

The future of work

ANNUAL REPORT AND ACCOUNTS 2020



International
Workplace
Group



Signature

2020 HIGHLIGHTS

Revenue development (£m)

£2,480.2m

2020	2,480.2
2019	2,648.9
2018	2,398.2
2017	2,237.8

Adjusted EBITDA development (£m)

£133.8m

2020	133.8
2019	428.3
2018	389.9
2017	376.2

Net growth capital investment (£m)

£250.9 m

2020	250.9
2019	389.0
2018	332.0
2017	272.5

Number of locations

3,313

2020	3,313
2019	3,388
2018	3,306
2017	3,125

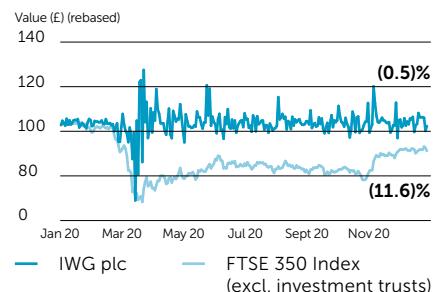
Cash to shareholders (£m)

£43.7m

2020	43.7
2019	107.7
2018	93.9
2017	99.6

Total shareholder return⁽¹⁾

(0.5)%



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

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GOVERNANCE

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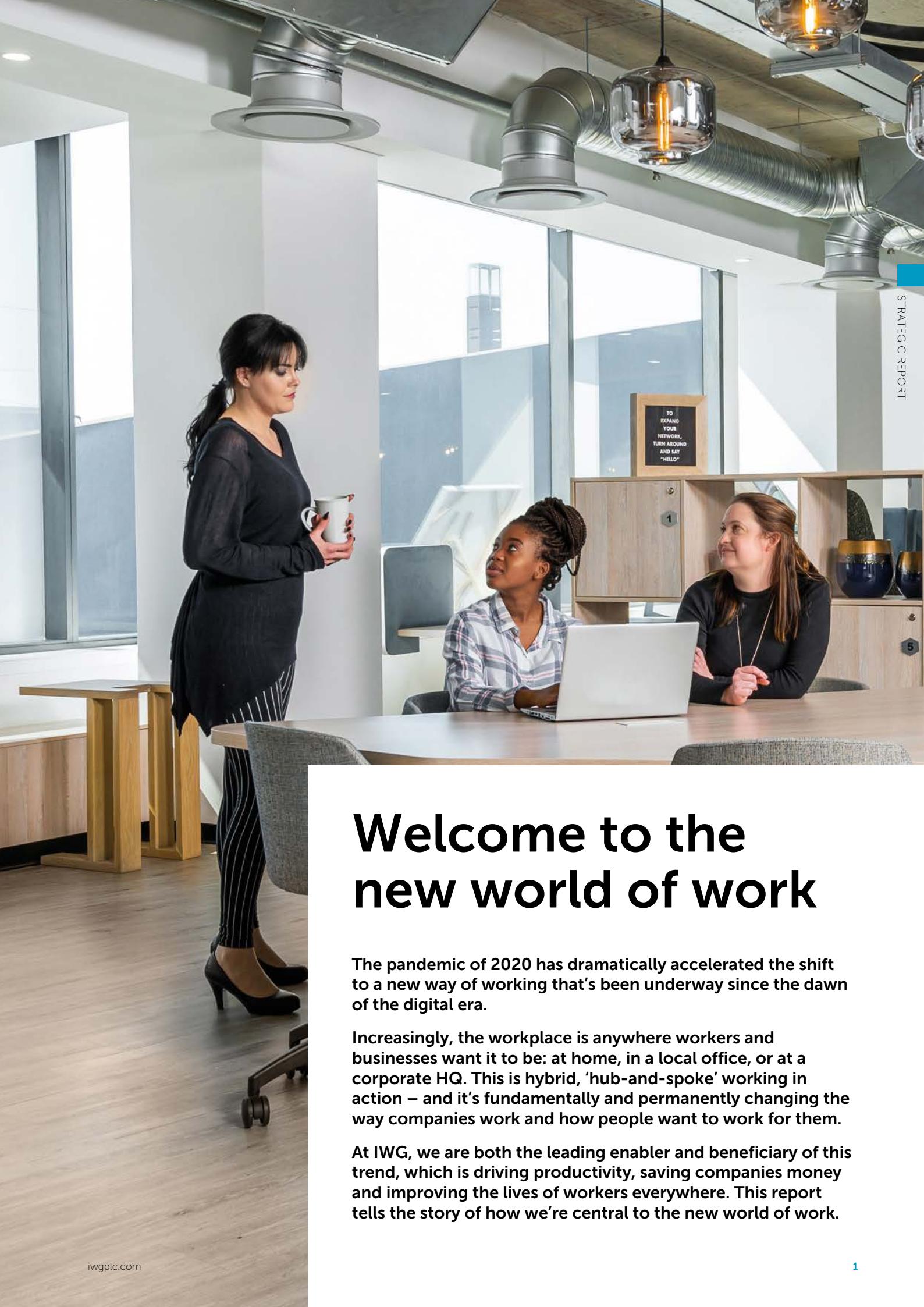
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A glossary is included on page 163 which defines various alternative measures used to provide useful and relevant information.

[†] The comparative information has been restated to reflect the impact of discontinued operations.

[□] Results presented on a pre-IFRS 16 basis (as defined in the glossary on page 163).



Welcome to the new world of work

The pandemic of 2020 has dramatically accelerated the shift to a new way of working that's been underway since the dawn of the digital era.

Increasingly, the workplace is anywhere workers and businesses want it to be: at home, in a local office, or at a corporate HQ. This is hybrid, 'hub-and-spoke' working in action – and it's fundamentally and permanently changing the way companies work and how people want to work for them.

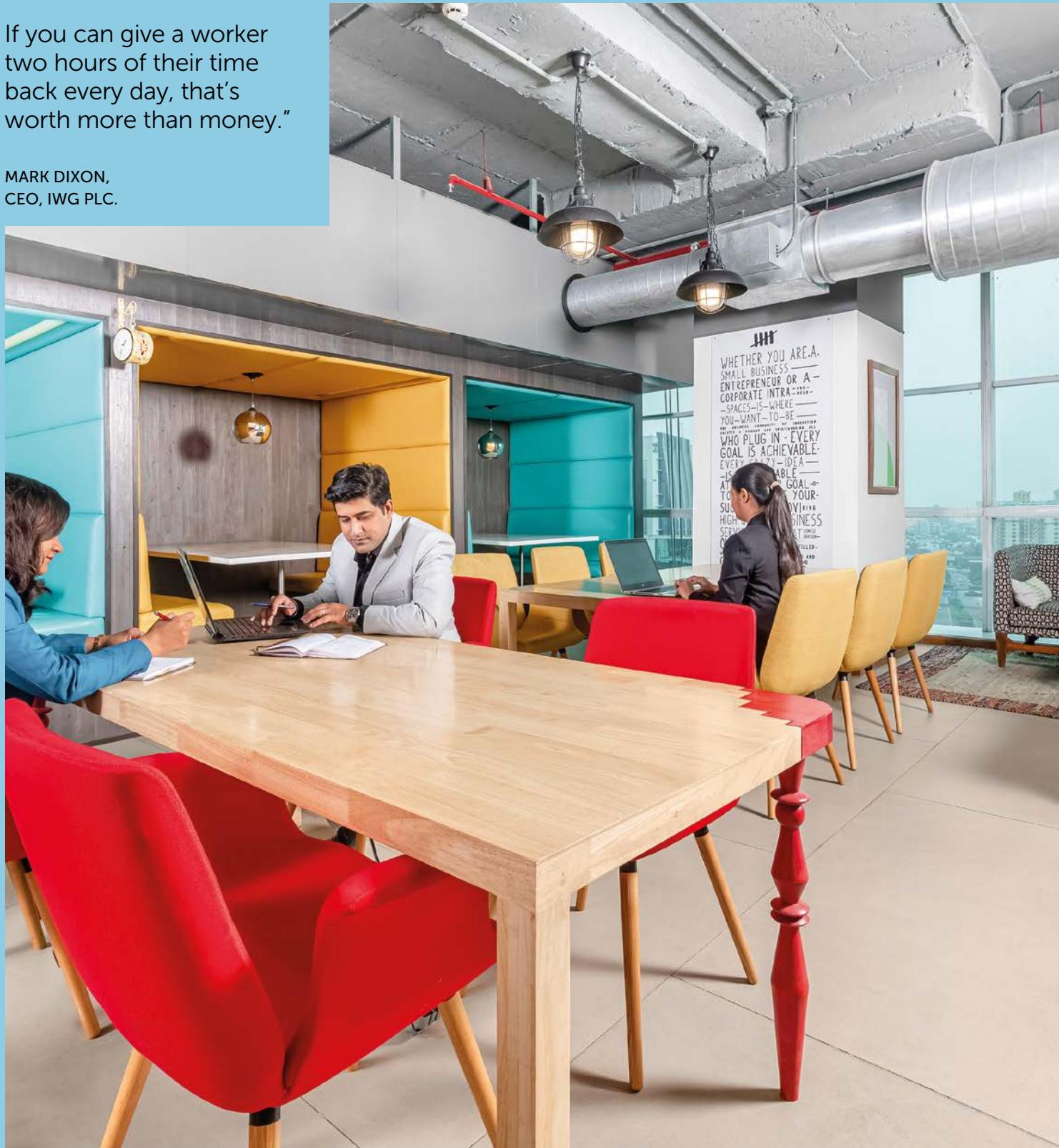
At IWG, we are both the leading enabler and beneficiary of this trend, which is driving productivity, saving companies money and improving the lives of workers everywhere. This report tells the story of how we're central to the new world of work.

