With 2.5 million individuals using our services every day, we have unmatched insight into businesses' technology needs and expectations
- We continually invest in world-class, resilient IT infrastructure, innovative digital offerings and services at all centres
- With 3,388 centres worldwide (and expanding fast), we provide the resilience and global infrastructure to meet all flexible-working needs



30%

of the US office market will be flexible space by 2030

Source: JLL 2019 Flexing Their Muscles: Markets to Watch

- We have the experience, scale and investment power to deliver and continuously upgrade in line with individual expectations
- Our network comprises every type of building, serving every kind of business need

Delivering value through our platform

For over three decades, we have successfully developed our business model to deliver strong returns. Today, with our unmatched scale, unique multi-brand approach and highly efficient platform delivering everything partners and customers need, IWG is poised for unprecedented network growth.

What we do

We partner with franchisees and property owners across the world to provide the largest network of flexible workspace for businesses of every type and size. By using our unique global infrastructure to deliver a comprehensive service, we ensure our partners and end customers have a great day at work.

Key inputs

Our partner relationships

We recognise that our success depends on that of our partners, so we use all our experience and expertise to deliver the service and support they most need.

Our people

We employ the best people we can find and help them to achieve their full potential, so they can drive our and our partners' business success.

Our networks

With a vision of having a centre serving every community, we and our partners are empowering businesses and individuals to work flexibly and productively anywhere in the world.

Our brands

Our growing line-up of global and local brands segment the markets where we operate to maximise uptake and give ourselves and our partners a unique growth opportunity.

Our formats

Versatile, inspiring and practical, our formats drive worker satisfaction and productivity.

Our platform

Our multi-faceted platform provides a world-class, easy-to-use infrastructure that delivers simple points of access and a great user experience.

How we do it

Creating access to the flexible workspace market

Property owners

Our unique portfolio of brands and formats gives building owners a choice of flexible workspace solutions that add value to their properties by maximising their potential and meeting the needs of the local business community. Our platform and associated centralised support functions make implementation straightforward.

Our competitive operating model

Operational efficiency

We focus on optimising the performance and operational effectiveness of each of our locations. Combined with a disciplined approach to overhead costs, this enables us to continue delivering long-term value. Our scaled platform and centralised support functions underpin IWG's operational efficiency across the world.

Centralised support functions

Our support functions are centralised to ensure resources are utilised to maximise value for our partners, customers and shareholders. From procurement to marketing, our support functions benefit from economies of scale and global reach to provide the business with a consistency of support and service.

Our strategic drivers

See page 38 to read more about our strategic priorities

1 *Industry-leading profitable growth*

2 *Best-in-class cost leadership*

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 are appropriately assessed.

Franchise partners

Our franchise partners find it easy to activate our clearly defined business model, associated brands and marketing appeal. Building on years of experience and optimisation, we make it easy for our partners to scale up their operations and earn attractive returns.

Scaled platform

IWG's different brands operate from a single, scaled and highly efficient global platform, enabling us to provide workplace solutions across the world in line with every customer's requirements.

Multi-branded

We recognise there is no 'one size fits all' solution, so we provide our customers with a choice of workspace formats through our different brands, formats and workspaces to accommodate their varied needs and enable them to have a great day at work.

3 *Global, multi-brand network*

4 *Strong cash generation, enabling investment*

5 *Attractive shareholder returns*

Importantly, it also ensures that we still benefit from an entrepreneurial spirit and our ambitions for future growth.

See pages 48-55 and 66-72 for more on our approach to risk and governance.

Value created

Customers

We enable businesses to perform better, with more flexibility and agility, staffed by more fulfilled, effective and loyal people

Partners

We give access to an exciting, sustainable business opportunity powered by our global leadership, unique experience and unrivalled operating platform

Employees

We recognise the talents of our diverse and passionate workforce across the world, enabling our people to contribute to society while driving successful careers

Communities

We bring employment opportunities to the heart of communities, attracting jobs, eradicating unnecessary travel and encouraging societal giving

Shareholders

We deliver sustainable returns via a progressive dividend policy that's enabled by our prudent approach to investment

Adding value for our stakeholders

At IWG, we have a strong record of delivering value to our key stakeholders, primarily the five groups that mean most to us: customers, partners, employees, communities and shareholders.

CUSTOMERS

Businesses of every size

From giant global enterprises to individual freelancers, businesses benefit in many ways from working with IWG. As large businesses increasingly seek more agile property models across the world, including hub and spoke solutions serving their regional organisations, we can help them achieve rapid shifts in cost, location and scale. And smaller players gain all the advantages of a global footprint, business-class accommodation and customer service that's both high-quality and hassle-free.

Our comprehensive platform

We ensure our customers can derive the greatest benefits from flexible working, giving them ideal working environments, world-class IT and security, and streamlined administration. In short, everything they need to focus on what really matters: attracting the best employees, reducing risk and costs, accelerating time to market and improving productivity.

PARTNERS

Attractive business opportunities

For many years, we have offered landlords of all sizes, across the world, opportunities to leverage the power of our brands to achieve and sustain significant and sustainable revenue streams from their property assets. Depending on individual circumstances, we can tailor relationships to fit all requirements, from straightforward fit-outs to revenue-sharing and profit-sharing contracts.

Taking the next step

Now, new opportunities await the right partners. Demand for flexible workspace is growing at an exponential rate. To meet that demand, we are looking to rapidly expand the network through a global master franchise programme, selling entire country operations to partners and enabling them to run their centres using our brands and proven platform. This is creating an altogether new kind of investment opportunity, allowing franchisees to benefit by leveraging our scale, brand awareness and proven business model.

EMPLOYEES

Building loyalty

Our employees are the people who do most to ensure our customers receive value from working with us, keeping our centres busy, fuelling our expansion, making our business attractive to partners and ultimately enabling us to deliver superior returns to our shareholders.

A great day at work

We therefore aim to build loyalty by focusing on their interests, providing exciting rewards and opportunities, creating great working environments and delivering training and development programmes. Essentially, we give them a great day at work so they do the same for our customers.

COMMUNITIES

Economic benefit

We are determined to deliver value to the communities where our centres are based and aim to achieve this in a number of ways. First and foremost, our centres attract employment to the immediate area, delivering increased value to local economies.

Environmental gains

Just as important, we give opportunities to people from our communities to work locally, cutting back on commuting times and distances. This in turn has a direct environmental gain through reduced carbon emissions.

SHAREHOLDERS

Progressive dividend

We have designed our business model, strategy and approach to governance as a means of ensuring that we can consistently provide shareholders with a progressive and sustainable dividend policy. This is carefully balanced with our commitment to investing in our industry-leading platform, which includes our centres, our brands, our technology and above all our people.

Franchising

In a major advance during 2019, our franchising model has proven that we can significantly accelerate our expansion strategy while reducing risk and deploying less capital. We believe this further strengthens our ability to reward shareholders for their ongoing loyalty.

Share repurchase programme

During 2019, we launched a 12-month, £100m share repurchase programme. We have now announced our intention to increase the share repurchase programme back to £100m (inclusive of the balance outstanding from the original programme). It's our way of demonstrating our confidence in the future of our business.

Enterprise level solutions across the world

One of the world's largest professional services firms, uses its close relationship with IWG to deliver the operational flexibility that an employer with more than 300,000 employees across the world requires. At the time of writing, the firm operates 15 offices in flexible IWG workspaces in countries including the UK, Germany, Vietnam and Japan. The service portfolio and terms at all sites flex to meet the firms local requirements. In Canada, for example, 700 of its people are temporarily using an IWG Spaces building on Vancouver's resurgent Granville Street, gaining from the creative energy and community spirit that comes from such a stimulating coworking environment. In an alternative approach, 300 employees in Northern Ireland are in a custom-designed building while the firm's new Belfast headquarters is being built. The three-year agreement, which involves no capital expenditure for the firm, allows for further expansion when required. In Switzerland, meanwhile, the firm was struggling to achieve acceptable occupancy levels for space in its Geneva building that it has made available to outside organisations. IWG agreed to help, investing in one floor of the building and coming to a profit-share agreement. A few months after opening, occupancy is progressing rapidly. Close by, in Lausanne, IWG is creating a custom-built customer-facing location for the firm; when complete, this will provide a fully secure, fitted and furnished solution, that can expand or contract in future as the firms needs change.

Sharing in the success of our growing network

We are keen to create partnerships that help us grow our global network. And that means great opportunities exist for building owners and franchisees.

At IWG, partnership is the fuel driving our global expansion plans. Over more than 30 years, we have built capital-efficient partnerships with building owners and landlords all over the world.

And now we're increasingly working with franchisees who are keen to share in the success of our growing network, meeting burgeoning demand for smarter working opportunities globally.

Franchise partners

We launched our first 'master franchise' agreements during 2019, in Japan, Taiwan and Switzerland, selling our entire networks in these territories to long-term partners. These agreements give them the right to use the power of our brands and business model to deliver the strong financial returns and growth opportunities that they and their shareholders seek (see the TKP case study below).

> *"During the past 12 months we have seen some great break-through successes, securing new partners with significant development plans in the UK, Thailand, the Philippines, Germany and elsewhere."*
>
> **Steve Holloway**
> Global Franchise Development Director, IWG

TKP: Japan and Taiwan

In its biggest master franchise deal to date, in May 2019 IWG sold Regus Japan Holdings KK for £320.3m to TKP Corporation. The agreement also enables TKP to use IWG's high-profile Regus, Spaces, and OpenOffice brands and its highly efficient operating platform in all its locations.

Adding the 130-strong Regus network to TKP's existing business brought the combined total to 379 centres, providing a powerful platform to drive growth of the Japanese flexible workspace market.

According to IWG's CEO Mark Dixon, "The transaction realises an attractive valuation for IWG's shareholders and reaffirms our strategy of capital-efficient growth in IWG's global network with an increased emphasis on partnerships."

Having experienced how IWG's and the franchisee's success go hand in hand, in September 2019 TKP paid £22.7m for IWG's 14 centres in Taiwan.

> *We are incredibly excited to be joining Regus as its first UK franchise partner. Regus is a market leader with a great franchising model that we are confident will result in a very fruitful partnership."*

Jeet Sohal
Managing Director
of franchise partner
ACCA Office Ltd

Following the transaction, we maintain a close relationship with our master franchise partners, bringing them the value of our many years' experience to support them in expanding their networks and our brands into new markets.

And all the while they can use our unique back-office support, customer service and enquiry-handling resources to allow them to focus on building new business and retain existing customers. It's an entirely reciprocal way of working – it drives the uptake of our brands and services while accelerating network expansion for our partners and ourselves.

Franchise development

During 2019, we established a team of 24 franchise business developers, covering more than 50 countries across the world who are actively seeking to recruit new partners and get them set up to successfully roll out across their regional territories.

We successfully agreed new franchise agreements – with partners wishing to operate between one and up to around ten centres – in several countries, including Spain, the Netherlands, the UK, Germany, Thailand and the Philippines. And we made strong progress on further deals, many of which are on course to be delivered during 2020.

This approach opens up new opportunities for market entrants and experienced franchise operators alike who wish to share the benefits of this exciting new investment class without the more significant outlay involved in a master franchise.

Property owners

Anybody who owns commercial property anywhere in the world can partner with IWG, adding value to their properties and marketing themselves to a global audience of high-quality commercial tenants.

Our landlord partners not only gain access to the flexible workspace sector – the fastest-growing sector of the global commercial real-estate market; supported by our experience and infrastructure, they can transform their properties to create space and formats in their buildings that suit a wide range of asset types, locations, customer needs and price points.

SME Group: UK

A critical part of the success of IWG's franchise strategy is to ensure the first openings are really positive.

One of the first franchise openings in the UK market, in Southgate, is a prime example. This was a territory secured by established franchise operator SME Group, which signed up to a 10-centre network in north-west London.

SME already operates franchises in the UK and Canada for brands including Pizza Hut, KFC and Costa Coffee. Its first opening comprised the fifth floor of a building immediately opposite Southgate train station, offering 12,000 sq. ft. of space. After only three months of trading, the centre was already close to 50% occupancy and proving to be a real commercial success.

SME is now looking to accelerate its growth plans to open further locations across its regional territory.

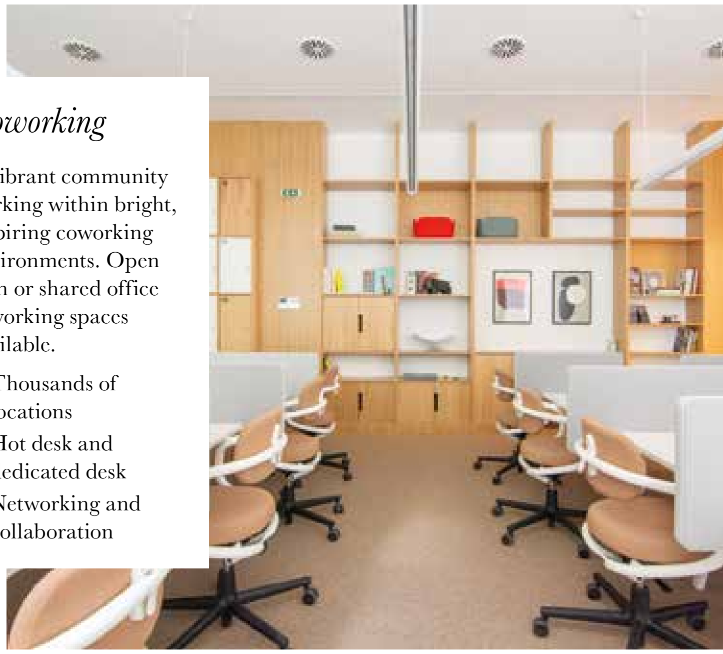
A place for business to thrive

IWG's flexible workspace solutions make it easy for businesses to create space that meets their requirements. We are located in every major town, city and transport hub worldwide, so start-ups, global companies, and every business in-between can work wherever they need. Workspace can be booked for as little as a day, or customers can stay for many years and personalise their office to suit their unique needs.

Office space

Fully furnished workspace that's set up and ready to use. Ideal for teams of all sizes.

- Add or remove space as needs change
- Customisable space
- Flexible terms means businesses can grow without risk



Coworking

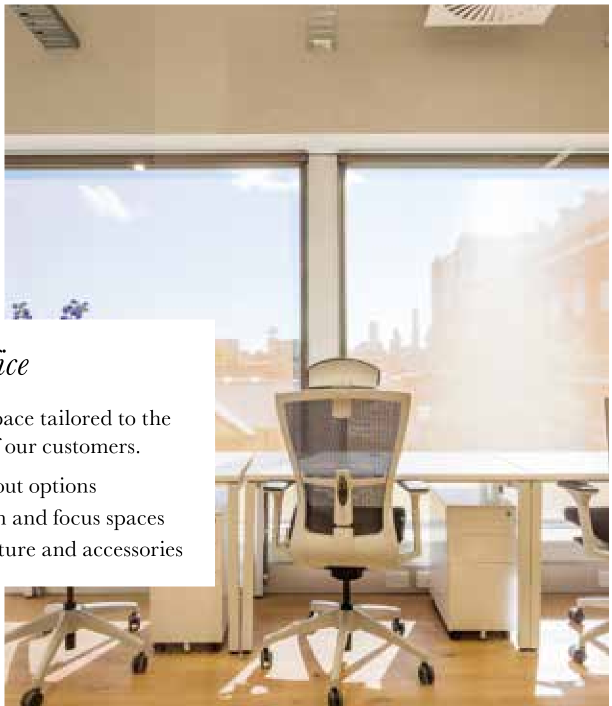
A vibrant community working within bright, inspiring coworking environments. Open plan or shared office coworking spaces available.

- Thousands of locations
- Hot desk and dedicated desk
- Networking and collaboration

Virtual office

A fast way to build a business presence; an instant address and access to workspace when needed.

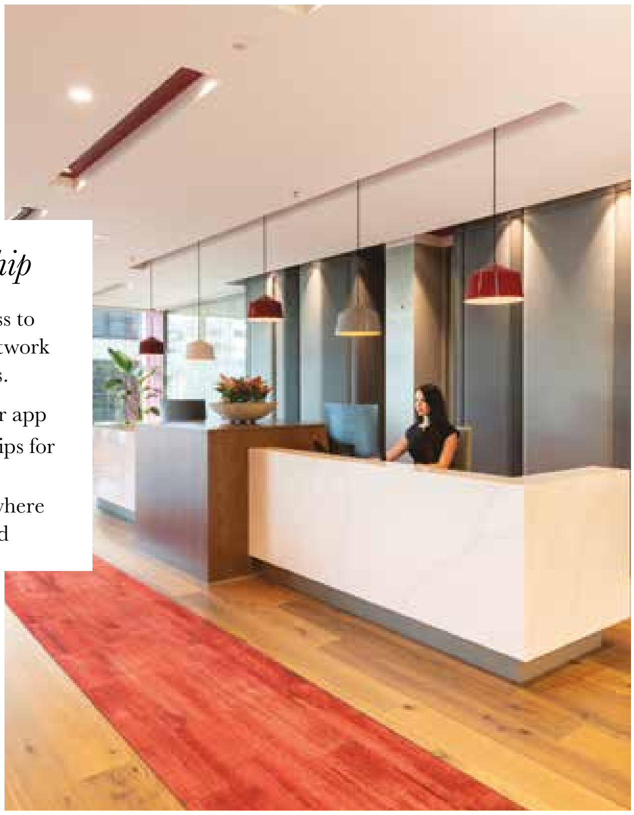
- Thousands of locations
- Use of global business lounges
- Mail forwarding and phone answering available



Custom office

Private office space tailored to the unique needs of our customers.

- Range of layout options
- Collaboration and focus spaces
- Choose furniture and accessories



Membership

Flexible access to our global network of workspaces.

- Join via our app
- Memberships for all budgets
- Work anywhere in the world

Business lounges

Access to thousands of business lounges across the world.

- Use of the entire IWG network
- Locations all over the world
- Choose number of visits a month

Meeting rooms

Inspiring meeting venues for your next board meeting, training session, interview or pitch.

- Thousands of rooms
- Configured to requirements
- Reception team to greet guests

Workplace recovery

Access serviced workspace in times of crisis and keep teams working whatever happens.

- Guaranteed in any emergency
- Extensive network of locations
- 24/7 operational support

The right strategy at the right time

> *"We are proud to be a business in which reducing environmental impact is an integral part of the strategy and which is also strongly founded on benefits being shared by all our stakeholder groups."*
>
> **Douglas Sutherland**
> Chairman

The growth potential for the flexible working sector is now widely understood. Organisations are increasingly aware of the significant benefits of using flexible workspace solutions. Landlords and developers are responding to this expanding demand by incorporating flexible workspace solutions into their plans.

Our multi-brand offering provides a wide variety of attractive working environments, and our plans to accelerate the growth of our extensive national networks through franchising are set to strengthen our global market leading position even further.

Performance 2019

Our results for 2019 are reported under the new accounting standard for leases, IFRS 16, and our results for 2018 were not restated and reflect pre-IFRS 16 (IAS 17) accounting standards. Comparative information and commentary is provided on an IAS 17 basis, because we believe it better represents the economics of our leases over their life cycle and is consistent with how we manage the business.

Our results for 2019 demonstrate strong revenue growth and record profitability. Group revenue increased from £2,402.1m to £2,653.0m, an increase of 9.2% at constant currency. This revenue performance includes the impact arising from our decision to proactively rationalise elements of our global network. Consequently, the 15.0% constant currency increase in open centre revenue to £2,569.8m indicates the strength of the ongoing business. The record profit before taxes for 2019 of £430.1m under IFRS 16 and £489.5m on an IAS 17 basis includes the profit from the signing of master franchise agreements during the year which were reported under discontinued operations. Operating profit from continuing operations was £287.9m under IFRS 16. With this being a transformational year for the Group, which has involved significant investment, we are pleased to report an 8% constant currency increase in operating profit to £137.7m (2018: £124.9m) on an IAS 17 basis. Excluding network rationalisation costs, operating profit was £176.2m.

The inherent cash generation of our business model, along with the £424.6m of cash from the completion of master franchise agreements during the year, leaves the Group in a strong financial position. Net debt under IFRS 16 was £6,840.1m and under IAS 17 net debt reduced to £294.1m (2018: £460.8m), notwithstanding returning £107.7m to shareholders and continued investment in our company owned network and global platform infrastructure.

Strategic update

We are committed to delivering long-term value to shareholders and understand this depends on executing against a strategy which provides value for all our stakeholders: customers, partners, employees and communities as well as shareholders.

We continue to pursue our profitable growth approach, the advantages of which were very evident during 2019. Achieving profitable growth requires significant discipline and hard work and encompasses much more than rigorous investment processes alone. We continue to use our deep industry knowledge to improve our digital platform and processes to enhance the customer experience and improve our employees' efficiency and job satisfaction. We are proud to be a business in which reducing environmental impact is an integral part of the strategy and which is also strongly founded on benefits being shared by all our stakeholder groups.

Customers benefit from our multi-brand strategy, which provides the largest choice of working environments for their people. We offer a far greater choice of location than our competitors, facilitating shorter commutes and timely alignment of workspace to customer needs, reducing costs related to under-utilised space. Organisations can therefore reduce their carbon footprint and save costs while improving employee satisfaction. When customers put their people in our flexible workspaces, we understand their desire to maintain the important aspects of their own culture. We therefore focus on customer service and continuously improving customer experience, delivering a great day at work whilst not distracting them from their own objectives.

Our operating model provides the opportunity for franchisees to invest for attractive returns while enabling us to accelerate growth. We gained many new franchising partnerships during 2019, including significant master franchising agreements with TKP covering Japan and Taiwan and the Safra/Peress Groups for Switzerland. For the first time, we invited our franchise partners to our senior leadership conference, held in Athens in January 2020. We are very excited about developing close relationships with them and the opportunities to learn from one another as we work together to grow the IWG flexible workspace network.

We also continue to develop our partnering approach with landlords and suppliers, building new, broader relationships for the future. Such relationships have proven to be mutually beneficial, bringing us access to buildings and enabling owners and landlords to promote and expand their position in their local real estate markets.

People update

Accelerating growth clearly means expanding career opportunities for our people, who are the key to delivering our strategy and our success on a daily basis. Their creativity, energy, commitment and tireless efforts to help are driving our performance through this period of rapid change. A new level of enthusiasm is evident in our people as we look forward to 2020 and delivering a great day at work is a clear objective for our own people as well as our customers. On behalf of the Board, I would like to give a special thanks to all our people for their many contributions to our achievements during 2019.

Board update

We welcomed two new members onto the Board during 2019: Eric Hageman as Chief Financial Officer and Laurie Harris as a Non-Executive Director and Chair of the Audit Committee. The Board remains very active as the Group pursues the unique opportunities currently presented by the rapid changes in the flexible workspace market. I would like to thank all my Board colleagues for their significant time commitments and valuable contributions during this transformational period.

Returns to shareholders

We continue to be committed to delivering cash to shareholders through distributions and share repurchases. We will continue with our underlying progressive dividend policy and are therefore recommending a 10.3% increase in the final dividend to 4.80p. This represents an increase in the full year dividend of 10.3% to 6.95p (2018: 6.30p). Having completed £49.5m of the current share repurchase programme with the purchase of 12,379,535 shares, we have increased the programme back to £100m (inclusive of the balance outstanding from the original programme) in line with our strategy of delivering cash to shareholders.

DOUGLAS SUTHERLAND

Chairman

3 March 2020

Well positioned in a fast-changing world

> *"2019 was a transformational year for IWG, with sweeping changes to our competitive landscape, a radical shift in the perspective of corporations and a rapid acceleration of our strategy for growth."*
>
> **Mark Dixon**
> Chief Executive Officer

Three decades on from the Company's launch, 2019 proved to be a transformational year in the development of IWG.

2019 was a transformational year for IWG, with sweeping changes to our competitive landscape, a radical shift in the perspective of corporations and a rapid acceleration of our strategy for growth. Together, these developments have validated our long-held view that we are at the forefront of a revolution in the global corporate real estate market that is radically changing how businesses everywhere think about the places where their people work.

The positive developments affecting IWG were reflected in the strength of our financial results:

Our results for 2019 are reported under the new accounting standard for leases, IFRS 16, which became effective from 1 January 2019. Our results for 2018 are not restated and reflect pre-IFRS 16 accounting standards. To provide a more insightful view of the Group's year-on-year performance, the impact of IFRS 16 is summarised in the pro forma statements provided below and in the Chief Financial Officer's review. We believe providing commentary on the results in accordance with pre-IFRS 16 accounting standards provides a better representation of the Group's performance and is consistent with how we manage our business day-to-day and more closely reflects the economics and cash flows over the life cycle of our leases.

These results also reflect the significant franchising transactions in Japan, Taiwan and Switzerland which, in accordance with IFRS 5, are treated as discontinued operations. This is purely an accounting definition and does not reflect the commercial reality that these operations, now owned and operated by our partners, continue to be an important strategic component of the Group's overall network.

Group revenue increased 9.2% at constant currency to £2,653.0m. These Group numbers include the impact of the proactive acceleration of the rationalisation of the network. We rationalised approximately 6% of our opening network with the closure of 195 centres during the year. Consequently, a more representative indication of the performance of the continuing business is provided by open centre revenue which increased 15.0%, at constant currency, to £2,569.8m, with good double-digit growth maintained throughout the year despite strengthening comparatives.

Group income statement

Continuing £m	2019 (IFRS 16 basis)	IFRS 16 impact	2019 (IAS 17)	2018[ʃ] (IAS 17)	% change (constant currency)	% change (actual currency)
Revenue	**2,653.0**	–	**2,653.0**	2,402.1	9.2%	10.4%
Gross profit (centre contribution)	**566.4**	(151.3)	**415.1**	374.5	9%	11%
Overheads	**(281.2)**	(1.1)	**(280.1)**	(248.2)	12%	13%
Operating profit[(1)]	**287.9**	(150.2)	**137.7**	124.9	8%	10%
Profit before tax	**55.9**	63.6	**119.5**	109.6		9%
Taxation			**15.4**	(29.7)		
Profit after tax			**134.9**	79.9		69%
EBITDA			**428.3**	389.9	8%	10%

1. Including joint ventures

After significant investment in the new 2018 and 2019 openings and the impact from the rationalisation programme, the Group generated a gross profit[□] of £415.1m (2018: £374.5m), an increase of 9% at constant currency. Excluding the impact of our investment in new centres and the network rationalisation, the gross profit[□] on pre-2018 business increased 17.9% to £495.1m.

Revenue and gross margin

	Revenue £m			Gross margin % (IAS 17 basis)	
Continuing	2019	2018	% change (constant currency)	2019	2018[ʃ]
2016 Aggregation	**2,047.0**	1,980.2	2.0%	**22.9%**	21.3%
New 17	**204.4**	165.3	23.3%	**12.8%**	–
Pre-2018	**2,251.4**	2,145.5	3.6%	**22.0%**	19.6%
New 2018	**236.2**	62.6	278.6%	**(10.5)%**	(47.9)%
New 2019	**82.2**	–	–	**–**	–
Open centre revenue	**2,569.8**	2,208.1	15.0%	**17.4%**	17.6%
Closures	**83.2**	194.0	(57.2)%	**(37.0)%**	(7.6)%
Group	**2,653.0**	2,402.1	9.2%	**15.6%**	15.6%

OPEN CENTRE REVENUE GROWTH

15%

PRE-2018 EBITDA GROWTH

15%

Group EBITDA[◽] increased 8% at constant currency to £428.3m (2018: £389.9m). EBITDA generated from the pre-2018 estate increased 15% from £404.9m to £472.2m.

We have continued to invest significantly in the ongoing development of the business and resources to deliver our strategic goals. With this investment, overheads increased 12% at constant currency to £280.1m from £248.2m. This investment continued to be made within the Group's strong cost control framework. Consequently, the resultant increase in overheads as a percentage of revenue was 22bps (adjusted after rounding) to 10.6%.

After this investment in overheads, the start-up costs of new centre openings and the impact of the network rationalisation programme, which resulted in the closure of 195 locations, operating profit[◽] increased 8% at constant currency to £137.7m. Excluding network rationalisation costs, operating profit was £176.2m.

In addition to investing in our rationalisation programme, which is already having a positive effect on the business, we have continued to invest in adding more attractive space to our network. Flexibility in the Group's lease portfolio, with variable leases and break clauses, enable the Group to respond quickly to market challenges. In 2019, we increased our net growth capital investment to £389.0m from £332.0m in 2018. In addition to adding 277 new locations and a record 8.4m sq. ft. of attractive space, the capital expenditure in 2019 includes a significant investment relating to locations due to open in 2020 and some that were opened in 2018. Reflecting the ongoing refurbishment programme, which we stepped up in 2018, we additionally invested £147.8m in maintenance capital expenditure in 2019 (2018: £112.0m).

Cash flow generation remains a very attractive feature of our business model. Notwithstanding the increase in maintenance capital expenditure, we generated £649.2m of cash flow, including the £424.6m cash received from the three master franchise agreements completed in the year. After the significant investment in growth capital expenditure, dividends of £58.2m and share repurchases of £49.5m, we were able to reduce net debt[◽] from an opening position of £460.8m to £294.1m at 31 December 2019. This represents a net debt to EBITDA ratio[◽] of 0.7x, which maintains our prudent approach to the Group's capital structure. Additionally, we continue to hold approximately £150m of property investments on the balance sheet.

30 years of accelerating change

As we marked 30 years since the creation of the business that is now IWG, 2019 was a natural moment to reflect on the changes we've seen during its lifetime and to consider the accelerating change we are experiencing today.

The way the world and our lives have evolved since 1989 is phenomenal. The internet has changed all our lives. The smartphone and social media have revolutionised how we communicate. What was unimaginable 30 years ago is the norm today. And the last decade has seen the sheer pace of changes ramp up.

But of all those 30 years, I believe that 2019 was the one in which the opinions and priorities of our partners, our customers and shareholders underwent the fastest and most significant change.

Environment: customer priority number one

All these factors remain important, of course. But today, a single factor, the environment, is at the top of just about every corporate agenda – just as it's at the top of ours at IWG. Futurologists, sector analysts, real estate consultancies and other experts agree that preoccupations with environmental issues and worker satisfaction will be the most powerful drivers of fundamental change in the way people work.

And this is set to have a major impact on companies' real estate strategies, significantly increasing their demand for flexible property solutions. JLL, one of the

Spaces – Arizona, USA

world's largest property brokers, predicts that the flexible proportion of the US office stock is set to increase to around 30% by 2030. Others anticipate similar growth. This presents a significant growth opportunity for IWG.

In recent years, we have talked about the 'workspace revolution' and it is clear that the world's largest companies are increasingly moving away from a large, single head office to base employees in flex spaces in their own communities away from large metropolitan centres. Before the end of this coming decade, flexible working close to home will be nothing other than the norm. As a result, the concept of the commute to work will become increasingly alien, reducing a major source of carbon emissions.

As a business, we are doing what we can to help address the environmental crisis, upgrading our buildings to reduce power consumption and cut emissions. As well as fully meeting the UK Compliance requirements of the CRC (formerly Carbon Reduction Commitment) and ESOS (Energy savings Opportunity Scheme), we voluntarily disclose our climate change management strategies to the Carbon Disclosure Project (CDP) who have assessed us as "taking coordinated action on climate issues" and given us a score higher than the market average.

So, as we enter a new decade, I am very excited to think that IWG is uniquely placed to help organisations across the world reduce their environmental impact by providing flexible and remote working capabilities that enable people everywhere to work closer to home.

Regus – Manchester, UK

Three foundations for growth

For us, it is now a case of fully developing the infrastructure, the tools and the capabilities needed to enable this to happen in every continent, region, country and community. These are the three key foundations supporting our growth.

Foundation 1: our global network

The most essential requirement is to create a global network of physical places for people to work, and this remains the overriding priority for IWG. We have spent three decades growing our centre numbers significantly. In 2019 we determined to increase our year-on-year growth rate to between 20% and 30% during the 2020s, to accelerate the expansion of our network.

The challenge is not unlike the one that McDonald's faced some years ago, realising that people could only eat their food if they had easy local access to a restaurant. In 2019, the company had over 38,000 restaurants in over 100 countries and surpassed $100bn in Systemwide sales. And the way that McDonald's rose to the expansion challenge was the same that we have adopted – through franchising.

2019 was the year in which our franchising activities were transformed, with our product and service offering that positions us for growth with our franchisees by aligning our success with theirs. This is enabling us to find more and more partners across the world to accelerate network growth to our target of ca. 50,000 centres, including master franchise agreements in Japan, Taiwan and Switzerland. We also entered into several smaller agreements in countries including Guyana, the Philippines, Germany, UK (and more) during 2019, meaning we now have a total of 30 franchise partners in 26 countries representing over 7% of our global network.

What is most exciting is that our partners too are committed to growth, meaning that we have growing numbers of routes to new centre openings. This allows us to generate revenues through franchising, brand licensing and services provision within a less capital-intensive framework.

This route to growth creates a platform business which is higher margin and highly cash generative as well as much easier for shareholders to understand and for us to manage.

Foundation 2: innovation

The second key foundation supporting our growth is innovation. We made strong progress during the year in this area, particularly through embedding digital technology and methods.

For example, today a single IWG employee can run one of our centres exclusively through a single app on a smartphone. That is transformational, as is our new 'Design your own office' solution which enables clients to do precisely as the name suggests. Drawing on our centralised services, they can choose exactly the furniture and fit-out they want – at any time during a contract, not just at renewal. Not only does this add value for our customers, making them more likely to stay with us for longer – it also adds a new income stream for us and provides further differentiation from our competition. We also developed several tools to make interaction easier with those large companies that increasingly represent more of our customer base.

Foundation 3: our people

Our people provide us with the third key foundation, particularly through their

Regus – Kuala Lumpur, Malaysia

relationships with our customers. It is essential that each one of our customers is left with a highly favourable impression of our colleagues, our brands and our company as a whole.

During 2019, our investments in training to improve service and enable the use of efficient digital platforms paid off strongly, with our Net Promoter Score (NPS) hitting a record level of 50, up from 35 in 2018. Driving this even higher remains a key priority for 2020 and the years ahead.

On a personal level, I am extremely proud that when asked what their job is for, so many of our people will respond "To give our customers a great day at work." This demonstrates an essential understanding of what IWG exists to achieve.

Our key drivers

I have already touched on environmental considerations as a major driver of IWG's growth over the next decade, and I believe that this is fundamental to our future. However, there are three other major factors which will drive our future growth.

Key driver 1: what people want

The first of these is what people want from their working lives. In our most recent survey (www.iwgplc.com/global-workspace-survey-2019) of the most important factors involved in selecting a job, the desire to work closer to home was very important. Essentially, people are telling us not having to commute is the single factor that would do most to make their lives better.

The idea of getting up early to jump into their cars or overcrowded trains and travel many miles to a workplace will one day soon seem incredible. This is particularly the case given the fact that people who do so are almost invariably carrying with them the tools – laptops, tablets and smartphones – that they'll use to do the work when they get to their destinations. It simply does not make sense, and I am delighted that we can offer an alternative that does – for people and the planet.

Key driver 2: what companies want

The second force at play is what companies want. Essentially, they want a straightforward property "product" that gives them a range of cost, simplicity, flexibility and value advantages. Perhaps most important of all, they want to be able to hire and retain better people, wherever they are required all over the world.

All these requirements play directly into IWG's hands. As global market leader, we are strongly positioned to simply and cost-effectively create and adapt to their changing needs and provide a bespoke network of fully serviced multiple sites that their people love working in.

Key driver 3: IFRS 16

The third of these key drivers is the IFRS 16 accounting standard. This new standard, which was effective from 1 January 2019, requires organisations to recognise assets and liabilities for leases with a duration of 12 months or more.

As we anticipated when the new standard was introduced, this has caused organisations whose main business is not in property to question the need to commit material capital investments in long-term leases. As a result, the flexibility inherent in working with IWG has become even more attractive to them, and we are seeing significant increases in demand for our services as a consequence.

The role of our brands

While all our customers want flexible workspace solutions, they do not all want exactly the same style, working environment or service portfolio. Different parts of the same organisation often require an entirely different style and execution. This is why we are continuously addressing the make-up of our unique multi-brand portfolio, which allows us to meet the needs of business regardless of scale, market, location or image.

The value of our brands as corporate properties was highlighted during 2019 through their important role in attracting franchise partners and delivering licensed revenue streams. During the year, we expanded our brand portfolio, and saw significant growth for both Regus (with 122 new centres), and for our Spaces coworking format, which added 117 new locations.

An evolving competitive landscape

2019 was also a year in which the nature of our competitive landscape underwent significant change. I believe this highlighted the value of our approach over the long term – growing our model through return on capital and using a strong balance sheet to ensure we can deliver against the expectations we set.

> “*The events of 2019 showed the world that, despite our own longevity and resilience as a business, we continue to be the market leader in an industry that is not yet mature.*”

The events of 2019 showed the world that, despite our own longevity and resilience as a business, we continue to be the market leader in an industry that is not yet mature. That balance sheet strength and our success in partnering with new franchisees across the globe means that we have the capacity to grow in market environments where others find it hard to raise funding or deliver on their aspirations.

The changing marketplace once again highlighted the dangers that competitors can face if they underestimate some of the complexities involved in transforming a building into a product that people can buy to experience a great day at work. Our view remains that while the barriers to entry in this market continue to be relatively low, the barriers to success are very high. We uniquely have the benefits of over 30 years' experience and continuous innovation and product development. As a result, we today deliver more than 120 service lines, which enhance our ability to deliver high customer service while driving around 28% of our revenues.

Our experience also helps us to flourish even in testing economic conditions that our competitors find challenging.

For us, economic downturn often delivers opportunity, and we therefore invest for the worst of times. In short, I believe that there will be more market consolidation in the years ahead, and we are well-placed to take advantage of any opportunities that this generates.

Looking ahead

2019 has been a transformational year for IWG. We made significant progress in our pivot towards becoming a franchised organisation and delivered strong revenue growth and record profits. We continue to see strong demand globally and to welcome more great partners to the business. As organisations increasingly seek ways to address the challenges of climate change, we believe that more and more are recognising the role to be played by remote, distributed and flexible working strategies.

The outbreak of COVID-19 has led to brief closures of our centres in China and we are closely reviewing the ongoing developments worldwide. Whilst we cannot be certain how long this situation will last; we continue to monitor the situation and will act swiftly where necessary to help ensure the safety and wellbeing of our customers and employees. We are extremely grateful for the incredible effort of our teams in dealing with this global health emergency.

We will continue to work closely with our partners, develop our network and invest in our people, our brands and our services, to ensure that we remain the leading player in our industry. Even in this period of global, political and economic uncertainty, we are confident that the Group will continue to deliver strong returns for all our stakeholders, and this is reflected in the increased proposed dividend and new £100m share repurchase programme.

MARK DIXON
Chief Executive Officer
3 March 2020

Spaces – Helsinki, Finland

A strategy for sustainable growth

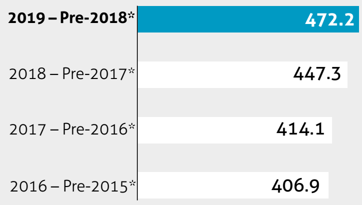
We aim to deliver sustainable profitable growth for our investors through providing customers globally with an unrivalled choice of convenient work environments that suit the full range of workspace and service needs.

Industry-leading profitable growth

Pre-2018 EBITDA development (£m)

£472.2m□

Pre-2018 EBITDA* increase of 15% at constant currency.



* Including only those operations that were open throughout the period and pre-IFRS 16

We aim to deliver long-term revenue growth, driven by expanding our network coverage in growth markets and innovating to create incremental revenue streams. By also focusing strongly on controlling costs, we aim to generate profitable growth and reinvest in the business to continue to provide attractive shareholder returns.

Future ambitions and risks

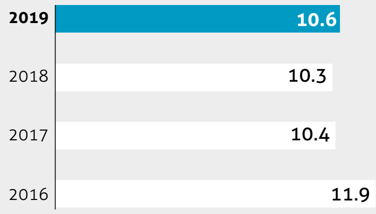
We believe that maintaining our strong focus on operational efficiency provides a strong platform to deliver future profitable growth which is central to creating further shareholder value.

Best-in-class cost leadership

Total overheads as percentage of revenue (%)

10.6%□

Overheads as a % of revenue well controlled.



We deliver cost leadership through operational excellence and the significant economies of scale and operational leverage that our global operating platform delivers. This provides a significant competitive advantage.

During 2019 further overhead investment was made to support the growth in the business, increasing management resources to facilitate the pivot towards a franchising model and the continued development of enterprise accounts. In total overheads increased 11.6% at constant currency to £280.1m (2018: £248.2m). Measured as a percentage of revenue Group overheads increased 22bps (adjusted after rounding) to 10.6%.

Future ambitions and risks

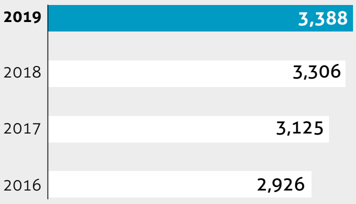
We will continue to focus on controlling overheads to deliver operational efficiency. This will be balanced with further planned investment in overhead to improve the performance of our well-invested operating platform, processes and people.

Global multi-brand network

Location growth

3,388 locations

We continue to add scale, quality, convenience and choice to our network in a carefully controlled and risk-managed way.



We continued to grow our network coverage and brand offering to provide greater choice to more customers. 2019 was a significant year in our transition to a franchising business model. Several franchising agreements were entered into during 2019, including three master franchise agreements in respect of Japan, Taiwan and Switzerland.

Future ambitions and risks

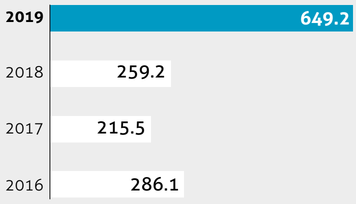
We are clearly focused on accelerating growth through our franchising strategy and, with many discussions taking place, we anticipate delivering further franchise agreements. Simultaneously we will continue to develop our unrivalled brand portfolio to enhance the choice available to more customers.

Strong cash generation, enabling investment

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

£649.2m

During 2019 we generated £649.2m of cash before growth capital expenditure, dividends and share repurchases.



The ability to convert profit into cash remains an attractive feature of our business model. Cash generation was strong in 2019 and further augmented by the £424.6m of cash proceeds from the successful completion of three long-term master franchise agreements. These cash flows support the ongoing development of our business and returns to shareholders through our progressive dividend policy and share repurchase programme.

Future ambitions and risks

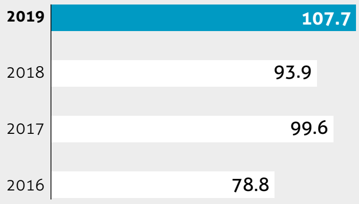
With our focus on revenue growth over the long term and our strong focus on operational efficiency, our business model is well-positioned to continue to convert profit into cash. We also anticipate that our strategic pivot towards franchising will release further significant cash flows over the medium term with the signing of new agreements.

Attractive shareholder returns

Total return to shareholders

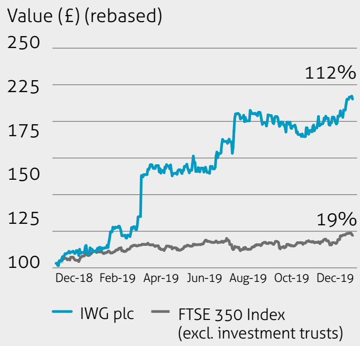
£107.7m

Focused on delivering attractive returns to shareholders through a progressive dividend policy and share repurchases.



Our strong cash generation supports an attractive profile of returns to shareholders. During 2019 we returned £107.7m to shareholders, an increase of 14.7%, through a combination of dividends of £58.2m and share repurchases of £49.5m.

Total shareholder return



Future ambitions and risks

We anticipate continuing to provide attractive returns to shareholders with the continuation of a progressive dividend distribution and share repurchase programme. Supplemental returns will be considered to return excess cash to shareholders.

Strong revenue and operating profit growth

"Cash generation continues to be an attractive feature of our business model. Cash generated before net investment in growth capital expenditure and dividends increased by £390.0m to a record £649.2m including the completion of the strategic partnerships in Japan, Taiwan and Switzerland."

Eric Hageman
Chief Financial Officer

Strong revenue, profit and cash flow growth enable continued investment in our company and increased returns to shareholders.

Spaces – Texas, USA

Performance review

The review below highlights the reported results in accordance with IFRS 16 and a description of the change in profile of the Group's results due to the movement in many of the Group's metrics as a result of the adoption of the standard.

Under IFRS 16, while total lease related charges over the life of a lease remain unchanged, the lease charges are characterised as depreciation and financing expenses with higher total expense in the early periods of a lease and lower total expense in the later periods of the lease. In order to provide greater clarity in understanding the underlying performance of the business, the Group has also presented the results below in accordance with pre-IFRS 16 accounting standards. The trading commentary is based on results in accordance with pre-IFRS 16 accounting standards, which more closely track with the cash flows over the life of a lease and are therefore continuing to be used for management reporting purposes. All pre-IFRS 16 numbers in the commentary below have been marked with[1] to provide clarity on the basis of preparation.

Change in accounting standard – IFRS 16 Leases

Our statutory results for the period to 31 December 2019 are reported under the new accounting standard for leases, IFRS 16. As the new standard is effective from 1 January 2019, our results for 2018 are not restated and reflect pre-IFRS 16 accounting standards. To provide a more insightful view of the Group's year-on-year performance, the impact of IFRS 16 on the current period results is summarised in the pro forma statements provided at the end of this announcement.

IFRS 16 introduces a single, on-balance sheet accounting model for leases. As previously announced, in applying the standard, the Group adopted a modified retrospective approach, choosing to measure the right-of-use asset at the retrospective amount as if IFRS 16 had been applied from the lease commencement dates. The most significant impact of this is the Group recognising a right-of-use asset of £5.1bn and a related lease liability of £5.6bn at 1 January 2019. Tables summarising the opening balance sheet impact are presented in note 2. The recognition of these balances does not impact the overall cash flows of the Group or cash generation per share. Adoption of IFRS 16 will have no impact on the Group's ability to comply with the covenant requirements of its revolving credit facility.

Transition to franchising model

Sale of territories under master franchise agreements (MFAs) results in accounting for the activities as discontinued and the profit on sale and trading performance, for the period up to sale and for the prior periods, being treated below the line.

Only the franchise fees based on system sales of the territories franchised are included in Group revenue going forward.

With three MFAs completed in 2019 and the franchise fees only recorded for part of the year and therefore not material to the overall reported result, we believe it is too early to present system sales and franchise fees separately. This will continue to be reviewed as the Group further transitions towards a predominantly franchised model.

Revenue

Revenue increased by 9.2% at constant currency (10.4% at actual currency) from £2,402.1m to £2,653.0m. This increase was driven by 10.0% constant currency growth in reported revenues in the Americas (the Group's largest market) and 15.8% growth in EMEA (the Group's second largest market).

There is no impact on the Group's revenue arising out of the adoption of IFRS 16.

The growth in open centre revenue is particularly pleasing, with an increase of 15.0% at constant currency to £2,569.8m (2018: £2,208.1m). This is an important indicator for future revenue performance as it is not impacted by the network rationalisation programme.

Growth in pre-2018 revenue for the year was 3.6% at constant currency (4.9% at actual rates) to £2,251.4m. This performance has been delivered by a solid improvement in the pre-2017 business and the continued good development of the locations opened in 2017. Overall, average occupancy for the pre-2018 business improved 310bps year-on-year to 76.3% (from 73.2%), with a year-end exit rate of 78.4%.

Group income statement

£m	**2019 (IFRS 16 basis)**	2019 IFRS 16 impact	**2019 (IAS 17 basis)**	2018 As restated (IAS 17 basis)∫	% change constant currency (IAS 17 basis)	% change actual currency (IAS 17 basis)
Revenue	**2,653.0**	–	**2,653.0**	2,402.1	9.2%	10.4%
Gross profit (centre contribution)	**566.4**	(151.3)	**415.1**	374.5	9%	11%
Overheads	**(281.2)**	1.1	**(280.1)**	(248.2)	12%	13%
Joint ventures	**2.7**	–	**2.7**	(1.4)		
Operating profit	**287.9**	(150.2)	**137.7**	124.9	8%	10%
Net finance costs	**(232.0)**	213.8	**(18.2)**	(15.3)		
Profit before tax from continuing operations	**55.9**	63.6	**119.5**	109.6		9%
Taxation	**22.3**	(6.9)	**15.4**	(29.7)		
Effective tax rate	***(39.9)%***		***(12.9)%***	*27.1%*		
Profit after tax from continuing operations	**78.2**	56.7	**134.9**	79.9		69%
Profit after tax from discontinued operations	**372.4**	(4.2)	**368.2**	25.8		
Profit for the period	**450.6**	52.5	**503.1**	105.7		376%
Basic EPS (p)						
– From continuing operations	**8.8**		**15.1**	8.8		72%
– Attributable to shareholders	**50.5**		**56.4**	11.7		382%
Depreciation & amortisation	**1,169.2**		**267.8**	235.8		
EBITDA	**1,482.8**		**428.3**	389.9	8%	10%

Gross profit

£m	Pre-2018 centres 2019	New centres 2019	Closed centres 2019	**Total 2019 (IAS 17 basis)**
Revenue	**2,251.4**	**318.4**	**83.2**	**2,653.0**
Cost of sales□	**(1,756.3)**	**(367.6)**	**(114.0)**	**(2,237.9)**
Gross profit (centre contribution)□	**495.1**	**(49.2)**	**(30.8)**	**415.1**
Gross margin□	**22.0%**			**15.6%**

£m	Pre-2018 centres 2018	New centres 2018	Closed centres 2018	Total 2018 (IAS 17 basis)∫
Revenue	2,145.5	62.6	194.0	2,402.1
Cost of sales□	(1,725.4)	(93.4)	(208.8)	(2,027.6)
Gross profit (centre contribution)□	420.1	(30.8)	(14.8)	374.5
Gross margin	19.6%			15.6%

Gross profit□ for the period was £415.1m, up from £374.5m in the corresponding period in 2018, an increase at constant currency of 9%. This is after a significantly higher investment in the development of the network, which resulted in a gross profit drag on the reported results of £49.2m compared to £30.8m in 2018, and £30.8m of network rationalisation costs compared to £14.8m in 2018. This led to an unchanged gross margin□ of 15.6%. Excluding these two impacts, the gross profit margin□ for the pre-2018 centres increased from 19.6% to 22.0%, with a notable improvement in the Americas and EMEA.

The adoption of IFRS 16 has resulted in an increase in reported gross profit to £566.4m as the rent costs previously included in cost of sales have been replaced by a depreciation charge on the right-of-use assets and finance costs arising on the lease liabilities. Only depreciation is included in cost of sales recognised under IFRS 16.

During the period, a review of the estimated useful life for certain asset categories of property, plant and equipment resulted in a decreased depreciation expense, recognised in cost of sales of £14.5m. This change has no impact on cash flow and further details can be found in note 5.

The expected credit risk associated with accounts receivable was also reassessed, with a £8.2m release of the excess provision taken to the income statement. These releases were offset by the ongoing network rationalisation costs of £30.8m.

Pre-2018 performance by region

On a regional basis, pre-2018 revenue and gross profit can be analysed as follows:

	Revenue £m					
	2019 (IFRS 16 basis)	IFRS 16 impact	**2019 (IAS 17 basis)**	2018 (IAS 17 basis)	% change constant currency	% change actual currency
Americas	**1,079.6**	–	**1,079.6**	978.4	7.1%	10.3%
EMEA	**533.9**	–	**533.9**	538.9	0.2%	(0.9)%
Asia Pacific	**275.2**	–	**275.2**	267.6	1.8%	2.8%
UK	**353.7**	–	**353.7**	355.7	(0.6)%	(0.6)%
Other	**9.0**	–	**9.0**	4.9		
Total	**2,251.4**	–	**2,251.4**	2,145.5	3.6%	4.9%

	Gross profit (contribution)					Pre-2018 gross margin (%)	
	2019 (IFRS 16 basis)	IFRS 16 impact	**2019 (IAS 17 basis)**	2018 (IAS 17 basis)	% change constant currency	**2019**	2018
Americas	**328.6**	(76.3)	**252.3**	190.9	28.1%	**23.4%**	19.5%
EMEA	**150.9**	(25.2)	**125.7**	122.0	4.1%	**23.5%**	22.6%
Asia Pacific	**74.8**	(24.4)	**50.4**	45.8	8.4%	**18.3%**	17.1%
UK	**64.2**	(10.4)	**53.8**	61.1	(11.9)%	**15.2%**	17.2%
Other	**12.9**	–	**12.9**	0.3			
Total	**631.4**	(136.3)	**495.1**	420.1	16.2%	**22.0%**	19.6%

Americas

The Americas, our largest region, which represents c. 45% of the Group revenue, has performed well.

Revenue growth from open centres increased 13.7% at constant currency to reach £1,169.7m, up from £998.2m in the prior year (17.2% at actual rates). Total revenue (including closed centres) increased 10.0% at constant currency from £1,048.5m to £1,188.5m (13.4% at actual rates). Pre-2018 revenue in the region increased 7.1% at constant currency to £1,079.6m (10.3% at actual rates).

£m	**2019**	2018	% change constant currency	% change actual currency
Total revenue	**1,188.5**	1,048.5	10.0%	13.4%
Open centre revenue	**1,169.7**	998.2	13.7%	17.2%
Pre-2018 revenue	**1,079.6**	978.4	7.1%	10.3%
Pre-2018 occupancy	**78.1%**	74.2%	–	390bps
Number of centres	**1,298**	1,284	–	–

Average occupancy for the region in the pre-2018 business was 78.1% up 390 bps (2018: 74.2%) and there was a very good performance in the gross margin[¤], which increased significantly from 19.5% to 23.4%.

The US is our largest market in the Americas with total revenue increasing from £883.7m to £999.4m, up 9% at constant currency (13% at actual rates). Our business in Canada also continued to perform strongly with total revenue growth in double-digits. In Latin America, we have seen good revenue recovery in Brazil, our largest market in Latin America, following the actions taken in 2018 to rationalise our network and reposition our Brazilian estate. There was also a strong recovery in Argentina, and Mexico showed good improvement in the fourth quarter.

A total of 57 new locations were added in the region, including 48 Spaces. These new locations take the total in the region to 1,298 at 31 December 2019 (2018: 1,284).

EMEA

Trading in EMEA has remained strong. Open centre revenue has increased 19.6% at constant currency to £661.2m. Total revenue increased 15.8%, at constant currency, to £685.1m (14.4% at actual rates). Pre-2018 revenue increased 0.2% at constant currency to £533.9m (down 0.9% at actual rates) as the region annualised against a strong second half performance in 2018. The pre-2018 gross margin[¤] improved from 22.6% to 23.5% and average occupancy increased to 76.9%, up 180 bps (2018: 75.1%).

£m	2019	2018	% change constant currency	% change actual currency
Total revenue	**685.1**	598.8	15.8%	14.4%
Open centre revenue	**661.2**	559.5	19.6%	18.2%
Pre-2018 revenue	**533.9**	538.9	0.2%	(0.9)%
Pre-2018 occupancy	**76.9%**	75.1%	–	180bps
Number of centres	**1,096**	1,013	–	–

The overall performance in the region has continued to be driven by the key markets in continental Europe. France, Germany and the Netherlands delivered good revenue performances. There were also strong revenue performances from Italy, Spain, Portugal, Ireland, South Africa and in Russia as it responded positively to the actions taken in 2018 to restore performance. The results for EMEA now exclude Switzerland following the master franchise agreement with the Safra/Peress Groups, but the country continues to be an important and integral part of the network in the region.

A total of 145 new locations were added across this region, including 42 Spaces, and approximately one-third of the new locations involved various forms of partnering deals. These additions took the total number of locations, including franchised, in the region to 1,096 at 31 December 2019 (2018: 1,013).

Asia Pacific

Our business in Asia Pacific has delivered a solid performance overall. Revenue from all open centres increased 16.8% at constant currency to £326.5m. Total revenue from the region improved by 9.4% at constant currency to £343.9m (10.6% at actual rates). Pre-2018 revenue was £275.2m (2018: £267.6m) and pre-2018 occupancy increased to 74.1%, up 370 bps (2018: 70.4%). The pre-2018 gross margin[¤] improved from 17.1% to 18.3%.

£m	2019	2018	% change constant currency	% change actual currency
Total revenue	**343.9**	310.9	9.4%	10.6%
Open centre revenue	**326.5**	276.5	16.8%	18.1%
Pre-2018 revenue	**275.2**	267.6	1.8%	2.8%
Pre-2018 occupancy	**74.1%**	70.4%	–	370bps
Number of centres	**682**	683	–	–

Several key markets contributed to the overall performance in Asia Pacific, including Australia, Thailand, India, New Zealand and South Korea. The performance of the region now excludes Japan and Taiwan, although these operations continue to be an important strategic component of the Group's overall network in the region.

A total of 53 new locations were added in the region, including 15 Spaces. Approximately two-thirds of these new locations involved various forms of partnering deals. These additions took the total in the region, including franchised, to 682 at 31 December 2019 (2018: 683).

UK

As the year progressed, we started to see encouraging evidence that the programme of actions taken in the UK were starting to have a positive impact on the overall performance of the business. This was particularly evident in the second half with the business returning to pre-2018 and total revenue growth. Revenue from open centres increased 9.3% to £403.4m at constant currency. This is a good indication of the strong performance of centres opened in 2018 and 2019 and demonstrates the continuing attractiveness of the UK market. Pre-2018 revenue was down 0.6% to £353.7m (2018: £355.7m) and total revenue in the UK decreased (2.8)% to £426.5m, reflecting the continued network rationalisation of 36 locations in the region.

£m	2019	2018	% change actual currency
Total revenue	**426.5**	439.0	(2.8)%
Open centre revenue	**403.4**	369.0	9.3%
Pre-2018 revenue	**353.7**	355.7	(0.6)%
Pre-2018 occupancy	**73.8%**	70.9%	290bps
Number of centres	**312**	326	–

> *"As the year progressed, we started to see encouraging evidence that the programme of actions taken in the UK were starting to have a positive impact on the overall performance of the business."*

Pre-2018 occupancy has increased to 73.8%, up 290bps (2018: 70.9%). The programme of actions taken to move the UK business back towards the desired level of performance involved significant investment and this has weighed on the pre-2018 gross margin▫, which reduced to 15.2% (2018: 17.2%).

A total of 22 new locations were added in the UK, including 12 Spaces. Half of these locations added involved various forms of partnering. The net of these additions and the network rationalisation led to an overall reduction of locations in the region to 312 at 31 December 2019 (326 at 31 December 2018).

EBITDA

EBITDA▫ increased £38.4m to £428.3m, up 8.0% at constant currency (10% at actual rates). It is important to note that this EBITDA▫ number reflects the significant drag from the investment in growth, which for the year ended 31 December 2019 was £48.5m (2018: £39.9m), and a further £25.2m in respect of the network rationalisation (2018: £14.1m). The pre-2018 EBITDA▫, which eliminates these factors and offers a more representative indication of the underlying earnings performance of the business, increased 15% at constant currency to £472.2m from £404.9m (17% at actual rates).

EBITDA under IFRS 16 is £1,482.8m, due to the rental costs under IAS 17 being replaced by a depreciation charge on the right-of-use assets and finance costs arising on the lease liabilities. Both these costs are excluded from EBITDA.

Overhead investment

As planned, further overhead investment was made in 2019 to support the growth in the business, increasing management resource to facilitate the move towards a franchising model and the continued development of enterprise accounts. In total, overheads▫ increased 12% at constant currency to £280.1m (2018: £248.2m). Measured as a percentage of revenue, Group overheads▫ increased 22bps (adjusted after rounding) to 10.6%, as we continue to benefit from our scale.

Operating profit

Operating profit▫ for the year ended 31 December 2019 was £137.7m (2018: £124.9m). Excluding network rationalisation costs, operating profit was £176.2m. As well as the planned increased investment in overheads, operating profit also reflects a material drag from our increased growth investment of £106.7m (2018: £53.0m), in addition to £38.5m relating to network rationalisation (2018: £31.9m).

Group operating profit under IFRS 16 is £287.9m, which is not comparable to the £124.9m recorded in 2018 as, on adoption of IFRS 16, the rental costs incurred under IAS 17 have been replaced by a depreciation charge on the right-of-use assets and finance costs on the lease liabilities. Operating profit is stated before finance costs resulting in an increase compared to the prior year period.

Net finance costs

The Group's net finance costs▫ increased to £18.2m (2018: £15.3m). This primarily reflects the higher level of average outstanding debt over the course of the year before it substantially reduced at year-end, following the receipt of the proceeds from the Japanese, Taiwanese and Swiss partnership agreements, which materially reduced the utilisation of the revolving credit facility during the second half. In addition, there were fees relating to increasing the revolving credit facility in January to £950m from £750m.

The Group reported net finance costs under IFRS 16 for the year to 31 December 2019 of £232.0m. This is not comparable to the prior year due to the impact of finance costs arising on the lease liability recognised on the adoption of IFRS 16. On adoption, the lease liability is measured at the present value of the lease payments to be paid during the lease term, discounted using an incremental borrowing rate. The lease liability is subsequently increased by the interest cost on the lease liability arising from the unwind of the discounting. This non-cash interest cost is recognised within finance costs in the profit and loss account as it unwinds.

Taxation

As part of the Group's pivot towards franchising, in 2019 the Group recognised a deferred tax asset of £89.8m, and a corresponding deferred tax credit. This arises in connection with a restructure during the year involving the move of the Group's intellectual property ("IP") and franchising arrangements from Luxembourg to Switzerland. The deferred tax asset recognised is based on the expected future taxable profits available to utilise the tax deductible annual amortisation on the fair market value of the IP at the date of the restructuring, which is deductible for Swiss corporate income tax purposes (see note 8).

Secondly, the tax charge for the year includes the negative impact of the issue of final regulations by the US Treasury Department and the Internal Revenue Service regarding the base erosion and anti-abuse tax ("BEAT"). BEAT was introduced as part of the Tax Cuts and Jobs Act of 2017 and operates as a minimum tax with the intended purpose of preventing US corporations from unduly reducing their US taxable income through payments to related foreign parties.

On the adoption of IFRS 16, the Group recognised a deferred tax asset of £86.7m as at 1 January 2019, accounted for directly in retained earnings. An additional deferred tax asset of £6.9m was recognised through the income statement during the current year.

Overall, the effective tax rate for 2019 was a credit of 12.9% (2018: a charge of 27.1%). Dependent upon the continuing ownership of specific countries or regions in relation to potential future master franchise agreements, we currently anticipate an effective tax rate in future years to be similar to the rate in the years prior to 2019.

The gains arising on the strategic partnership transactions were exempt from tax in accordance with local regulations.

Earnings per share

Earnings per share[◘] increased in the year ended 31 December 2019 to 56.4p (2018: 11.7p) including the gain on the strategic partnerships and deferred tax asset benefit. Diluted earnings per share[◘] for the year were 55.4p (2018: 11.6p). The earnings per share[◘] and diluted earnings per share[◘] on a continuing operations basis for 2019 were 15.1p (2018: 8.8p) and 14.8p (2018: 8.7p) respectively.

Basic earnings per share under IFRS 16 were 50.5p from profits attributable to ordinary shareholders and 8.8p from profits from continuing operations. As noted above, the adoption of IFRS 16 results in the acceleration of lease related expenses (principally depreciation and finance costs) relative to the recognition pattern for operating leases under IAS 17, impacting Group profits and earnings per share under the new standard.

The weighted average number of shares in issue for the year was 892,737,688 (2018: 907,077,048). The weighted average number of shares for diluted earnings per share was 908,939,911 (2018: 914,206,379). Following the 6 August 2019 announcement of the commencement of a £100m share repurchase programme, the Group has acquired 12,379,535 shares at an average price of 399.9p, representing an investment of £49.5m. These shares are designated to be held in treasury to satisfy future exercises under various Group long-term incentive schemes. The Group reissued 2,061,120 shares from treasury to satisfy such exercises during the year. The share repurchase programme has continued since the year end and the current programme runs to 5 August 2020.

Cash flow and funding

Cash generation continues to be an attractive feature of our business model. Cash generated before net investment in growth capital expenditure and dividends increased by £390.0m to a record £649.2m including the completion of the strategic partnerships in Japan, Taiwan and Switzerland. Consequently, cash flow per share increased from 28.6p to 72.7p. The receipt of the cash proceeds following the completion of the strategic partnerships is included within other items in the cash flow statement.

IFRS 16 has no impact on the Group's cash flows other than presentation of where items are classified on the cash flow statement.

Cash flow

The table below reflects the Group's cash flow:

£m	**2019 (IFRS 16 basis)**	IFRS 16 impact	**2019 (IAS 17 basis)**	2018 (IAS 17 basis)
EBITDA	**1,482.8**	(1,054.5)	**428.3**	389.9
Working capital	**(108.0)**	375.2	**267.2**	166.4
Growth-related partner contributions	**–**	(263.0)	**(263.0)**	(144.8)
Maintenance capital expenditure	**(108.7)**	(39.1)	**(147.8)**	(112.0)
Taxation	**(48.8)**	–	**(48.8)**	(37.1)
Finance costs	**(20.7)**	–	**(20.7)**	(15.7)
Finance lease liability arising on new leases	**(2,085.9)**	2,085.9	**–**	–
Other items	**437.7**	(3.7)	**434.0**	12.5
Cash flow before growth capital expenditure, share repurchases and dividends	**(451.6)**	1,100.8	**649.2**	259.2
Gross growth capital expenditure	**(547.6)**	(104.4)	**(652.0)**	(476.8)
Growth-related partner contributions	**263.0**	–	**263.0**	144.8
Net growth capital expenditure	**(284.6)**	(104.4)	**(389.0)**	(332.0)
Total net cash flow from operations	**(736.2)**	996.4	**260.2**	(72.8)
Purchase of shares	**(49.5)**	–	**(49.5)**	(40.2)
Dividend	**(58.2)**	–	**(58.2)**	(53.7)
Corporate financing activities	**5.4**	–	**5.4**	1.9
Opening net debt	**(6,104.2)**	5,643.4	**(460.8)**	(296.4)
Exchange movement	**102.6**	(93.8)	**8.8**	0.4
Closing net debt	**(6,840.1)**	6,546.0	**(294.1)**	(460.8)

Regus – Caesarea, Israel

Capital investment

During the year, our net growth capital investment was £389.0m (2018: £332.0m). Net growth capital expenditure of £389.0m relates to the cash outflow in 2019. Accordingly, it includes capital expenditure related to locations added in 2018 and to be added in 2020, as well as those added in 2019. The total net investment in the period for 2018 and 2020 additions amounted to £106.3m.

The growth investment made, represented 277 locations and 8.4m sq. ft. of flexible space. Our current pipeline visibility on net growth capital investment for the whole of 2020 is approximately £150m, representing approximately 150 locations and 5.0m sq. ft. of new space.

As planned, the Group's refurbishment programme stepped up in the period with maintenance capital expenditure increasing to £147.8m (2018: £112.0m). After partner contributions received in the year, net maintenance capital expenditure was £108.7m (2018: £88.5m), which was in line with management's expectations.

Strong funding support

We increased our revolving credit facility in January 2019 from £750m to £950m and simultaneously improved the debt maturity profile by extending it to 2024 (previously 2023), with further options to extend to 2026.

The financial covenants on the increased revolving credit facility are unchanged and are not affected by the lease liabilities recognised on the adoption of IFRS 16.

Foreign exchange

The Group's results are exposed to translation risk from the movement in currencies. During 2019 key individual exchange rates have moved, as shown in the table below. For the year the movement in key exchange rates provided a tailwind.

Overall, the movement in exchange rates over the course of the year increased revenue, gross profit and operating profit by £30.5m, £5.4m and £2.6m respectively.

Foreign exchange rates

	At 31 December			Annual average		
Per £ sterling	2019	2018	%	2019	2018	%
US dollar	1.32	1.28	3.1%	1.28	1.33	(3.8)%
Euro	1.18	1.12	5.4%	1.14	1.13	0.9%

Risk management

Effective management of risk is an everyday activity for the Group and, crucially, integral to our growth planning. A detailed assessment of the principal risks and uncertainties which could impact the Group's long-term performance and the risk management structure in place to identify, manage and mitigate such risks can be found on pages 48 to 55.

Brexit

In January 2020, the UK left the EU and has entered a transition period until the end of 2020 whilst it negotiates its future trading relationship with the EU. Whilst these developments have provided some clarity, significant uncertainty still remains on the impact of Brexit which is highlighted in the Group's principal risks.

The Group's dependency on the UK market has reduced as it has continued to grow in all markets across the globe. The Group is also prepared for a range of possibilities on Brexit including any disruption that may arise and continues to monitor the situation carefully.

Coronavirus (COVID-19)

The outbreak of the COVID-19 has led to brief closures of our centres in China, and a close review of the ongoing developments worldwide. Whilst most of the Group's revenue is fixed in the short term, some service revenue is impacted from these closures. Whilst we cannot be certain how long this situation will last, we anticipate that this will have an adverse effect on performance but it is too early to determine the overall impact.

Our focus remains on taking actions and precautions to help ensure the safety and wellbeing of our customers and employees. We continue to monitor the situation, will act swiftly where necessary and are extremely grateful for the incredible effort of our teams in dealing with this global health emergency.

Related parties

There have been no changes to the type of related party transactions entered into by the Group that had a material effect on the financial statements for the period ended 31 December 2019. Details of related party transactions that have taken place in the period can be found in note 30.

Dividends

In line with the Group's commitment to a progressive and sustainable dividend policy, the Board has, subject to shareholder approval, declared an increase in the final dividend for 2019 of 10.3% to 4.80p. This will be paid on Friday, 22 May 2020, to shareholders on the register at the close of business on Friday, 24 April 2020. This represents an increase in the full-year dividend of 10.3%, taking it from 6.30p to 6.95p for 2019.

ERIC HAGEMAN
Chief Financial Officer
3 March 2020

Understanding and managing risk

We apply significant resources to considering the actual and potential risks our organisation faces, calculating their possible impact and creating strategies to protect the interests of IWG and all our stakeholders.

Identification, mitigation and management of risks are central to our strategy. Our enterprise-wide risk management process allows us to understand the nature, scope and potential impact of our key business and strategic risks, enabling us to manage them 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 IWG may also 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 reputation. IWG therefore has a comprehensive approach to risk management, as set out in more detail in the Corporate Governance Report on pages 66 to 72.

A critical part of the risk management process is to assess the impact and likelihood of risks occurring so that we can develop and implement appropriate mitigation plans.