The new world of work



If you can give a worker two hours of their time back every day, that's worth more than money."

MARK DIXON,
CEO, IWG PLC.



Hybrid working – when employees split their time between home, a local office and a corporate HQ – is increasingly what employees are requesting. At IWG, we are doing more than anybody else to bring people across the world the opportunity to work in this balanced way.

By 2022, close to 1.9 billion people worldwide will be working flexibly⁽¹⁾. And by 2030, some 30% of global office space will be flexible, up from just 2% today⁽²⁾. It's not hard to find the reasons for this shift. Even without the immense impact of COVID-19, people want it because:

- It's better for businesses: lower property costs reduce exposure to financial risk and release capital to invest in generating shareholder value. They also empower companies to invest in their people and hire better, more diverse teams attracted by the opportunity to work flexibly, close to home.
- It's better for employees: not having to travel far for work releases time, energy and money for workers, improving work-life balance to build loyalty and reduce stress. Research shows that the shift to remote working has boosted productivity for individuals and corporations⁽³⁾.
- It's better for communities and the environment: reduced commuting and increased employment opportunities closer to where people live are improving local economies and cutting carbon emissions across the world.

By 2030, flexible working will support the creation of 30 million new jobs across the world's leading economies⁽⁴⁾. The great majority of these will involve hybrid working. Partially from home, supported by ever-improving enabling technologies. Partially from local offices, for that all-important human interaction that inspires innovation and creativity. And occasionally from HQ, for corporate identity, learning and cohesion. Nobody worldwide is doing more to enable this way of working than IWG – providing services to support home-workers and expanding our network, mostly by opening franchised locations, with the vision of providing a flexible workspace in every community across the globe.

By 2022, close to
1.9 billion
people worldwide will
be working flexibly⁽¹⁾

52%
of U.S. workers would
prefer a hybrid work
model⁽⁶⁾

By 2030, some
30%
of global office space
will be flexible⁽²⁾

Companies expect
approximately
40%
of employees to utilise a
remote working model
in the future⁽⁷⁾

More than
80%
of companies are
accelerating automation
in response to
COVID-19⁽⁵⁾

65%
said that they anticipate
increasing their
investments in digital
transformation⁽⁸⁾

Sources:

1. IWG, *The Future of Work*, 2019
2. JLL, *Flexible Space*, Jan 2019
3. Airtasker, *The Benefits of Working From Home*, 31 March 2020
4. Development Economics (Workplace Survey 2019)
5. Bain & Company, *The "New Normal" Is a Myth. The Future Won't Be Normal at All*, 5 June 2020
6. Gensler, U.S. Workplace Survey Summer / Fall 2020, Executive Summary: *The Hybrid Future of Work*
7. BCG, *Remote Work Works – Where Do We Go from Here?*, 30 June 2020
8. BCG, *The Digital Path to Business Resilience*, 6 July 2020

A future with less commuting



2.5%↓

IF 52% OF U.S. EMPLOYEES WORKED JUST 1 DAY FROM HOME, ANNUAL CO₂ REDUCTIONS COULD BE 20MT ANNUALLY, A 2.5% DECREASE AND THE EQUIVALENT OF TAKING 4.3 MILLION CARS OFF THE ROAD ANNUALLY⁽¹⁾.

Nobody likes commuting. Many studies, including from the UK's Office for National Statistics and Princeton University in the US, have shown that it's among the least enjoyable activities for workers⁽²⁾. IWG research shows that just 8% of UK workers are prepared to travel for more than an hour to get to work, while 77% say a conveniently located office is a must-have for their next job. And 42% of employees in the US would take a salary cut in exchange for more flexible job options⁽³⁾. These are some of the reasons why US companies that offer flexible working report they've improved their employee retention rates by 46%⁽⁴⁾.

Reducing the need for commuting is also the greatest contribution companies can make to meeting their environmental targets⁽⁵⁾. At IWG, we're doing everything we can to help cut the commute and boost productivity. As well as providing local centres, we've recently launched our new 'HomeToWork' network, which delivers everything anyone needs to stay connected, to be productive and enjoy working from home. And, where people still need to go to the office, we're providing extensive bike-parking facilities in many centres – from Spaces Williamsburg to our new building in Oslo.

Sources:

1. Oxford Martin School/University of Oxford, *New report shows that COVID-19 has accelerated the shift to remote working*, 22 June 2020
2. Regional Science and Urban Economics, *The relationship between well-being and commuting revisited: Does the choice of methodology matter?*, November 2014
3. Cision PR Newswire, *Survey of Working Adults Shows U.S. Employees Willing to Take Pay Cut for Workplace Flexibility*, 1 September 2011
4. Radware, *Survey: C-Suite Executives Expect Changes Made in Response To Covid-19 to Become Permanent*, 15 September 2020
5. Forbes, *The Future Of Work: The Hybrid Workforce*, 11 November 2020

72%

WANT A HYBRID OFFICE MOVING FORWARD⁽¹⁾.

The benefits of a distributed workforce extend far beyond protecting employees against COVID-19. Greater productivity, improved wellness, lower workforce turnover, better access to talent, increased diversity and reduced expenditure are all widely reported by companies that have extended hybrid and flexible working in response to the pandemic.

Technology is a powerful enabler of successful hybrid working. For example, 45% of employees have reported attending more meetings during the pandemic than when in the office⁽²⁾. However, remote communication is not always beneficial. A full week of virtual meetings leaves 38% of employees feeling exhausted⁽³⁾, and the 'always-on' culture means some people are working more than ever: 86% feel the need to prove they are working hard, and people working from home are doing an extra 28 hours in monthly overtime⁽⁴⁾.

It's therefore important for companies to get the balance right for their people. Companies like Twitter and Facebook are allowing employees to work where they want⁽⁵⁾ and the hybrid model, championed across the world by IWG, delivers the best of both worlds by giving employees the right balance between working remotely and face-to-face as part of a team.

Sources:

1. BBC Worklife, *Coronavirus: How the world of work may change forever*
2. Twingate, *Cybersecurity in the Age of Coronavirus*, 15 June 2020
3. Human Resource Executive, *HRE's number of the day: virtual meeting overload*, 8 June 2020
4. City A.M., *Remote Working is Causing Employees to Feel Overworked*, 5 May 2020
5. The Washington Post, *Americans might never come back to the office, and Twitter is leading the charge*, 1 October 2020



A future with distributed workforces

77%

SAY THAT A MORE CONVENIENTLY LOCATED OFFICE IS A MUST-HAVE FOR THEIR NEXT JOB MOVE. ALMOST HALF (46%) SAY THEY WOULD QUIT THEIR JOB IF THEY WERE ASKED TO RETURN TO THE OFFICE FIVE DAYS A WEEK⁽¹⁾.

Ensuring employees' mental health and wellbeing is a key business responsibility. It is now clear to see the power of the hybrid model in eradicating the impacts of both the daily commute and working full-time at home: isolation, boredom and distraction. Companies that operate the hybrid model are instead seeing improved productivity, engagement and loyalty. Employee mental health is flourishing too, with 80% of remote workers saying they feel healthier, less tired, more human or more connected to their families⁽²⁾.

Sources:

1. Opinium Research, August 2020
2. BusinessMatters, *Majority of UK employees want to work remotely at least once a week*, 16 July 2020



**A future
with a
balanced
lifestyle**

A future for greater productivity

37%

OF COMPANIES THAT HAD MORE REMOTE WORKERS BEFORE COVID-19 ARE NOW SEEING INCREASED EMPLOYEE PRODUCTIVITY⁽¹⁾.