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

While 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 one, 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 of 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;
- An annual budgeting and planning process for all markets and Group functions;
- A review in each Audit Committee meeting of the status of our principal risks; 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

Link to strategy:

1. *Industry-leading profitable growth*
2. *Best-in-class cost leadership*
3. *Global multi-brand network*
4. *Strong cash generation, enabling investment*
5. *Attractive shareholder returns*

Risk status: *Increased*, *Same*, *Decreased*, *New*

Risk likelihood: *High*, *Medium*, *Low*

Risk impact: *High*, *Medium*, *Low*

Strategic risks

Risk	Mitigation	Changes since 2018
Lease obligations *Link to strategy:* 1 2 5 The single greatest financial risk to IWG is represented by the financial commitments deriving from the portfolio of leases held across the Group. Whilst IWG has demonstrated consistently that it has a fundamentally profitable business model which works in all geographies, the profitability of centres is affected by movements in market rents, which, in turn, impact the price at which IWG can sell to its customers. The fact that the outstanding lease terms with our landlords are, on average, significantly longer than the outstanding terms on our contracts with our customers creates a potential mismatch if rentals fall significantly, which can impact profitability and cash flows.	This risk is mitigated in a number of ways: 1. 95% of our leases are 'flexible', meaning that they are either terminable at our option within six months and/or located in or assignable to a standalone legal entity, which is not fully cross-guaranteed. In this way, individual centres are sustained by their own profitability and cash flow. 2. Approximately one quarter of all our leases are variable in nature, which means that payments to landlords vary with the performance of the relevant centre. In this way the 'risk' to profitability and cash flow of that centre from fluctuations in market rates is softened by the consequent adjustment to rental costs. 3. The sheer number of leases and geographic diversity of our business reduces the overall risk to our business as the phasing of the business cycle and the performance of the commercial property market often varies from country to country and region to region. 4. Each year a significant number of leases in our portfolio reach a natural break point.	Same / Low / High During 2019, the number of 'flexible' leases as a percentage of the total decreased to 95% from 97%. Approximately 33% of the leases we entered into during 2019 were variable in nature. At the end of 2019, we were operating 3,388 locations in 1,130 towns and cities across over 110 countries.
Economic downturn *Link to strategy:* 2 5 An economic downturn could adversely affect the Group's operating revenue, thereby reducing operating profit performance or, in an extreme scenario, resulting in operating losses.	The Group has taken a number of actions to mitigate this risk: 1. Approximately 28% of all our leases are variable in nature and our rental payments, if any, vary with the performance of the centre. 2. Lease contracts include break clauses when leases can be terminated at our behest. The Group also looks to stagger leases in locations where we have multiple centres so that we can manage our overall inventory in those locations. 3. We review our customer base to assess exposure to a particular customer or industry group. 4. The increasing geographic spread of the Group's network increases the depth and breadth of our business and provides better protection from an economic downturn in a single market or region.	Same / Medium / Medium During 2019 the number of 'flexible' leases as a percentage of the total was 95%. We also increased the scale of our network by 2% and added 43 new towns and cities and two countries. Our monthly business performance reviews provide early warning of any impact on our business performance and allow management to react with speed. The Board reviews the potential impact of an economic downturn and addressed a range of potential impacts from the COVID-19 outbreak when making its annual Viability Statement (p.55).

PRINCIPAL RISKS continued

Strategic risks

Risk	Mitigation	Changes since 2018
Emerging trends and disruptive technology *Link to strategy:* 5 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 2019 IWG continued to invest in research and development – both to unlock efficiencies as well as to improve the overall proposition to customers. We now operate multiple formats and brands that cater to different customer segments and allow us to set trends in our industry. We continuously look at every aspect of our business for opportunities to leverage technology to automate, simplify and future-proof our platform. As technology evolves and matures, even more opportunities arise. Our app has significantly enhanced functionality to enable customers to do business with us without friction. We continue to modernise our internal systems and processes around the Microsoft Dynamics 365 suite of products and consolidate our business around a single view of a customer, no matter where they use us, to provide a differentiated customer experience.
Increased competition *Link to strategy:* 3 5 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. 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.	While the competitive landscape shifted significantly in the past few months, we continue to focus our efforts on offering an unrivalled network and varied product range to suit the different requirements of our customers. Accordingly, in 2019 we increased the scale of our network by 2% and added 43 new towns and cities. We accelerated the roll-out of our Spaces coworking format with the opening of 117 new locations and the development of a strong pipeline for 2020. We continued to expand our multi-brand offering during 2019 to cater to different customer segments with varied needs and price points. We increased our investment in refurbishing existing network locations during 2019.
Exposure to UK political developments *Link to strategy:* 1 3 5 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 8% of the new locations added during 2019 were in the UK. During 2019 the opportunity was taken to consolidate some locations in the UK. In addition, several locations were refurbished, and 22 new locations added, more than half in our Spaces format. Overall our network in the UK decreased from 326 to 312 locations. Based on the current position over 36% of our leases with landlords in the UK are variable in nature.

Strategic risks

Risk	Mitigation	Changes since 2018
Business planning and forecasting *Link to strategy:* 1 2 4 5 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.
Franchise *Link to strategy:* 1 2 3 4 5 As the franchising portfolio of the business grows, it is important that we are able to deliver a scaled-up model to support the transition of owned businesses along with ongoing management of the franchise business.	A Franchise Risk Committee is being formed to oversee key programmes connected with the franchising model and ensure that significant risks are identified and mitigated.	Japan and Taiwan were successfully migrated and Switzerland migration is currently ongoing.

Financial risks

Risk	Mitigation	Changes since 2018
Funding *Link to strategy:* 4 5 The Group relies on external funding to support a net debt position of £294.1m at the end of 2019. 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 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.	External funding requirements reduced due to cash generated through the sale of operations in Japan, Taiwan and Switzerland. Pivoting to a franchise model will mean that we do not require significant levels of funding for growth. The Group has a very strong relationship with its lending banks. 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 2019 of 0.7x times. There is significant headroom on the covenant ratios.

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PRINCIPAL RISKS continued

Financial risks

Risk	Mitigation	Changes since 2018
Exchange rates *Link to strategy:* 2 5 The principal exposures of the Group are to the US dollar and the euro, with approximately 37% of the Group's revenue being attributable to the US dollar and 19% to the euro. Any depreciation or appreciation of sterling would have an adverse or beneficial impact to the Group's reported financial performance and position respectively. The Group does not generally hedge the translation exchange risk of its business results. Rather, it assumes that shareholders will take whatever steps they deem necessary based on their varied appetites for exchange risk and differing base currency investment positions.	Given that transactions generally take place in the functional currency of Group companies, the Group's exposure to transactional foreign exchange risk is limited. Where possible, the Group attempts to create natural hedges against currency exposures through matching income and expenses, and assets and liabilities, in the same currency. The Group, where deemed appropriate, uses currency swaps to maintain the currency profile of its external debt.	Overall in 2019 the movement in exchange rates over the course of the year increased revenue, gross profit and operating profit by £30.5m, £5.4m and £2.6m respectively.
Interest rates *Link to strategy:* 2 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.	Interest rate exposure decreased due to reduced reliance on external funding. The Group has interest rate protection on £30m of borrowings until 2021.
IFRS 16 *Link to strategy:* 5 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 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 whenever required for external reporting.	New IFRS 16 software was adopted to ensure stability of data calculation. We have continuous engagement with the stakeholders to explain IFRS 16's impact on the Income Statement. Although from January 2019 onwards we are reporting under IFRS 16, we have continued to provide results based on the IAS 17 standard as supplemental information.

Operational risks

Risk	Mitigation	Changes since 2018
Cyber security *Link to strategy:* 2 5 The trend towards an integrated digital economy and use of external cloud services combined with the rise in malicious attacks and increasing consequential costs warrants particular attention to cyber security risks.	This risk is mitigated as follows: 1. The Group maintains an active information security programme under the direction of the Group CIO with oversight by the Information Security Committee and the Board. 2. We continually monitor our security using internal resources and external specialists to identify any vulnerabilities. 3. The Group ensures compliance with all major legislation and directives. 4. The Group maintains a mandatory training programme to promote staff awareness of information security and compliance with best practice. 5. Data, systems and access permissions are strictly segregated to reduce exposure to risk. 6. The Corporate Communications team is constantly engaged to provide support for any internal and customer-facing incidents.	The Group continues to implement an active Infosec programme to make the business risk-aware and protect our systems and data from external attacks. An ongoing penetration testing programme is in place performed by external security specialists. This allows us to identify and address vulnerabilities to emerging cyber threats on a proactive basis. In addition, we have deployed Advance Threat Protection software along with Multi Factor Authentication and security awareness campaigns. IWG has cyber insurance policies in place which provide immediate response services in the event of a breach.
Business continuity *Link to strategy:* 2 3 5 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.	IWG manages this risk through: 1. Business continuity plans for our key systems and sites. 2. A detailed service agreement with our external data centre provider which incorporates appropriate back-up procedures and controls. 3. Ensuring appropriate business interruption insurance is in place. 4. Transitioning core infrastructure to cloud-based and SaaS services. 5. We have contingency plans in place for disruptions to our people and customers on a centre or geographic cluster basis.	We undertake regular testing of business continuity procedures to ensure that they are adequate and appropriate. Redundant connectivity of independently routed circuits for our three main sales call centres is in place. Driving implementation of a cloud based BCP solution for our key systems and applications.
Ethics and compliance *Link to strategy:* 2 Ethical misconduct by our employees or non-compliance with regulation either inadvertently, knowingly or negligently could lead to financial loss/penalties, reputational damage, loss of business and impact on staff morale.	IWG manages this risk through: 1. Visible ethical leadership. 2. A robust governance framework including a detailed code of conduct plus policies on gifts and hospitality and bribery and corruption that are in place and rolled out to all employees as mandatory training. 3. Centralised procurement contracts with suppliers for key services and products. 4. Standardised processes to manage and monitor spend including controls over supplier on-boarding and payments approval. 5. Regular reviews to monitor effectiveness of controls. 6. Independent and confidential ethics hotline available to employees, contractors and third parties. 7. Independent investigation of fraud incidents and allegations of misconduct with Board-level oversight.	A robust supplier selection and evaluation process continues to be in place with a view to enhance controls to address the risk of fraud. Further, all projects are now monitored and evaluated by a centralised capex finance team. A dedicated cost function to review spend across all categories and detect anomalies or exceptions is in place.

PRINCIPAL RISKS continued

Operational risks

Risk	Mitigation	Changes since 2018
Data protection and privacy *Link to strategy:* 5 IWG is required to comply with legislation in the jurisdictions in which it operates including the new General Data Protection Regulation (GDPR) and other local data privacy laws. Non-compliance and breaches could result in significant financial penalties and reputational damage.	IWG operates a detailed privacy policy that covers all aspects of data privacy including and not limited to personal data, demographic information, financial data, cookies and other digital markers, marketing communication etc.	We continue to remain compliant with GDPR and are proactively reviewing new local legislations. An annual review of our compliance processes is performed. Further, security applications were deployed such as Advanced Threat Protection.

Growth risks

Risk	Mitigation	Changes since 2018
Ensuring demand is there to support our growth *Link to strategy:* 1 3 5 IWG has undertaken significant growth to develop local and national networks. Adding capacity carries the risk of creating overcapacity. Failure to fill new centres would create a negative impact on the Group's profitability and cash generation.	IWG mitigates this risk as follows: 1. Each investment or acquisition proposal is reviewed and approved by the Investment Committee. 2. A robust business planning and forecasting process is in place to provide timely and reliable information to address short- and mid-term opportunities and risks to performance. 3. A quarterly review process is in place to monitor new centre performance against the investment case to ensure that the anticipated returns are being generated. 4. As part of the annual planning process, a growth plan is agreed for each country which clearly sets out the annual growth objectives.	On aggregate, our new centres continue to perform in line with management expectations and are delivering attractive returns.

Human resources risks

Risk	Mitigation	Changes since 2018
Ability to recruit at the right level *Link to strategy:* 3 5 Our ability to increase our management capacity and capabilities through the hiring of experienced professionals not only supports our ability to execute our growth strategy, but also enables us to improve succession planning throughout the Group.	Mitigating actions include: 1. Succession planning discussions are an integral part of our business planning and review process. 2. Part of the annual planning process is the Human Resources Plan, and performance against this Plan is reviewed through the year. 3. Our global performance management system allows us to keep close to our employees and maintain a two-way dialogue throughout the year using a regular feedback process. 4. Regular external and internal evaluation of the performance of the Board.	Our capability to hire the best talent continued to increase in 2019. A workforce 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. The IWG Board has adopted a board diversity policy.

Human resources

Risk	Mitigation	Changes since 2018
Training and employee engagement *Link to strategy:* 3 5 As a service-based business the strength and capabilities of our increasingly geographically diverse team are critical to achieving our strategic objectives.	One of the key items in the Human Resources Plan is the Global Induction & Training Plan, which sets out the key objectives for the forthcoming year. Performance against these objectives is reviewed through the year. All new employees are surveyed in the first three months to ensure they have been trained and are receiving effective support.	Our investment in our new Learning platform has allowed our employees to learn through e-learning, videos, case studies and coaching on the ground rather than by using prescriptive and traditional training channels. Since January 2019, we have had over 2.3 million visits to the IWG Academy. Our top 320 executives attended our global leadership conference in January 2019 where we agreed strategy and future business priorities. We also continued the roll-out of our Sales & Customer Service Training Academy. This suite of training is pivotal to ensuring that our team remains focused on our existing and new customers alike. In September 2019, we launched our new management skills training programme with 1,900 people set to attend in 2020. We will also roll out a virtual induction to complement the induction that team members experience on the ground with line managers and accredited coaches. This means we can ensure every field team member gets a great start in IWG.

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Viability Statement

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

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

For the purposes of assessing the Group's viability, the Board identified that, of the principal risks detailed on pages 48 to 55, 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, including the COVID-19 outbreak
- a significant business event leading to serious reputational and brand damage
- growing competition

The potential impact of each scenario was modelled on the Group's revenue, gross profit, operating profit, net debt and debt covenants over the three-year forecast period. The Board subsequently considered the viability of the Group both in the context of the individual risks listed above and in combination of two or more risks over a range of assumptions.
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.

Our commitment to doing what's right

With operations in more than 110 countries worldwide, IWG is committed to acting ethically in all our activities, from how we treat our customers, partners, employees, suppliers, shareholders and communities to how we work to lessen our environmental impact. In addition, we believe that over the next decade our developing focus on providing 'outer-city' flexible workspace will have a significant and accelerating positive impact globally on local communities, personal wellbeing and carbon-reduction efforts.

Environment

At IWG, we look at our environmental performance in two ways. First, how we have decreased our own environmental impact during the year, through initiatives including upgrades to our buildings. And second, how our solutions help our customer organisations reduce their impact across the world.

We have continued 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 have shown a 33% reduction in gas and a 27% reduction in electricity over the last four years since the 2016 baseline. A similar analysis of the usage of water per workstation indicates an 18% reduction in costs over the same four 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 carbon-reduction strategy.

Overall a total average reduction of 28% in gas, electricity and water is found since 2016. This is despite the average cost of utilities rising by more than 20% over the same period. We have achieved it through our consistent focus on energy management, centre refurbishments and centre upgrades. These actions support the ever-changing market conditions and advance our efforts to create a greener, more environmentally friendly working culture. Improvements include upgrading centre lighting to LED, installing automated lighting switching and upgrading air-conditioning systems and controls with more efficient plants. A good example of this is Peter House, Manchester, in the UK, where we have transformed an averagely performing building into a modern, efficient 21st century Spaces centre. An independent analysis of the energy consumption before and after the refurbishment indicates savings in excess of 40%.

In the UK

We successfully completed the last cycle of the UK's CRC Energy Efficiency Scheme. An independent analysis has shown that despite energy supplies increasing by circa 39% in the last five years, our carbon allowances have decreased by 44%. Although some of this can be attributed to the improvement in carbon conversion factors, IWG can also demonstrate the effectiveness of its strategy on carbon and energy reduction.

We submitted ESOS (Energy Savings Opportunity Scheme) Phase 2 on time, and identified further energy savings of circa 7%. Our Greener Working programme continues and will be accelerating in 2020 to cover staff and client engagement.

IWG recognises the need to support the global efforts to reduce businesses impact on climate change. Our business model directly supports our global clients' programmes aimed at reducing their own carbon emission through reduced travel, energy-efficient facilities and improved communication. Our own participation continues in the disclosure of our climate change commitments through the detailed CDP disclosure programme (formerly called the Carbon Disclosure Project). This year we have expanded our disclosure to include water security. We have maintained our strong B rating received in previous years for the CDP disclosure which continues to be higher than both the industry general average and the European regional average which is a C.

Humanitarian relief

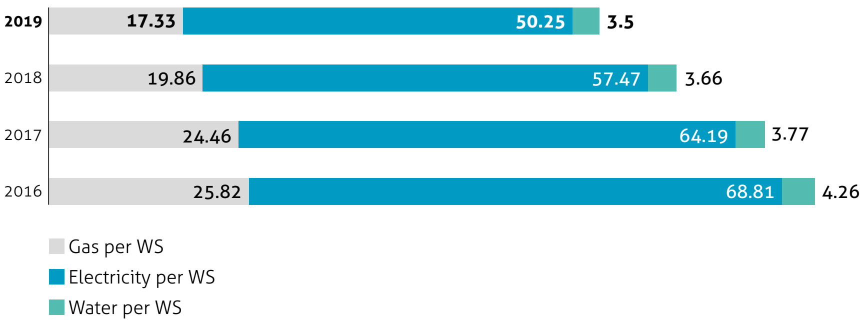
Helping people cope with the aftermath of climate-related events

Some of our humanitarian activities during 2019 took place in the aftermath of serious climate-related events. For example, when tropical storm Barry hit North America, IWG gave free business lounge access to companies and entrepreneurs in states including Alabama, Florida and Texas.

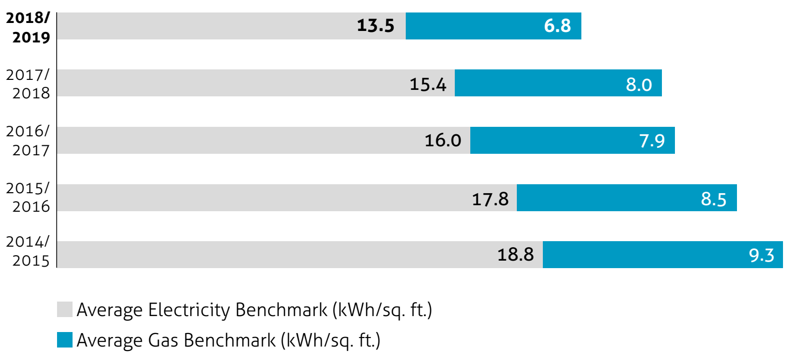
We also offered support in multiple locations affected by Hurricane Dorian in the eastern US, as well as in Quebec, Canada, when flooding struck the region.

As part of this support people could drop into participating centres free of charge, use their Wi-Fi, power up their devices and get a cup of coffee while continuing to run their businesses. Our colleagues also made a further significant difference to affected people in their communities, collecting donations of food and clothing, volunteering in soup kitchens and helping to clean up in the aftermath of these events.

IWG Total Annual Global Utility Costs (£) per Workstation



IWG UK Yearly Energy Benchmark Analysis (kWh/sq. ft.)



People

We consider our impact on society in two primary ways: how we ensure our own people have rewarding and happy careers with us, while enabling our customers to have great days at work; and how we can ensure that the presence of our centres directly benefits our host communities.

"*IWG's global network has allowed me to expand my career from the UK market with a move to Asia. Being part of a global organisation allows myself and others opportunities to grow as an individual while taking on new challenges.*"

Darren Rogers
Sales Director

Our talent strategy for 2019 was to ensure we have great people everywhere, giving customers a great day at work. This approach underpins IWG's global strategy placing key factors such as recruitment, talent, diversity, retention and succession-planning at the heart of our long-term plans.

We are committed to hiring the best talent available in every market to deliver the flexibility, service quality and support our customers need. That is why we have hired over 2,500 new customer-service people to create workspaces where customers want to work.

We continued to strengthen our leadership team around the world in 2019, with 103 new executives joining IWG management teams particularly in the areas of franchise partnership, corporate finance, sales and leadership. We achieved this through our internal Executive Search team, who are experts in their field and save significant seven-figure sums in executive search fees each year.

Diversity of talent

IWG is proud to be an employer that fully embraces diversity. 70 % of our Field workforce are female out of a customer-facing team of 9,000. In addition, 40% of our main Board and senior leadership teams are female, in key positions including Chief Sales Officer, Chief Customer Service Officer and Global Head of Financial Shared Services.

Succession and international opportunities

Providing team members with international opportunities helps us to create a dynamic workforce. This year, experienced employees travelled from other markets around the world to locations including the Netherlands, Germany, the UK and Malaysia to work on important projects such as integrating new acquisitions and coaching new team members in high-growth markets.

This secondment activity is pivotal to running a global company with world-class processes and market-leading ways of working. Wherever possible, we promote from within and celebrate important moves throughout the business. In 2019 we facilitated 409 internal promotions.

Graduate intake

In 2019, IWG hired a cadre of graduates in key functions around the business. We believe that our investment in these leaders of the future will reap rewards over the years to come as the breadth of skills and experience we require gets greater each year.

Staff survey

We ran an internal staff survey towards the end of the year, which showed us that 76% of our employees would recommend IWG to their friends and family as an employer of choice. We will continue to improve employee engagement at all levels in every country throughout 2020, driving on with our commitment to giving all team members a great day at work.

Training and development

Our IWG Training Academy gained an 84% employee-satisfaction rating in 2019, and IWG training modules received more than 2.3 million views. We also launched a new 12-part management skills training programme during the year. Over the last six months, 1,922 people have started this curriculum as part of our strategy to grow future leaders from within.

All new team members have a new-starter training programme specific to their local market, supported by a coach and formal accreditation process to ensure our customer-service teams are ready to deliver the highest possible standards.

Reward

Reward is another key focus area in our efforts to attract and 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 and focused on delivering great customer experiences. We also ensure that high-potential people, at every level from intern to the Executive Committee, are encouraged to stay with us via attractive short- and long-term incentives.

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 customers who spent time at our centres in 2019 each experienced a great day at work.

Education and skills development

Helping underprivileged kids prepare for life

Fundacíon Sí is an NGO with the main objective of promoting the social inclusion of Argentina's most vulnerable areas. The organisation works via volunteers who provide assistance, training, education and guidance on work culture. Our local team partnered up with the NGO in the 'Dijimos Sí' project, involving the donation of toys, clothes and school equipment for local kids.

"With small contributions made by many people, very good things can be achieved such as giving the kids incredible satisfaction. Very good job Regus staff!"

Belen Alemañy, IDC Argentina SA (IWG client).

> *"Joining the international task force has introduced me to new experiences, people and challenges and has provided me with an incredible year of professional and personal growth."*
>
> **Greg Rozmarin**
> Sales Director

Education and skills development

Promoting artistic activities among people with disabilities

The franchise team in Japan, together with their clients, provided support to ParaArt, an organisation which promotes artistic activities among people with disabilities. The team provided space in five of their centres to hold complimentary ParaArt exhibitions for two weeks and created the opportunity for our clients to provide further support through financial donations. ParaArt will use the money to improve the ParaArt School, that helps aspiring artists with disabilities to study and improve their skills.

Earlier in the year the team in Japan also organised a humanitarian relief effort across all the centres in the Japan network to provide support for victims affected by the Kumamoto and Hokkaido earthquakes.

Entrepreneurship

Helping at-risk women put poverty behind them

Since 2015, IWG in Canada has partnered with the Up With Women charity, helping recently homeless and at-risk women to exit poverty via coaching and support. Through their private sector partnerships, including the IWG community partnership, more than $5m in services has been invested in the community.

As part of the partnership, IWG provides the space required to run programme sessions. IWG has supported more than 400 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.

The results of the programme have been inspiring, with clients typically tripling their income within 12 months, a third completely terminating their social assistance and 90% reporting increased confidence and direction in their lives.

One success story is that of Kim Niles, who came to Canada with her baby daughter to escape violence. Despite a successful prior career, she could not find work in her new country, and they ended up living in a homeless shelter. But within a few months of joining Up With Women, she secured a part-time job. As her confidence grew, so did her prospects. She started work as a Regus Community Associate, and the cosmetic products she makes as a side business are on the shelves on beauty supply stores across Toronto.

As Kim says, “The Regus space made me feel like I mattered, and that allowed me to open myself up again to new possibilities. Now that I work in a Regus Centre, I feel I can give that gift back every day.”

“Up With Women is an ideal community partner because our values and missions align. At IWG, our goal is to help our members to conduct the best work of their lives through the power of flexible working and immersive communities. Up With Women helps survivors of violence and deep poverty to rebuild their careers and launch businesses through the delivery of high-quality, flexible, in-depth and customised professional coaching.”

Wayne Berger, CEO, IWG Canada and Latin America.

Entrepreneurship

Helping young people enter the workforce

Our team in Brazil has partnered with the PROA Institute, which helps low-income young people find their first job, preparing them for interviews through coaching and by providing them with smart clothing.

Our colleagues also have a partnership with iiGual, an organisation specialising in equality, inclusion and diversity in the workforce.

“For iiGual, the partnership with Regus represents an important step towards building a diverse and inclusive job market with equal opportunities for all. With its flexible, shared offices, Regus is a hub where people of all backgrounds come together to work. By promoting diversity and inclusion in the job market, it becomes an important player in influencing companies and professionals in favour of this inclusive movement.”

Jaques Haber, Co-founder, iiGual.

Communities

Throughout this section of this report, you will find examples of our pro bono and charitable work to help people who live and work in the communities around our centres.

There are four key areas of focus for this work: providing humanitarian support following a disaster; helping with education and skills development, for disadvantaged people as well as school-age children; supporting entrepreneurship; and helping with health in the community.

Right across the world, this work sees our own colleagues, clients, suppliers and other stakeholders work with amazing energy and enthusiasm to address issues within local communities. In 2019, this collectively raised £412,420 through 354 projects, supporting 283 charities, in 50 countries. Please see the community investment table for further information.

Our role in the communities where our centres are based transcends this sort of work alone, however. At IWG, we see bringing high-quality workspaces to towns and villages away from major urban centres as a vital element of our ambitious future expansion plans. A trend towards 'outer-city' locations is already strongly underway, driven by forces including the growth of small businesses outside cities, the need for businesses to create dynamic and flexible workforce teams to address specific tasks, enterprises looking to save real estate costs, and employees wishing to work closer to home.

This trend is enabling us to draw on local supply-chain networks, building relationships with local businesses and connecting them with our clients. This in itself generates wealth for local communities, attracting new people and organisations and growing local economies.

Our centres deliver direct social, economic and environmental benefits in many ways for the communities where they are based. For example, our research shows that a flexible workspace serving a community can save locally based employees a total of 7,416 hours each year by reducing commuting times, directly contributing to happier workers and families.[1]

On the economic front, each centre can create 218 new jobs, of which 121 would be based in the local community. A centre can also generate US$16.47m each year, of which US$9.62m would be retained by the local economy.[(1)]

Environmentally, the reduced commuting that is enabled by an outer-city centre can save 118 metric tonnes of CO_2 per centre each year. Given our expansion plans fuelled by our franchising model, these positive impacts will continue to multiply over the next 10 years.

This approach will lead to more self-supportive towns and villages, generating enhanced value while retaining their key talent and driving down pollution for a more sustainable future.

1. 2019 Regus Suburban Economic Survey.

Community Investment

2019	2018	2017	2016	2015	2014	2013
£412,420	£317,891	£302,066	£237,479	£209,905	£155,329	£80,500
50 countries	47 countries	46 countries	44 countries	43 countries	38 countries	20 countries
354 projects	335 projects	260 projects	244 projects	219 projects	132 projects	54 projects
283 charities	274 charities	252 charities	239 charities	195 charities	100 charities	78 charities

Health

Donating blood for vulnerable children

All IWG centres in Vietnam, together with our clients, have partnered with the National Institute of Haematology and Blood Transfusion to take part in a blood donation drive and support 30 children under 12 years old. Each child was also presented with a gift bag to help brighten their day.

Health

Making wishes come true

For the sixth successive year, the IWG team in India has taken part in the Mumbai Marathon – one of the top 10 marathons in the world and India's largest philanthropic sporting event – to raise money for the Make-A-Wish Foundation India.

This non-profit organisation makes life-changing wishes for critically ill children come true.

During the life of this outstanding partnership, our people have raised over £17,700 to grant the wishes of more than 300 children.

"Bringing a smile to the face of a terminally ill child is our small way of giving back to the community we live in. As a team at IWG, we feel grateful we can bring a little joy into the lives of these little ones by participating in the Tata Mumbai marathon and with the Make-a-Wish Foundation. Every little bit counts and seeing the smiles on the faces of the children and their parents brings us together as a team and a community."

Harsh Lambah, Country Manager India,
Vice President Sales South Asia

Education and skills development

Transforming slums through volunteering

The TECHO foundation brings together volunteers and families living in poverty to transform slums into thriving communities across Latin America. This is done by providing housing, community projects and education. IWG Panama partnered with TECHO and provided them with the necessary space to conduct their volunteer training programmes.

“For us, it is really exciting to support a non-profit organisation such as TECHO, whose main objective is to build homes for people who live in rural areas. By providing training space for these volunteers, we are doing our bit to contribute to this outstanding cause.”

José Dutari, IWG plc
Community Manager Team Leader,
Panama City

Education and skills development

Bringing digital skills to disadvantaged people

In the UK, IWG has forged a partnership with SocialBox to help homeless people get back on their feet. As part of this initiative, the team has worked with clients to collect unwanted but functional laptops, mobile phones and IT equipment, with the aim of donating 1,000 laptops by the end of 2020. More than 600 laptops have been donated to date.

“As a workspace provider driven by tech, we know how integral digital skills are to the way that people live and work.”

Richard Morris, CEO, IWG UK.

ESG reporting from 2020

IWG’s current CSR discussions primarily focus on community and charitable investment, catering to audiences such as employees, communities and NGOs. In 2019, we have started identifying key ESG issues to meet the information needs of investors and other stakeholders, with a view to start transitioning to a more strategic and meaningful materiality-led disclosure for future years.

We have considered a range of ESG reporting frameworks, and have selected the Global Reporting Initiative’s (GRI) standards to guide IWG’s ESG reporting from 2020.

Our approach to governance

At IWG, we believe good governance is a means of ensuring that all the decisions we make are based on the right considerations: right for our people and our shareholders, the communities where we work, our customers and their employees, our partners and society at large.

You can see a complete description of our governance structures and how we allocate responsibilities on pages 66 – 72 of this report. Here you will see our report on the major initiatives and actions taken this year that have helped us to evolve our approach to governance.

Board of Directors

DOUGLAS SUTHERLAND
Non-Executive Chairman

N

Appointment*
27 August 2008

Experience
Douglas was Chief Financial Officer of Skype during its acquisition by eBay. 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 AI Monet Parento S.àr.l.

* Independent on Appointment.

MARK DIXON
Chief Executive Officer

Appointment
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.

FLORENCE PIERRE
Independent Non-Executive Director

A R N

Appointment
21 May 2013

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.

LAURIE HARRIS
Independent Non-Executive Director

A R N

Appointment
14 May 2019

Experience
Laurie was a global engagement audit partner with PricewaterhouseCoopers LLP, where she advised large public companies, including Fortune 100 financial services companies, in the United States and internationally over her 38-year career. Laurie is the chair of the Audit Committee as the Board considers her to have recent and relevant financial experience.

External appointments
Laurie currently serves as an Independent Director and Audit Committee Chair of QBE North America, an integrated specialist insurer which is part of QBE (ASX:QBE); Synchronoss Technologies, Inc. (NASAQ:SNCR), a global leader and innovator in cloud, messaging, digital and IoT platforms and products; and Hagerty, an automotive lifestyle company and world's largest provider of specialty insurance for enthusiast vehicles.

ERIC HAGEMAN
Chief Financial Officer

Appointment
1 January 2019

Experience
Eric has almost 25 years' experience in international, financial, operational and general management 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.

NINA HENDERSON
Independent Non-Executive Director

A R N

Appointment
20 May 2014

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 Corporate 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, Director of CNO Financial Inc. (Bankers Life, Washington, National and Colonial Penn insurance companies) and Commissioner of the Smithsonian National Portrait Gallery. Nina is Vice Chairman of Drexel University's Board of Trustees. She is a Director of the Foreign Policy Association and the Visiting Nurse Service of New York. Nina holds a Bachelor of Science with honours from Drexel University and received the AJ Drexel Distinguished Alumni Award.

FRANÇOIS PAULY
Senior Independent Non-Executive Director

A R N

Appointment
19 May 2015

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

External appointments
François serves as the Senior Advisory Partner at Castik Capital Partners, Non-Executive Chairman of the Saint Paul Group and Non-Executive Chairman of Compagnie Financière La Luxembourgeoise SA. He also serves as Non-Executive Director of Cobepa SA, the Luxaviation Group and for several companies of the Edmond de Rothschild Group. François also serves on the board of several charitable organisations.

Committee membership key

A Audit Committee

R Remuneration Committee

N Nomination Committee

C Chairman

Introduction to Corporate Governance

"We are committed to acting ethically in all our activities, from how we treat our customers, partners, employees, communities and shareholders to how we work to lessen our environmental impact."

Douglas Sutherland
Chairman

Dear shareholder,

On behalf of the Board I am pleased to introduce the Corporate Governance report for 2019.

This report explains our approach to corporate governance and details the governance structure implemented by your Board to facilitate entrepreneurial management whilst ensuring the long-term sustainable success of the Company for the benefit of our stakeholders.

UK Corporate Governance Code

The UK Corporate Governance Code published by the Financial Reporting Council in July 2018 (the "Code"), which is available on www.frc.org.uk, became effective for IWG plc from 1 January 2019.

As a Board we have spent time reviewing both the Code and the supporting Guidance on Board Effectiveness and where necessary we have updated our reporting to demonstrate our compliance, for example we have included details of the key activities of the Board during the year and a framework to explain our division of responsibilities. We have also included additional information on our role in determining and monitoring strategy and how we take into account the views of our stakeholders.

During 2019 we have complied with the Code with the exception of my time as Chairman exceeding nine years from the date of my first appointment to the Board. This has been discussed with several large shareholders and is regularly reviewed by the Nomination Committee which, as further explained on page 74 has concluded that due to the significant transformations IWG is undergoing, it is in the best interests of the Group that I currently continue in the Chairman role until the annual general meeting in May 2021.

Board appointments

During 2019 we welcomed two new Board members: Eric Hageman was appointed to our Board as Chief Financial Officer on 1 January and Laurie Harris joined the Board as Non-Executive Director and Chair of the Audit Committee on 14 May.

We welcome the professional expertise, backgrounds and personal experience they each bring to the Boardroom which ensures that our decision-making continues to benefit from having a diverse Board and remains lively and robust.

Stakeholders

We are proud of our track record in delivering value to customers, partners, employees, communities and shareholders.

During 2019 we oversaw the introduction of our global master franchise programme which is creating investment opportunities for our partners and allows capital-light expansion, strengthening our ability to reward our shareholders.

In 2019 we have focused on improving our engagement with employees and ensuring our employees have a great day at work. Nina Henderson, our Non-Executive Director with responsibility for employee engagement, has spent time meeting with employees and ensuring that their views are better represented in our Boardroom discussions.

Culture

Your Board has a vital role to play in shaping and embedding a healthy corporate culture, and this continued to be a focus in 2019. Our strategy is focused on addressing climate change and we have put ESG (Environmental, Social and Governance) reporting on our Board agenda. We are committed to acting ethically in all our activities, from how we treat our customers, partners, employees, communities and shareholders to how we work to lessen our environmental impact.

Annual Report

Your Board and the Audit Committee have reviewed this Annual Report and consider that it provides the information necessary for you to assess the Company's position and performance, business model and strategy.

We consider the Annual Report, taken as a whole, to be fair, balanced and understandable and seek your approval of the Annual Report at the Company's annual general meeting which will be held in Zug, Switzerland on 12 May 2020.