According to one survey, a major concern for managers of remote teams was that they would be less productive than when based in the office⁽²⁾. They needn't have worried. Research consistently shows that working flexibly can actually make people more productive.

Companies have also reported increased productivity – speaking at the 2020 World Economic Forum, the HR leaders of both Baker McKenzie and Deutsche Bank confirmed this was the case. The decisions of global businesses like MasterCard and Barclays, Facebook and Google, WPP and Twitter to extend flexible working is testimony to their heightened productivity.

But empowering teams to work smarter and produce more is dependent on good leadership. Regular communication, providing the right resources, accessories and support, and the opportunity to meet regularly with colleagues in a safe environment, are all essential for improved productivity. IWG not only provides the right office accommodation – our advanced efficiency solutions also enable effective people management and communication, securely and cost-effectively.

Sources:

1. Business Facilities, *Even After COVID-19, Execs Expect Remote Work Trend To Continue*, 3 June 2020
2. World Economic Forum, *6 charts that show what employers and employees really think about remote working*, 3 June 2020



Our purpose underpins everything we do

Everyone deserves to work productively while leading better-balanced, greener and more rewarding lives. We're making it happen.

The world of work has never changed faster than in 2020. Already driven by powerful megatrends such as growing environmental awareness, societal pressures and technological advancement, change to the way we work was radically accelerated by the COVID-19 pandemic.

As a result, the shift towards hybrid working gained traction among greatly increased numbers of businesses across the planet. Only IWG has the global coverage and service portfolio to respond to this level of demand. And, with our unique franchise model, we alone have the capability to grow our offering in the suburbs, towns and even rural communities where people wish to live and work.



OUR PURPOSE

OUR BUSINESS MODEL

OUR STRATEGY

OUR PEOPLE AND CULTURE

GOVERNANCE AND RISK MANAGEMENT

OUR VALUE CREATION FRAMEWORK

The unique way in which we are structured, our highly efficient platform, our global reach, brands, service portfolio, technologies and outstanding people enable us to meet the needs of all stakeholders: customers, partners, employees, communities and shareholders.

WE HELP MILLIONS OF PEOPLE TO BE MORE PRODUCTIVE EVERY DAY, SUPPORTING THEM TO LEAD MORE BALANCED AND REWARDING LIVES.

> See pages 12-13

For more than three decades, we have successfully developed and refined our business model to deliver excellent customer value and strong financial returns. Today, with our unmatched scale, multi-brand approach and highly efficient platform that delivers everything our partners and customers need, we are uniquely placed to meet the accelerating global demand for hybrid working solutions.

> See pages 32-33

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

Our five strategic priorities enable sustainable growth to achieve our purpose.

> See pages 38-39

We recognise the critical importance of the value our diverse and passionate global workforce brings to our business. Our people are at the heart of our culture, which is based on our pioneering spirit, mutual empowerment, shared leadership and unified global network that's united by trust in one another.

> See pages 60-61

Our operating model is underpinned and supported by strong and robust governance and a rigorous risk management model that ensures our business is always managed prudently, with all risks understood and appropriately assessed.

> See pages 48-55, 66-96

IWG: delivering the future of work today



DRIVING CONTINUOUS IMPROVEMENT

IWG has been helping people have a great day at work for more than three decades. Every year, we grow the reach and quality of our network, strengthening our position as the leading global leader in flexible and hybrid working. Today, we continue to be the sector's pioneer, growing outer-city locations for better work-life balance, stronger communities, reduced pollution and less inner-city congestion.

> Read about our progress in 2020 on pages 38-39

DELIVERING BUSINESS AGILITY

We are shaping the future of work. With our global network of approximately 3,300 flexible work centres, fuelled for growth by our exciting franchise model, we give companies and their people the freedom to work where, when and how they want. For companies, this means reduced financial risk and a heightened ability to generate value. For employees, this means receiving the benefits of better mental-health and increased productivity achieved through hybrid working.

> Find out more about what we do on pages 12-13

END-TO-END SOLUTIONS

Our global network, highly trained and professional teams, powerful IT and communication platforms, unique line-up of brands and constant innovation enable us to drive efficiency, creativity and productivity across the planet. By bringing the 'hub and spoke' property model within the reach of businesses of every size, we are delivering the preferred way of working for the digital age.

> Read more about our business model on pages 32-33

HYBRID SOLUTIONS FOR PEOPLE AND CORPORATES

By enabling people to work away from city centres, closer to their homes, families and friends, we are potentially improving work-life balance for millions, enhancing employee engagement, loyalty and job satisfaction across the planet. By enabling companies to free their capital from stagnating in bricks and mortar, we are empowering them to invest more in their people and sustainable growth.



Our Strengths

3,313

locations in 120 countries worldwide

141

new openings in 2020, mainly in suburban and non-city-based locations

12,000+

employees, supporting customers: at home, in local offices and corporate HQs

62.9m

sq ft of office, coworking and meeting space

100+

centres upgraded to best-in-class standards. 150 older, less efficient centres closed

7m

users of IWG network and associated services

120

countries operated in, across 1,131 towns and cities

SUPPORTED BY A DIVERSE PORTFOLIO OF BRANDS



Signature

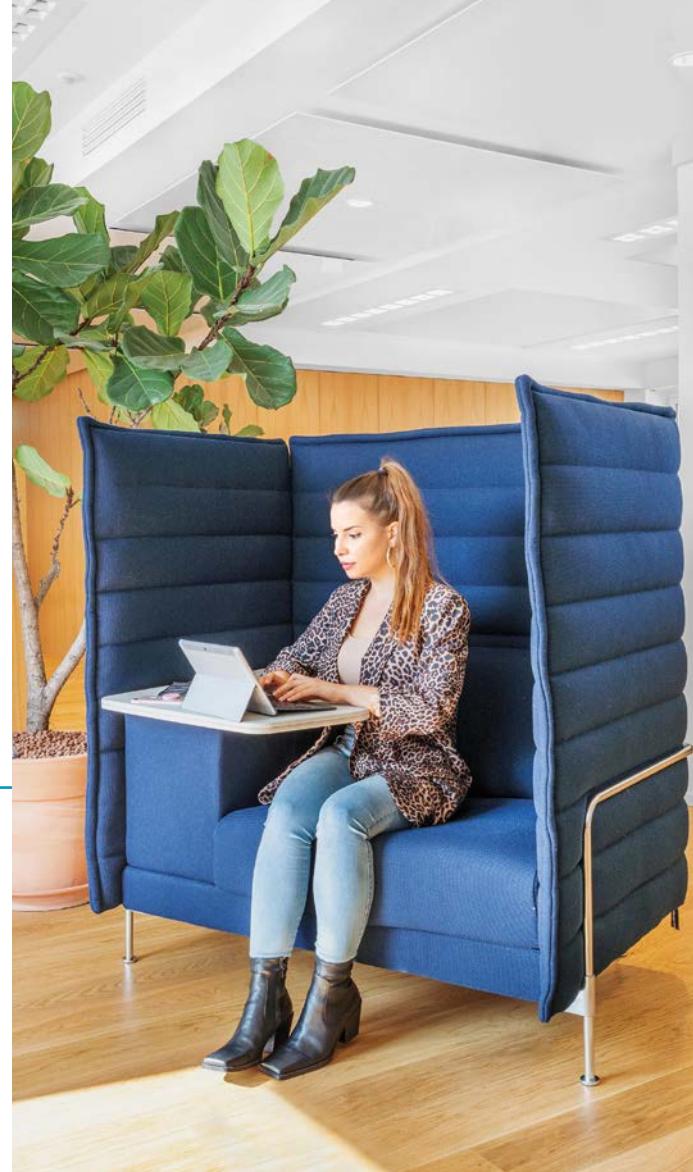
➤ See pages 14-21 for more information on all of our brands

A platform for the future world of work

Right across the world, we offer businesses of every size and shape the flexible office-space agreements, unique brand line-up, matchless range of services, advanced technology, collaborative opportunities and global footprint they need to run their businesses precisely as they wish.

WE HAVE A RANGE OF SOLUTIONS TO MATCH EVERYBODY'S WORK STYLE

With options ranging from an hour's coworking to supporting team members at home or providing multi-year service agreements on office space, we empower everybody to work in exactly the way that suits them best. With a flexible range of solutions from virtual office services to meeting spaces and networking opportunities everywhere, we release organisations from the property leasing straitjacket, enabling them to flex up or down fast, easily and decisively. With a range of solutions - including Rovva, our fast-growing business-support platform that puts everything businesses need in one place – we enable people to work when, where and how they want.