DOUGLAS SUTHERLAND
Chairman

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AN EFFECTIVE BOARD

Board composition

Your Board has been selected to ensure that we benefit from the skills and knowledge of individuals from different genders, nationalities and backgrounds with diverse executive responsibilities and personal experiences. Individual biographies can be found on pages 64 and 65.

The make-up of your Board is reflective of the stakeholders it serves and ensures robust discussion in the Boardroom, with different views being offered. We firmly believe this diversity creates a better decision-making process.

Board meetings

The Chairman and the Company Secretary plan an annual schedule of matters to be considered by the Board, ensuring all key issues are covered and that topics are covered at appropriate times. Seven meetings were scheduled for 2019 including a two-day strategy meeting and a series of presentations from members of the Senior Leadership Team as well as internal and external specialists.

Meetings were structured to ensure time for in-depth discussions on key issues and to allow time for the Chairman to meet with Non-Executive Directors without the Executive Directors present.

Board meeting attendance

Members	Attendance (out of possible maximum number of meetings):
Douglas Sutherland, Chairman	**8/8**
Mark Dixon	**8/8**
Eric Hageman	**8/8**
Laurie Harris[1]	**4/4**
Elmar Heggen[2]	**2/4**
Nina Henderson	**8/8**
François Pauly	**7/8**
Florence Pierre	**7/8**

1. Laurie Harris joined the Board on 14 May 2019
2. Elmar Heggen stepped down from the Board on 14 May 2019

The Board met seven times in 2019 as scheduled and one additional Board meeting was convened in April to deal with the Japanese strategic partnership transaction. Wherever possible, when time-sensitive approvals are anticipated between scheduled meetings the Board delegates its authority to a committee to be convened as appropriate.

The Chairman and the Company Secretary ensure that the Board receives clear, concise and timely information on all relevant matters so that discussions are well-informed. Board papers are made available in advance of meetings on a secure board portal. This portal is also used to distribute relevant reference material and a monthly Board report.

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, such concerns are recorded in the Board minutes or can be recorded by Non-Executive Directors who are resigning, in a written statement which will be circulated to the Board. No such concerns were raised in 2019.

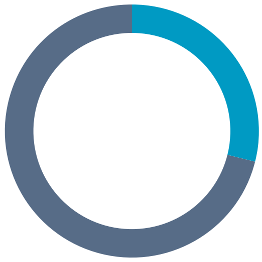
Matters reserved for the Board

Matters that are considered sufficiently material that they can only be made by the Board as a whole and cannot be delegated 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;
- appointment and removal of the Company Secretary;
- 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).

Full details of the matters reserved for the Board are available on www.iwgplc.com.

Balance of Non-Executive and Executive Directors



EXECUTIVE	29%
NON-EXECUTIVE	71%

Length of tenure of Non-Executive Directors

0-3 YEARS	20%
3-5 YEARS	40%
6+ YEARS	40%

KEY ACTIVITIES OF THE BOARD FOR 2019

Strategy and financing

- Reviewed strategy and objectives at a two-day strategy meeting
- Approved strategic partnership transactions in Japan, Taiwan and Switzerland
- Received regular updates on the progress of strategic projects
- Approved the three-year plan
- Regular review of the Group's financial structure
- Approved a £100m share buyback programme
- Reviewed and approved the annual viability statement (page 51)

Prudent and effective controls

- Review of the Group's key risks and mitigating actions
- Received updates from the Audit Committee Chair on key areas discussed
- Renewal of the Group's insurance programme

Corporate reporting and performance monitoring

- Received regular performance updates at scheduled meetings and through monthly Board reports
- Approved the annual budget
- Assessed the Company's viability over a three-year period having consideration to the risks and scenarios that could affect the Group (page 55)
- Received updates from the Remuneration Committee Chair on key areas discussed
- Approved the Company's year-end and interim results
- Approved the Q1 and Q3 trading statements
- Approved the interim dividend and recommended a final dividend for the financial year ended 31 December 2019
- Reviewed the Group's talent

Stakeholder engagement

- IWG Global Workplace Survey
- Received Policy Statements provided by significant shareholders
- Board members were available to meet shareholders at the 2019 annual general meeting
- Received reports from the Chairman on feedback from shareholder meetings and correspondence
- Investor presentations and meetings
- Reviewed monthly updates on investor relations
- Reviewed updates on our global franchise partners
- Reviewed updates on employee engagement initiatives
- Reviewed updates on ESG reporting and community initiatives

Governance

- Reviewed and approved the Notice of annual general meeting
- Received updates from the Nomination Committee Chairman on succession planning
- Reviewed the new requirements arising from the 2018 UK Corporate Governance Code
- Accepted the Nomination Committee's recommended appointment of Laurie Harris as Non-Executive Director and Audit Committee Chair
- Reviewed report from Nina Henderson as Non-Executive Director with Oversight of Employee Engagement and CSR
- Updated the Remuneration Committee terms of reference
- Reviewed the performance of the Board, its Committees and all Directors
- Reviewed and approved statements on anti-slavery and human trafficking, and anti-bribery and corruption
- Reviewed and approved an update to the Company's manual for compliance with disclosure obligations under the Listing Rules and the Market Abuse Regulation

Induction

The Chairman, supported by the Company Secretary, is responsible for preparing and co-ordinating a customised and comprehensive induction programme for each newly appointed Director, ensuring they can contribute effectively to discussion and decision-making. Details of the induction programme developed for Laurie Harris are below.

Laurie Harris – induction programme

Laurie was appointed as Non-Executive Director and Chair of the Audit Committee on 14 May 2019. To enable her to fulfil her role the following activities were included in her induction programme:

Activity	Summary
Documentation	Relevant documents were made available including recent Board and Committee minutes, meeting papers and Board reports, recent Board reviews, policies and procedures, the Company's articles of association, Directors' duties, matters reserved for the Board, Committee terms of reference, Annual Report and Accounts, investor presentations, and broker and analyst reports.
Face-to-face meetings	Meetings were held with the Chairman, Chief Executive Officer, Chief Financial Officer, all Non-Executive Directors, the Company Secretary and certain members of the Senior Leadership Team. Care was taken to address a broad range of relevant topics including: strategy; performance monitoring; culture; stakeholder engagement; remuneration; talent; succession planning; governance and legal.
Audit Committee	Laurie spoke with the outgoing Chair and members of the Audit Committee in order to understand the Audit Committee's remit and obtain an overview of key issues, policies and developments. She also met with the Chief Financial Officer and members of the finance team, the Business Assurance Director and KPMG, the external auditors.
Site visits	Laurie visited IWG workspaces in the US, UK and Europe to gain an understanding of different IWG brand formats and operations.

Development and support

To ensure continuing development and provide appropriate support all Directors have:

- the opportunity to meet with major shareholders;
- access to the Company's operations and employees;
- access to training which is provided and reviewed on an ongoing basis to meet particular needs;
- access to the advice and services of the Company Secretary; and
- access to independent professional advice at the Company's expense.

Conflicts of interest

Directors are required to notify the Company as soon as they become aware of a conflict of interest or a potential conflict of interest. At the start of each Board meeting the Chairman requires each Director to confirm that they do not have a conflict of interest with any of the matters to be discussed; if a conflict does arise the Director is excluded from discussions.

Time commitment

Directors are required to have sufficient time to meet their Board responsibilities; this is considered when making new appointments. Following their appointment Directors are required to seek Board approval before taking on additional external appointments.

Insurance

Appropriate insurance cover is obtained to protect the Directors in the event of a claim being brought against them.

PURPOSE AND STRATEGY

The Board is responsible for approving the Group's three-year plan and commercial strategy and holds an annual two-day strategy meeting at which a deep-dive assessment of the business is undertaken.

Presentations are made from key areas of the business and external advisors and the two-day session also includes a review of the Group's mission, values and talent ensuring that the culture of the Group is aligned with its purpose and strategy.

The Board is also responsible for approving the Group's operating model and annual budget, ensuring that the right structure, talent and resources are available to implement its strategy and long-term objectives.

Full details of our approved strategy can be found in our Strategic report on pages 1 to 63.

CULTURE AND VALUES

Your Board is committed to instilling a culture of doing what's right, ensuring that we do what is right for the environment and for our people and ensuring that our people act ethically in all our business activities.

To support our culture and values we provide training to all employees on our code of conduct. Employees are encouraged to speak out without fear of repercussions and we provide a confidential whistleblowing channel where concerns can be raised anonymously. During 2019 we received 54 reports through our whistleblowing channel, 15 of which were considered significant; 11 of the significant reports have been resolved to date.

We also maintain a zero-tolerance policy to both bribery and corruption and to slavery and human trafficking; our statements on these are reviewed annually and are available on www.iwgplc.com. All our employees receive training on our anti-bribery and corruption policy.

PERFORMANCE MONITORING

The Board monitors performance through a monthly report covering profitability and cash flow, country performance, growth, treasury and investor relations.

Trading updates and updates on strategic projects are provided at all scheduled Board meetings, allowing the Board to monitor and measure performance and to make decisions on matters reserved to the Board in order to support the delivery of this strategy.

The Board is responsible for approving results, dividends and announcements, including the going concern basis for preparing these accounts as detailed on page 106 and reviewing the stress testing and analysis which underpins the viability statement as detailed on page 55.

The Board also reviews the Group's ESG reporting, receiving regular updates on:

- the Group's carbon footprint;
- the diversity of our workforce;
- the culture of the Group and the wellbeing of employees;
- the Group's talent; and
- the initiatives we support in the local communities in which we operate.

Further information on our people and ESG reporting can be found on pages 56 to 63.

PRUDENT AND EFFECTIVE CONTROLS

The Board is responsible for assessing the nature and extent of the principal risks it is willing to take to achieve its strategy and long-term objectives, and also those risks and emerging 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 48 to 55.

The Board has delegated authority for overseeing and reviewing its system of internal controls and risk management to the Audit Committee, which reports regularly to the Board. Details of the system and the Committee's review of its effectiveness are reported on pages 75 to 78.

The Board's strategic role: global master franchise programme

The Board has been integral to the evaluation and development of the Group's global master franchise programme which it believes will allow the business to expand without the Company having to incur significant capital expenditure. The Board has been kept informed of progress of the franchise programme, receiving regular updates in Board reports and at Board meetings and the Board considered and approved the terms of the strategic partnership transactions entered into in Japan, Taiwan and Switzerland. Further details of the Group's master franchise programme can be found on pages 26 to 27.

STAKEHOLDER ENGAGEMENT

Your Board seeks to take the views of its key stakeholders: our shareholders, customers, partners, employees and communities into account in its discussions and decision-making, receiving regular updates from the Chief Executive Officer on the views of key stakeholders on the Group's strategic agenda as well as receiving insights from other members of the Board and the Company's stakeholder engagement initiatives.

Key stakeholder engagement initiatives undertaken by the Company include the annual customer workspace survey, the employee engagement programme, that has been led by Nina Henderson, and initiatives to engage with the Group's new strategic franchise partners, many of whom attended the Company's annual leadership meeting. This provided an invaluable forum for the Company and our franchisees to discuss and promote best practice within our franchise network.

The Board also seeks to align our strategy to the needs of our primary stakeholders. By way of example, in seeking to meet our customers' growing desire to effectively manage their use of workspace while improving the quality of life of their employees through the promotion of more local places to work, we are taking flexible working to the communities in which people live. This will have a positive impact on working lifestyles, the local economy and the environment.

Further information on how we have placed our stakeholders at the centre of our strategy can be found throughout our strategic report and details on how we create value for our primary stakeholders can be found on pages 24 and 25.

Your Board is proud of the work undertaken by our employees throughout the world to engage with our communities and reduce our environmental impact; further details of this work can be found in our Environment, People, Communities report on pages 56 to 63.

The annual IWG Global Workspace Survey

In 2019 we produced our 11th annual Global Workspace Survey reaching out to more than 15,000 customers and potential customers across over 80 countries. The survey sought to obtain our customers' views on the key drivers for our business, on attitudes towards flexible working and how it is being used by international businesses and on how the business may evolve in the future. This is an invaluable tool for your Board in setting our strategy. The survey is available on www.iwgplc.com.

Shareholder engagement

Investor meetings

The Board is kept informed of investor views through the distribution of analyst and broker briefings and monthly investor relations updates. In 2019 investor relations held over 150 meetings with investors and analysts.

The Chairman, Chief Executive Officer and Chief Financial Officer maintain a close dialogue with institutional investors on the Company's performance, governance, plans and objectives. They regularly participate in investor meetings and make themselves available for questions, in person, at the time of major announcements and on request. The Chairman regularly updates the Board on the results of these meetings and the opinions of investors. All Directors have a standing invitation to participate in investor meetings.

Committee Chairmen engage with shareholders when there are significant changes within their areas of responsibility.

Annual general meeting

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

At the 2019 annual general meeting all resolutions were passed with at least 98% of votes in favour apart from the approval of the Remuneration Policy (88.83%) and the Annual Report on Remuneration (93.69%). All resolutions were voted on separately by means of a poll and the final results were published after the meeting.

The 2020 annual general meeting will be held on Tuesday 12 May. Notice of the meeting can be found in a separate document which will be sent out at least 20 working days before the meeting. Shareholders who are unable to attend the meeting are encouraged to submit a form of proxy.

Company Website

Our website www.iwgplc.com has a dedicated Investor section which includes our Annual Reports, results presentations and our financial calendar.

Senior Independent Director

Our Senior Independent Director, François Pauly, is available to address any shareholder concerns that cannot be resolved through normal channels of communication.

Employee engagement

On behalf of the Board Nina Henderson is responsible for employee engagement. During the year Nina undertook a number of initiatives to seek the views of employees on a range of topics such as the Group's culture, values, strategy, recognition, training, community engagement, work-life balance and reward. Examples of the work undertaken by Nina include:

- tours and meetings with both business centre employees and corporate office employees in the US and UK;
- review of the annual staff survey detailed on page 58 with the entire Board; and
- attendance at the annual leadership conference where she held roundtable discussions with leaders from across the global workforce.

During 2020, Nina will continue her programme of meeting with our global workforce.

We are extremely proud of our diverse global workforce and further information on our people can be found on pages 58 to 60.

DIVISION OF RESPONSIBILITIES

There is a clear separation of responsibilities between the running of the Board and the executive responsibility for running the business.

Accountability

Delegation of responsibility

BOARD

Non-Executive Chairman
DOUGLAS SUTHERLAND
See responsibilities on page 72

Executive Directors

MARK DIXON
Chief Executive

ERIC HAGEMAN
Chief Financial Officer

See Executive responsibilities on page 72

Non-Executive Directors

FRANÇOIS PAULY
Senior Independent Director

LAURIE HARRIS, NINA HENDERSON, FLORENCE PIERRE
Non-Executive Directors

See Non-Executive responsibilities on page 72

Audit Committee
LAURIE HARRIS
Chair
Terms of reference page 75

Remuneration Committee
NINA HENDERSON
Chair
Terms of reference page 79

Nomination Committee
FRANÇOIS PAULY
Chairman
Terms of reference page 73

Oversight of employee engagement and CSR
NINA HENDERSON
Responsibilities page 72

SENIOR LEADERSHIP TEAM

Accountable for delivery against the Group's strategic and operating objectives

Certain matters are reserved for the Board; these are detailed on page 67.

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.

The responsibilities of the Chairman, the Chief Executive Officer and the Senior Independent Director are available on www.iwgplc.com.

DOUGLAS SUTHERLAND
Non-Executive Chairman

The Chairman is responsible for the 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 and stakeholders. 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 Officer

The Chief Executive Officer is responsible for formulating strategy and for its delivery through the Senior Leadership Team once agreed by the Board. He creates a framework of strategy, values and objectives to ensure the successful delivery of key targets and allocates decision-making and responsibilities accordingly.

ERIC HAGEMAN
Chief Financial Officer

The Chief Financial Officer is 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 of Employee Engagement and CSR

Nina is responsible for overseeing and keeping the Board informed on engagement with the workforce and the corporate responsibility activities of the Group, including community and environmental projects.

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.

TIMOTHY REGAN
Company Secretary

The Company Secretary is responsible for advising the Board, through the Chairman, on all governance matters and ensuring that the Board has the policies, processes, information, time and resources it needs to function efficiently and effectively.

Role of Committees

The Board is supported by a number of Committees to which it has delegated certain powers. The role of these Committees is summarised below.

Audit Committee

Responsible for oversight of financial reporting, audit, internal control and risk management.

Nomination Committee

Responsible for Board composition, appointment of Directors and senior management and succession planning.

Remuneration Committee

Determines the remuneration of Executive Directors, the Chairman and senior management and oversees remuneration policy for all employees.

Nomination Committee report

"The make-up of your Board is reflective of the stakeholders it serves and ensures robust discussion in the Boardroom. We firmly believe this diversity creates a better decision-making process."

François Pauly
Chairman, Nomination Committee

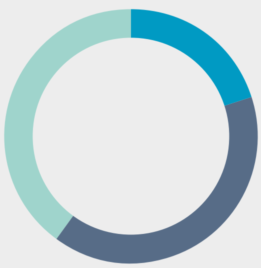
Attendance of members of the committee (out of possible maximum number of meetings):

- 4/4 *François Pauly*
- 3/3 *Laurie Harris*[1]
- 1/1 *Elmar Heggen*[2]
- 4/4 *Nina Henderson*
- 4/4 *Florence Pierre*
- 4/4 *Douglas Sutherland*

All members of the Committee are independent.

1. Laurie Harris joined the Committee on 14 May 2019
2. Elmar Heggen stepped down from the Committee on 14 May 2019

Length of tenure of Non-Executive Directors within the Committee



0-3 YEARS	20%
3-5 YEARS	40%
6+ YEARS	40%

Dear shareholder,

I am pleased to present to you my report on the work of the Nomination Committee (the "Committee") during 2019.

2019 was an important year for us and key activities included:

- leading the process which identified Laurie Harris as our new Non-Executive Director and Audit Committee Chair. Laurie was appointed on 14 May 2019. The process followed in respect of her appointment was reported on in the Annual Report for the financial year ended 31 December 2018;
- the 2019 Board review;
- reviewing our succession plans for the Board and senior leadership roles; and
- approval of our Board Diversity Policy and objectives.

Board composition

As at the date of this report, your Board comprised seven members, being: the Non-Executive Chairman (independent at the time of appointment); two Executive Directors; and four independent 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 review

An internal review of the performance of the Board, its Committees, the Chairman and individual Directors was conducted for 2019. Performance was evaluated through the use of prompting questions and a series of meetings and informal discussions. The process was led by the Chairman of the Board except for his own review which was led by me as Senior Independent Director.

The results of the review were discussed by the Board and the Committee and suggestions are being incorporated into 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.

We intend to have an externally facilitated review every three years, the last being in 2018.

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. Reasons why the contribution of Directors offering themselves for re-election or election continues to be important to the long-term success of the Company are described in the Notice of annual general meeting.

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. 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, diversity, 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 Committee maintains an ongoing programme of engagement with highly qualified, Non-Executive Director and potential Chairman 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 positions, so that there is an appropriate balance of skills, experience and diversity. 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.

As previously advised Douglas Sutherland, our current Chairman, has been on the Board for more than nine years. He was appointed as Chairman on 10 May 2010 having been a Non-Executive of the Group since 28 August 2008. As previously reported, after reviewing the Chairman's performance and input from the 2018 independent Board review and more recently from the 2019 internal Board review and in consideration of the Group's current challenges and opportunities, including our new global master franchise programme, the Committee considers that it is in the best interest of the Group for the Chairman to continue in that role until the annual general meeting in May 2021.

Diversity

We recognise that diversity in the Boardroom and within senior leadership leads to better decision-making. We continue to make appointments on merit but always with a view to the benefits of diversity and we recognise that diversity includes all aspects that make people unique including social economic background, age, race, religion, physical ability, ethnicity, sexual orientation and political beliefs.

We recognise that we have more to do, but we are already pleased to report that our Board is 43% female, made up of members from five nationalities and five countries of residence with varied personal backgrounds. Along with their international operational experience our Board members bring in-depth working knowledge of multiple industries, business and organisational models, corporate cultures, functional areas and business issues.

We are proud of our workforce diversity at IWG. We are an equal opportunities employer and are proactively looking to identify, develop and promote key talent from within our organisation which will in turn improve our diversity at senior levels. Further information on our work to support diversity can be found on pages 58 to 60.

We have approved a Board Diversity Policy. This includes the following objectives, which we will report on next year:

- Maintain a level of at least 30% female Directors on the IWG plc Board over the short to medium term (currently 43%);
- Assist the development of a pipeline of high-calibre candidates by encouraging a broad range of senior individuals within the business to take on additional roles to gain valuable board experience;
- Consider candidates for appointment as Non-Executive Directors from a wider pool including those with little or no previous FTSE board experience;
- Ensure Non-Executive Directors' 'long lists' have at least 50% of candidates reflecting diversity including women and candidates with different ethnical backgrounds; and
- Engage executive search firms who have signed up to the voluntary Code of Conduct on gender diversity and best practice.

Terms of reference

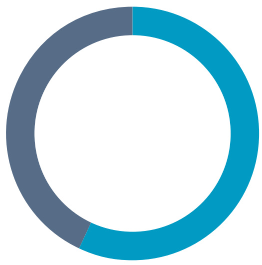
Below is a summary of the terms of reference of the Committee:

- 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.
- Board Committees – to make recommendations to the Board in relation to the suitability of candidates for membership of the Audit and Remuneration Committees.
- Board effectiveness – to review annually and make appropriate recommendations.
- Board performance – to assist the Chairman with the annual performance review to assess the performance and effectiveness of the overall Board and individual Directors.
- Leadership – to remain fully informed about strategic issues and commercial matters affecting the Company and to keep under review the leadership needs of the organisation to enable it to compete effectively.

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

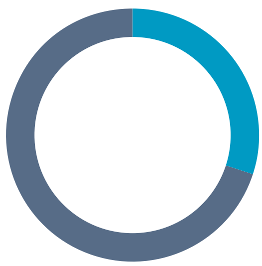
FRANÇOIS PAULY
Chairman, Nomination Committee

Gender split of the Board



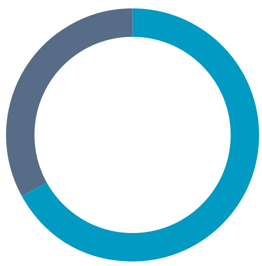
MALE	57%
FEMALE	43%

Gender split of all employees



MALE	30%
FEMALE	70%

Gender split of senior leadership



MALE	67%
FEMALE	33%

Audit Committee report

"Throughout the year the Committee has provided challenge and advice to management, ensuring the integrity of our financial reporting."

Laurie Harris
Chair, Audit Committee

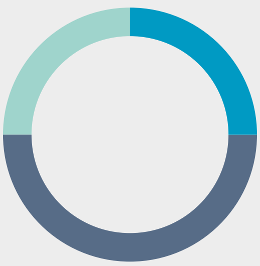
Attendance of members of the committee (out of possible maximum number of meetings):

- 4/4 *Laurie Harris*[1]
- 1/1 *Elmar Heggen*[2]
- 5/5 *Nina Henderson*
- 5/5 *François Pauly*
- 5/5 *Florence Pierre*

All members of the Committee are independent.

1. Laurie Harris was appointed Chair of the Audit Committee on 14 May 2019
2. Elmar Heggen stepped down as Chairman of the Audit Committee on 14 May 2019

Length of tenure of Non-Executive Directors within the Committee



0-3 YEARS	25%
3-5 YEARS	50%
6+ YEARS	25%

Dear shareholder,

As Chair 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 2019. This is my first report as Committee Chair following the departure of Elmar Heggen on 14 May 2019.

Key objective

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

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

Membership and meetings

The Committee consists entirely of independent Non-Executive Directors. Five Committee meetings were held during 2019. 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):

- 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 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 Chair of the 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.

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 2019.

Financial reporting

The main focus of the 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;
- 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 2019:

- **Taxation:** The Committee has reviewed the basis on which management have recognised and valued deferred tax assets, with particular focus on the recoverability of deferred tax assets recognised in Switzerland following the transfer of the Group's intellectual property and also the adoption of IFRS 16. The Committee is satisfied that management's judgements on the generation of future taxable profits in the foreseeable future is aligned with the Group's other business forecasting processes. The Committee has considered the presentation and disclosure (in accordance with IAS 1 and IAS 12) in respect of taxation-related balances and is satisfied that the Group's disclosures reflects the risks inherent in accounting for the deferred taxation balances. See note 8.
- **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 12 and 13 for further information.
- **IFRS 16 Leases:** The Committee has had robust discussions during the year on all aspects of the Group's IFRS 16 implementation project and has regularly challenged the key assumptions and judgements made by management. The Committee has carefully monitored work undertaken by management to ensure the completeness and accuracy of the Group's lease database including the implementation of new processes and controls and 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 made appropriate assumptions and judgements in relation to IFRS 16 and that appropriate disclosures have been made in the 2019 financial statements. See note 2.

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 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 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 Committee and the Board in the year under review, and were formally reviewed and approved by the Board. The Company has a system in place to enable compliance with the requirements of the EU Market Abuse Regulation.

Emerging and principal risks

There are a number of existing and emerging 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 such 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 48 to 55 of this Annual Report.

Economic downturn caused by COVID-19 has been identified as an emerging risk for 2020 and further information on how we will mitigate this can be found on page 49.

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 Financial Reporting Council's Guidance on Risk Management (the "FRC 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 Group and country specific policies, via the Group's intranet, including 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 and its learning and development systems;
  - 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 employees 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 2019 and is satisfied that it is in accordance with the FRC 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.

Whistleblowing policy

The Company has an externally hosted whistleblowing channel, EthicsPoint, which is available to all employees via email or on the Company's intranet and may be used anonymously. 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 Committee. Employees can monitor the progress of the reports they have made.

The Business Assurance Director, in consultation with the senior leadership team, decides on the appropriate method and level of investigation. The Committee is notified of all material discourses made and receives reports on the results of investigations and actions taken on a regular basis. The 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 Ireland audit partner would best serve the needs of the Group. The 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 2019.

The value of non-audit services provided by KPMG in 2019 amounted to £59,000 (2018: £39,000). 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 other assurance services in Luxembourg and the Philippines. During the year there were no circumstances where KPMG were engaged to provide services which might have led to a conflict of interest. During the year the Committee adopted a new policy on non-audit related services; this ensures the following measures are in place to safeguard KPMG's independence:

- the external auditor is used for non-audit-related services only where the use of the external auditor will deliver a demonstrable benefit to the Company as compared with 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 and/or Committee Chair before any work is performed;
- permitted non-audit services are reviewed annually by the Committee and currently include: consultation on financial accounting and regulatory reporting matters; reviews of internal accounting and risk management controls; reviews of compliance with policies and procedures; non-statutory audits (e.g. regarding acquisitions and disposal of assets and interests in companies); assurance and advice on finance-related projects; attestation reports; due diligence; and tax services (only where the services will have no direct effect or will have an immaterial effect on the audited financial statements of the Group);
- prohibited non-audit services include: tax compliance and advisory services; legal services; book-keeping and other accounting services; design, provision and implementation of information technology services; internal audit services; valuation services; payroll services; recruitment services in relation to key management positions; HR services relating to the organisation structure and cost control; 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 confirm at every Committee meeting that, since the previous meeting, there has been no significant issue affecting their objectivity and independence arising from their provision of non-audit services.

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 2019 can be found in note 5 of the notes to the financial statements on page 116.

In assessing the effectiveness of the external audit process for 2019 the Committee has considered:

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

Following the Committee's assessment of the effectiveness of the external audit process for 2019 and of KPMG's continuing independence, the Committee has recommended to the Board that a resolution to reappoint KPMG as the Company's auditor in respect of the financial year ending 31 December 2020 be proposed at the annual general meeting.

LAURIE HARRIS
Chair, Audit Committee

Directors' Remuneration report

> *"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."*
>
> **Nina Henderson**
> Chair, Remuneration Committee

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

- 4/4 *Nina Henderson (Chairman)*
- 3/3 *Laurie Harris*[1]
- 1/1 *Elmar Heggen*[2]
- 4/4 *François Pauly*
- 4/4 *Florence Pierre*

Length of tenure of Non-Executive Directors within the Committee

0-3 YEARS	25%
3-5 YEARS	50%
6+ YEARS	25%

Dear shareholder,

I am pleased to present this Directors' Remuneration report for 2019.

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 14 May 2019, is subject to renewal at our 2020 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 policy change is the introduction of a post-cessation shareholding requirement.

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

2019

The 2019 strong operating performance enabled strategic progress which has delivered and will continue to support Company growth. A robust growth platform has been built throughout the Group. Additional value has also been realised from changes to the operating model across certain markets.

Management continues to focus on delivering profitable growth and long-term value to shareholders. While the Company achieved a Group operating profit of £287.9m, the Group continues to use IAS 17 results for its primary management reporting including performance target setting and measuring achievements against those targets. Therefore the figures in this Remuneration report are also presented on an IAS 17 basis. The Group results for 2019 reflect the significant progress made on the new strategic focus on franchising which has impacted current operating results and led to the record profit before tax of £489.5m (IAS 17) which includes the profit after tax from the signing of master franchise agreements (reported as discontinued operations) during the year. Our strong performance and significant change in operating model strategy have been received positively by the market.

Annual bonus

When setting the 2019 annual bonus plan targets it was not possible to fully consider the potential impact from the pivot to franchising. In evaluating performance against the 2019 annual bonus targets, the Committee took into account, among other things, the impact on current operations from increased activities in support of the franchising strategy and also noted the significant accomplishments against that strategy which included the profit after tax◘ of £368.2m from the signing of master franchise agreements (reported as discontinued operations). After consideration of these factors, the Committee determined that it would be appropriate to award the maximum bonus, equivalent to 150% of the respective base salary. Half of the bonus will be deferred in shares for three years, with vesting subject to continued employment.

Performance Share Plan ("PSP")

The award made under the PSP in 2017 will vest at 100%, the Committee having determined that the EPS growth performance metric, the ROI performance metric and the TSR performance metric had all achieved the maximum vesting of 100%. All metrics had a 33.33% weighting and were measured over a three-year period to 31 December 2019. Stretching EPS and ROI targets set previously were exceeded whilst key strategic changes and a strong performance ensured that the TSR target was also achieved in full. Further details are provided on page 89.

Consideration of outcomes for 2019

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

The year ahead

The Committee has made the following decisions for 2020:

- Mark Dixon will receive a 6.1% salary increase, after three successive years with no increase and in recognition of the strong performance. In light of his recent appointment, Eric Hageman will receive no salary increase in 2020.
- 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 250% of base salary will be granted under the PSP in line with the approved Policy. The Committee believes it is appropriate to move to the maximum award possible under the policy to reflect the long-term value being unlocked for shareholders through the ongoing delivery of our franchising strategy. The awards will vest subject to only a relative TSR target measured over three financial years, 2020-2022. 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. This year variable pay has rewarded exceptional levels of profit for 2019 through the 150% bonus pay-out and the creation of long-term shareholder value through the 100% vesting of the 2017 PSP award. Such effective alignment ensures that our Remuneration Policy supports the future success of the Company.

Workforce engagement

Through my role as Non-Executive Director with oversight of employee engagement I have interacted with employees across the Group. I have attended the Company's global conference and interfaced with 250 managers. I have also met with smaller groups of employees through visits to IWG sites. Employees have provided me with their reactions to strategic endeavours, reward plans and resources available to them to deliver job performance. I have provided feedback to the Board and the Committee on employee perspectives in the course of deliberations.

Annual general meeting

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 12 May 2020, from which date the Policy will apply if approved.

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 ensure ongoing alignment with the changes to the UK Corporate Governance Code of 2018;
- 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 2020 are set out on page 87 of the Remuneration report.	There is no prescribed maximum salary. Salary increases will normally be 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 and 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

Component	Purpose/link to strategy	Operation	Maximum	Performance framework
Pension	To provide retirement benefits in line with the overall Group Policy.	Provided through participation in the Company's money purchase (personal pension) scheme, under which the Company matches individual contributions up to a maximum of base salary. The Company may amend the form of an Executive Director's pension arrangements in response to changes in legislation or similar developments.	7% of base salary for existing Directors which is consistent with provisions provided to the wider workforce. The Committee may set a higher level for new executives to reflect those of the workforce in their location (up to a maximum of 15% of base salary).	N/A
Annual bonus	To incentivise and reward annual performance and create further alignment with shareholders via the delivery and retention of deferred equity.	Provides an opportunity for additional reward (up to a maximum specified as a % of salary) based on annual performance against targets set and assessed by the Committee. Half of any annual bonus paid will be 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. 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. Recovery and withholding provisions apply to bonus awards (see note 1 below).	150% of base salary per annum.	Performance metrics are selected annually based on the current business objectives. The majority of the bonus will be linked to key financial metrics, of which there will typically be a significant profit based element (see note 3 below). Performance below threshold results in zero payment. Payments rise from 0% to 100% of the maximum opportunity levels for performance between the threshold and maximum targets.
Performance Share Plan ("PSP")	Motivates and rewards the creation of long-term shareholder value. Aligns executives' interests with those of the shareholders.	Awards will normally be made annually under the PSP and will take the form of either nil-cost options or conditional share awards. Participation and individual award levels will be determined at the discretion of the Committee within the Policy. Awards vest five years following grant, subject to performance against pre-determined targets (measured after three years) which are set and communicated at the time of grant. Recovery and withholding provisions apply to PSP awards (see note 1 below). A dividend equivalent provision allows the Committee to pay dividends, at the Committee's discretion, on vested shares at the time of vesting and may assume the reinvestment of dividends on a cumulative basis.	The normal plan limit is 250% of base salary.	Awards have a performance period of three financial years starting at the beginning of the financial year in which the award is made. Performance conditions will measure the long-term success of the Company (see note 4 below). The Committee may introduce or reweight performance measures so that they are directly aligned with the Company's strategic objectives for each performance period. 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.

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
Post-cessation shareholding requirement	To align Executive Directors' interests with those of our long-term shareholders and other stakeholders	Executive Directors are expected to hold, for up to two years post-cessation, the existing shareholding requirement or the actual shareholding at cessation, if lower.	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, including a failure in risk management or material reputational damage. 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 annual 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 (at least 70%) 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 ROI) and other measures of long-term success in generating shareholder value (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	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 and relevant multi-country operating model. A single fee which reflects all Board and Committee duties. Set at a level sufficient to attract and retain individuals with the required skills, experience and knowledge to allow the Board to effectively carry out its duties.	There is no prescribed maximum although fees and fee increases will be considered in line with the increases of the wider workforce and market rates.	Neither the Chairman nor the Non-Executive Directors are eligible for any performance related remuneration.
Non-Executive Director fees	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 and relevant multi-country operating model. A base fee is payable with additional fees for chairing key Board Committees and for being the Senior Independent Director. Set at a level sufficient to attract and retain individuals with the required skills, experience and knowledge to allow the Board to effectively carry out its duties. 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. Fees are paid entirely in cash.	There is no prescribed maximum although fees and fee increases will be considered in line with the increases of the wider workforce and market rates.	Neither the Chairman nor the Non-Executive Directors are eligible for any performance related remuneration.

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, including expatriate benefits, and pension provisions which reflect 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 84.

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 (good leaver) 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 will vest at the normal vesting date, may be pro-rated, and will be subject to achievement of performance criteria. Any post-vesting or post-cessation holding requirements, as defined in the Policy, will also normally apply.

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.

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

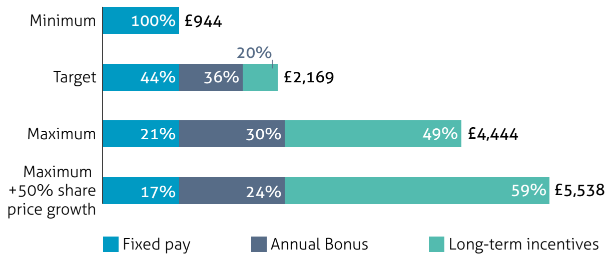
It is recognised that external non-executive directorships may be beneficial for both the Company and Executive Directors. At the discretion of the Board, Executive Directors are permitted to retain fees received in respect of any such non-executive directorship.

Illustration of Remuneration Policy

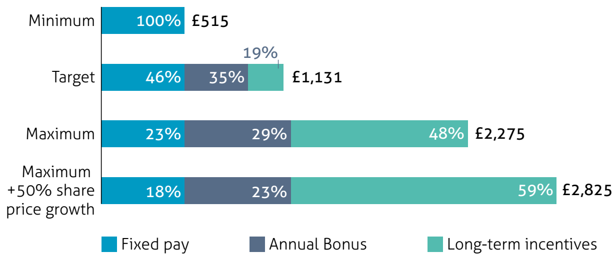
The charts below illustrate the application of the Remuneration Policy set out in the Policy table for Executive Directors. This assumes the level of fixed remuneration (salary, benefits and pension) as at 1 January 2020 and the following in respect of each scenario:

- "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 (20% 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 PSP grant of 250% 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.

Remuneration Policy – Chief Executive Officer



Remuneration Policy – Chief Financial Officer



All figures in £'000s and rounded to the nearest thousand.
The benefits value is based on the value of benefits received in relation to 2019.

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 79.

Terms of reference

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

Implementation of the Remuneration Policy for 2020

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 2020 annual general meeting. The information below includes how we intend to operate our Policy in 2020 and the pay outcomes in respect of the 2019 financial year.

Base salaries for the Executive Directors

The Executive Directors' salaries were reviewed. After three years with no increase, Mark Dixon's salary has been increased by 6.1% (this number is comparable to that received by the rest of the workforce). Given Eric Hageman's recent appointment, no salary increase has been awarded. The current salaries as at 1 January 2020 (and compared to 2019) are as follows:

	2020	2019	Percentage change
Mark Dixon	**£875,000**	£825,000	6.1%
Eric Hageman	**£440,000**	£440,000	–

For context, the average base salary increase received by Group support employees was 6% in 2019 and the accumulated average increase over the same three-year period was 14%.

Benefits and pension

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

Annual bonus

For 2020, 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 normally be deferred into shares under the DSBP, which will vest after three years subject to continued employment.

The 2020 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)

Recognising the substantial increase in opportunity for long-term value to be created for our shareholders through our franchising strategy, PSP awards will be made at 250% of salary (up to the Policy maximum) to Executive Directors with performance measured over a three-year period ending 31 December 2022. The awards will be subject to a TSR performance metric as summarised below. The Committee will continue to review the suitability of the TSR metric and may revert back to a balanced set of metrics on the PSP in the future.

Performance conditions	Threshold vesting	Threshold performance	Maximum vesting	Maximum performance
Relative TSR versus FTSE 350 excluding investment trusts (100% weighting)	25%	Median	100%	10% compound annual growth above median

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

Fees have been reviewed and increased for 2020 to bring them in line with the market and reflect additional time requirements from Board members including matters related to the franchising strategy. Fees were last reviewed and increased in 2017. The current fees as at 1 January 2020 (and compared to 2019) are as follows:

	2020 (£'000)	2019 (£'000)	Percentage change
Non-Executive Chairman	**300**	250	20%
Basic fee for Non-Executive Director	**62**	57	8%
Additional fees:			
Chair of Audit Committee	**15**	12	25%
Chair of Remuneration Committee	**15**	12	25%
Senior Independent Director combined with Chair of Nomination Committee	**15**	12	25%
Oversight of Employee Engagement and CSR[1]	**15**	–	–
Variable dislocation allowance for non-Swiss Directors[2]	**5 to 10**	2.5 to 7.5	33%

1. Remuneration for this role was agreed to commence from 1 January 2020.
2. The level of dislocation allowance for non-Swiss Directors is determined according to their country of residence.

Remuneration outcomes for 2019

Single total figure of remuneration table (audited)

The following table shows the total remuneration in respect of the year ending 31 December 2019, together with the prior year comparative.

	Salary / Fees		Benefits		Pension		Annual bonus		Long Term Incentive Awards		Total	
£'000	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
Mark Dixon	**825.0**	825.0	**8.1**	7.8	**57.8**	57.8	**1,237.5**	535.4	**2,353.1**	24.8	**4,481.5**	1,450.8
Eric Hageman	**440.0**	–	**44.2**	–	**41.5**	–	**660.0**	–	**–**	–	**1,185.7**	–
Dominik de Daniel	**–**	506.5	**–**	–	**–**	35.5	**–**	–	**–**	–	**–**	542.0
Non-Executive Directors												
Douglas Sutherland	**250.0**	250.0	**–**	–	**–**	–	**–**	–	**–**	–	**250.0**	250.0
Laurie Harris	**48.7**	–	**–**	–	**–**	–	**–**	–	**–**	–	**48.7**	–
Elmar Heggen	**26.6**	71.5	**–**	–	**–**	–	**–**	–	**–**	–	**26.6**	71.5
Nina Henderson	**76.5**	76.5	**–**	–	**–**	–	**–**	–	**–**	–	**76.5**	76.5
Florence Pierre	**59.5**	59.5	**–**	–	**–**	–	**–**	–	**–**	–	**59.5**	59.5
François Pauly	**71.5**	71.5	**–**	–	**–**	–	**–**	–	**–**	–	**71.5**	71.5

Benefits – Include private health insurance, life insurance, representation allowance and commuter costs.

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:

(1) 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 third tranche of the 2014 award (10,687 shares out of a maximum of 137,401) vested in March 2019 based on performance until 31 December 2018; the value of this is shown in 2018 and the figure reflects the actual share price on the date of vesting of 231.6p.

(2) The value of awards made to Mark Dixon under the Performance Share Plan ("PSP") in previous years which vested in respect of a performance period ending in the relevant financial year. The 2017 PSP award (583,039 shares (the maximum)) shall vest in March 2020 based on performance until 31 December 2019; the value of this is shown in 2019 and reflects a three-month average share price ending 31 December 2019 of 403.6p.

Eric Hageman was appointed as Chief Financial Officer on 1 January 2019. Remuneration detailed above reflects time served.

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

Laurie Harris was appointed as Non-Executive Director and Chairman of the Audit Committee on 14 May 2019. Remuneration detailed above reflects time served.

Elmar Heggen stepped down as Non-Executive Director and Chairman of the Audit Committee on 14 May 2019. Remuneration detailed above reflects time served.

Determination of 2019 annual bonus (audited)

The 2019 annual bonus plan was measured on performance against the following targets:

Measure	Basis	Threshold (50% of salary)	Target (90% of salary)	Maximum (150% of salary)	Achieved
Operating profit pre-growth	IAS 17	£190.3m	£211.4m	£229.9m	£183.7m[1]
Profit on master franchise agreements	IAS 17	–	–	–	£347.4m

1. Consistent with prior year calculations, the achieved IAS 17 operating profit adjusted for actual growth costs of £23.8m was £161.5m. After further adjustments for the impact of franchising on operating results (including the loss of operating results for the entire year from countries signed under master franchise agreements during 2019 pursuant to discontinued operations accounting rules), and the impact from accounting changes in estimates as described in note 5 (page 116), the adjusted operating profit for 2019 on a consistent basis for comparison to the operating profit targets above is £183.7m.

When setting the operating profit performance targets for 2019, the Committee were cognisant of the fact that reported performance (under IAS 17) against such targets would not fully capture the potentially significant additional value that could be derived from the implementation of the franchising strategy and that progress against the franchising strategy should therefore also be taken into account when determining annual bonus outcomes for 2019. With the accelerated pivot towards the franchising strategy during the year, significant management focus and resources were dedicated to signing significant master franchise agreements, converting the related operations to franchise operations, and preparing Group functions to support master franchise relationships. Thus the profit after tax of £347.4m (IAS 17) realised from the signing of master franchise agreements in 2019 (reported within discontinued operations) was also considered when evaluating management performance as evidence of substantial success in implementing the franchising strategy and the Committee deemed that a full bonus pay-out was warranted. A bonus equivalent to 150% of the respective salary (the policy maximum) has therefore been awarded as follows:

Director	Bonus maximum (% of base salary)	Operating profit achievement (% of award)	Bonus awarded (£'000)	Cash bonus (£'000)[1]	Deferred shares (£'000)[1]
Mark Dixon	150%	100%	£1,237.5	£618.8	£618.8
Eric Hageman	150%	100%	£660.0	£330.0	£330.0

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

PSP awards granted in 2017 and vesting in 2019 (audited)

The table below summarises the performance conditions and the actual performance against the award made under the PSP in 2017. This award was subject to performance conditions measured over the three financial years ending 31 December 2019.

	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 2016 performance
Threshold	25%	Median	0%	Compound annual growth of 5%	0%	Return to be equal to 2016 performance
Maximum	100%	10% compound annual growth above median	100%	Compound annual growth of 25%	100%	Return to be 300 basis points above 2016 performance
Performance achieved		74.3%		47.9%		24.9%
Actual % vesting		100%		100%		100%

Director	2017 award number of shares	Total vesting (% of maximum)	No. of shares to vest	Award value (£'000)[1]
Mark Dixon	583,039	100%	583,039	2,353.1

1. The value of awards reflects a three-month average share price ending 31 December 2019 of 403.6p.

The Committee believes the above outcome is representative of Company performance. Earnings per share and return on investment includes the after tax profit from the signing of master franchise agreements (reported as discontinued operations) but excludes the tax credit reported for 2019 (IAS 17).

PSP awards granted in 2019 and vesting in 2021 (audited)

PSP awards granted to Executive Directors on 7 March 2019 which vest subject to a three-year performance period ending 31 December 2021 were as follows:

Executive	Number of shares	% of base salary	Value of award (£'000)[1]	% of maximum amount receivable for threshold vesting
Mark Dixon	690,377	200%	£1,650.0	8.3%
Eric Hageman	368,201	200%	£880.0	8.3%

1. Based on a face value grant of 200% of salary and using a share price of 239p.

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 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.

DSBP awards granted in the year

DSBP awards granted to Executive Directors on 7 March 2019 as a deferred bonus in respect of the financial year ended 31 December 2018 and which become exercisable on the third anniversary after the date of grant, subject to continuous employment, were as follows:

Executive	Number of shares	% of 2018 bonus	Value of award[1] (£'000)
Mark Dixon	112,014	50%	£267.7
Eric Hageman	–	–	–

1. Based on a face value grant using a share price of 239p.

The awards were made as a deferral of the 2018 bonus and are not subject to any additional performance metrics.

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 2019 alongside the interests in share schemes for the Executive Directors.

	Shareholding guidelines							
	Shares held	% of salary required	Guideline met?	% of salary attained[1]	Deferred Share Bonus Plan[2]	Performance Share Plan[3]	CIP Matching Shares[4]	Share Option Plan[5]
Executive Directors								
Mark Dixon	244,353,671	200%	Yes	1289.9%	316,222	1,953,828	48,506	–
Eric Hageman	–	200%	No	–	–	368,201	–	300,000
Non-Executive Directors								
Douglas Sutherland	400,000							
Laurie Harris	4,500							
Nina Henderson	30,800							
François Pauly	100,000							
Florence Pierre	–							

1. Based on a share price of 435.5p and base salary as at 31 December 2019.
2. Half of any bonus awarded is deferred in shares which vest after three years, subject to continued employment but no further performance targets.
3. The Performance Share Plan is in the form of unvested conditional shares awarded in 2017, 2018 and 2019 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 2017 award were met in full and that 100% of the award will vest.
4. The CIP Matching Shares includes 37,819 vested shares granted to Mark Dixon on 4 March 2015 which are subject to a holding period ending in March 2020 and 10,687 vested shares granted to Mark Dixon on 5 March 2014 which became exercisable in March 2019.
5. In December 2018 Eric Hageman was granted unvested conditional options under the Company's Share Option Plan at an exercise price of 203.1p per share.

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. No other Director has any additional interests in the share capital of the Company since year end to the date of this report.

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 2018 and the year ending 31 December 2019. 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 Officer	Group support employees
Salary	0%	6%
Benefits	4%	10%
Annual bonus	131%	63%

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 2019 and 2018 and the percentage changes between years:

	2019	2018	Change 2018 to 2019
Total employee remuneration	**£373.2m**	£365.9m	2%
Distributions to shareholders via dividends and share buybacks	**£107.7m**	£93.9m	15%

Chief Executive Officer's Pay Ratio

We are including a voluntary disclosure of our Chief Executive Officer's pay ratio at the 25th, 50th and 75th percentiles of pay of our UK employees, as shown in the table below. The ratios have been calculated based on the single total figure of remuneration for Mark Dixon and the total pay of our employees under calculation methodology A of the regulations.

The median ratio is consistent with IWG's pay, reward and progression policies for all employees which relate pay levels to performance and market benchmarks. The majority of our employees participate in bonus and long-term incentives to align performance with shareholders.

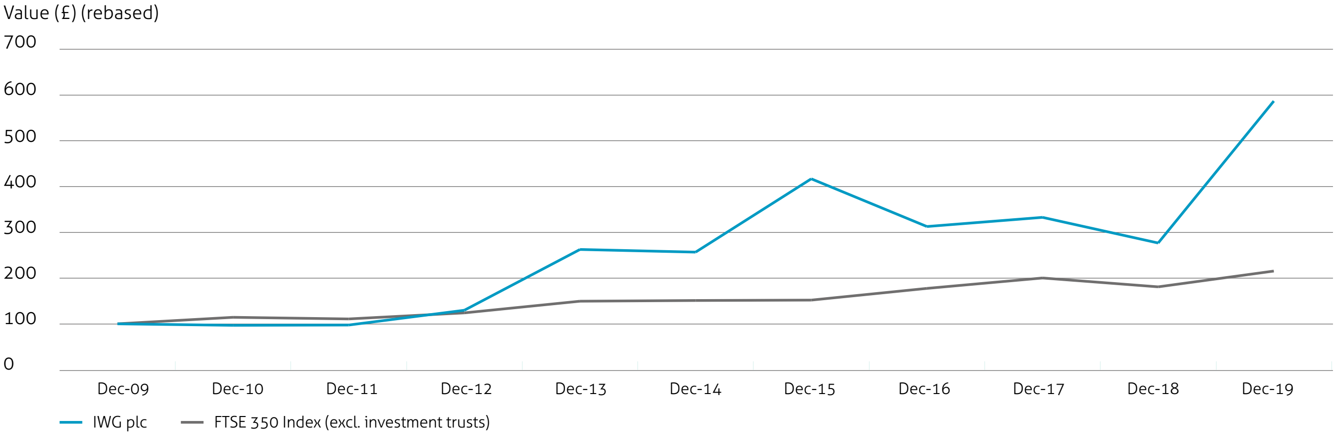
Financial year	P25 (Lower quartile)	P50 (Median)	P75 (Upper quartile)
2019	231:1	148:1	102:1

	Mark Dixon (£'000)	P25 (£'000)	P50 (£'000)	P75 (£'000)
Total pay	4,481.5	19.4	30.3	44.1
Base salary	825.0	19.0	27.0	39.1

Performance graph and table

The graph below shows the TSR of IWG in the ten-year period to 31 December 2019 against the TSR of the FTSE 350 (excluding investment trusts). TSR reflects 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.

Total shareholder return



Source: FactSet
This graph shows the value, by 31 December 2019, of £100 invested in IWG plc on 31 December 2009, 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	**2019**
Single total figure of remuneration	£628k	£759k	£1,130k	£1,773k	£1,854k	£2,770k	£1,968k	£3,034.5k	£1,132.4k	£1,450.8k	**£4,481.5k**
Bonus (% of maximum)	0%	19%	50%	100%	79%	100%	100%	93%	0%	43.3%	**100%**
Long-term incentive vesting (% of maximum)	0%	0%	0%	11%	35%	86%	97%	90.5%	11.0%	1.5%[1]	100%[2]

1. Based on 7.8% of tranche three of the 2014 Matching Shares vesting, and 0% of the 2016 PSP award 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 100% of the 2017 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 79. The Committee's terms of reference are freely available on the Company's website: www.iwgplc.com.

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

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 2019 were £78,500 (exclusive of VAT) (2018: £63,010). 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 14 May 2019 in respect of remuneration related resolutions are shown in the table below:

	Votes for		Votes against			
Resolution	#	%	#	%	Total votes cast	Votes withheld
Approval of Directors' Remuneration Policy	654,615,315	88.83%	82,328,348	11.17%	736,943,663	234,370
Approval of Annual Remuneration Report for year ending 31 December 2018	690,558,804	93.69%	46,499,764	6.31%	737,058,568	119,465

For and on behalf of the Board

NINA HENDERSON
Chairman of the Remuneration Committee

Directors' report

The Directors of 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 2019.

Directors

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

Executive Directors

Mark Dixon
Eric Hageman

Non-Executive Directors

Douglas Sutherland
François Pauly
Laurie Harris (appointed 14 May 2019)
Elmar Heggen (resigned 14 May 2019)
Florence Pierre
Nina Henderson

Biographical details for the Directors are shown on pages 64 and 65.

Details of the Directors' interests and shareholdings are given in the Remuneration report on page 79.

The Corporate Governance report, Nomination Committee report, Audit Committee report, Remuneration report and Directors' Statements on pages 66 to 92 and 95 all form part of this report.

Principal activity

The Company works with franchise partners, landlords and property owners to provide the world's largest network of flexible workspace.

Business review

The Directors have presented a Strategic report on pages 1 to 63 as follows:

The Chief Executive Officer's review and Chief Financial Officer's review on pages 32 to 37 and 40 to 47 respectively address:

- review of the Company's business (pages 33 to 37);
- an indication of the likely future developments in the business (page 37);
- development and performance during the financial year (pages 41 to 47); and
- position of the business at the end of the year (pages 46 to 47).

The Risk Management and Principal Risks report, on pages 48 to 55, 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 detailed in the Risk Management and Principal Risks report on pages 48 to 55.

The Environment, People, Communities report, on pages 56 to 63, includes the sections in respect of:

- environmental matters; and
- social and community issues
- employee development and performance.

The Nomination Committee report on pages 73 and 74 covers our approach to diversity.

The Directors' statements on page 95 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.

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.

Results and dividends

Profit before taxation for the year was £55.9m (2018: £138.7m on a pre-IFRS 16 basis).

The Directors are pleased to recommend a final dividend of £42.3m (2018: paid £38.9m), being 4.80p per share (2018: 4.35p per share). The total dividend for the year will therefore be 6.95p per share, made up of the interim dividend of 2.15p per share paid in October 2019 (2018: 1.95p per share) and, assuming the final dividend is approved by shareholders at the forthcoming annual general meeting, an additional 4.80p per share (2018: 4.35p per share) which is expected to be paid on 22 May 2020 to shareholders on the register at the close of business on 24 April 2020.

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 £412,420 during the year (2018: £317,891).

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 (2018: 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 can be found on page 72 and the process for the appointment of Directors can be found on pages 73 and 74.

At the Company's annual general meeting held on 14 May 2019 the shareholders of the Company approved a resolution giving authority for the Company to purchase in the market up to 89,506,349 ordinary shares representing approximately 10% of the issued share capital (excluding treasury shares) as at 9 April 2019. 12,379,535 shares were repurchased during 2019, 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 134 to 144. 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 28 February 2020, 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[1]	244,353,671	27.73%
Toscafund Asset Management LLP	170,282,135	19.02%
M&G Plc	53,064,754	5.96%

1. Mark Dixon owns 100% of Estorn Limited.

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 101 to 149.

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 32 to 39, as well as the Group's principal risks and uncertainties as set out on pages 49 to 55.

Further details on the going concern basis of preparation can be found in note 24 of the notes to the accounts on page 129.

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 25 February 2020.

On behalf of the Board

TIMOTHY REGAN
Company Secretary

3 March 2020

Directors' statements

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

The Directors are responsible for preparing the Annual Report and the Group 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

3 March 2020

Our opinion is unmodified

We have audited the Group financial statements of IWG plc for the year ended 31 December 2019 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 2019 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 the adoption of IFRS 16 – Leases, the valuation of goodwill intangible assets and the recognition of deferred tax assets. We continue to perform procedures over current taxation which we identified as a key audit matter in the previous year. However, following the resolution of challenges by tax authorities in a number of jurisdictions, the resultant reduced complexity and subjectivity involved in the calculation of current tax and provisions for uncertain tax positions, we have not assessed this as one of the most significant risks in our current year audit and, therefore, it is not separately identified in our report this year. Further detail on the key audit matters identified and how the matters were addressed in our audit is outlined below as follows:

Adoption of IFRS 16 Leases £5,643.4 million

Refer to page 75 (Report of the Audit Committee), page 107 (accounting policy) and note 23 to the Group Financial Statements.

The key audit matter

The Group transitioned to IFRS 16 on 1 January 2019 and has applied the modified retrospective approach. There is significant judgement and complexity involved in determining the key assumptions in the calculation of the right-of-use assets and lease liabilities recognised by the Group on transition.

The calculation of the impact of IFRS 16 is sensitive to changes in a number of key assumptions, including the Group's incremental borrowing rates (IBRs) and assumptions relating to lease terms and exercising break clauses. The adjustments arising from applying IFRS 16 are material to the Group and are a key focus area in our audit.

How the matter was addressed in our audit

Our audit procedures included but were not limited to audit procedures over the significant assumptions made by the Group that underpin the IFRS 16 calculations at transition. We evaluated the appropriateness of key assumptions and consideration of the transition model selected by the Group, the practical expedients applied and the transition adjustments.

In assessing the key assumptions, the audit team have challenged management's key judgements and estimates relating to lease term and renewals, exercise of break clauses, incremental borrowing rates, the practical expedients applied, and the treatment of variable leases and lease incentives. We used KPMG valuation specialists to help assess the key assumptions and judgements, specifically relating to the incremental borrowing rates applied. We performed sensitivity analysis over these key assumptions and the audit team evaluated the impact of any reasonable change to these key assumptions.

We gained an understanding of the lease transition process and have tested the design and implementation of controls related to the determination of the key assumptions.

We found the Group's recognition of right-of-use assets and lease liabilities at 1 January 2019 to be appropriate and the disclosures in the financial statements provide an adequate description of the assumptions and estimates made by the Group.

Goodwill and intangible assets £719.6 million (2018: £721.7 million)

Refer to page 75 (Report of the Audit Committee), page 110 (accounting policy) and notes 12 and 13 to the Group Financial Statements.

The key audit matter

There is a risk that the carrying amounts of the Group's goodwill and intangible assets will be more than the estimated recoverable amount, if future cash flows are not sufficient to recover the Group's investment. This could occur if forecasted cash flows decline in certain markets or where revenue and costs are subject to significant fluctuations. Key assumptions include revenue growth, occupancy rates, discount rates and terminal values. The recoverability of goodwill is spread across multiple geographies and economies as highlighted in note 12, and is dependent on individual businesses acquired achieving or sustaining sufficient profitability in the future. Two of the Group's CGUs individually account for 73% of the total carrying amount.

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. We considered the historical accuracy of the Group's forecasts and challenged management's profitability forecasts. We obtained and documented our understanding of the impairment testing process and the design and implementation of the relevant controls therein. We assessed the recoverability of goodwill across a sample of countries and placed particular focus on the UK impairment model due to the limited headroom in the CGU in the past and given its significance to the Group's goodwill balance.

We used valuation specialists to assist us in evaluating the judgements and methodologies used by the Group, in particular those relating to the discount rates and terminal growth calculations 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 impairment model inputs. We checked the mathematical accuracy of the model. We examined the sensitivity analysis performed by Group management and performed our own sensitivity analysis in relation to the key assumptions. We also compared the sum of projected discounted cash flows to the market capitalisation of the Group to assess whether the projected cash flows appear reasonable. We also assessed whether the disclosures as set out in note 12 were appropriate and in compliance with IAS 36.

The Group's impairment model identified impairments of goodwill amounting to £0.8 million during the year ended 31 December 2019. 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.

Recognition of deferred tax assets of £195.0 million (2018: £30.6 million)

Refer to page 75 (Report of the Audit Committee), page 111 (accounting policy) and note 8 to the Group Financial Statements.

The key audit matter

The Group has significant deferred tax assets in respect of the future benefit of deductible temporary differences and accumulated tax losses where it is considered probable that they would be utilised or recovered in the foreseeable future through the generation of future taxable profits by the relevant group entities or by set-off against deferred tax liabilities. In addition, a significant amount of deferred tax assets were not recognised at the reporting date due to the uncertainty of the relevant group entities being able to generate future taxable profits against which the tax losses may be utilised before they expire.

We identified the recognition of deferred tax assets as a key audit matter because of its significance to the financial statements and because there is inherent uncertainty involved in forecasting future taxable profits, which determines the extent to which deferred tax assets are or are not recognised. This uncertainty has increased in 2019 due to the ongoing strategic developments in the business, the transfer of the Group's intellectual property from Luxembourg to Switzerland and also the adoption of IFRS 16.

How the matter was addressed in our audit

In this area our audit procedures included using our work on the Group's forecasts described in the goodwill key audit matter above. We then used our own tax specialists to assist us in evaluating and challenging the key assumptions and methodologies used by the Group and its taxation advisors in calculating the deferred tax assets including assessing the recoverability of the tax losses against the forecast future taxable profits, taking into account the Group's tax position, the timing of forecast taxable profits, and our knowledge and experience of the application of relevant tax legislation. These specialists evaluated and challenged the key assumptions and methodologies used by the Group and its taxation advisors in calculating the deferred tax assets.

We considered the historical accuracy of forecasts of future taxable profits made by management by comparing the actual taxable profits for the current year with management's estimates in the forecasts made in the previous year and assessing whether there were any indicators of management bias in the selection of key assumptions.

We considered the impact of the ongoing changes in the Group's strategy which places greater focus on external franchising and the impact of this on management's assessment of the recoverability of the assets recognised. We challenged management's assumptions in relation to the recoverability of the deferred tax assets recognised in Switzerland, arising on the transfer of the Group's intellectual property by involving our taxation specialists to evaluate the recoverability of the deferred tax asset in relation to the deductible temporary differences available. We evaluated whether management's judgements on the generation of future taxable profits in the foreseeable future were aligned with the Group's other business forecasting processes. 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 the Group's recognition of deferred tax assets to be appropriate and that the disclosure provides an adequate description of the assumptions and estimates made by the Group and the sensitivity to changes thereon.

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 (2018: £10 million) which is 0.38% (2018: 0.42%) of total revenue and 8% (2018: 7.2%) of adjusted profit before tax from continuing operations. In 2018 we used revenue (0.42%) and profit before tax from continuing operations (7.2%) as the benchmarks for materiality. We have determined that adjusting profit before tax from continuing operations to remove the impact of the adoption of IFRS 16 is appropriate in 2019, given the significant impact of IFRS 16 on the Group's reported profits, with no corresponding impact on the continuing operations of the Group.

We have determined, in our professional judgement, that revenue and the adjusted profit before tax from continuing operations are two of the principal benchmarks within the financial statements relevant to members of the Company in assessing financial performance. We also note that our materiality equates to 8.7% of the average profit before tax from continuing operations of the Group for the past three years.

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 6% (2018: 5.4%) of adjusted 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 (2018: £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 81% (2018: 80%) of total Group revenue and 93% (2018: 82%) of total Group assets.

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 Directors' report, and the information included in the strategic report and governance sections of the Annual Report. 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; and
- We are required to report to you if the Corporate Governance Statement does not properly disclose a departure from the 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 95, 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

3 March 2020

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.

	Notes	Year ended 31 Dec 2019 £m	Year ended 31 Dec 2018 Restated £m[1]
Revenue	3	**2,653.0**	2,402.1
Cost of sales		**(2,086.6)**	(2,027.6)
Gross profit (centre contribution)		**566.4**	374.5
Selling, general and administration expenses		**(281.2)**	(248.2)
Share of profit/(loss) of equity-accounted investees, net of tax	21	**2.7**	(1.4)
Operating profit	5	**287.9**	124.9
Finance expense	7	**(232.5)**	(15.8)
Finance income	7	**0.5**	0.5
Net finance expense		**(232.0)**	(15.3)
Profit before tax for the year from continuing operations		**55.9**	109.6
Income tax credit/(expense)	8	**22.3**	(29.7)
Profit after tax for the year from continuing operations		**78.2**	79.9
Profit after tax for the year from discontinued operations	9	**372.4**	25.8
Profit after tax for the year attributable to equity shareholders of the Group		**450.6**	105.7
Earnings per ordinary share (EPS):			
Attributable to ordinary shareholders			
Basic (p)	10	**50.5**	11.7
Diluted (p)	10	**49.6**	11.6
From continuing operations			
Basic (p)	10	**8.8**	8.8
Diluted (p)	10	**8.6**	8.7

1. The comparative information has been restated to reflect the impact of discontinued operations.

	Notes	**Year ended 31 Dec 2019 £m**	Year ended 31 Dec 2018 £m
Profit for the year		**450.6**	105.7
Other comprehensive income that is or may be reclassified to profit or loss in subsequent periods:			
Cash flow hedges – effective portion of changes in fair value		**(0.5)**	0.1
Foreign exchange reclassified to profit or loss from discontinued operations	9	**(8.8)**	–
Foreign currency translation differences for foreign operations		**(24.5)**	9.2
Items that are or may be reclassified to profit or loss in subsequent periods		**(33.8)**	9.3
Other comprehensive income that will never be reclassified to profit or loss in subsequent periods:			
Re-measurement of defined benefit liability, net of income tax	26	**–**	–
Items that will never be reclassified to profit or loss in subsequent periods		**–**	–
Other comprehensive income for the period, net of income tax		**(33.8)**	9.3
Total comprehensive income for the year		**416.8**	115.0

	Notes	Issued share capital £m	Treasury shares £m	Foreign currency translation reserve £m	Hedging reserve £m	Other reserves £m	Retained earnings £m	Total equity £m
Balance at 1 January 2018		**9.2**	**(39.6)**	**63.2**	**0.2**	**25.8**	**668.9**	**727.7**
Total comprehensive income for the year:								
Profit for the year		–	–	–	–	–	105.7	105.7
Other comprehensive income:								
Cash flow hedges – effective portion of changes in fair value		–	–	–	0.1	–	–	0.1
Foreign currency translation differences for foreign operations		–	–	9.2	–	–	–	9.2
Other comprehensive income, net of tax		–	–	9.2	0.1	–	–	9.3
Total comprehensive income for the year		–	–	9.2	0.1	–	105.7	115.0
Transactions with owners of the Company								
Share-based payments		–	–	–	–	–	0.5	0.5
Ordinary dividend paid	11	–	–	–	–	–	(53.7)	(53.7)
Purchase of shares	22	–	(40.2)	–	–	–	–	(40.2)
Proceeds from exercise of share awards	22	–	5.7	–	–	–	(3.8)	1.9
Balance at 31 December 2018		**9.2**	**(74.1)**	**72.4**	**0.3**	**25.8**	**717.6**	**751.2**
Change in accounting policy	2	**–**	**–**	**(4.2)**	**–**	**–**	**(179.2)**	**(183.4)**
Restated balance at 1 January 2019		**9.2**	**(74.1)**	**68.2**	**0.3**	**25.8**	**538.4**	**567.8**
Total comprehensive income for the year:								
Profit for the year		**–**	**–**	**–**	**–**	**–**	**450.6**	**450.6**
Other comprehensive income:								
Cash flow hedges – effective portion of changes in fair value		**–**	**–**	**–**	**(0.5)**	**–**	**–**	**(0.5)**
Foreign exchange recycled to profit or loss from discontinued operations	9	**–**	**–**	**(8.8)**	**–**	**–**	**–**	**(8.8)**
Foreign currency translation differences for foreign operations		**–**	**–**	**(24.5)**	**–**	**–**	**–**	**(24.5)**
Other comprehensive income, net of tax		**–**	**–**	**(33.3)**	**(0.5)**	**–**	**–**	**(33.8)**
Total comprehensive income for the year		**–**	**–**	**(33.3)**	**(0.5)**	**–**	**450.6**	**416.8**
Transactions with owners of the Company								
Share-based payments		**–**	**–**	**–**	**–**	**–**	**0.7**	**0.7**
Ordinary dividend paid	11	**–**	**–**	**–**	**–**	**–**	**(58.2)**	**(58.2)**
Purchase of shares	22	**–**	**(49.5)**	**–**	**–**	**–**	**–**	**(49.5)**
Proceeds from exercise of share awards	22	**–**	**6.7**	**–**	**–**	**–**	**(3.8)**	**2.9**
Balance at 31 December 2019		**9.2**	**(116.9)**	**34.9**	**(0.2)**	**25.8**	**927.7**	**880.5**

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.

	Notes	As at 31 Dec 2019 £m	As at 31 Dec 2018 £m [1]
Non-current assets			
Goodwill	12	**674.6**	679.2
Other intangible assets	13	**45.0**	42.5
Property, plant and equipment	14	**7,190.7**	1,751.2
Right-of-use asset	14	**5,917.4**	–
Other property, plant and equipment	14	**1,273.3**	1,751.2
Deferred tax assets	8	**195.0**	30.6
Non-current derivative financial assets	24	**–**	0.3
Other long-term receivables	15	**61.0**	86.0
Investments in joint ventures	21	**13.8**	12.2
Total non-current assets		**8,180.1**	2,602.0
Current assets			
Inventory		**1.3**	–
Trade and other receivables	16	**681.3**	717.5
Corporation tax receivable	8	**24.0**	32.7
Cash and cash equivalents	23	**66.6**	69.0
Total current assets		**773.2**	819.2
Total assets		**8,953.3**	3,421.2
Current liabilities			
Trade and other payables (including customer deposits)	17	**788.8**	1,058.9
Deferred income		**322.6**	320.0
Corporation tax payable	8	**32.3**	31.0
Bank and other loans	19	**9.7**	9.9
Lease liabilities	23	**977.4**	–
Provisions	20	**8.9**	9.7
Total current liabilities		**2,139.7**	1,429.5
Non-current liabilities			
Other long-term payables	18	**2.0**	704.2
Bank and other loans	19	**351.0**	519.9
Lease liabilities	23	**5,568.6**	–
Non-current derivative financial liabilities	24	**0.2**	–
Provisions	20	**6.9**	9.4
Provision for deficit in joint ventures	21	**2.9**	5.5
Retirement benefit obligations	26	**1.5**	1.5
Total non-current liabilities		**5,933.1**	1,240.5
Total liabilities		**8,072.8**	2,670.0
Total equity			
Issued share capital	22	**9.2**	9.2
Treasury shares	22	**(116.9)**	(74.1)
Foreign currency translation reserve		**34.9**	72.4
Hedging reserve		**(0.2)**	0.3
Other reserves		**25.8**	25.8
Retained earnings		**927.7**	717.6
Total equity		**880.5**	751.2
Total equity and liabilities		**8,953.3**	3,421.2

1. Based on the audited financial statements for the year ended 31 December 2018. The Group initially applied IFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying IFRS 16 is recognised in retained earnings at the date of initial application.