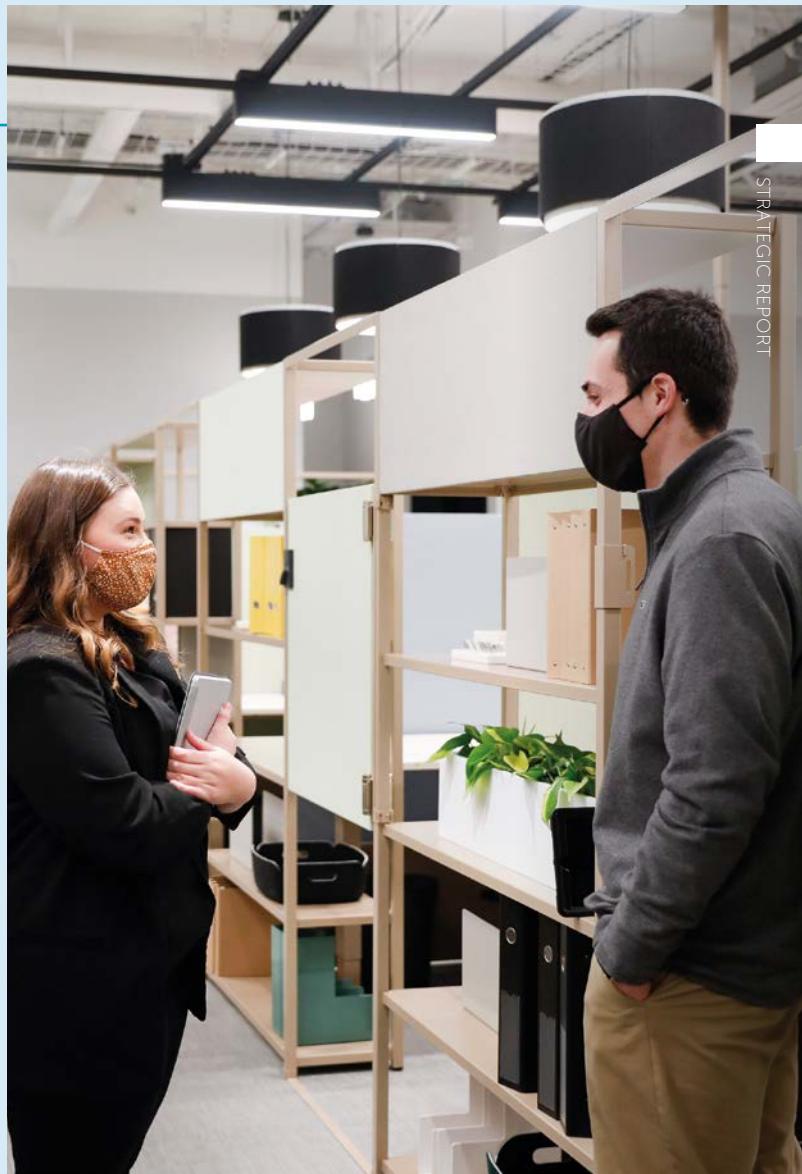


FOR INDIVIDUALS OR TEAMS

It makes no difference if a customer is a freelancer or a global corporation – we have tailored solutions that meet their individual needs. From workplaces configured to their precise productivity and safety requirements, to brands that cover every style and image, we give customers the freedom to choose the option that's best for their business. In short, with IWG, every customer can focus 100% on their business priorities, not real-estate issues. Whatever bespoke solution they commission, every customer can join our worldwide community for collaboration and creativity, whether they're in the office, on the move or working from home.

WITH INFRASTRUCTURE TO SUPPORT PRODUCTIVITY

IWG wants every customer to be able to focus on what really matters to their business. That's why all our spaces are designed for productivity, so they come with a full range of support services included as standard, from industry-leading technology and high-speed internet connections to professional reception, kitchen and cleaning services. Customers choose the precise level of service they require, ensuring they only ever have to pay for what they actually use. We increasingly provide a full range of services to people working from home, supporting productivity, delivering full connectivity and enabling vital collaboration.



THE BEST LOCATIONS TO SUPPORT EVERYONE'S NEEDS

With over 3,300 centres across the world, including ever-increasing rural and suburban locations away from city centres, we're enabling fast-growing numbers of people to work closer to home. Furthermore, with our increasing focus on enabling home-working, we're supporting literally millions of workplaces across the planet. This is doing far more than just driving productivity for an increasingly decentralised workforce – it's also massively reducing the environmental impact of the daily commute and supporting better flexibility and mental health for workers everywhere.

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 solutions for businesses worldwide. IWG's workspace options reduce the risk 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, including Regus, Spaces, HQ, and Signature. 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 work in practically every country, town, city and transport hub in the world. Enterprise 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.

19

BRANDS

3,313

LOCATIONS

7m

USERS



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.



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. HQ appeals to businesses of all shapes and sizes, from large corporates to individual freelancers – everyone is welcome.



Signature

YOUR KEY TO THE WORLD'S ULTIMATE BUSINESS LOCATIONS

Signature represents an exclusive selection of landmark buildings in the most sought-after locations in the world. Signature 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.

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 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.

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.

No18

No18 is a blend of curated business club environments in the best locations, with first-class service and expansive member benefits. It's a workplace where people do business and socialise, moving from premium offices to restaurants and collaborative workspaces.

THE WING

The Wing is a community of professionals, entrepreneurs and leaders from across the globe, who find sanctuary and productivity in our beautiful work and community spaces designed for women, meaningful connections through our networking opportunities, career growth through our job platform and perhaps most importantly, support and camaraderie through sharing strategies and resources.

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 by the hour, day or longer as required.



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



Central Working provides flexible and scalable spaces, fully tailored to match customer needs. More than just an office space, it helps advance business by providing access to training, networking events and a supportive community.

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 in as much as possible in all facility and operational matters.

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.



MAKING HOME A GREAT PLACE TO WORK

HomeToWork improves the homeworking experience by providing everything needed to stay connected, productive and enjoy working from home. Our leading home worker platform provides access to useful daily content, a carefully curated programme of events and resources, and valuable benefits from industry-leading companies. HomeToWork provides an immersive experience which enables members to make home a great place to work.

EasyOffices

EasyOffices 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.



Worka brings together every type of IWG workspace in one easy-to-use app. Users are able to search and compare 3,300 global locations and instantly book office space, coworking, and meeting rooms. With the possibility to see real-time availability, Worka is the ideal choice for hybrid workers all around the world.

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.

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.



OUR MANAGED CONVENTIONAL OFFICE SPACE



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 the future.

A year of challenge, action and opportunity



Our clients, new franchise and landlord partners across the world are attracted by our brand portfolio, advanced technical platform, global footprint and above all the expertise and commitment of our people."

DOUGLAS SUTHERLAND
CHAIRMAN

For everybody at IWG, our employees, clients, partners and other stakeholders, 2020 will always be remembered as the year when the way we all work changed rapidly and forever.

THE YEAR EVERYTHING CHANGED

The year began with enormous promise, as our business made its strongest-ever start with every sign that 2020 would be a year of significant achievements, especially as the shift towards the hybrid flexible working model gradually continued to gain traction among businesses everywhere. But then things changed, quickly and dramatically, as awareness grew in markets across the world of the very real challenges coming from a growing global pandemic and associated national and regional lockdowns. The speed of change was immense, as 2020 metamorphosed into the most challenging year in memory, not only for IWG but also for most nations, businesses, communities, families and individuals around the world.

FACING THE CHALLENGES

As the intimidating new challenges faced by our clients, employees, franchise and landlord partners, and other stakeholders became apparent, we quickly took comprehensive proportional actions to help protect the future of our business. For our customers and employees, we rapidly implemented new health and safety protocols as well as provided financial support for customers. To preserve cash, we focused on reducing costs across the organisation, including renegotiating leases resulting in many more variable lease terms and management agreements and, where necessary, rationalisation of our network. We also withdrew our final dividend to shareholders for 2019 and suspended our share repurchase scheme and further dividends.

The Board is especially grateful for the personal contributions made by our employees and Senior Leadership Team in meeting the challenges, including swiftly implementing the new health

and safety measures to protect the work environments for our employees and clients. I am personally very appreciative for the Board engagement throughout the year via more frequent meetings and increased activity between meetings to deal with pandemic related matters. As the pandemic developed, our Executive and Non-Executive Directors alike took a 50% reduction in their salaries or fees for the remainder of the year and the Executive Directors will not receive any bonuses for 2020, although they have worked harder than ever before.