Approved by the Board on 3 March 2020

MARK DIXON
Chief Executive Officer

ERIC HAGEMAN
Chief Financial Officer

	Notes	Year ended 31 Dec 2019 £m	Year ended 31 Dec 2018 Restated £m (1)(2)
Operating activities			
Profit before tax for the year from continuing operations		**55.9**	109.6
Adjustments for:			
Profit before tax from discontinued operations	9	**22.8**	29.1
Net finance expense	7	**232.0**	15.3
Share of (profit)/loss of equity-accounted investees, net of tax	21	**(2.7)**	1.4
Depreciation charge	5, 14	**1,153.1**	225.4
Right-of-use asset	5, 14	**1,010.0**	–
Other property, plant and equipment	5, 14	**143.1**	225.4
Loss on impairment of goodwill	12	**0.8**	1.0
Loss on disposal of property, plant and equipment	5	**32.7**	13.6
Loss on disposal of intangible assets	5	**0.3**	0.1
Reversal of impairment of property, plant and equipment	5, 14	**(2.1)**	(0.1)
Amortisation of intangible assets	5, 13	**9.7**	10.4
Gain on disposal of other investments		**–**	(4.3)
Amortisation of acquired lease fair value adjustments	5	**–**	(2.0)
Negative goodwill arising on an acquisition	12, 27	**–**	(6.2)
(Decrease)/increase in provisions	20	**(1.3)**	9.7
Share-based payments		**0.7**	0.5
Other non-cash movements		**(2.2)**	(5.9)
Operating cash flows before movements in working capital		**1,499.7**	397.6
Increase in trade and other receivables		**(108.7)**	(133.4)
Increase in trade and other payables		**0.7**	299.8
Cash generated from operations		**1,391.7**	564.0
Interest paid		**(21.2)**	(16.2)
Tax paid		**(48.8)**	(37.1)
Net cash inflow from operating activities		**1,321.7**	510.7
Investing activities			
Purchase of property, plant and equipment	14	**(356.4)**	(579.6)
Purchase of subsidiary undertakings, net of cash acquired	27	**(24.2)**	(2.3)
Disposal of other investments		**–**	4.4
Purchase of intangible assets	13	**(12.8)**	(6.9)
Purchase of joint ventures	21	**(1.8)**	–
Proceeds on sale of discontinued operations, net of cash disposed of	9	**424.6**	–
Proceeds on sale of property, plant and equipment		**0.6**	0.4
Interest received	7	**0.5**	0.5
Net cash inflow/(outflow) from investing activities		**30.5**	(583.5)
Financing activities			
Proceeds from issue of loans		**850.5**	644.3
Repayment of loans		**(1,013.0)**	(467.4)
Payment of lease liability	23	**(1,091.5)**	–
Purchase of treasury shares	22	**(49.5)**	(40.2)
Proceeds from exercise of share awards		**2.9**	1.9
Payment of ordinary dividend	11	**(58.2)**	(53.7)
Net cash (outflow)/ inflow from financing activities		**(1,358.8)**	84.9
Net (decrease)/increase in cash and cash equivalents		**(6.6)**	12.1
Cash and cash equivalents at the beginning of the year		**69.0**	55.0
Effect of exchange rate fluctuations on cash held		**4.2**	1.9
Cash and cash equivalents at the end of the year	23	**66.6**	69.0

1. The Group initially applied IFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying IFRS 16 is recognised in retained earnings at the date of initial application.
2. The comparative information has been restated to reflect the impact of discontinued operations.

1. Authorisation of financial statements

The Group and Company financial statements for the year ended 31 December 2019 were authorised for issue by the Board of Directors on 3 March 2020 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, and is a franchise operator of, 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 150.

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 2019 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 2019:

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

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 or amortised cost.

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 101 to 149.

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 32 to 37 as well as the Group's principal risks and uncertainties as set out on pages 48 to 55.

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

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

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

Impact of the adoption of IFRS 16

IFRS 16 replaced 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 was effective for annual reporting periods beginning on or after 1 January 2019.

IFRS 16 introduced 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.

The impact of applying IFRS 16 on the financial statements in the period of initial application depended on a variety of factors, 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 adopted the modified retrospective 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 Group elected to use the transition practical expedient to not reassess whether a contract is, or contains, a lease at 1 January 2019. Instead, the Group applied the standard only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application.
- The difference between the right-of use asset and the related lease liability is recognised directly in retained earnings after tax.
- In determining the right-of-use asset and lease liability to be recognised, the Group adopted incremental borrowing rates for its leases as at 1 January 2019. These rates were determined by taking currency-specific interest rates based on five-year external market rates (where available, which reflect the average centre lease duration) on transition and then considering adjustments to reflect subsidiary/country-specific credit ratings and adjustments to reflect the level of collateral. The incremental borrowing rates will be updated annually and applied to leases commencing in the subsequent year.
- The right-of-use asset recognised is being depreciated over the life of the lease. The life of the lease reflects the contracted lease term and any renewal periods that the Group is reasonably certain to extend.

The most significant impact identified is the right-of-use asset and related lease liability the Group recognised for its leases in respect of its global network, which were recognised based on the modified retrospective approach. The Group recorded a right-of-use asset of £5,132.4m and a related lease liability of £5,643.4m at 1 January 2019.

The standard has no impact on the actual cash flows or cash generation per share of the Group. However, as the standard requires the capitalisation and subsequent depreciation of costs that were previously expensed, the disclosures of cash flows within the cash flow statement are impacted. The amounts previously disclosed as operating cash outflows are instead capitalised and presented as financing cash outflows whilst the interest and depreciation expenses are presented in operating cash flows.

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rates at 1 January 2019. The weighted-average rate applied was 3.7%.

The following tables summarise the opening balance impact, on transition to IFRS 16:

£m	Property, plant & equipment	Deferred tax asset	Trade & other receivables	Corporation tax receivable
Balance reported at 1 January 2019	1,751.2	30.6	717.5	32.7
Right-of-use asset & related lease liability[1]	5,132.4	–	–	–
Other adjustments[2]	(586.4)	–	(98.3)	–
Taxation	–	86.7	–	–
Restated balance at 1 January 2019	6,297.2	117.3	619.2	32.7

£m	Lease liabilities – Short term	Lease liabilities – Long term	Trade & other payables	Foreign currency translation reserve	Retained earnings
Balance reported at 1 January 2019	–	–	1,058.9	72.4	717.6
Right-of-use asset & related lease liability[1]	900.0	4,743.4	–	(4.2)	(506.8)
Other adjustments[2]	–	–	(925.6)	–	240.9
Taxation	–	–	–	–	86.7
Restated balance at 1 January 2019	900.0	4,743.4	133.3	68.2	**538.4**

1. During 2019, the Group continued to assess the valuation methodology implemented on the adoption of IFRS 16. On finalisation of this assessment, the Group revised its opening balances based on refinements to the overall methodology. Balances in the table are therefore adjusted, with the opening right-of-use assets increasing from £5.0bn to £5.1bn and the related lease liabilities increasing from £5.5bn to £5.6bn. While these changes are not considered material, the Group has elected to make this adjustment given the significant nature of its lease portfolio.
2. On transition, the remaining net book value of costs previously capitalised, such as costs directly incurred in preparing the business centre for trading (i.e. as part of property, plant and equipment), are derecognised and eliminated directly against retained earnings. Partner contributions are accounted for in property, plant and equipment on transition.

2. Accounting policies (continued)

The following table reconciles the operating lease commitment at 31 December 2018 to the lease liability recognised at 1 January 2019:

	£m
Operating lease commitment at 31 December 2018 as disclosed in the Group's Annual Report and Accounts	6,641.5
Discounted using the incremental borrowing rates at 1 January 2019 (1)	(997.2)
Lease liabilities recognised at 1 January 2019	5,644.3
Recognition exemption for leases of low-value assets	(0.4)
Recognition exemption for leases with less than 12 months of lease term at transition (2)	(0.5)
Extension options reasonably certain to be exercised	–
Lease liabilities recognised at 1 January 2019	**5,643.4**

1. The incremental borrowing rates consider the relevant market interest rates, based on the weighted average of the timing of the lease payments under the lease obligation. In addition, a spread over the market rate is applied based on the cost of funds to the Group, plus a spread that represents the risk differential of the lessee entity compared to the Group funding cost. The weighted-average rate applied was 3.7%.
2. The Group applied the practical expedient to classify leases for which the lease term ends within 12 months of the date of initial application of IFRS 16 as a short-term lease. The Group also applied the recognition exemption for short-term leases.

Impact for the period

The Group has recognised depreciation and inherent costs instead of the operating lease expense. During the year ended 31 December 2019, the Group recognised £983.4m of depreciation charges, as highlighted in note 5, and £213.2m of interest costs, as highlighted in note 7. Further detail is summarised in the pro forma statements at the end of this Annual Report.

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

The Group adopted the exemptions permitted in respect of short-term and low-value leases, which are not material due to the relatively low number of these types of 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 24.

Summary of new accounting policies

The new accounting policies of the Group upon adoption of IFRS 16 are as follows:

1. Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised and initial direct costs incurred. The recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Right-of-use assets are subject to impairment review on an annual basis. The Group also tested its right-of-use assets for impairment on the date of transition and has recognised an impairment of £3.2m associated with the right-of-use asset.

2. Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments and variable lease payments that depend on an index or a rate. The variable lease payments that do not depend on an index or a rate are recognised as a rent expense in the period in which they are incurred.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is re-measured if there is a modification, a change in the lease term or a change in the in-substance fixed lease payments.

3. Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to short-term leases (i.e. those leases that have a lease term of 12 months or less from commencement). It also applies the lease of low-value assets recognition exemption to leases that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as a rent expense on a straight-line basis over the lease term.

Significant judgement in determining the lease term of contracts with renewal options and the incremental borrowing rate

IFRS 16 defines the lease term as the non-cancellable period of a lease together with the options to extend or terminate a lease, if the lessee were reasonably certain to exercise that option. Where a lease includes the option for the Group to extend the lease term, the Group makes a judgement as to whether it is reasonably certain that the option will be taken. This will take into account the length of time remaining before the option is exercisable, macro-economic environment, socio-political environment and other lease-specific factors. The determination of applicable incremental borrowing rates at the commencement of lease contracts also requires judgement.

Impact on key estimates and judgements

There is significant judgement in determining the lease term of contracts with renewal options and the applicable incremental borrowing rates at the commencement of lease contracts. For further detail see note 32.

The accounting polices relating to leases which applied for the comparative period are outlined on page 94 of the 2018 Annual Report and Accounts.

Impact of the adoption of IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 Income Taxes. It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty needs to be followed.

The Group applies judgement in identifying uncertainties over income tax treatments. Since the Group operates in a complex multinational environment, it assessed whether the Interpretation had an impact on its consolidated financial statements.

Upon adoption of the Interpretation, the Group considered whether it has any uncertain tax positions, particularly those relating to transfer pricing. The Company's and the subsidiaries' tax filings in different jurisdictions include deductions related to transfer pricing and the taxation authorities may challenge those tax treatments. The Group determined, based on its tax compliance and transfer pricing studies, that in most jurisdictions it is probable that its tax treatments (including those for the subsidiaries) will be accepted by the taxation authorities. The Group has, where considered appropriate, provided for the potential impact of uncertain tax positions where the likelihood of tax authority adjustment is considered to be more likely than not. The adoption of the interpretation did not have an impact on the consolidated financial statements of the Group.

IFRSs not yet effective

The following new or amended standards and interpretations that are mandatory for 2020 annual periods (and future years) are not expected to have a material impact on the Group financial statements, unless otherwise stated.

Amendments to References to Conceptual Framework in IFRS Standards	1 January 2020
Definition of a Business (Amendments to IFRS 3)	1 January 2020
Definition of Material (Amendments to IAS 1 and IAS 8)	1 January 2020
Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform	1 January 2020
IFRS 17 Insurance Contracts	1 January 2021
Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current Non-Current	1 January 2022

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.

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.

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.

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 2019. 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 assets' recoverable amount are 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.

2. Accounting policies (continued)

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 reassesses 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 reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred (negative goodwill), 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.

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.

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.

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:

Right-of-use assets	Over the lease term
Buildings	50 years
Leasehold improvements	10 years
Furniture	10 years
Office equipment and telephones	5 – 10 years
Computer hardware	3 – 5 years

The useful life of certain office equipment and telephones was revised in 2019, from 5 years to 10 years (note 14).

Revenue

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

The Group recognises revenue when it transfers control over service to a customer. It is measured based on the consideration specified in a contract with a customer. Control transfers to the customer equally over the contract period based on the time elapsed. Where discounted periods are granted to customers, service income is spread on a straight-line basis over the duration of the customer contract.

1. **Workstations**
   Workstation revenue is recognised over time as the services are provided. Amounts invoiced in advance are accounted for as deferred income (contract liability) and recognised as revenue upon provision of the service.
2. **Customer service income**
   Service income (including the provision of meeting rooms) is recognised over time as the services are delivered or at a point in time depending on contractual obligations. 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.
3. **Management and franchise fees**
   Fees received for the provision of initial and subsequent services are recognised over time 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.
4. **Membership card income**
   Revenue from the sale of membership cards is deferred and recognised over time within the period that the benefits of the membership card are expected to be provided. Deferred revenue is included in contract liabilities.

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 Directors and employees 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 25 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. Deferred tax assets and liabilities are not subject to discounting. 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 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.

The carrying amount of a deferred tax asset or liability may change for reasons other than a change in the temporary difference itself. Such changes might arise as a result of a change in tax rates or laws, a reassessment of the recoverability of a deferred tax asset or a change in the expected manner of recovery of an asset or the expected manner of a settlement of a liability. The impact of these changes is recognised in the income statement or in other comprehensive income depending on where the original deferred tax balance was recognised.

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.

2. Accounting policies (continued)

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 closure costs to the extent that the unavoidable costs of meeting the obligations exceed the economic benefits expected to be delivered.

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.

Inventory

Inventories relate to consumable items which are measured at the lower of cost or net realisable value. The cost of inventories is based on the first-in, first-out principle.

Net finance expense

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.

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 applies the simplified approach to trade receivables and recognises expected credit losses based on the lifetime expected losses. Provisions for receivables are established based on both expected credit losses and information available that the Group will not be able to collect all amounts due according to the original terms of the receivables.

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 either returned to the customer at the end of their relationship with the Group, or released to the income statement.

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 reclassified 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.

Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

- represents a separate major line of business or geographic area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographic area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale. When an operation is classified as a discontinued operation, the comparative statement of profit or loss and OCI is re-presented as if the operation had been discontinued from the start of the comparative year.

Derivative financial instruments

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

Foreign currency translation rates

	At 31 December		Annual average	
	2019	2018	**2019**	2018
US dollar	**1.32**	1.28	**1.28**	1.33
Euro	**1.18**	1.12	**1.14**	1.13

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3. Segmental analysis

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.

	Americas		EMEA		Asia Pacific		United Kingdom		Other		Total	
Continuing operations	**2019 £m**	2018 £m	**2019 £m**	2018 Restated £m	**2019 £m**	2018 Restated £m	**2019 £m**	2018 £m	**2019 £m**	2018 £m	**2019 £m**	2018 Restated £m
Revenue from external customers[1]	**1,188.5**	1,048.5	**685.1**	598.8	**343.9**	310.9	**426.5**	439.0	**9.0**	4.9	**2,653.0**	2,402.1
Mature business[2]	**1,079.6**	978.4	**533.9**	538.9	**275.2**	267.6	**353.7**	355.7	**9.0**	4.9	**2,251.4**	2,145.5
2018 Expansions[2]	**67.5**	19.8	**89.8**	20.6	**40.5**	8.9	**38.4**	13.3	**–**	–	**236.2**	62.6
2019 Expansions[2]	**22.6**	–	**37.5**	–	**10.8**	–	**11.3**	–	**–**	–	**82.2**	–
Closures[2]	**18.8**	50.3	**23.9**	39.3	**17.4**	34.4	**23.1**	70.0	**–**	–	**83.2**	194.0
Gross profit (centre contribution)[3]	**303.5**	173.8	**150.3**	111.8	**61.1**	33.3	**38.6**	55.3	**12.9**	0.3	**566.4**	374.5
Share of profit/(loss) of equity-accounted investees	**–**	–	**2.6**	(1.3)	**(0.1)**	(0.1)	**0.2**	–	**–**	–	**2.7**	(1.4)
Operating profit/(loss)[3]	**237.7**	122.6	**86.7**	51.0	**34.3**	3.9	**9.8**	36.1	**(80.6)**	(88.7)	**287.9**	124.9
Finance expense[3]											**(232.5)**	(15.8)
Finance income											**0.5**	0.5
Profit before tax for the year[3]											**55.9**	109.6
Depreciation and amortisation[3]	**509.8**	118.3	**282.1**	37.0	**158.2**	25.9	**184.2**	35.0	**1.9**	10.0	**1,136.2**	226.2
Assets	**3,828.0**	1,417.4	**2,325.8**	751.7	**824.6**	472.5	**1,699.6**	672.0	**275.3**	107.6	**8,953.3**	3,421.2
Liabilities	**(3,473.8)**	(1,042.5)	**(2,091.3)**	(502.9)	**(733.6)**	(316.4)	**(1,426.5)**	(310.7)	**(347.6)**	(497.5)	**(8,072.8)**	(2,670.0)
Net assets/(liabilities)[3]	**354.2**	374.9	**234.5**	248.8	**91.0**	156.1	**273.1**	361.3	**(72.3)**	(389.9)	**880.5**	751.2
Non-current asset additions[4]	**1,013.2**	228.7	**865.5**	141.5	**220.6**	84.1	**404.0**	112.8	**23.6**	19.4	**2,526.9**	586.5

1. Excludes revenue from discontinued operations (note 9).
2. 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 154 and 155.
3. The Group initially applied IFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying IFRS 16 is recognised in retained earnings at the date of initial application.
4. 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:

	2019		2018	
£m	External revenue	Non-current assets[2]	External revenue	Non-current assets[2]
Country of tax domicile – Switzerland[1]	–	–	–	27.0
United States of America	**999.4**	**3,102.2**	883.7	1,022.1
United Kingdom	**426.5**	**1,570.6**	439.0	508.8
All other countries	**1,227.1**	**3,312.3**	1,079.4	1,013.5
	2,653.0	**7,985.1**	2,402.1	2,571.4

1. Revenue of £39.1m (2018: £32.1m) is included in discontinued operations.
2. Excluding deferred tax assets.

5. Operating profit – continuing operations

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

	Notes	2019 £m	2018[1] Restated £m
Revenue		**2,653.0**	2,402.1
Depreciation on property, plant and equipment[2]	14	**1,126.5**	215.8
Right-of-use assets	14	**983.4**	–
Other property, plant and equipment	14	**143.1**	215.8
Amortisation of intangibles assets	13	**9.7**	10.4
Amortisation of partner contributions		–	(66.4)
Property rents payable in respect of leases		**43.7**	1,017.6
Property		–	987.5
Variable rents paid		**43.7**	30.1
Lease expense on low-value assets		**0.9**	3.1
Lease expense on short-term leases		**2.3**	0.3
Staff costs	6	**373.2**	365.9
Facility and other property costs		**419.4**	371.5
Expected credit losses of trade receivables	24	**2.0**	17.5
Loss on disposal of property, plant and equipment		**32.7**	13.6
Profit on disposal of right-of-use assets and related lease liabilities		**0.9**	–
Impairment of goodwill	12	**0.8**	1.0
Loss on disposal of intangible assets	13	**0.3**	0.1
Reversal of impairment of property, plant and equipment	14	**(2.1)**	(0.1)
Amortisation of acquired lease fair value adjustments		–	(2.0)
Negative goodwill arising on acquisition	12	–	(6.2)
Other costs		**357.5**	333.7
		285.2	126.3
Share of profit/(loss) of equity-accounted investees, net of tax	21	**2.7**	(1.4)
Operating profit		**287.9**	124.9

1. The Group initially applied IFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying IFRS 16 is recognised in retained earnings at the date of initial application. The comparative information has been restated to reflect the impact of discontinued operations.
2. Excludes depreciation expenses related to discontinued operations for right-of-use assets of £26.6m (2018: £nil) and other property, plant and equipment of £6.6m (2018: £9.6m).

5. Operating profit – continuing operations (continued)

	2019 £m	2018 £m
Fees payable to the Group's auditor and its associates for the audit of the Group accounts	**1.2**	1.0
Fees payable to the Group's auditor and its associates for other services:		
The audit of the Company's subsidiaries pursuant to legislation	**2.3**	2.2
Other services pursuant to legislation:		
Tax services	**–**	–
Other services	**0.1**	–

Change in estimate

During 2019 the Group conducted a review of the estimated useful life for property, plant and equipment. On 1 January 2019, the expected useful life for certain office equipment and telephones was revised, from 5 years to 10 years (note 14) to more accurately reflect the period over which the assets are expected to be available for use by the Group. Based on this review, the Group adjusted depreciation by £14.5m. This resulted in an increase in operating profit.

During 2019 the Group conducted a review of the expected credit risk associated with accounts receivable balances. This review was performed in response to changing commercial circumstances, with the Group recognising a reduction in the provision for doubtful debts of £8.2m.

6. Staff costs

	2019[1] £m	2018[1] £m
The aggregate payroll costs were as follows:		
Wages and salaries	**315.0**	311.5
Social security	**51.8**	49.4
Pension costs	**5.7**	4.5
Share-based payments	**0.7**	0.5
	373.2	365.9

1. Excludes staff costs related to discontinued operations of £10.6m (2018: £15.0m).

	2019 Average full time equivalents [2]	2018 Average full time equivalents [2]
The average number of persons employed by the Group (including Executive Directors), analysed by category and geography, was as follows:		
Centre staff	**7,599**	7,096
Sales and marketing staff	**462**	484
Finance staff	**749**	784
Other staff	**904**	898
	9,714	9,262
Americas	**3,195**	3,001
EMEA	**2,744**	2,356
Asia Pacific	**1,268**	1,386
United Kingdom	**913**	926
Corporate functions	**1,594**	1,593
	9,714	9,262

2. The average full-time equivalents excludes employees for countries sold during 2019 of 221 (2018: 353).

Details of Directors' emoluments and interests are given on pages 79 to 92 in the Directors' Remuneration Report, with audited schedules identified where relevant.

7. Net finance expense

	2019 £m	2018 £m
Interest payable and similar charges on bank loans and corporate borrowings[1]	**(13.7)**	(12.3)
Interest payable on finance lease liabilities[2][3]	**(213.2)**	–
Total interest expense	**(226.9)**	(12.3)
Other finance costs (including foreign exchange)	**(5.4)**	(3.3)
Unwinding of discount rates	**(0.2)**	(0.2)
Total finance expense	**(232.5)**	(15.8)
Total interest income	**0.5**	0.5
Total finance income	**0.5**	0.5
Net finance expense	**(232.0)**	(15.3)

1. Excludes interest payables related to discontinued operations of £nil (2018: £0.1m).
2. Excludes lease liability finance expense related to discontinued operations of £2.8m (2018: £nil)
3. The Group initially applied IFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying IFRS 16 is recognised in retained earnings at the date of initial application.

8. Taxation

(a) Analysis of charge in the year

	2019 £m	2018 £m
Current taxation		
Corporate income tax	**(60.9)**	(37.7)
Previously unrecognised tax losses and other differences	**4.2**	4.0
Under provision in respect of prior years	**(0.6)**	(4.4)
Total current taxation	**(57.3)**	(38.1)
Deferred taxation		
Origination and reversal of temporary differences	**79.0**	(0.9)
Previously unrecognised tax losses and other differences	**0.9**	9.7
Under provision in respect of prior years	**(0.3)**	(0.4)
Total deferred taxation	**79.6**	8.4
Tax credit/ (charge) on continuing operations	**22.3**	(29.7)

(b) Reconciliation of taxation charge

	2019		2018	
	£m	%	£m	%
Profit before tax from continuing operations	**55.9**		109.6	
Tax on profit at 14.6% (2018: 14.6%)	**(8.2)**	**(14.6)**	(16.0)	(14.6)
Tax effects of:				
Expenses not deductible for tax purposes	**(38.5)**	**(68.9)**	(26.7)	(24.4)
Items not chargeable for tax purposes	**31.9**	**57.1**	24.9	22.7
Recognition of previously unrecognised deferred tax assets	**5.0**	**8.9**	13.7	12.5
Movements in temporary differences in the year not recognised in deferred tax	**(48.8)**	**(87.3)**	(104.1)	(95.0)
Adjustment to tax charge in respect of previous years	**(0.9)**	**(1.6)**	(4.8)	(4.4)
Differences in tax rates on overseas earnings	**81.8**	**146.3**	83.3	76.0
	22.3	**39.9**	(29.7)	(27.1)

The applicable tax rate is determined based on the tax rate in the canton of Zug in Switzerland which is the country of domicile of the parent company of the Group for the financial year.

For amounts recognised directly in equity which relate to the change in accounting policy for IFRS 16 – see note 2.

8. Taxation (continued)

(c) Factors that may affect the future tax charge

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

	2019 £m	2018 £m
2019	–	5.6
2020	**13.9**	20.5
2021	**31.7**	31.7
2022	**37.7**	40.5
2023	**50.2**	54.2
2024	**64.0**	31.5
2025	**44.9**	37.6
2026	**47.1**	17.8
2027 and later	**490.2**	414.2
	779.7	653.6
Available indefinitely	**640.9**	671.8
Tax losses available to carry forward	**1,420.6**	1,325.4
Amount of tax losses recognised in deferred tax assets	**488.5**	207.8
Total tax losses available to carry forward	**1,909.1**	1,533.2

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

	2019 £m	2018 £m
Intangibles	**410.8**	17.0
Accelerated capital allowances	**17.7**	39.3
Tax losses	**347.3**	336.8
Rent	**11.2**	7.9
Leases	**23.1**	–
Short-term temporary differences	**5.6**	9.8
	815.7	410.8

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

(d) Corporation tax

	2019 £m	2018 £m
Corporation tax payable	**(32.3)**	(31.0)
Corporation tax receivable	**24.0**	32.7

(e) Deferred taxation

The movement in deferred tax is analysed below:

	Intangibles £m	Property, plant and equipment £m	Tax losses £m	Rent £m	Leases £m	Short-term temporary differences £m	Total £m
Deferred tax asset							
At 1 January 2018	(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
At 31 December 2018	(33.5)	(24.8)	45.8	52.4	–	(9.3)	30.6
Adjustments on adoption of IFRS 16	–	–	–	–	86.7	–	86.7
At 1 January 2019	(33.5)	(24.8)	45.8	52.4	86.7	(9.3)	117.3
Current year movement	**71.5**	**(5.9)**	**71.2**	**3.3**	**6.9**	**(66.1)**	**80.9**
Prior year movement	**–**	**(2.0)**	**1.1**	**0.2**	**–**	**0.4**	**(0.3)**
Disposals	**–**	**0.6**	**(1.3)**	**(0.1)**	**–**	**(1.4)**	**(2.2)**
Transfers	**–**	**0.1**	**–**	**(0.1)**	**–**	**–**	**–**
Exchange rate movements	**1.4**	**0.5**	**(1.3)**	**(1.6)**	**–**	**0.3**	**(0.7)**
At 31 December 2019	**39.4**	**(31.5)**	**115.5**	**54.1**	**93.6**	**(76.1)**	**195.0**

	Intangibles £m	Property, plant and equipment £m	Tax losses £m	Rent £m	Leases £m	Short-term temporary differences £m	Total £m
Deferred tax liability							
At 1 January 2018	(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	–	–	–	–	–	–	–
At 31 December 2018	(0.2)	(4.7)	4.6	0.5	–	(0.2)	–
Adjustments on adoption of IFRS 16	–	–	–	–	–	–	–
At 1 January 2019	(0.2)	(4.7)	4.6	0.5	–	(0.2)	–
Current year movement	**–**	**–**	**(0.2)**	**–**	**–**	**0.2**	**–**
Prior year movement	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Disposals	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Transfers	**–**	**(0.1)**	**–**	**0.1**	**–**	**–**	**–**
Exchange rate movements	**–**	**0.2**	**(0.2)**	**–**	**–**	**–**	**–**
At 31 December 2019	**(0.2)**	**(4.6)**	**4.2**	**0.6**	**–**	**–**	**–**

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 £12.1m (2018: £23.2m). The only tax that would arise on these reserves would be non-recoverable withholding tax. The adoption of IFRS 16 has resulted in the recognition of a deferred tax asset of £86.7m at transition.

As part of the Group's pivot towards franchising, the Group recognised a deferred tax asset of £89.8m in 2019, and a corresponding deferred tax credit in the Income Statement. This arises in connection with a restructure during the year involving the intra-group move of the Group's intellectual property (IP) and franchising arrangements from Luxembourg to Switzerland. The deferred tax asset recognised is based on the expected future value of annual amortisation on the fair market value of the IP at the date of the restructuring, which is deductible for Swiss Corporate income tax purposes. The utilisation of the amortisation deduction is dependent on the future taxable profits of the Group.

The Directors have exercised judgement in determining the appropriate timescale over which it is more likely than not that the Group will earn sufficient future taxable profits to utilise the available amortisation deductions.

9. Discontinued operations

During 2019, the Group completed the sale of various country operations through the signing of master franchise agreements. The positive financial impact of these transactions is treated as discontinued operations in accordance with IFRS 5, however these operations under franchise will continue to be an important strategic component of the overall Group network. These transactions form part of the larger change in strategy of the Group towards adopting a franchising model. Fees from franchising activities subsequent to sale are reflected as franchise revenues in continuing operations.

Disposal of the Japanese operations

On 31 May 2019, the Group completed the sale of its Japanese operations to TKP Corporation for a consideration of £320.3m, with final adjustments recognised during the second half of 2019.

	2019 £m	2018 £m
Revenue	**46.9**	94.4
Expenses	**(31.9)**	(72.7)
Profit before tax for the year	**15.0**	21.7
Income tax expense	**(2.8)**	(2.3)
Profit after tax for the year	**12.2**	19.4
Gain on the sale of discontinued operations	**266.9**	–
Profit for the year, net of tax	**279.1**	19.4

The assets and liabilities of the Japanese operations as at 31 May 2019 were as follows:

	2019 £m
Total assets	**281.4**
Total liabilities	**(245.5)**
Net assets	**35.9**
Costs directly associated with the disposal	**24.1**
Foreign exchange recycled to profit and loss	**(6.6)**
	53.4
Consideration on disposal (net of cash and debt)	**320.3**
Gain on sale of discontinued operations	**266.9**

The net cash flows incurred by the Japanese operations are as follows:

	2019 £m	2018 £m
Operating	**6.6**	18.0
Investing	**(5.2)**	(6.3)
Financing	**–**	–
Net cash inflow	**1.4**	11.7

Disposal of the other operations

During 2019, the Group completed the sale of other individually immaterial operations for a consideration of £104.3m.

	2019 £m	2018 £m
Revenue	**46.2**	38.9
Expenses	**(38.4)**	(31.5)
Profit before tax for the year	**7.8**	7.4
Income tax credit/(expense)	**1.0**	(1.0)
Profit after tax for the year	**8.8**	6.4
Gain on the sale of discontinued operations	**84.5**	–
Profit for the year, net of tax	**93.3**	6.4

The assets and liabilities of these operations at their respective dates of disposal were as follows:

	2019 £m
Total assets	**141.2**
Total liabilities	**(124.2)**
Net assets	**17.0**
Costs directly associated with the disposal	**5.0**
Foreign exchange recycled to profit and loss	**(2.2)**
	19.8
Consideration on disposal (net of cash and debt)	**104.3**
Gain on sale of discontinued operations	**84.5**

The net cash flows incurred by these operations are as follows:

	2019 £m	2018 £m
Operating	**13.2**	14.6
Investing	**(17.8)**	(12.2)
Financing	**(0.3)**	(0.3)
Net cash (outflow)/inflow	**(4.9)**	2.1

10. Earnings per ordinary share (basic and diluted)

	2019	2018
Basic and diluted profit for the year attributable to shareholders (£m)	**450.6**	105.7
Basic earnings per share (p)	**50.5**	11.7
Diluted earnings per share (p)	**49.6**	11.6
Basic and diluted profit for the year from continuing operations (£m)	**78.2**	79.9
Basic earnings per share (p)	**8.8**	8.8
Diluted earnings per share (p)	**8.6**	8.7
Basic and diluted profit for the year from discontinued operations (£m)	**372.4**	25.8
Basic earnings per share (p)	**41.7**	2.9
Diluted earnings per share (p)	**41.0**	2.9
Weighted average number of shares for basic EPS	**892,737,688**	907,077,048
Weighted average number of shares under option	**34,671,862**	13,715,757
Weighted average number of shares that would have been issued at average market price	**(19,932,772)**	(8,736,525)
Weighted average number of share awards under the CIP, PSP, DSBP and One-off Award	**1,463,133**	2,150,099
Weighted average number of shares for diluted EPS	**908,939,911**	914,206,379

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 338.28p (2018: 253.22p).

11. Dividends

	2019	2018
Dividends per ordinary share proposed	**4.80p**	4.35p
Interim dividends per ordinary share declared and paid during the year	**2.15p**	1.95p

Dividends of £58.2m were paid during the year (2018: £53.7m). The Company has proposed to shareholders that a final dividend of 4.80p per share will be paid (2018: 4.35p), equating to £42.4m. Subject to shareholder approval at the AGM on 12 May 2020, it is expected that the dividend will be paid on 22 May 2020.

12. Goodwill

	£m
Cost	
At 1 January 2018	666.7
Recognised on acquisition of subsidiaries[1]	(7.5)
Negative goodwill	6.2
Goodwill impairment	(1.0)
Exchange rate movements	14.8
At 31 December 2018	679.2
Recognised on acquisition of subsidiaries	**22.6**
Disposal of goodwill	**(10.9)**
Goodwill impairment	**(0.8)**
Exchange rate movements	**(15.5)**
At 31 December 2019	**674.6**

Net book value	
At 31 December 2018	679.2
At 31 December 2019	**674.6**

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.

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

Carrying amount of goodwill included within:	**2019 £m**	2018 £m
Americas	**290.9**	299.7
EMEA	**138.6**	125.4
Asia	**26.2**	35.2
United Kingdom	**218.9**	218.9
	674.6	679.2

The carrying value of goodwill and indefinite life intangibles allocated to two countries, the USA and the UK, is material relative to the total carrying value, comprising 73% of the total. The remaining 27% of the carrying value is allocated to a further 39 countries. The goodwill and indefinite life intangibles allocated to the USA and the UK are set out below:

	Goodwill £m	Intangible assets £m	**2019 £m**	2018 £m
USA	268.7	–	**268.7**	277.1
United Kingdom	218.9	11.2	**230.1**	230.1
Other countries	187.0	–	**187.0**	183.2
	674.6	11.2	**685.8**	690.4

The indefinite life intangible asset relates to the Regus brand.

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 2020 that follow a budgeting process (2018: average annual growth rate of the three-year average inflation rate of the country);
- 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 10.4% in 2018 to 12.4% in 2019 (post-tax WACC: 9.9%). The country-specific pre-tax WACC reflecting the respective market risk adjustment has been set between 9.9% and 15.7% (2018: 9.7% to 14.1%).

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 24% over the next five years. Revenue and costs grow at 1.9% per annum from 2022. A terminal value centre gross margin of 23% is adopted from 2024, with a 1.9% 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% (2018: 14%).

The UK model assumes an average centre contribution of 12% over the next five years. Revenue and costs grow at 2% per annum from 2022. A terminal value centre gross margin of 13% is adopted from 2024, with a 2% long-term growth rate assumed on revenue and costs into perpetuity. The cash flows have been discounted using a pre-tax discount rate of 12% (2018: 10%).

Management has considered the following sensitivities:

- Market growth and WIPOS – Management has considered the impact of a variance in market growth and WIPOS. 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 59% (2018: 20%) for the US and 15% (2018: 12%) 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 17% (2018: 4%) for the US and 2% (2018: 2%) for the UK.

13. Other intangible assets

	Brand £m	Customer lists £m	Software £m	Total £m
Cost				
At 1 January 2018	60.9	32.2	60.5	153.6
Additions at cost	–	–	6.9	6.9
Acquisition of subsidiaries[1]	–	0.1	–	0.1
Disposals	–	–	(1.8)	(1.8)
Exchange rate movements	2.7	0.2	0.5	3.4
At 31 December 2018	63.6	32.5	66.1	162.2
Additions at cost	**0.2**	**–**	**12.6**	**12.8**
Acquisition of subsidiaries	**–**	**–**	**–**	**–**
Disposals (including discontinued operations)	**–**	**–**	**(0.5)**	**(0.5)**
Exchange rate movements	**(1.6)**	**(0.7)**	**(0.9)**	**(3.2)**
At 31 December 2019	**62.2**	**31.8**	**77.3**	**171.3**
Amortisation				
At 1 January 2018	33.0	30.9	44.3	108.2
Charge for year	2.5	0.8	7.1	10.4
Disposals	–	–	(1.7)	(1.7)
Exchange rate movements	1.9	0.6	0.3	2.8
At 31 December 2018	37.4	32.3	50.0	119.7
Charge for year	**2.6**	**0.3**	**6.8**	**9.7**
Disposals (including discontinued operations)	**–**	**(0.3)**	**(0.5)**	**(0.8)**
Exchange rate movements	**(1.2)**	**(0.7)**	**(0.4)**	**(2.3)**
At 31 December 2019	**38.8**	**31.6**	**55.9**	**126.3**
Net book value				
At 1 January 2018	27.9	1.3	16.2	45.4
At 31 December 2018	26.2	0.2	16.1	42.5
At 31 December 2019	**23.4**	**0.2**	**21.4**	**45.0**

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

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

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

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

14. Property, plant and equipment

	Right-of-use assets £m	Land and buildings £m	Leasehold improvements £m	Furniture and equipment £m	Computer hardware £m	Total £m
Cost						
At 1 January 2018	–	131.4	1,688.3	660.5	128.0	2,608.2
Additions	–	6.4	474.1	84.6	14.5	579.6
Acquisition of subsidiaries	–	8.6	0.2	0.3	–	9.1
Disposals	–	–	(125.8)	(56.2)	(7.0)	(189.0)
Exchange rate movements	–	(0.1)	49.0	19.9	1.4	70.2
At 31 December 2018	–	146.3	2,085.8	709.1	136.9	3,078.1
Recognition of right-of-use asset(2)	**8,304.9**	**–**	**(630.8)**	**–**	**–**	**7,674.1**
Adjusted balance at 1 January 2019	**8,304.9**	**146.3**	**1,455.0**	**709.1**	**136.9**	**10,752.2**
Additions	**2,157.7**	**10.6**	**230.6**	**101.8**	**13.4**	**2,514.1**
Acquisition of subsidiaries	**63.0**	**–**	**1.1**	**0.5**	**–**	**64.6**
Disposals	**(1,046.2)**	**(0.5)**	**(174.7)**	**(36.9)**	**(13.4)**	**(1,271.7)**
Exchange rate movements	**(40.0)**	**–**	**(42.5)**	**(24.8)**	**(4.4)**	**(111.7)**
At 31 December 2019	**9,439.4**	**156.4**	**1,469.5**	**749.7**	**132.5**	**11,947.5**
Accumulated depreciation						
At 1 January 2018	–	2.4	739.6	402.7	96.3	1,241.0
Charge for the year(1)	–	2.8	155.6	52.3	14.7	225.4
Disposals	–	–	(114.4)	(53.6)	(7.0)	(175.0)
Reversal of impairment	–	–	(0.1)	–	–	(0.1)
Exchange rate movements	–	0.1	22.2	11.8	1.5	35.6
At 31 December 2018	–	5.3	802.9	413.2	105.5	1,326.9
Recognition of right-of-use asset(2)	**3,172.5**	**–**	**(44.4)**	**–**	**–**	**3,128.1**
Adjusted balance at 1 January 2019	**3,172.5**	**5.3**	**758.5**	**413.2**	**105.5**	**4,455.0**
Charge for the year(1)	**1,010.0**	**1.7**	**89.6**	**48.8**	**9.6**	**1,159.7**
Disposals	**(706.9)**	**(0.1)**	**(115.0)**	**(26.4)**	**(10.1)**	**(858.5)**
Reversal of impairment	**–**	**–**	**(2.1)**	**–**	**–**	**(2.1)**
Exchange rate movements	**46.4**	**(0.1)**	**(27.3)**	**(13.2)**	**(3.1)**	**2.7**
At 31 December 2019	**3,522.0**	**6.8**	**703.7**	**422.4**	**101.9**	**4,756.8**
Net book value						
At 1 January 2018	–	129.0	948.7	257.8	31.7	1,367.2
At 31 December 2018	–	141.0	1,282.9	295.9	31.4	1,751.2
At 31 December 2019	**5,917.4**	**149.6**	**765.8**	**327.3**	**30.6**	**7,190.7**

1. Includes depreciation expenses related to discontinued operations for right-of-use assets of £26.6m (2018: £nil) and other property, plant and equipment of £6.6m (2018: £9.6m).
2. Right-of-use assets have been recognised on adoption of the IFRS 16 Leases. Refer to note 2 for further details of the opening balance sheet considerations and related accounting policies.

Change in estimate

The Group conducted a review of the estimated useful life for property, plant and equipment. On 1 January 2019, the expected useful life for certain asset categories were adjusted to more accurately reflect the period over which the assets are expected to be available for use by the Group. The positive effect of these changes on the depreciation expense, recognised in costs of sales, in the current period and expected in future years is as follows:

£m	2019	2020	2021	2023	2024	After
Impact on the income statement	14.5	8.9	4.3	0.3	(3.7)	(24.3)

15. Other long-term receivables

	2019 £m	2018 £m
Deposits held by landlords against rent obligations	**59.3**	82.4
Other receivables	**1.3**	–
Amounts owed by joint ventures	**0.4**	–
Acquired lease fair value asset	–	3.6
Total non-current	**61.0**	86.0

16. Trade and other receivables

	2019 £m	2018 £m
Trade receivables, net	**242.1**	229.8
Prepayments and accrued income[1]	**134.3**	213.3
Other receivables	**226.8**	164.3
VAT recoverable	**73.0**	103.1
Deposits held by landlords against rent obligations	**5.1**	6.0
Acquired lease fair value asset	–	1.0
Total current	**681.3**	717.5

1. The Group initially applied IFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying IFRS 16 is recognised in retained earnings at the date of initial application.

Change in estimate

The Group conducted a review of the expected credit risk associated with accounts receivable balances during 2019. This review was performed in response to changing commercial circumstances, with the Group recognising a reduction in the provision for doubtful debts of £8.2m.

17. Trade and other payables (including customer deposits)

	2019 £m	2018 £m
Customer deposits	**476.8**	483.2
Deferred rents[1]	–	147.6
Other accruals[1]	**96.8**	132.3
Trade payables	**116.4**	110.0
VAT payable	**46.2**	79.2
Deferred partner contributions	–	78.7
Other payables	**47.0**	21.4
Other tax and social security	**5.6**	4.8
Acquired lease fair value liability	–	1.7
Total current	**788.8**	1,058.9

1. The Group initially applied IFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying IFRS 16 is recognised in retained earnings at the date of initial application.

18. Other long-term payables

	2019 £m	2018 £m
Deferred partner contributions	–	389.6
Deferred rents[1]	–	305.9
Other payables	**2.0**	6.4
Acquired lease fair value liability	–	2.3
Total non-current	**2.0**	704.2

1. The Group initially applied IFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying IFRS 16 is recognised in retained earnings at the date of initial application.

19. Borrowings

The Group's total loan and borrowing position at 31 December 2019 and at 31 December 2018 had the following maturity profiles:

Bank and other loans

	2019 £m	2018 £m
Repayments falling due as follows:		
In more than one year but not more than two years	**8.1**	8.7
In more than two years but not more than five years	**341.3**	506.3
In more than five years	**1.6**	4.9
Total non-current	**351.0**	519.9
Total current	**9.7**	9.9
Total bank and other loans	**360.7**	529.8

20. Provisions

	2019			2018		
	Onerous leases and closures £m	**Other £m**	**Total £m**	Onerous leases and closures £m	Other £m	Total £m
At 1 January	**16.1**	**3.0**	**19.1**	3.6	5.8	9.4
Change in accounting policy[1]	**(2.0)**	**–**	**(2.0)**	–	–	–
Restated balance at 1 January	**14.1**	**3.0**	**17.1**	3.6	5.8	9.4
Provided in the period	**20.4**	**2.6**	**23.0**	16.0	1.3	17.3
Utilised in the period	**(7.3)**	**(1.8)**	**(9.1)**	(1.6)	(3.8)	(5.4)
Provisions released	**(13.6)**	**(1.1)**	**(14.7)**	(1.9)	(0.3)	(2.2)
Exchange rate movements	**(0.6)**	**0.1**	**(0.5)**	–	–	–
At 31 December	**13.0**	**2.8**	**15.8**	16.1	3.0	19.1
Analysed between:						
Current	**6.9**	**2.0**	**8.9**	8.3	1.4	9.7
Non-current	**6.1**	**0.8**	**6.9**	7.8	1.6	9.4
At 31 December	**13.0**	**2.8**	**15.8**	16.1	3.0	19.1

1. The change in accounting policy is disclosed in note 2 under the impact of the adoption of IFRS 16 paragraphs.

Onerous leases and closures

Provisions for onerous leases and closure costs relate to the estimated future costs of centre closures and onerous property leases. With the adoption of IFRS 16 by the Group, from 1 January 2019, onerous lease provisions previously recognised as at 31 December 2018 were reversed, with the related right-of-use asset assessed for impairment. The current year provision relates to closure costs only.

Other

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

21. Investments in joint ventures

	Investments in joint ventures £m	Provision for deficit in joint ventures £m	Total £m
At 1 January 2018	12.4	(3.8)	8.6
Share of profit/(loss)	0.3	(1.7)	(1.4)
Exchange rate movements	(0.5)	–	(0.5)
At 31 December 2018	12.2	(5.5)	6.7
Additions	**1.8**	**–**	**1.8**
Share of profit	**0.1**	**2.6**	**2.7**
Exchange rate movements	**(0.3)**	**–**	**(0.3)**
At 31 December 2019	**13.8**	**(2.9)**	**10.9**

The Group has 59 joint ventures (2018: 52) 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-year results of the joint ventures and do not represent the effective share:

	2019 £m	2018 £m
Income statement		
Revenue	**30.2**	27.6
Expenses	**(34.3)**	(31.1)
Loss before tax for the year	**(4.1)**	(3.5)
Tax charge	**(0.7)**	(0.3)
Loss after tax for the year	**(4.8)**	(3.8)
Balance sheet		
Non-current assets	**67.0**	15.7
Current assets	**52.0**	43.5
Current liabilities	**(74.3)**	(57.0)
Non-current liabilities	**(52.8)**	(2.7)
Net liabilities	**(8.1)**	(0.5)

22. Share capital

Ordinary equity share capital

	2019		2018	
	Number	**Nominal value £m**	Number	Nominal value £m
Authorised				
Ordinary 1p shares in IWG plc at 1 January	**8,000,000,000**	**80.0**	8,000,000,000	80.0
Ordinary 1p shares in IWG plc at 31 December	**8,000,000,000**	**80.0**	8,000,000,000	80.0
Issued and fully paid up				
Ordinary 1p shares in IWG plc at 1 January	**923,357,438**	**9.2**	923,357,438	9.2
Ordinary 1p shares in IWG plc at 31 December	**923,357,438**	**9.2**	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 2019 and 31 December 2019

During the year, 12,379,535 shares were purchased in the open market and 2,061,120 treasury shares held by the Group were utilised to satisfy the exercise of share awards by employees. As at 3 March 2020, 42,814,824 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.

	2019		2018	
	Number of shares	£m	Number of shares	£m
1 January	**28,736,954**	**74.1**	12,986,745	39.6
Purchase of treasury shares in IWG plc	**12,379,535**	**49.5**	17,489,685	40.2
Treasury shares in IWG plc utilised	**(2,061,120)**	**(6.7)**	(1,739,476)	(5.7)
31 December	**39,055,369**	**116.9**	28,736,954	74.1

23. Analysis of financial assets/(liabilities)

	Cash and cash equivalents £m	Gross cash £m	Debt due within one year £m	Debt due after one year £m	Lease due within one year (2) £m	Lease due after one year (2) £m	Gross debt £m	Net financial assets/ (liabilities) £m
At 1 January 2018	55.0	**55.0**	(8.5)	(342.9)	–	–	**(351.4)**	**(296.4)**
Cash flow	12.1	**12.1**	(1.4)	(175.5)	–	–	**(176.9)**	**(164.8)**
Non cash movements	–	–	–	–	–	–	–	–
Exchange rate movements	1.9	**1.9**	–	(1.5)	–	–	**(1.5)**	**0.4**
At 31 December 2018	69.0	**69.0**	(9.9)	(519.9)	–	–	**(529.8)**	**(460.8)**
Recognition of lease liability[1]	–	–	–	–	(900.0)	(4,743.4)	**(5,643.4)**	**(5,643.4)**
At 1 Jan 2019	69.0	**69.0**	(9.9)	(519.9)	(900.0)	(4,743.4)	**(6,173.2)**	**(6,104.2)**
Cash flow	(6.6)	**(6.6)**	–	162.5	171.7	919.8	**1,254.0**	**1,247.4**
Non cash movements	–	–	–	2.0	(262.5)	(1,825.4)	**(2,085.9)**	**(2,085.9)**
Exchange rate movements	4.2	**4.2**	0.2	4.4	13.4	80.4	**98.4**	**102.6**
At 31 December 2019	66.6	**66.6**	(9.7)	(351.0)	(977.4)	(5,568.6)	**(6,906.7)**	**(6,840.1)**

1. Finance lease liabilities have been recognised on adoption of IFRS 16 Leases. Refer to note 2 for further details of the opening balance sheet considerations and related accounting policies.
2. There are no significant lease commitments for leases not commenced at 31 December 2019.

Cash and cash equivalent balances held by the Group that are not available for use amounted to £8.3m at 31 December 2019 (2018: £4.2m). Of this balance, £2.9m (2018: £1.9m) is pledged as security against outstanding bank guarantees and a further £5.4m (2018: £2.3m) is pledged against various other commitments of the Group.

24. Financial instruments and financial risk management

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

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

Going concern

The Strategic Report on pages 1 to 63 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 40 to 47 within the Strategic Report reviews the trading performance, financial position and cash flows of the Group. During the year ended 31 December 2019, the Group made a significant investment in growth and was impacted by the adoption of IFRS 16. The Group's net debt position increased, based on the new leasing standard IFRS 16, by £6,379.3m to a net debt position of £6,840.1m as at 31 December 2019. Excluding the IFRS 16 impact, the net debt position decreased to £294.1m. The investment in growth is funded by a combination of cash flow generated from the Group's mature business centres, cash consideration received in franchising the business and debt. The Group has a £950.0m revolving credit facility (RCF) provided by a group of relationship banks with a final maturity in 2024 with an option to extend until 2026. As at 31 December 2019, £485.9m of the RCF was available and undrawn.

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

Credit risk

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

24. Financial instruments and financial risk management (continued)

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.

	2019 £m	2018 £m
Americas	**40.2**	33.3
EMEA	**98.3**	94.8
Asia Pacific	**39.9**	51.7
United Kingdom	**63.7**	50.0
	242.1	229.8

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 2019 £m	**Provision 2019 £m**	Gross 2018 £m	Provision 2018 £m
Not overdue	**178.2**	**–**	175.6	–
Past due 0 – 30 days	**32.1**	**–**	38.2	–
Past due 31 – 60 days	**13.1**	**–**	11.6	–
More than 60 days	**26.4**	**(7.7)**	26.6	(22.2)
	249.8	**(7.7)**	252.0	(22.2)

At 31 December 2019, the Group maintained a provision of £7.7m for expected credit losses (2018: £22.2m) arising from trade receivables. The Group had provided £2.0m (2018: £17.7m) in the year, utilised £8.3m (2018: £17.3m) and released £8.2m (2018: £nil). Customer deposits of £476.8m (2018: £483.2m) 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 £476.8m (2018: £483.2m) held at the end of the year.

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.

Change in estimate

The Group conducted a review of the expected credit risk associated with accounts receivable balances during 2019. This review was performed in response to changing commercial circumstances, with the Group recognising a reduction in the provision for doubtful debts of £8.2m.

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 £58.3m (2018: £64.8m). In addition to cash and liquid investments, the Group had £485.9m 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 January 2019, the amount of the facility was increased from £750.0m to £950.0m and the final maturity extended to January 2024 with an option to extend until 2026. As at 31 December, £485.9m was available and undrawn under this facility.

The debt provided under the credit facility is floating rate, however, as part of the Group's balance sheet management and to protect against a future increase in interest rates, £30.0m was swapped into a fixed rate liability of 1.2%, maturing in February 2021.

Although the Group has net current liabilities of £1,366.5m (2018: £610.3m), increasing on the adoption of IFRS 16, 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 £476.8m (2018: £483.2m) 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 short-term lease liabilities and deferred income, was £66.5m at 31 December 2019 (2018: £290.3m).

Market risk

The Group is exposed to market risk primarily related to foreign currency exchange rates, interest rates and the market value of our investments in financial assets. These exposures are actively managed by the Group Treasurer and Chief Financial Officer 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 2019 no cash was invested for a period exceeding three months (2018: £nil).

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:

	2019		
£m	**GBP**	**EUR**	**USD**
Trade and other receivables	**–**	**1.3**	**0.5**
Trade and other payables	**(0.2)**	**(1.4)**	**(2.4)**
Net statement of financial position exposure	**(0.2)**	**(0.1)**	**(1.9)**

	2018		
£m	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)

Other market risks

The Group does not hold any equity securities for fair value measurement under IFRS 9 and is therefore not subject to risks of changes in equity prices in the income statement.

Sensitivity analysis

For the year ended 31 December 2019, it is estimated that a general increase of one percentage point in interest rates would have decreased the Group's profit before tax by approximately £3.8m (2018: decrease of £4.0m) 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 £12.9m for the year ended 31 December 2019 (2018: decrease of £13.4m). 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 £5.9m for the year ended 31 December 2019 (2018: decrease of £0.8m).

It is estimated that a five-percentage point weakening in the value of the US dollar against sterling would have decreased the Group's total equity by approximately £11.1m for the year ended 31 December 2019 (2018: £11.6m). 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 £6.1m for the year ended 31 December 2019 (2018: decrease of £3.0m).

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 70. 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 79 to 92. In addition, the Group operates various share option plans for key management and other senior employees.

24. Financial instruments and financial risk management (continued)

Treasury share transactions involving IWG plc shares between 1 January 2019 and 31 December 2019

During the year, 12,379,535 shares were purchased in the open market and 2,061,120 treasury shares held by the Group were utilised to satisfy the exercise of share awards by employees. As at 31 December 2019, 39,055,369 treasury shares were held.

The Company declared and paid an interim dividend of 2.15p per share (2018: 1.95p) during the year ended 31 December 2019 and proposed a final dividend of 4.80p per share (2018: 4.35p per share), a 10% increase on the 2018 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.

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 2019

	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%**	**66.6**	**66.6**	**66.6**	–	–	–
Trade and other receivables[1]	–	**547.0**	**554.8**	**554.8**	–	–	–
Other long-term receivables[2]	–	**59.7**	**59.7**	–	**30.0**	**29.7**	–
Financial assets[3]		**673.3**	**681.1**	**621.4**	**30.0**	**29.7**	–
Non-derivative financial liabilities[4]:							
Bank loans and corporate borrowings	**3.2%**	**(340.2)**	**(340.2)**	**(0.1)**	**(2.0)**	**(338.1)**	–
Lease liabilities	**3.5%**	**(6,546.0)**	**(8,965.4)**	**(1,168.6)**	**(1,164.7)**	**(2,942.2)**	**(3,689.9)**
Other loans	**0.8%**	**(20.5)**	**(20.5)**	**(9.6)**	**(6.1)**	**(3.2)**	**(1.6)**
Trade and other payables[5]	–	**(788.8)**	**(788.8)**	**(788.8)**	–	–	–
Other long-term payables[5]	–	**(2.0)**	**(2.0)**	–	**(2.0)**	–	–
Derivative financial liabilities:							
Interest rate swaps							
• Outflow	–	**(0.2)**	**(0.2)**	**(0.2)**	–	–	–
• Inflow	–	–	–	–	–	–	–
Financial liabilities		**(7,697.7)**	**(10,117.1)**	**(1,967.3)**	**(1,174.8)**	**(3,283.5)**	**(3,691.5)**

As at 31 December 2018

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

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

Fair value disclosures

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

31 December 2019

£m	Carrying amount				Fair value			
	Cash, loans and receivables	Other financial liabilities	Cash flow – hedging instruments	Total	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	**66.6**	–	–	**66.6**	–	–	–	–
Trade and other receivables	**547.0**	–	–	**547.0**	–	–	–	–
Other long-term receivables	**59.7**	–	–	**59.7**	–	–	–	–
Derivative financial liabilities	–	–	**(0.2)**	**(0.2)**	–	**(0.2)**	–	**(0.2)**
Bank loans and corporate borrowings	–	**(340.2)**	–	**(340.2)**	–	–	–	–
Other loans	–	**(20.5)**	–	**(20.5)**	–	–	–	–
Trade and other payables	–	**(788.8)**	–	**(788.8)**	–	–	–	–
Other long-term payables	–	**(2.0)**	–	**(2.0)**	–	–	–	–
	673.3	**(1,151.5)**	**(0.2)**	**(478.4)**		**(0.2)**		**(0.2)**
Unrecognised gain								–

31 December 2018

£m	Carrying amount				Fair value			
	Cash, loans and receivables	Other financial liabilities	Cash flow – hedging instruments	Total	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	69.0	–	–	69.0	–	–	–	–
Trade and other receivables	503.2	–	–	503.2	–	–	–	–
Other long-term receivables	82.4	–	–	82.4	–	–	–	–
Derivative financial asset	–	–	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								–

During the years ended 31 December 2019 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.

24. Financial instruments and financial risk management (continued)

Derivative financial instruments

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

	2019 GBP m	2018 GBP m
Derivatives used for cash flow hedging	**30.0**	100.0

	2019 USD m	2018 USD m
Derivatives used for cash flow hedging	**–**	30.0

Committed borrowings

	2019 Facility £m	**2019 Available £m**	2018 Facility £m	2018 Available £m
Revolving credit facility	**950.0**	**485.9**	750.0	125.4

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 £750.0 million to £950.0 million and the final maturity extended to January 2024 with an option to extend until 2026. As at 31 December, £485.9m was available and undrawn under this facility.

The debt provided under the credit facility is floating rate, however, as part of the Group's balance sheet management and to protect against a future increase in interest rates, £30.0m was swapped into a fixed rate liability of 1.2%, maturing in February 2021.

The £950.0m revolving credit facility is subject to financial covenants relating to net debt to EBITDA, and EBITDA plus rent to interest plus rent on a pre-IFRS 16 basis. The Group is in compliance with all covenant requirements.

25. Share-based payments

There are three share-based payment plans, details of which are outlined below:

Plan 1: IWG Group Share Option Plan

During 2004 the Group established the IWG Group Share Option Plan that entitles Executive Directors and certain employees to purchase shares in IWG plc. 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

	2019		2018	
	Number of share options	**Weighted average exercise price per share**	Number of share options	Weighted average exercise price per share
At 1 January	**36,441,222**	**191.87**	18,259,790	179.79
Granted during the year	**918,829**	**362.69**	21,885,127	200.95
Lapsed during the year	**(2,787,736)**	**205.68**	(2,159,407)	182.91
Exercised during the year	**(2,061,120)**	**143.37**	(1,544,288)	129.27
Outstanding at 31 December	**32,511,195**	**200.34**	36,441,222	191.87
Exercisable at 31 December	**4,807,175**	**142,44**	5,999,946	136.24

Date of grant	Numbers granted	Weighted average exercise price per share	Lapsed	Exercised	At 31 Dec 2019	Exercisable from	Expiry date
23/03/2010	3,986,000	100.50	(3,473,779)	(478,602)	33,619 (1)	23/03/2013	23/03/2020
28/06/2010	617,961	75.00	(541,798)	(70,726)	5,437 (1)	28/06/2013	28/06/2020
01/09/2010	160,646	69.10	(146,728)	(13,918)	– (1)	01/09/2013	01/09/2020
01/04/2011	2,400,000	114.90	(954,402)	(481,866)	963,732 (1)	01/04/2014	01/04/2021
30/06/2011	9,867,539	109.50	(4,905,047)	(4,593,296)	369,196 (1)	30/06/2014	30/06/2021
13/06/2012	11,189,000	84.95	(3,805,914)	(6,332,726)	1,050,360 (1)	13/06/2015	13/06/2022
12/06/2013	7,741,000	155.60	(4,306,000)	(2,614,546)	820,454 (1)	12/06/2016	12/06/2023
18/11/2013	600,000	191.90	(575,000)	–	25,000 (1)	18/11/2016	17/11/2023
18/12/2013	1,000,000	195.00	(833,333)	(166,667)	– (1)	18/12/2016	17/12/2023
20/05/2014	1,845,500	187.20	(1,658,500)	(160,300)	26,700 (1)	20/05/2017	19/05/2024
05/11/2014	12,875,796	186.00	(7,447,050)	(649,996)	4,778,750	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	(350,186)	(15,000)	789,460	22/12/2018	22/12/2025
29/06/2016	444,196	272.50	(367,735)	(11,009)	65,452	29/06/2019	29/06/2026
28/09/2016	249,589	258.00	(214,313)	(7,055)	28,221	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	(315,228)	–	685,279	14/12/2020	14/12/2027
10/10/2018	685,127	223.20	(150,000)	–	535,127	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)	20,900,000	199.80	(1,000,000)	–	19,900,000	28/12/2021	28/12/2028
15/05/2019	613,872	341.90	(61,421)	–	552,451	15/05/2022	15/05/2029
13/09/2019	196,608	402.30	–	–	196,608	13/09/2022	13/09/2029
19/12/2019	108,349	408.60	–	–	108,349	19/12/2022	19/12/2029
Total	81,042,901		(32,935,999)	(15,595,707)	32,511,195		

1. All options have vested as of 31 December 2019.

Performance conditions for share options

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

25. 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

25. 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

May 2019 share option plan

The options awarded in May 2019 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 and various non-market performance targets. Once performance conditions are satisfied those options that are eligible to vest will vest as follows:

	Proportion to vest
May 2022	1/3
May 2023	1/3
May 2024	1/3

September 2019 share option plan

The options awarded in September 2019 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 relative total shareholder return (TSR).

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
September 2022	1/5
September 2023	1/5
September 2024	1/5
September 2025	1/5
September 2026	1/5

December 2019 share option plan

The options awarded in December 2019 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 relative total shareholder return (TSR).

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 2022	1/5
December 2023	1/5
December 2024	1/5
December 2025	1/5
December 2026	1/5

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 2019	**September 2019**	**May 2019**	December 2018 (Grant 2)	December 2018 (Grant 1)	October 2018	December 2017
Share price on grant date	**408.60p**	**402.30p**	**341.90p**	199.80p	203.10p	223.20p	197.00p
Exercise price	**408.60p**	**402.30p**	**341.90p**	199.80p	203.10p	223.20p	197.00p
Expected volatility	**36.24% – 44.72%**	**36.33% – 44.83%**	**38.84% – 45.75%**	37.66% – 44.35%	37.63% – 44.25%	37.15% – 43.32%	33.31% – 35.93%
Option life	**3-7 years**	**3-7 years**	**3-5 years**	3-5 years	3-5 years	3-5 years	3-5 years
Expected dividend	**1.59%**	**1.62%**	**1.85%**	2.95%	2.90%	2.64%	2.69%
Fair value of option at time of grant	**141.77p – 172.84p**	**137.79p – 169.19p**	**120.77p – 141.08p**	58.77p – 69.33p	39.36p – 46.42p	67.69p – 78.56p	40.06p – 44.20p
Risk-free interest rate	**0.57% – 0.65%**	**0.48% – 0.50%**	**0.52% – 0.60%**	0.87% – 1.01%	0.73% – 0.88%	0.70% – 0.91%	0.54% – 0.75%

	March 2017	September 2016	June 2016	December 2015	May 2015	November 2014	May 2014
Share price on grant date	283.70p	258.00p	272.50p	322.20p	250.80p	188.40p	191.00p
Exercise price	283.70p	258.00p	272.50p	322.20p	250.80p	186.00p	187.20p
Expected volatility	27.42% – 29.87%	27.45% – 32.35%	27.71% – 34.81%	24.80% – 37.08%	27.23% – 30.12%	24.67% – 33.53%	27.30% – 41.91%
Option life	3-5 years	3-7 years	3-7 years	3-7 years	3-7 years	3-7 years	3-5 years
Expected dividend	1.80%	1.80%	1.71%	1.40%	1.59%	2.02%	2.00%
Fair value of option at time of grant	44.51p – 76.88p	40.96p – 67.89p	44.28p – 78.68p	29.76p – 90.61p	42.35p – 69.12p	27.24p – 54.58p	30.80p – 59.63p
Risk-free interest rate	0.23% – 0.56%	0.09% – 0.38%	0.14% – 0.39%	0.14% – 0.21%	0.81% – 1.53%	0.90% – 1.81%	0.99% – 1.47%

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 standalone awards, based on normal plan limits, up to a maximum of 250% of base salary.

25. Share-based payments (continued)

Reconciliation of outstanding share awards

	2019 Number of awards	2018 Number of awards
At 1 January	**1,991,250**	3,321,464
PSP awards granted during the year	**1,058,578**	1,278,350
Lapsed during the year	**(679,293)**	(2,413,376)
Exercised during the year	**–**	(195,188)
Outstanding at 31 December	**2,370,535**	1,991,250
Exercisable at 31 December	**10,687**	–

There were no shares which were exercised during the year end 31 December 2019. The weighted average share price at the date of exercise for share awards exercised during the year ended 31 December 2019 was 0.00p (2018: 234.00p).

Plan	Date of grant	Numbers granted	Lapsed	Exercised	At 31 Dec 2019	Release date
PSP	03/03/2016	1,038,179	(1,038,179)	–	**–**	03/03/2021
PSP	01/03/2017	1,095,406	(512,367)	–	**583,039**	01/03/2022
PSP	07/03/2018	1,278,350	(597,938)	–	**680,412**	07/03/2023
PSP	07/03/2019	1,058,578	–	–	**1,058,578**	07/03/2024
		4,470,513	(2,148,484)	–	**2,322,029**	

Plan	Date of grant	Numbers granted	Lapsed	Exercised	At 31 Dec 2019	Release date[1]
CIP: Matching shares	05/03/2014	647,688	(536,698)	(100,303)	**10,687**	05/03/2019
CIP: Matching shares	04/03/2015	831,808	(793,989)	–	**37,819**	04/03/2020
		1,479,496	(1,330,687)	(100,303)	**48,506**	

1. Based on the outstanding shares as at 31 December 2019.

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:

	07/03/2019 PSP	07/03/2018 PSP	01/03/2017 PSP	03/03/2016 PSP	04/03/2015 CIP	05/03/2014 CIP
Share price on grant date	**244.90p**	240.90p	283.70p	300.00p	225.00p	253.30p
Exercise price	**Nil**	Nil	Nil	Nil	Nil	Nil
Number of simulations	**250,000**	250,000	250,000	250,000	250,000	250,000
Number of companies	**32**	32	32	32	32	32
Award life	**5 years**	5 years	5 years	5 years	3 years	3 years
Expected dividend	**2.57%**	2.37%	1.80%	1.50%	1.78%	1.66%
Fair value of award at time of grant	**124.38p – 188.43p**	124.92p – 189.26p	155.83p – 236.08p	183.08p – 277.36p	75.67p – 114.6p	83.11p – 214.33p
Risk-free interest rate	**0.79%**	1.21%	0.56%	0.86%	1.01%	0.99% – 1.47%

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.

2014 CIP Investment and matching grants

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

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

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

% of awards eligible for vesting	IWG TSR % achieved relative to FTSE All Share Total Return index[1]
Below index	0%
Median	25%
Upper quartile or above	100%

1. Over the three-, four- or five-year performance period.

2015 CIP Investment and matching grants

The total number of matching awards made in 2015 to each participant is subject to a future performance period of three years. Conditional on meeting the performance targets, the matching shares will vest in March 2020. The vesting date relates to the adjusted earnings per share (EPS) performance in the last financial year of the performance period, being 31 December 2017. The vesting of these awards is subject to the achievement of challenging corporate performance targets. 75% is subject to defined adjusted EPS targets over the performance period. The remaining 25% will be subject to relative total shareholder return (TSR) targets over the period. The targets are as follows:

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

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

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

2016 PSP Investment grant

The total number of shares awarded is subject to three different performance conditions. These conditions are measured over three financial years commencing on 1 January 2016. Thus, conditional on meeting these performance targets, these shares will vest in March 2021. One third is subject to defined earnings per share (EPS) conditions, one third is subject to relative total shareholder return (TSR) conditions and one third is subject to return on investment (ROI) conditions.

The EPS condition is based on the compound annual growth in EPS over the performance period measured from EPS in the financial year ending 31 December 2015 as follows:

Vesting scale	% of one third of the award that vest
25%	100%
Between 5% and 25%	On a straight-line basis between 0% and 100%
5%	0%

25. Share-based payments (continued)

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%

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%

2019 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 2019. Thus, conditional on meeting these performance targets, these shares will vest in March 2024. 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 2018 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 2018 as follows:

Vesting scale	% of one third of the award that vest
Exceeds 2018 ROI plus 300 basis points	100%
Exceeds 2018 ROI by less than 300 basis points	On a straight-line basis between 0% and 100%
Equal to or less than the 2018 ROI	0%

25. Share-based payments (continued)

Plan 3: Deferred Share Bonus Plan

The Deferred Share Bonus Plan, established in 2016, enables the Board to award options to selected employees on a discretionary basis. 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 three years after the date of grant.

In March 2019, an award of 112,014 ordinary shares of 1p each in the Company was granted to the Chief Executive Officer, Mark Dixon. The award is conditional on continuous employment and awards that are eligible will vest in March 2020.

Reconciliation of outstanding share options

	2019	2018
	Number of awards	Number of awards
At 1 January	**383,664**	383,664
DSBP awards granted during the year	**112,014**	–
Lapsed during the year	**–**	–
Exercised during the year	**–**	–
Outstanding at 31 December	**495,678**	383,664
Exercisable at 31 December	**–**	–

There were no shares which were exercisable during the year ended 31 December 2019 (2018: nil).

Plan	Date of grant	Numbers granted	Lapsed	Exercised	**At 31 Dec 2019**	Release date
DSBP	01/03/2017	383,664	–	–	**383,664**	01/03/2020
DSBP	07/03/2019	112,014	–	–	**112,014**	07/03/2022
		495,678	–	–	**495,678**	

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 2019	March 2017
Share price on grant date	**244.90p**	283.70p
Exercise price	**Nil**	Nil
Number of simulations	**–**	–
Number of companies	**–**	–
Award life	**3 years**	3 years
Expected dividend	**2.57%**	1.80%
Fair value of award at time of grant	**188.42p**	236.04p
Risk-free interest rate	**0.68%**	0.23%

26. 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:

	2019 £m	2018 £m
Fair value of plan assets	**11.0**	9.9
Present value of obligations	**(12.5)**	(11.4)
Net funded obligations	**(1.5)**	(1.5)

27. Acquisitions

Current period acquisitions

During the year ended 31 December 2019 the Group made an acquisition for a total consideration of £24.4m.