The impact of the pandemic and resulting actions taken had personal and financial ramifications (as evidenced in our own 2020 results reported herein) on our clients, employees, franchise and landlord partners, and investors. The Board offers its sincere appreciation to everyone working constructively with us as we navigate through the challenges created by the pandemic.

EMBRACING THE OPPORTUNITIES

As the year progressed it became increasingly clear that the crisis was driving fundamental long-term changes for companies, workers, communities and the environment. As more and more organisations adopted the hybrid working model, the desire for many diverse groups to achieve the sustained benefits from this way of working became clear. Companies are able to reduce their operating costs and mitigate financial risk. With the right support, there are mental health and productivity benefits to employees from working locally and commuting less. By helping millions of individuals to work efficiently closer to where they live, we can be a powerful catalyst for our customers to reduce their carbon footprint. In addition, numerous communities can retain talent and attract employment as never before.

As part of our ongoing efforts to continuously improve our approach to environmental, social and governance matters, we have the objective to become carbon neutral within five years. We will also add a Black, Asian or Minority Ethnic Director to the Board by May 2022. Reinforcing IWG's commitment to diversity, equity and inclusion will help us retain and attract talented people who will support our clients and our own enterprise vitality and growth going forward.

PREPARING FOR RAPID GROWTH

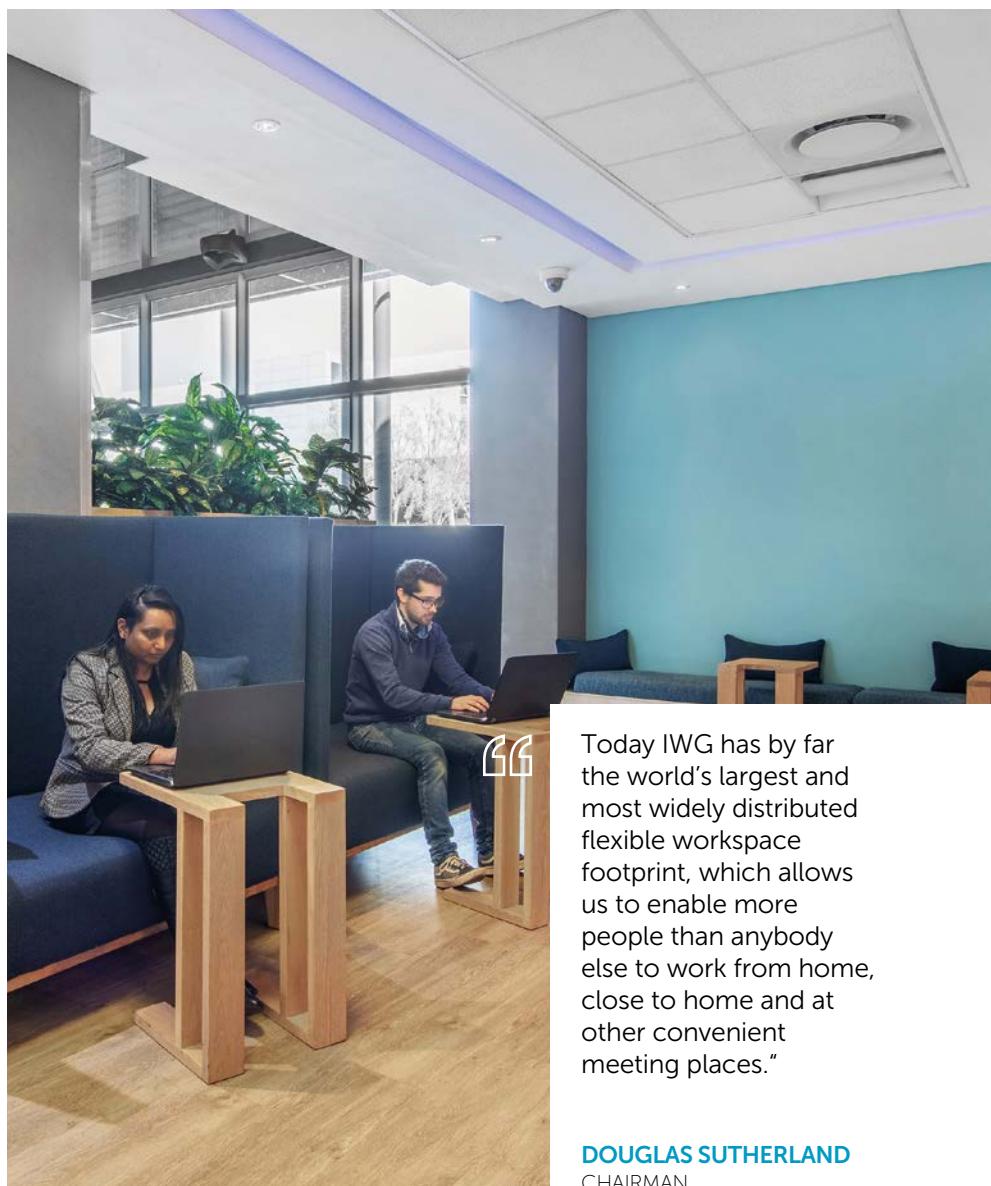
Today IWG has by far the world's largest and most widely distributed flexible workspace footprint, which allows us to enable more people than anybody else to work from home, close to home and at other convenient meeting places. The accelerated shift to hybrid working habits is creating an opportunity for unprecedented growth. We plan to rapidly expand our already extensive network by continuing to pursue our capital-light model focusing on franchising, management contracts and other forms of partnership. During 2020 we raised equity capital and issued convertible bonds collectively worth £670m. These funds and the measures

previously described will support IWG's future development as we broaden our network and service offerings through organic growth and M&A opportunities.

IWG is well positioned to meet the rapidly growing demands of the hybrid working model as the world emerges from the economic and social impacts of the pandemic. Our clients, new franchise and landlord partners across the world are attracted by our brand portfolio, advanced technical platform, global footprint and above all the expertise and commitment of our

people. We remain confident in the long-term structural growth drivers of the global flexible work market and our strategy to strengthen our leading position within it while unlocking shareholder value.

DOUGLAS SUTHERLAND
CHAIRMAN
9 MARCH 2021



Our most challenging year demonstrates our business resilience



Overall, I am very confident that the events of 2020 have done far more than merely confirm the resilience of our organisation and our business model. They have also delivered the changes in attitudes and working practices that will set us up for sustained success over the next 10 or 20 years and far beyond."

MARK DIXON
CHIEF EXECUTIVE OFFICER



2020 was simultaneously the toughest time in IWG's 31-year history and the moment of our single greatest developmental leap. It was when our market underwent a decade of evolution in just 12 months.

2020 was the most extraordinary year of my career. On the one hand, it was extremely challenging, not only for our trading performance but also for our customers, their employees, their families and communities across the 120 countries where we have a presence. The disruption caused by the COVID-19 pandemic to people's businesses and lives is immense, outweighing the combined impact of all the 50+ national, regional and global recessions I have personally experienced over the last three decades. It will clearly continue to have a major impact for some time to come.

On the other hand, this was also a year in which IWG's global market took a massive leap forward as companies across the world discovered first-hand that their workforces could be highly engaged and productive while utilising the hybrid way of working: at home, in a local office, and occasionally at corporate HQ.

As a result, at year end, the medium-to long-term future for IWG and the

industry we pioneered is looking more positive than ever before.

A NEW WAY OF WORKING

It would be wrong to assume that the shift we have been witnessing in how organisations work has been driven entirely by the COVID-19 pandemic. This has merely accelerated a trend that's been underway since the dawning of the digital era, which started in the 1970s with the arrival of the first personal computers.

Some five decades on, the only 'analogue residue' still holding companies back from going fully digital was the physical space they worked in. Now, the pandemic has finally and permanently blown this away – and IWG, as the global leader in flexible workspace, is at the forefront of both driving and enabling the office to be wherever workers have the digital tools and access to data they need to do their jobs.

This begs a question: why should companies go to all the expense of

providing city centre-based office accommodation when recent months have shown that people can be at least as effective, engaged and productive elsewhere?

In 2020, IWG did more than anybody else to answer this question once and for all. Quite simply, companies no longer need to do so. They can and do use our digital business and communications tools to support and engage their employees at home. They can use our growing portfolio of suburban and rural centres across the world to give people the chance to meet, brainstorm, innovate and create close to home, without the need for a long, tedious, expensive and environmentally damaging commute.

And, when required for the purposes of company identity and cohesion, they can still bring people together to congregate at a city-based corporate HQ, provided and managed by IWG or one of our growing global network of franchise partners.