£m	Book value	Provisional fair value adjustments	Provisional fair value
Net assets acquired			
Right-of-use asset	**63.0**	–	**63.0**
Other property, plant and equipment	**1.6**	–	**1.6**
Cash	**5.5**	–	**5.5**
Other current and non-current assets	**6.8**	–	**6.8**
Lease liabilities	**(63.0)**	–	**(63.0)**
Current liabilities	**(7.6)**	–	**(7.6)**
Non-current liabilities	**(4.5)**	–	**(4.5)**
	1.8	–	**1.8**
Goodwill arising on acquisition			**22.6**
Total consideration			**24.4**
Cash flow on acquisition			
Cash paid			**24.4**
Net cash outflow			**24.4**

The goodwill arising on the 2019 acquisition 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. Of the above goodwill, £22.6m is expected to be deductible for tax purposes.

If the above acquisition had occurred on 1 January 2019, the revenue and net retained profit arising from this acquisition would have been £28.3m and £4.4m respectively. In the year, the equity acquisition contributed revenue of £4.7m and net retained profit of £1.2m.

There was £nil contingent consideration arising on the 2019 acquisition. Contingent consideration of £5.3m was also paid during the current year with respect to milestones achieved on previous acquisitions.

The acquisition costs associated with this transaction were £0.3m, recorded within administration expenses in the consolidated income statement.

For 2019's acquisition, 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 primarily for 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.

27. Acquisitions (continued)

Prior period acquisitions

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

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

The goodwill arising on the 2018 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. Of the above goodwill, £0.3m 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 above acquisitions. Contingent consideration of £1.8m was also paid during the prior year with respect to milestones achieved on previous acquisitions.

The acquisition costs associated with these transactions were £0.2m, 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.

28. Capital commitments

	2019 £m	2018 £m
Contracts placed for future capital expenditure not provided for in the financial statements	**196.4**	79.9

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

29. Contingent assets and liabilities

The Group has bank guarantees and letters of credit held with certain banks, predominantly in support of leasehold contracts with a variety of landlords, amounting to £144.5m (2018: £152.7m). 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
2019			
Joint ventures	**3.6**	**15.5**	**4.9**
2018			
Joint ventures	2.8	12.8	3.4

As at 31 December 2019, none of the amounts due to the Group have been provided for as the expected credit losses arising on the balances are considered immaterial (2018: £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:

	2019 £m	2018 £m
Short-term employee benefits	**8.2**	7.9
Retirement benefit obligations	**0.4**	0.4
Share-based payments	**1.4**	1.0
	10.0	9.3

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 £2.0m (2018: £2.1m). These awards are subject to performance conditions and vest over three, four and five years from the award date (refer to note 25 for further details).

Transactions with related parties

During the year ended 31 December 2019 the Group acquired goods and services from a company indirectly controlled by a Director of the Company amounting to £18,764 (2018: £43,288). There was a £18,764 balance outstanding at the year end (2018: £53,630).

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 2019, their principal activities and countries of incorporation are set out below:

Name of undertaking	Country of incorporation	% of ordinary shares and votes held
Trading companies		
Regus Australia Management Pty Ltd	Australia	100
Regus Belgium SA	Belgium	100
Regus do Brasil Ltda	Brazil	100
Regus Business Service (Shenzen) Ltd	China	100
Regus Management ApS	Denmark	100
Regus Management (Finland) Oy	Finland	100
RBC Deutschland GmbH	Germany	100
Regus HK Management Ltd	Hong Kong	100
Regus CME Ireland Limited	Ireland	100
Regus Business Centres Limited	Israel	100
Regus Business Centres Italia Srl	Italy	100
Regus Management Malaysia Sdn Bhd	Malaysia	100
Regus Management de Mexico, SA de CV	Mexico	100
Regus New Zealand Management Ltd	New Zealand	100
Regus Business Centre Norge AS	Norway	100
IWG Management Sp z.o.o.	Poland	100
Regus Management Singapore Pte Ltd	Singapore	100
Regus Management Espana SL	Spain	100
IWG Management (Sweden) AB	Sweden	100
Avanta Managed Offices Ltd	United Kingdom	100
Basepoint Centres Limited	United Kingdom	100
HQ Global Workplaces LLC	United States	100
RGN National Business Centre LLC	United States	100
Regus Business Centres LLC	United States	100

Name of undertaking	Country of incorporation	% of ordinary shares and votes held
Management companies		
RGN Management Limited Partnership	Canada	100
Pathway IP II Sarl	Switzerland	100
Franchise International Sarl	Switzerland	100
Regus Service Centre Philippines B.V.	Philippines	100
Regus Global Management Centre SA	Switzerland	100
Regus Group Services Ltd	United Kingdom	100
IW Group Services (UK) Ltd	United Kingdom	100
Regus Management Group LLC	United States	100
Holding and finance companies		
IWG Global Investments Sarl	Luxembourg	100
IWG Group Holdings Sarl	Luxembourg	100
Pathway Finance Sarl	Switzerland	100
Pathway Finance EUR 2 Sarl	Switzerland	100
Pathway Finance USD 2 Sarl	Switzerland	100
Regus Group Limited	United Kingdom	100
Regus Corporation	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.

Key judgements

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 2019, including the sensitivity to changes in those assumptions, can be found in note 12.

Tax assets and liabilities

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. 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 additional tax liabilities over and above those already provided for.

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 to the extent that it is probable that future taxable profits will be available against which the assets can be used.

Given the significant level of corporate developments in the Group, the determination of the period of time representing foreseeable future requires judgement to be exercised, using the Group's business forecasting processes.

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.

Determining the lease term of contracts with renewal and termination options

IFRS 16 defines the lease term as the non-cancellable period of a lease together with the options to extend or terminate a lease, if the lessee were reasonably certain to exercise that option. Where a lease includes the option for the Group to extend the lease term, the Group makes a judgement as to whether it is reasonably certain that the option will be taken. This will take into account the length of time remaining before the option is exercisable, macro-economic environment, socio-political environment and other lease specific factors.

Key estimates

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.

Estimating the incremental borrowing rates

The determination of applicable incremental borrowing rates at the commencement of lease contracts also requires judgement. The Group determines its incremental borrowing rates by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease. The Group considers the relevant market interest rate, based on the weighted average of the timing of the lease payments under the lease obligation. In addition, a spread over the market rate is applied based on the cost of funds to the Group, plus a spread that represents the risk differential of the lessee entity compared to the Group funding cost.

Summarised extract of Company balance sheet
(Accounting policies are based on the Swiss Code of Obligations)

	As at 31 Dec 2019 £m	As at 31 Dec 2018 £m
Trade and other receivables	**14.4**	9.4
Prepayments	**0.1**	0.2
Total current assets	**14.5**	9.6
Investments	**644.6**	2,295.4
Total non-current assets	**644.6**	2,295.4
Total assets	**659.1**	2,305.0
Trade and other payables	**6.3**	4.3
Accrued expenses	**2.7**	2.3
Total short-term liabilities	**9.0**	6.6
Long-term interest-bearing liabilities	**332.3**	207.7
Total long-term liabilities	**332.3**	207.7
Total liabilities	**341.3**	214.3
Issued share capital	**9.2**	9.2
Legal capital reserves	**–**	–
Reserves from capital contributions	**2,126.8**	2,185.0
Retained earnings	**(32.4)**	(15.1)
Loss for the year	**(1,668.9)**	(14.3)
Treasury shares	**(116.9)**	(74.1)
Total shareholders' equity	**317.8**	2,090.7
Total liabilities and shareholders' equity	**659.1**	2,305.0

Approved by the Board on 3 March 2020

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 2019, which are available from the Company's registered office, Dammstrasse 19, CH-6300, Zug, Switzerland.

Investments

The value of the investment held in IWG Group investment is measured at acquisition cost.

During 2019, the Company acquired the direct investment in IWG Global Investments Sarl (formerly Umbrella Global Holdings Sarl), as part of an internal restructuring. At the same time, the Company disposed of its investment in Regus plc to IWG Group Holdings Sarl. The investment was recorded at £2,295.4m in the Company audited Financial Statements as at 31 December 2018. This transaction resulted in the Company recognising a dividend in specie of £644.6m and a corresponding impairment in its investment of Regus plc of £2,292.1m.

Consolidated income statement (unaudited)

The purpose of these unaudited pages is to provide a reconciliation from the 2019 financial results to the pro forma statements in accordance with the previous IAS 17 policies adopted by the Group, and thereby give the reader greater insight into the impact of IFRS 16 on the results of the Group. The pro forma statements also adjust for the impact of closed centres.

	Notes	Year ended 31 Dec 2019 As reported £m	Rent & finance costs £m	Depreciation £m	Other adjustments £m	Taxation £m	Year ended 31 Dec 2019 per IAS 17 £m	Closures £m	Year ended 31 Dec 2019 per IAS 17[1] £m
Revenue	3	**2,653.0**	–	–	–	–	**2,653.0**	(83.2)	**2,569.8**
Cost of sales		**(2,086.6)**	(1,011.6)	874.4	(14.1)	–	**(2,237.9)**	114.0	**(2,123.9)**
Gross profit (centre contribution)		**566.4**	(1,011.6)	874.4	(14.1)	–	**415.1**	30.8	**445.9**
Selling, general and administration expenses		**(281.2)**	(0.1)	1.1	0.1	–	**(280.1)**	7.7	**(272.4)**
Share of profit of equity-accounted investees, net of tax	21	**2.7**	–	–	–	–	**2.7**	–	**2.7**
Operating profit	5	**287.9**	(1,011.7)	875.5	(14.0)	–	**137.7**	38.5	**176.2**
Finance expense	7	**(232.5)**	213.5	–	0.3	–	**(18.7)**	–	**(18.7)**
Finance income	7	**0.5**	–	–	–	–	**0.5**	–	**0.5**
Net finance expense		**(232.0)**	213.5	–	0.3	–	**(18.2)**	–	**(18.2)**
Profit before tax for the year from continuing operations		**55.9**	(798.2)	875.5	(13.7)	–	**119.5**	38.5	**158.0**
Income tax credit/(expense)	8	**22.3**	–	–	–	(6.9)	**15.4**	1.3	**16.7**
Profit after tax for the year from continuing operations		**78.2**	(798.2)	875.5	(13.7)	(6.9)	**134.9**	39.8	**174.7**
Profit after tax for the year from discontinued operations	9	**372.4**	(25.4)	26.0	(4.8)	–	**368.2**	–	**368.2**
Profit after tax for the year		**450.6**	(823.6)	901.5	(18.5)	(6.9)	**503.1**	39.8	**542.9**
Aggregated profit before tax		**430.1**	(823.6)	901.5	(18.5)	–	**489.5**	38.5	**528.0**
Earnings per ordinary share (EPS):									
Attributable to ordinary shareholders									
Basic (p)	10	**50.5**					**56.4**		**60.8**
Diluted (p)	10	**49.6**					**55.4**		**59.8**
From continuing operations									
Basic (p)	10	**8.8**					**15.1**		**19.6**
Diluted (p)	10	**8.6**					**14.8**		**19.2**

1. Reflects open centre performance after excluding the impact of closures.

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 and 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.

2. Rent and finance costs

Since the adoption of IFRS 16 conventional rent charges are no longer recognised in the profit or loss. 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 and 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 costs previously capitalised, such as costs directly incurred in preparing the business centre for trading (i.e. as part of property, plant and equipment), are derecognised and eliminated directly against retained earnings. Leasehold improvements are also reported net of partner contributions.

5. Taxation

The underlying tax charge is impacted by the change in the profit before tax and deferred tax assets recognised.

6. Closures

Adjusting for the impact of closed centres.

Consolidated balance sheet (unaudited)

	Notes	As at 31 Dec 2019 £m	Right-of-use asset & related lease liability £m	Rent & finance costs £m	Depreciation & lease payments £m	Other adjustments £m	Taxation £m	Year ended 31 Dec 2019 per IAS 17 £m
Non-current assets								
Goodwill	12	**674.6**	–	–	–	–	–	**674.6**
Other intangible assets	13	**45.0**	–	–	–	–	–	**45.0**
Property, plant and equipment	14	**7,190.7**	(6,929.3)	940.4	901.5	1.9	–	**2,105.2**
Right-of-use asset	14	**5,917.4**	(6,929.3)	–	1,010.0	1.9	–	**–**
Other property, plant and equipment	14	**1,273.3**	–	940.4	(108.5)	–	–	**2,105.2**
Deferred tax assets	8	**195.0**	–	–	–	–	(93.6)	**101.4**
Non-current derivative financial assets	24	**–**	–	–	–	–	–	**–**
Other long-term receivables	15	**61.0**	–	–	–	1.3	–	**62.3**
Investments in joint ventures	21	**13.8**	–	–	–	–	–	**13.8**
Total non-current assets		**8,180.1**	(6,929.3)	940.4	901.5	3.2	(93.6)	**3,002.3**
Current assets								
Inventory		**1.3**	–	–	–	–	–	**1.3**
Trade and other receivables	16	**681.3**	–	161.5	–	–	–	**842.8**
Corporation tax receivable	8	**24.0**	–	–	–	–	–	**24.0**
Cash and cash equivalents	23	**66.6**	–	–	–	–	–	**66.6**
Total current assets		**773.2**	–	161.5	–	–	–	**934.7**
Total assets		**8,953.3**	(6,929.3)	1,101.9	901.5	3.2	(93.6)	**3,937.0**
Current liabilities								
Trade and other payables (incl. customer deposits)	17	**788.8**	–	372.4	–	–	–	**1,161.2**
Deferred income		**322.6**	–	–	–	–	–	**322.6**
Corporation tax payable	8	**32.3**	–	–	–	–	–	**32.3**
Bank and other loans	19	**9.7**	–	–	–	–	–	**9.7**
Lease liabilities	23	**977.4**	(932.9)	(216.2)	171.7	–	–	**–**
Provisions	20	**8.9**	–	–	–	–	–	**8.9**
Total current liabilities		**2,139.7**	(932.9)	156.2	171.7	–	–	**1,534.7**
Non-current liabilities								
Other long-term payables	18	**2.0**	–	922.9	–	1.3	–	**926.2**
Bank and other loans	19	**351.0**	–	–	–	–	–	**351.0**
Lease liabilities	23	**5,568.6**	(6,477.9)	–	909.3	–	–	**–**
Non-current derivative financial liabilities	24	**0.2**	–	–	–	–	–	**0.2**
Provisions	20	**6.9**	–	–	–	1.9	–	**8.8**
Provision for deficit in joint ventures	21	**2.9**	–	–	–	–	–	**2.9**
Retirement benefit obligations	26	**1.5**	–	–	–	–	–	**1.5**
Total non-current liabilities		**5,933.1**	(6,477.9)	922.9	909.3	3.2	–	**1,290.6**
Total liabilities		**8,072.8**	(7,410.8)	1,079.1	1,081.0	3.2	–	**2,825.3**
Total equity								
Issued share capital	22	**9.2**	–	–	–	–	–	**9.2**
Treasury shares	22	**(116.9)**	–	–	–	–	–	**(116.9)**
Foreign currency translation reserve		**34.9**	(8.7)	–	–	8.2	–	**34.4**
Hedging reserve		**(0.2)**	–	–	–	–	–	**(0.2)**
Other reserves		**25.8**	–	–	–	–	–	**25.8**
Retained earnings		**927.7**	490.2	22.8	(179.5)	(8.2)	(93.6)	**1,159.4**
Reported balance / profit for the year		**1,106.9**	(20.0)	262.9	(179.5)	(4.0)	(6.9)	**1,159.4**
Directly in reserves – on adoption of IFRS 16		**(179.2)**	510.2	(240.1)	–	(4.2)	(86.7)	**–**
Total equity		**880.5**	481.5	22.8	(179.5)	–	(93.6)	**1,111.7**
Total equity and liabilities		**8,953.3**	(6,929.3)	1,101.9	901.5	3.2	(93.6)	**3,937.0**

Consolidated statement of cash flows (unaudited)

	Notes	Year ended 31 Dec 2019 £m	Rent & finance costs £m	Depreciation & lease payments £m	Other adjustments £m	Year ended 31 Dec 2019 per IAS 17 £m
Operating activities						
Profit before tax for the year from continuing operations		**55.9**	(798.2)	875.5	(13.7)	**119.5**
Adjustments for:						
Profit before tax from discontinued operations	9	**22.8**	(25.4)	26.0	(0.6)	**22.8**
Net finance expense	7	**232.0**	(213.5)	–	(0.3)	**18.2**
Share of profit of equity-accounted investees, net of tax	21	**(2.7)**	–	–	–	**(2.7)**
Depreciation charge	14	**1,153.1**	–	(901.5)	–	**251.6**
Right-of-use asset	14	**1,010.0**	–	(1,010.0)	–	**–**
Other property, plant and equipment	14	**143.1**	–	108.5	–	**251.6**
Loss on impairment of goodwill	12	**0.8**	–	–	–	**0.8**
Loss on disposal of property, plant and equipment	5	**32.7**	–	–	(8.1)	**24.6**
Loss on disposal of intangible assets	5	**0.3**	–	–	–	**0.3**
Reversal of impairment of property, plant and equipment	5, 14	**(2.1)**	–	–	–	**(2.1)**
Amortisation of intangible assets	5, 13	**9.7**	–	–	–	**9.7**
Decrease in provisions	20	**(1.3)**	–	–	–	**(1.3)**
Share-based payments		**0.7**	–	–	–	**0.7**
Other non-cash movements		**(2.2)**	–	–	(0.5)	**(2.7)**
Operating cash flows before movements in working capital		**1,499.7**	(1,037.1)	–	(23.2)	**439.4**
(Increase)/decrease in trade and other receivables		**(108.7)**	(73.7)	–	13.8	**(168.6)**
Increase/(decrease) in trade and other payables		**0.7**	1,506.7	(1,081.0)	9.4	**435.8**
Cash generated from operations		**1,391.7**	395.9	(1,081.0)	–	**706.6**
Interest paid		**(21.2)**	–	–	–	**(21.2)**
Tax paid		**(48.8)**	–	–	–	**(48.8)**
Net cash inflow/(outflow) from operating activities		**1,321.7**	395.9	(1,081.0)	–	**636.6**
Investing activities						
Purchase of property, plant and equipment	14	**(356.4)**	(406.4)	–	–	**(762.8)**
Purchase of subsidiary undertakings, net of cash acquired	27	**(24.2)**	–	–	–	**(24.2)**
Purchase of intangible assets	13	**(12.8)**	–	–	–	**(12.8)**
Purchase of joint ventures	21	**(1.8)**	–	–	–	**(1.8)**
Proceeds on sale of discontinued operations, net of cash disposed of	9	**424.6**	–	–	–	**424.6**
Proceeds on sale of property, plant and equipment		**0.6**	–	–	–	**0.6**
Interest received	7	**0.5**	–	–	–	**0.5**
Net cash inflow/(outflow) from investing activities		**30.5**	(406.4)	–	–	**(375.9)**
Financing activities						
Proceeds from issue of loans		**850.5**	–	–	–	**850.5**
Repayment of loans		**(1,013.0)**	–	–	–	**(1,013.0)**
Payment of lease liability	23	**(1,091.5)**	10.5	1,081.0	–	**–**
Purchase of treasury shares	22	**(49.5)**	–	–	–	**(49.5)**
Proceeds from exercise of share awards		**2.9**	–	–	–	**2.9**
Payment of ordinary dividend	11	**(58.2)**	–	–	–	**(58.2)**
Net cash (outflow)/inflow from financing activities		**(1,358.8)**	10.5	1,081.0	–	**(267.3)**
Net decrease in cash and cash equivalents		**(6.6)**	–	–	–	**(6.6)**
Cash and cash equivalents at the beginning of the year		**69.0**	–	–	–	**69.0**
Effect of exchange rate fluctuations on cash held		**4.2**	–	–	–	**4.2**
Cash and cash equivalents at the end of the year	23	**66.6**	–	–	–	**66.6**

Segmental analysis – based on estimates (unaudited)

	Americas 2019 (IAS 17 Basis)	EMEA 2019 (IAS 17 Basis)	Asia Pacific 2019 (IAS 17 Basis)	United Kingdom 2019 (IAS 17 Basis)	Other 2019 (IAS 17 Basis)	Total 2019 (IAS 17 Basis)
Mature[1]						
Workstations[4]	183,211	108,421	76,263	82,216	–	450,111
Occupancy (%)	78.1%	76.9%	74.1%	73.8%	–	76.3%
Revenue (£m)	1,079.6	533.9	275.2	353.7	9.0	2,251.4
Contribution (£m)	252.3	125.7	50.4	53.8	12.9	495.1
Impact of IFRS 16	76.3	25.2	24.4	10.4	–	136.3
Contribution (£m) – IFRS 16	328.6	150.9	74.8	64.2	12.9	631.4
REVPOW (£)	7,544.0	6,407.0	4,868.0	5,830.0	–	6,551.0
2018 Expansions[2]						
Workstations[4]	19,103	35,247	14,971	13,886	–	83,207
Occupancy (%)	64.7%	58.1%	54.7%	56.4%	–	58.7%
Revenue (£m)	67.5	89.8	40.5	38.4	–	236.2
Contribution (£m)	(11.0)	(1.3)	(4.3)	(8.2)	–	(24.8)
Impact of IFRS 16	6.4	4.9	3.9	3.9	–	19.1
Contribution (£m) – IFRS 16	(4.6)	3.6	(0.4)	(4.3)	–	(5.7)
2019 Expansions[2]						
Workstations[4]	10,190	17,261	6,369	7,629	–	41,449
Occupancy (%)	39.3%	40.3%	36.9%	32.5%	–	38.1%
Revenue (£m)	22.6	37.5	10.8	11.3	–	82.2
Contribution (£m)[5]	(13.5)	(1.7)	(3.3)	(5.9)	–	(24.4)
Impact of IFRS 16	(0.8)	(6.7)	(1.4)	(2.1)	–	(11.0)
Contribution (£m) – IFRS 16	(14.3)	(8.4)	(4.7)	(8.0)	–	(35.4)
Closures[6]						
Workstations[4]	4,077	4,539	4,421	5,915	–	18,952
Occupancy (%)	60.4%	66.6%	58.3%	49.0%	–	57.8%
Revenue (£m)	18.8	23.9	17.4	23.1	–	83.2
Contribution (£m)	(6.9)	1.1	(14.1)	(10.9)	–	(30.8)
Impact of IFRS 16	0.6	3.1	5.5	(2.4)	–	6.8
Contribution (£m) – IFRS 16	(6.3)	4.2	(8.6)	(13.3)	–	(24.0)
Total						
Workstations[4]	216,581	165,468	102,024	109,646	–	593,719
Occupancy (%)	74.8%	68.8%	68.3%	67.4%	–	70.6%
Revenue (£m)	1,188.5	685.1	343.9	426.5	9.0	2,653.0
Contribution (£m)	220.9	123.8	28.7	28.8	12.9	415.1
Impact of IFRS 16	82.6	26.5	32.4	9.8	–	151.3
Contribution (£m) – IFRS 16	303.5	150.3	61.1	38.6	12.9	566.4
REVPAW (£)	5,488	4,140	3,371	3,890	–	4,469
Period end workstations[7]						
Mature	183,980	110,151	77,974	85,917	–	458,022
2018 Expansions	19,936	35,352	15,176	14,474	–	84,938
2019 Expansions	26,131	35,695	11,732	11,752	–	85,310
Total	230,047	181,198	104,882	112,143	–	628,270

Segmental analysis – based on estimates (unaudited)

	Americas 2018 (IAS 17 Basis)	EMEA 2018 (IAS 17 Basis)	Asia Pacific 2018 (IAS 17 Basis)	United Kingdom 2018 (IAS 17 Basis)	Other 2018 (IAS 17 Basis)	Total 2018 (IAS 17 Basis)
Mature(1)						
Workstations(4)	183,714	105,904	76,294	78,068	–	443,980
Occupancy (%)	74.2%	75.1%	70.4%	70.9%	–	73.2%
Revenue (£m)	978.4	538.9	267.6	355.7	4.9	2,145.5
Contribution (£m)	190.9	122.0	45.8	61.1	0.3	420.1
REVPOW (£)	7,176	6,778	4,979	6,429	–	6,603
2018 Expansions(2)						
Workstations(4)	9,395	14,827	6,630	5,933	–	36,785
Occupancy (%)	37.5%	32.4%	26.8%	30.5%	–	32.4%
Revenue (£m)	19.8	20.6	8.9	13.3	–	62.6
Contribution (£m)	(12.3)	(7.9)	(5.7)	(4.9)	–	(30.8)
Closures(3)						
Workstations(4)	10,215	8,715	10,270	13,335	–	42,535
Occupancy (%)	64.7%	65.6%	60.5%	62.9%	–	63.3%
Revenue (£m)	50.3	39.3	34.4	70.0	–	194.0
Contribution (£m)	(4.8)	(2.3)	(6.8)	(0.9)	–	(14.8)
Total						
Workstations(4)	203,324	129,446	93,194	97,336	–	523,300
Occupancy (%)	72.0%	69.5%	66.2%	67.3%	–	69.5%
Revenue (£m)	1,048.5	598.8	310.9	439.0	4.9	2,402.1
Contribution (£m)	173.8	111.8	33.3	55.3	0.3	374.5
REVPAW (£)	5,157	4,625	3,337	4,510	–	4,590

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 2018 comparative data is defined as a centre closed during the period from 1 January 2018 to 31 December 2019.
4. Workstation numbers are calculated as the weighted average for the year.
5. 2019 expansions includes any costs incurred in 2019 for centres which will open in 2020.
6. A closure for the 2019 date is defined as a centre closed during the period from 1 January 2019 to 31 December 2019.
7. Workstations available at period end.

The purpose of this unaudited page is to reconcile some of the key numbers used in the returns calculation, on a pre-IFRS 16 basis, back to the Group's IFRS 16 pro forma statements, and thereby, give the reader greater insight into the returns calculation drivers.

2019

Description	Reference	2017 Aggregation	2018 Expansions	2019 Expansions	2020 Expansions	Closures	Total
Post-tax cash return on net investment (unaudited)		**15.6%**	**–**	**–**	**–**	**–**	**8.4%**
Revenue	Pro forma income statement, p151	2,251.4	236.2	82.2	–	83.2	2,653.0
Centre contribution	Pro forma income statement, p151	495.1	(24.8)	(23.7)	(0.7)	(30.8)	415.1
Loss on disposal of assets	EBIT reconciliation (analysed below)	0.6	–	–	–	16.9	17.5
Underlying centre contribution		**495.7**	**(24.8)**	**(23.7)**	**(0.7)**	**(13.9)**	**432.6**
Selling, general and administration expenses[1]	Pro forma income statement, p151	(214.9)	(36.6)	(20.8)	(0.1)	(7.7)	(280.1)
EBIT	EBIT reconciliation (analysed below)	**280.8**	**(61.4)**	**(44.5)**	**(0.8)**	**(21.6)**	**152.5**
Depreciation and amortisation		189.3	42.6	15.7	–	13.2	260.8
Amortisation of partner contributions		(63.6)	(14.8)	(6.8)	–	(2.4)	(87.6)
Amortisation of acquired lease fair value adjustments		(0.9)	–	–	–	(0.1)	(1.0)
Non-cash items		**124.8**	**27.8**	**8.9**	**–**	**10.7**	**172.2**
Taxation[2]		**(56.2)**	**12.3**	**8.9**	**0.2**	**4.3**	**(30.5)**
Adjusted net cash profit		**349.4**	**(21.3)**	**(26.7)**	**(0.6)**	**(6.6)**	**294.2**
Maintenance capital expenditure	Capital expenditure (analysed below)	147.8	–	–	–	–	147.8
Partner contributions	Partner contributions (analysed below)	(39.1)	–	–	–	–	(39.1)
Net maintenance capital expenditure		**108.7**	**–**	**–**	**–**	**–**	**108.7**
Post-tax cash return		**240.7**	**(21.3)**	**(26.7)**	**(0.6)**	**(6.6)**	**185.5**
Growth capital expenditure	Capital expenditure (analysed below)	1,927.1	416.4	528.8	93.7	–	2,966.0
Partner contributions	Partner contributions (analysed below)	(388.0)	(143.7)	(194.3)	(39.4)	–	(765.4)
Net investment (unaudited)		**1,539.1**	**272.7**	**334.5**	**54.3**	**–**	**2,200.6**

2019

EBITDA reconciliation	2017 Aggregation	2018 Expansions	2019 Expansions	2020 Expansions	Closed	Total
Centre contribution	495.1	(24.8)	(23.7)	(0.7)	(30.8)	415.1
Selling, general and administration expenses[1]	(214.9)	(36.6)	(20.8)	(0.1)	(7.7)	(280.1)
Depreciation and amortisation	189.3	42.6	15.7	–	13.2	260.8
	469.5	(18.8)	(28.8)	(0.8)	(25.3)	395.8
Share of profit in joint ventures	2.7	–	–	–	–	2.7
EBITDA on continuing operations	**472.2**	**(18.8)**	**(28.8)**	**(0.8)**	**(25.3)**	**398.5**

1. Including research and development expenses.

2. Based on EBIT at the Group's long-term effective tax rate of 20%.

2019

Movement in capital expenditure (unaudited)	2017 Aggregation	2018 Expansions	2019 Expansions	2020 Expansions	Closures	Total
December 2018	2,280.4	381.1	57.8	–	–	2,719.3
2019 Capital expenditure[3]	–	83.8	467.6	86.8	–	638.2
Properties acquired	–	–	6.9	6.9	–	13.8
Centre closures[4]	(353.3)	(48.5)	(3.5)	–	–	(405.3)
December 2019	1,927.1	416.4	528.8	93.7	–	2,966.0

3. 2020 expansions relate to costs and investments incurred in 2019 for centres which will open in 2020.

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.

2019

Movement in partner contributions (unaudited)	2017 Aggregation	2018 Expansions	2019 Expansions	2020 Expansions	Closures	Total
December 2018	421.4	128.2	4.6	–	–	554.2
2019 Partner contributions	–	31.8	191.8	39.4	–	263.0
Centre closures[5]	(33.4)	(16.3)	(2.1)	–	–	(51.8)
December 2019	388.0	143.7	194.3	39.4	–	765.4

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

2019

EBIT reconciliation (unaudited)	Reference	£m
EBIT		152.5
Loss on disposal of assets	Pro forma statement of cash flows, p153	(17.5)
Share of profit in joint ventures	Pro forma income statement, p151	2.7
Centre contribution – Closed		30.8
Selling, general and administration expenses – Closed		7.7
Operating profit	Pro forma income statement, p151	**176.2**

2019

Partner contributions (unaudited)	Reference	£m
Opening partner contributions		468.3
• Current	Note 17, p126	78.7
• Non-current	Note 18, p126	389.6
Acquired in the period		–
Received in the period		302.1
• Maintenance partner contributions		39.1
• Growth partner contributions		263.0
Utilised in the period		(87.6)
Business disposal		(26.0)
Exchange differences		(16.8)
Closing partner contributions		**640.0**
• Current		105.5
• Non-current		534.5

2019

Capital expenditure (unaudited)	Reference	£m
Maintenance capital expenditure	CFO review, p46	147.8
Growth capital expenditure	CFO review, p46	652.0
• 2019 Capital expenditure		638.2
• Properties acquired		13.8
Total capital expenditure		**799.8**
Analysed as		
• Purchase of subsidiary undertakings	Pro forma statement of cash flows, p153	24.2
• Purchase of property, plant and equipment	Pro forma statement of cash flows, p153	762.8
• Purchase of intangible assets	Pro forma statement of cash flows, p153	12.8

	31 Dec 2019 £m	31 Dec 2018 Restated £m	31 Dec 2017 Restated £m	31 Dec 2016 Restated £m	31 Dec 2015 Restated £m
Income statement (full year ended)					
Revenue	**2,653.0**	2,402.1	2,240.0	2,129.6	1,850.3
Cost of sales	**(2,086.6)**	(2,027.6)	(1,863.7)	(1,706.4)	(1,440.1)
Gross profit (centre contribution)	**566.4**	374.5	376.3	423.2	410.2
Administration expenses	**(281.2)**	(248.2)	(231.9)	(255.1)	(260.3)
Share of profit/(loss) of equity-accounted investees, net of tax	**2.7**	(1.4)	(0.8)	(0.8)	0.3
Operating profit	**287.9**	124.9	143.6	167.3	150.2
Finance expense	**(232.5)**	(15.8)	(14.0)	(11.6)	(15.0)
Finance income	**0.5**	0.5	0.3	0.1	0.6
Profit before tax for the year from continuing operations	**55.9**	109.6	129.9	155.8	135.8
Income tax credit/(expense)	**22.3**	(29.7)	(32.9)	(35.0)	(25.0)
Profit for the year from continuing operations	**78.2**	79.9	97.0	120.8	110.8
Profit after tax for the year from discontinued operations	**372.4**	25.8	17.0	18.0	9.1
Profit after tax for the year	**450.6**	105.7	114.0	138.8	119.9
Earnings per ordinary share (EPS):					
Attributable to ordinary shareholders					
Basic (p)	**50.5**	11.7	12.4	14.9	12.8
Diluted (p)	**49.6**	11.6	12.3	14.7	12.6
Weighted average number of shares outstanding (‘000s)	**892,738**	907,077	915,676	929,830	933,458
From continuing operations					
Basic (p)	**8.8**	8.8	10.6	13.0	11.9
Diluted (p)	**8.6**	8.7	10.5	12.8	11.6
Weighted average number of shares outstanding (‘000s)	**892,738**	907,077	915,676	929,830	933,458
Balance sheet data (as at)					
Intangible assets	**719.6**	721.7	712.1	738.1	666.0
Right-of-use asset	**5,917.4**	–	–	–	–
Property, plant and equipment	**1,273.3**	1,751.2	1,367.2	1,194.4	917.0
Deferred tax assets	**195.0**	30.6	23.0	29.3	36.4
Other assets	**781.4**	848.7	702.7	649.2	644.3
Cash and cash equivalents	**66.6**	69.0	55.0	50.1	63.9
Total assets	**8,953.3**	3,421.2	2,860.0	2,661.1	2,327.6
Current liabilities	**2,139.7**	1,429.5	1,224.7	1,183.1	1,085.7
Non-current liabilities	**5,933.1**	1,240.5	907.6	736.0	658.2
Equity	**880.5**	751.2	727.7	742.0	583.7
Total equity and liabilities	**8,953.3**	3,421.2	2,860.0	2,661.1	2,327.6

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.

Aggregated profit before tax

Includes continuing operations, discontinued operations and profits from master franchise transactions in Japan, Taiwan and Switzerland.

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 31 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 31 December of the current year.

EBIT

Earnings before interest and tax.

EBITDA

Earnings before interest, tax, depreciation and amortisation.

EBITDA (pre-2018)

Earnings before interest, tax, depreciation and amortisation adjusted for the financial impact of the growth estate.

EPS

Earnings per share.

Expansions

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

Growth estate

Comprises centres which opened during the current or prior financial year.

IAS 17 basis

IFRS accounting standards effective as at 31 December 2018 (i.e. before the effective date of IFRS 16).

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.

Net debt

Operations cash and cash equivalents, adjusted for both short and long-term borrowings and lease liabilities.

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.

Open centres

All centres excluding closures.

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.

Pre-2018 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.

Pre-2018 gross margin

Gross margin attributable to the Pre-2018 business.

Pre-IFRS 16

IFRS accounting standards effective as at 31 December 2018 (i.e. before the effective date of IFRS 16).

Revenue development

Revenue development, on a continuing basis, for the last four years.

REVPAW

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

REVPOW

Total revenue per occupied workstation.

ROI

Return on investment.

TSR

Total shareholder return.

WIPOS

Workstation income per square metre.

WIPOW

Workstation income per occupied workstation.

Corporate directory

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