GROUP INCOME STATEMENT

£m	2020 (As reported)	IFRS 16 Impact	2020 (Pre-IFRS 16)	2019 (Pre-IFRS 16)	IFRS 16 Impact	2019 (As reported)	% Change (constant currency) (Pre-IFRS 16)	% Change (actual currency) (Pre-IFRS 16)
Revenue	2,480.2	–	2,480.2	2,648.9	–	2,648.9	(5.3)%	(6.4)%
Gross profit/(loss) (centre contribution)	19.9	189.8	(169.9)	414.1	151.0	565.1	(143)%	(141)%
Overheads	(369.3)	11.5	(380.8)	(280.0)	(1.0)	(281.0)	38%	36%
Operating (loss)/profit⁽¹⁾	(352.0)	201.3	(553.3)	136.8	150.0	286.8	(524)%	(504)%
Operating profit/(loss) before adjusting items ⁽¹⁾	37.8	211.6	(173.8)	136.8	150.0	286.8	(235)%	(227)%
(Loss)/profit before tax from continuing operations	(620.1)	(55.9)	(564.2)	118.5	(63.5)	55.0		(576)%
Taxation	(30.1)	13.2	(43.3)	15.5	6.8	22.3		
Effective tax rate	(4.9)%		(7.7)%	(13.1)%		(40.5)%		
(Loss)/profit after tax from continuing operations	(650.2)	(42.7)	(607.5)	134.0	(56.7)	77.3		(553)%
Adjusted EBITDA	1,233.9		133.8	428.3		1,482.8	(69)%	(69)%

1. Including joint ventures

REVENUE AND GROSS MARGIN

Continuing	Revenue £m			Gross margin % (Pre-IFRS 16)		
	2020	2019	% change (constant currency)	2020 Reported	2020 Underlying	2019
2017 Aggregation	1,883.7	2,093.2	(8.9)%	12.2%	16.0%	22.7%
New 18	246.1	235.5	5.8%	(25.0)%	(11.7)%	(9.3)%
Pre-2019	2,129.8	2,328.7	(7.4)%	7.9%	12.8%	19.5%
New 2019	215.4	79.4	171.5%	(76.5)%	(30.6)%	(27.7)%
New 2020	48.2	–	–	–	–	–
Open centre revenue	2,393.4	2,408.1	0.5%	(3.7)%	6.7%	17.9%
Closures	86.8	240.8	(63.5)%	(103.4)%	(12.6)%	(7.5)%
Group	2,480.2	2,648.9	(5.3)%	(7.2)%	6.1%	15.6%

We can see the effects on our business of this trend in action by studying the location of the deals we completed during 2020. While there was lower demand for city-centre properties, we saw a very strong escalation of interest in suburban locations. For example, while deals for locations in New York City fell by around 30% during the year, they rose by more than 40% in Southern Connecticut and in many other primarily suburban and rural locations. We also saw a significant rise in demand for small offices, accommodating one or two people.

The sheer scale of our global network positions us uniquely well to meet this surging demand. During the year, the appeal of the hybrid model persuaded organisations of all sizes to become IWG clients, from global giants like Standard Chartered, Nestle, Cisco and Staples to many thousands of large and medium-sized organisations right down to small, single-office and even freelance businesses. In fact, we have just signed our biggest enterprise deal in our

31-year history with NTT providing global access to our centres to their 300,000 employees worldwide.

A RAPID, DECISIVE RESPONSE

So 2020 has been both enormously difficult and hugely important for IWG. Following a very encouraging beginning to the year, our strongest ever in terms of financial performance, the situation rapidly changed as the scale of the crisis facing our customers across the world quickly became clear. We had to respond with speed and determination, taking some difficult decisions to cut costs, acting fast to help many clients overcome potentially existential challenges and working hard to support our own team members through this exceptionally testing time. For example, while the pandemic caused us to rationalise some 6% of the network during the year, it was our constant priority to work with landlords on creating solutions that make centres impacted by COVID-19 sustainable for both parties. We made good progress

in this area during the year, with many successful outcomes, but much work remains to be done.

We've also innovated as never before, fast-tracking new products and services to market, and refining and strengthening others. And we've worked hard to ensure we have the capital at our disposal to help us grasp the important opportunities for growth that are certain to follow recovery.

Overall, our results for 2020 proved the resilience of our unique business model. In any other year, these results might have been cause for some concern. But given the challenges we faced and overcame in 2020, I am extremely proud of them and of the global team of amazing IWG people whose hard work, courage and passion have made them possible.

This extends beyond our financial results alone, and I have been delighted that IWG is a company that is committed to look after the health and safety of its people and customers.



CLEAR, COMPELLING ADVANTAGES

The appeal of the hybrid working model was underlined by the particularly strong sales activity we experienced during the second half of the year, although given the exceptional circumstances this was offset by increased customer churn. During the year, we also supported customers with a range of measures worth approximately £100m including payment deferrals.

Nonetheless, the fast-growing appeal and universal advantages of the hybrid working model are clear and compelling. At their simplest, they are:

- **Companies** gain better financial flexibility to invest in their people and in growing the business instead of the buildings from where they operate, reducing financial risk and generating shareholder value. They also enable them to attract high-quality employees with the offer of flexible working.

- **Individual workers** gain better mental health and reduced costs through not having to commute many miles into city centres, gaining more time with family and friends.

- **Communities** gain from the ability to provide more high-quality employment opportunities, encouraging people to stay and spend locally.

- **The environment** benefits from the long-term carbon-reduction benefits of reduced commuting allied with more efficient modern and upgraded workspaces with fewer damaging emissions.

Indeed, we are so confident in the environmental benefits of hybrid working that we are now targeting carbon-neutral status as an organisation within five years, brought about by a combination of reduced commuting, improved building efficiency, better use of resources such as water and energy, and increased recycling and carbon-offsetting activities. We will provide regular updates as we progress towards this target.

PARTNERING FOR CAPITAL-LIGHT EXPANSION

These are not the only benefits of hybrid working. Its appeal extends beyond potential customers and their employees to include a range of business types that are keen to become involved in such a fast-growing sector of the global real-estate industry.

Property companies, building owners and new investors are all targeting it in significant numbers, and they recognise the value of the scale, experience, visibility and skills we have to offer in a partnership approach.

We also recognise that the wider opportunity is far too big for IWG to realise on our own, and that we need, more than ever, to work with franchise partners and property owners across the world in the years ahead. We have always worked closely with building owners, bringing them the brands, expertise and access to our platform they need to maximise the value of their investments.

Since 2019 and throughout 2020, our emphasis has been on driving growth through franchising, management agreements and other forms of joint venture, as the key enablers of our capital-light growth strategy. This enables us to open more centres, faster and with less capital investment to meet the growing demand for hybrid working opportunities.

Our globally recognised brands, industry-leading platform, decades of experience and commitment to innovation make our offer very attractive to potential franchise partners. This and the growing interest in hybrid and remote working continue to drive more opportunities with potential franchise partners. During the year, we successfully completed 15 new franchise agreements in regions including EMEA, Asia Pacific and the UK, which between them included commitments to open 67 new centres. Since the year end, we have signed our first franchise agreement with a US partner, to develop seven centres over seven years in Metro Detroit. Several other agreements are in the pipeline as I write. Please see pages 36-37 of this report to find out more about our approach to franchising.

We also continue to pursue management agreements, in which building owners pay us a fee for creating and operating centres in their properties. In the second half of the year we entered numerous agreements of this type and have an attractive pipeline of further opportunities which I believe will come to fruition in 2021.

Clearly, we continue to have centres of our own on our balance sheet, which we bought in the past as part of our historical development programme. We also continue from time to time to buy assets, which ultimately could be used to create property funds. Such properties are a means to an end for IWG, and our focus will increasingly be on the capital-light route to expansion throughout 2021 and beyond.

CREATING SERVICES FOR A GLOBAL INDUSTRY

For some years, our business has revolved less around the provision of workspace and more about providing the platform, the services and the support that people and businesses need to work efficiently and cost-effectively.

During that time, more than anybody else, we have come to understand the complete end-to-end requirements of organisations everywhere, enabling us to focus our development efforts on innovative, and often digital, new products and bespoke service offerings. For example, in our 2019 Annual Report we covered the launch of Rovva, our unique business support platform that puts in one place everything businesses need, from practical advice on finding a place to work, HR, funding and finance, to virtual office plans, workspace membership and business services on a global scale. On page 35 of this report, we describe our breakthrough, end-to-end work with EY that shows how we can innovate through partnerships to help some of the world's biggest organisations meet their evolving needs.

And elsewhere in this year's report, we talk about the 2020 launch of HomeToWork, our new business that delivers everything workers need to stay connected, productive and to enjoy working from home.

These are both game-changing innovations that are facilitating the shift to new ways of working for businesses of every type and size. And they are only two of several other uniquely powerful new solutions that we've either launched or are set to bring to market in the near future.

OUR PRUDENT APPROACH TO M&A

We know that the period immediately ahead of us is packed with opportunity for IWG, and we are determined to maximise the potential that this limited time window presents. During 2020, therefore, we raised significant quantities of capital to enable us to grow inorganically through M&A activities in parallel with our capital-light expansion strategy. At year end, we were in the final stages of due diligence with a number of acquisitions, on which we will report in due course. Post year end we have acquired a majority investment in The Wing, the leading community and co-working space company designed for women, paving the way for the business to pursue substantial growth plans both in the US and internationally.

Naturally, we continue to take a prudent approach to inorganic growth and will only take action when we believe a deal is overwhelmingly in the best interests of our shareholders and other key stakeholders.

OUTLOOK

This was a period of exceptional change for IWG, for our employees, our clients and for the overall business environment worldwide. While it was undeniably an extremely difficult time for everybody and these conditions are likely to persist well into 2021, I am in no doubt that the uptake of new working practices it has accelerated for so many organisations and enforced on others is now here for good.

I am also in no doubt that these will ultimately be for the good of everybody – businesses, individual workers and their families, communities and the environment.

As for IWG, this fundamental shift in the way people work is clearly an enormously positive step over the medium and longer terms. Certainly, 2020 was very difficult, and I anticipate these challenging market conditions to prevail for a few months to come. Indeed, we have made additional provisions for further network rationalisation as the recovery from the pandemic continues to take longer than we anticipated last summer. I believe this was a prudent decision that emphasises our commitment to doing what needs to be done for the greatest long-term benefit of the Group.

Overall, I am very confident that the events of 2020 have done far more than merely confirm the resilience of our organisation and our business model. They have also delivered the changes in attitudes and working practices that will set us up for sustained success over the next 10 or 20 years and far beyond.

Today, we anticipate a massive surge in growth when we eventually emerge from the unprecedented downturn that the COVID-19 pandemic has created. Our franchising and management agreement strategies are performing to plan as the spearhead of our capital-light expansion strategy. And we are progressing well on our plans to strengthen our position as the leading service provider to the global flexible workspace industry.

In short, in a single year we have made a developmental leap equivalent to the progress we had anticipated for the next decade. The year gone is one we will never forget – and the years ahead are tremendously exciting.

MARK DIXON
CHIEF EXECUTIVE OFFICER
9 MARCH 2021

Connecting people and businesses through COVID

A key part of ensuring our customers and employees have a great day at work in 2020 has involved ensuring a clean, safe and socially-distanced working environment – every day and in every one of our centres across the world.



IMMEDIATE COVID-SAFE MEASURES

Having seen the likely global impact of the pandemic earlier than most as it swept towards our Asia Pacific operations in January and February 2020, we were fast to invest in the new systems and resources we needed to deliver services worldwide under unprecedented conditions. Our immediate response included the provision of temperature readers, clear information, signage and procedures to enable physical distancing, new protocols covering our meeting rooms and increased frequency of cleaning. In particular, the measures we have implemented are in line with the recommendations of all relevant national and regional governments and the World Health Organization (WHO). As a result, we meet or exceed all COVID-related guidelines in every market where we operate. In addition, several governments across the world, including in the UK, consulted with us when developing their workplace guidelines. We have also carefully scrutinised COVID-related safety-compliance standards across the world.

£100m

provided in customer support



CUSTOMER SUPPORT

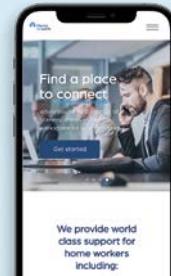
At IWG, we recognise the value to ourselves and our shareholders of long-term relationships, based on openness, mutual trust and respect. So during 2020, we provided customers with support worth more than £100 million to help them through the COVID-19 crisis. Throughout, we've been determined to communicate, to listen, to understand and respond effectively to our customers' needs. We've collaborated widely to develop and deliver new customised solutions that address the new realities of how companies and their teams have been forced to work. We've adapted pricing structures, introduced new services for home workers as well as introduced further measures to help them get through the crisis. In short, we've done all we can to strengthen relationships for the long term.



PRODUCT AND SERVICE INNOVATION

During 2020, we've innovated ceaselessly to help people work better – remotely and in the office. A key example is HomeToWork, our unique membership network dedicated to home and hybrid workers. The vision is straightforward – to become the go-to website and app for a global, vibrant community of home workers for information, discounts, events and key resources. It also enables members to book shared workspaces or private meeting rooms as well as enjoying a great day at work at home. HomeToWork was launched in the U.S. at the end of 2020, in the UK in early 2021 and will be rolled out globally later this year.

We aim to attract hundreds of thousands of members by attracting large enterprise clients wishing to provide valuable benefits to hybrid working employees.



We provide world class support for home workers including:



LOOKING FORWARD

Towards the end of the year, we saw strong signs of business improvement, including growing demand for products and services including our membership and virtual office offerings. This trend appears set to continue, and we will maintain our focus on further new-product development to support home and remote working. Demand for more flexible space will continue to grow in the post-COVID 19 world, as more companies build increasingly distributed workforces with more satellite offices and more employees working at or closer to home. Our decentralised global portfolio of urban and suburban workspaces in more than 1,100 towns and cities means IWG is uniquely placed to help companies everywhere adapt to new ways of working.



The growing flexible workspace market

Right across the world, significant forces are influencing the future development of the flexible workspace market. In 2020, the COVID-19 pandemic made these all the stronger. Here we reflect on how the ways we react to change are enabling us to strengthen our position as global market leader.



CONCERN ABOUT THE ENVIRONMENT

Continuing to support people working at or near home following the pandemic is the single biggest contribution organisations can make to reducing their carbon footprint. Taking positive action attracts talent who share an increasing sense of shared responsibility and global citizenship.

IMPACT ON OUR INDUSTRY

- Need to satisfy growing consumer, shareholder, employee, legislative and societal demand for reduced impact.
- Increased demand for flexible workspace solutions, close to and in the communities where people want and can afford to live.
- Growing requirement for advanced tech solutions to support home working as individuals seek to enhance their lifestyles and reduce their carbon footprints.

HOW WE ARE RESPONDING

- Investing in highly efficient, intelligent buildings, continuously upgrading our estate and enabling reduced commuting by opening more locations outside city centres.
- Upgrading or closing inefficient centres to improve environmental performance across our portfolio.
- Supporting new ways of working that allow people everywhere to contribute to the carbon-reduction agenda.



SOCIETAL CHANGE

COVID-19 has significantly accelerated the uptake of hybrid working patterns. Research from 2020 shows that more than half of US workers (52%) want to split their time working between home and the office¹¹. Increasingly, SMEs are demanding high-quality accommodation and services in local markets.

IMPACT ON OUR INDUSTRY

- To attract and retain the best talent, employers are seeking partners who can provide flexible space and services.
- Workspace providers without diverse portfolios are struggling to meet emerging customer needs and remain competitive.
- Communities that cannot provide high-quality workspace are finding it hard to meet the evolving needs of local employers.

HOW WE ARE RESPONDING

- Our network growth focuses on local markets, enabled and accelerated by our franchising strategy that is driving our global presence change to and goal of reaching 50,000 centres.
- We ensure our customers gain from our scale, brand portfolio and service levels at every stage of their development.
- We enable our customers to participate in our local social investment programmes across the world.

11. Gensler, U.S Workplace Survey Summer / Fall 2020, Executive Summary: *The Hybrid Future of Work*



EVOLVING GLOBAL ECONOMY

Companies across the world are aiming to reflect their business priorities in their real-estate strategies: responding to the impact of a global pandemic; increasing operational flexibility while driving down overall costs; and seeking and finding new ways of maintaining closer relationships with customers and suppliers alike.

IMPACT ON OUR INDUSTRY

- Companies are increasingly taking a portfolio approach to real estate, taking on a hierarchy of sites from headquarters to local offices.
- They are seeking new ways of building dispersed customer relationships while delivering personalised service.
- The need is growing for customers to understand and influence supplier behaviour in local markets.

HOW WE ARE RESPONDING

- We provide 'hub-and-spoke' infrastructure to meet national and regional development plans.
- Our sophisticated platform allows immediate personalised support to meet emerging customer needs.
- Our global network supports a worldwide, regional and local presence wherever required, allowing customers to make rapid shifts in location, scale, strategy and customer focus.



RAPIDLY ADVANCING TECHNOLOGY

Smart technology and universal connectivity is enabling people to choose how, when and where they work. The pandemic enforced history's largest ever remote-working experiment, which was 100% enabled by major improvements in technology with billions connecting globally via the latest in video communications and virtual-reality platforms.

IMPACT ON OUR INDUSTRY

- The ability to offer, refresh, expand and manage an appropriate range of digital offerings is a key differentiator.
- Companies are therefore having to focus attention on identifying the right tech investments to make the moment they are required.
- The need to maintain service provision is mission-critical, driving the often expensive requirement to keep pace with advances.

HOW WE ARE RESPONDING

- We leverage our unmatched insight into the tech needs and expectations of businesses, delivered by millions of individuals who use our services every day.
- We continually invest in world-class, resilient IT infrastructure, innovative digital offerings and services at all our centres.
- With more than 3,300 centres worldwide, we provide the resilience and global infrastructure to meet every flexible-working need.



DEMAND FOR MORE AGILE PROPERTY MODELS

Companies increasingly need to be poised for rapid reinvention in an ever-more complex and competitive environment. To support rapid shifts in strategy, scale and location, businesses are increasingly demanding highly efficient, intelligent buildings, high-quality services and portfolio solutions that extend far beyond single offices.

IMPACT ON OUR INDUSTRY

- Fast-changing business needs mean that customer requirements are continuously evolving.
- Companies are seeking partners who can meet increasingly rigorous and mission-critical demands fast and efficiently.
- Growing complexity is increasing the need for enterprise companies to have a single point of contact for their property requirements.

HOW WE ARE RESPONDING

- We can respond fast and fluidly to rapidly changing needs and demands by developing bespoke solutions that can be rapidly engineered for global uptake.
- We have the experience, scale and investment power to deliver and continuously upgrade in line with individual expectations.
- Our network comprises a wide variety of building types able to serve even complex business needs.

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 pages 38-39 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, robust governance and a rigorous risk-management model that ensures the business is being managed prudently and risks are appropriately assessed.

VALUE CREATED

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



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.

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

➤ See pages 48-55 and 66-96 for more on our approach to risk and governance

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.

Who are they?	Why they are important to us?	What do they want from us?
 CUSTOMERS Businesses of all sizes across the world, seeking the flexibility, quality and value from their workspace that boosts their agility and competitiveness.	They are the reason for IWG to exist. By paying for our services, they enable us to consistently improve our global offering with ever-better property models, working environments, value, service and business solutions.	They need us to understand and respond fast and with precision to their changing needs. This means providing them the flexibility to achieve rapid shifts on cost, location and scale, while providing the fabulous working environments, world-class IT and admin support they need to achieve their business goals.
 PARTNERS Franchisees seeking opportunities to diversify into an exciting and fast-growing market, and building owners and developers wishing to drive the best possible return on investment.	They not only own or manage the buildings where our customers work – they also bring us the benefits of their experience across a range of niche and local markets to deepen our understanding of customer needs.	Our partners need flexible, bespoke relationships based on shared trust, enabling them to maximise the benefits of our proven business model, the power of our brands and our global leadership position.
 EMPLOYEES The people who – in growing numbers of neighbourhoods across the world – do most to ensure our customers have a great day at work.	These are the people who ensure we deliver customer value and therefore drive our growth, attract new business and deliver the returns our shareholders want.	Above all, they want a great day at work, based on mutual loyalty, exciting rewards, effective development opportunities and the benefits associated with working for a global leader.
 COMMUNITIES The places where our centres are based, increasingly home to where our own people and customers' employees live and wish to work.	They are increasingly the source not only of our employees but our customers too, enabling us to grow at scale in multiple local markets across the world.	They want us to help them thrive, attracting new employment and enabling local people to work close to home.
 SHAREHOLDERS The individuals and institutions who own our shares and provide the support we need to deliver sustainable stakeholder value.	They give us the financial support and authorisation we need to continue our unique strategy for growth and strengthen our leadership position in the global flexible-workspace sector.	Our investors want us to continue articulating and following our successful strategy, communicating with them clearly and regularly, and giving them the opportunity to comment on our progress. Above all, they want us to grow the value of our shares and operate a progressive dividend policy.

How do we engage with them?

We give our customers the freedom to choose from a wide range of brands, so they can find the solution that works best for their business. We support them in our centres, from home and on the move via our app.

We support partners by providing established international sales and marketing channels and comprehensive training from the outset as well as ongoing support and training from an experienced global team.

Comprehensive training programme with over 300 webinars delivered to employees in 2020 as well as the launch of the new IWG Academy.

IWG is heavily involved in community projects from education to health related initiatives.

In 2020 investor relations held over 300 meetings with investors and analysts. After the first quarter of 2020, these meetings were held virtually in view of COVID-19 considerations.



A GLOBAL SOLUTION FOR EY NORWAY

When it comes to working with our customers, one of our five key stakeholder groups, all that matters is meeting as many of their needs as possible.

So when EY made an initial enquiry about the provision of a head office for its organisation in Norway, we were keen to provide its professionals with the most flexible 'hub-and-spoke' service we could devise. The resulting agreement is built on our 30 years' experience of supporting large organisations with fully customised solutions, and marks a new departure for EY across its global footprint that covers more than 150 countries.

When it opens in 2023, EY's Norway head office will cover the four top floors of Oslo's Stortorvet 7 building, the rest of which will house our largest Spaces coworking centre in Norway. Critically, all EY's people in Norway will have access to all IWG's meeting rooms, workstations and coworking facilities across the world, enabling them to work whenever they want to in more than 1,100 cities and suburbs.

According to Thomas Weeden, IWG's country manager of Norway and Finland, "Our global reach means we are uniquely positioned to help companies benefit from a new way of working in an international network."

The Oslo HQ is set to provide everything that cutting-edge office accommodation should deliver, including BREEAM certification, 'drive-in' bike parking, fitness facilities and changing rooms. It also includes an exclusive roof terrace for EY, plus a bar and restaurant that are open to the public.

Partnering to bring hybrid working to the world

As we expand our global footprint, franchise partners and property owners are gaining ever-better access to the opportunities that come from working with us.

Property owners across the world have always been partners in IWG's expansion success. And franchise investors and operators are increasingly coming to recognise the opportunity working with us presents as hybrid working trends increase.

The time is right. Many franchise operators are active in markets that are working with brands that are either close to saturated, overly reliant on retail, or have been severely impacted by the COVID-19 crisis. And today there is one global industry where everything is pointing to an exciting future of fast, sustainable growth that provides an attractive opportunity to diversify away from the traditional franchise landscape and make strong returns.

A POWERFUL GROWTH OPPORTUNITY

This, of course, is the vibrant hybrid-workspace sector, which is set to benefit over the years ahead thanks to a confluence of powerful trends:

- Employers are seeking more flexible property solutions, to enable them to scale up or down quickly and cost-effectively in response to emerging threats and opportunities.
- Employees are demanding more vociferously than ever the right to work flexibly: at home, in local satellite offices and occasionally at HQ. Employers, too, are increasingly open to change having seen how the flexible model works in action.
- Companies are increasingly aware of the engagement, retention and productivity benefits of flexible working.
- Demands for a lower-carbon economy have gone mainstream, and the ability to reduce employees commuting is the quickest and most important win many employers can achieve as they focus on fulfilling their ESG responsibilities.
- Digital solutions are now enabling the distributed workforce to be at least as productive as its office-bound predecessor.



MAJOR FRANCHISE DEAL EXTENDS FOOTPRINT IN GERMANY

One of Germany's most respected entrepreneurs and angel investors has become the country's second IWG franchise partner, with a commitment to take on a total of eight Regus centres across Bavaria during the years ahead.

Dr Ralph Altenburger, owner of Planet9 Investments, is confident that the sharing economy and flexible work solutions are important social trends that are here to stay. As he says, "They open up enormous growth opportunities that fascinate me as an investor and entrepreneur. Regus, as the market leader, offers an excellent basis to position myself in this area with a strong brand, professional infrastructure and a global network."

Dr Altenburger, with his business partner Hans Stübinger, took over a franchise on an existing centre in Augsburg in late 2019. According to Marco Wild, IWG's Franchise Director for Germany, Austria, Denmark & Sweden, "Augsburg is just the sort of second-tier city that's benefiting from people's decisions, emphasised by the COVID-19 crisis, to work closer to where they live. The centre has performed exceptionally well during its first year, with a stable customer base and strong pipeline of new leads."

In December 2020, Dr Altenburger signed the lease on his second centre, which will be in Regensburg, north of Munich. As Marco Wild explains, "This is an excellent example of the growing recognition by many successful businesspeople of the growing investment opportunities connected with the shift to flexible working."

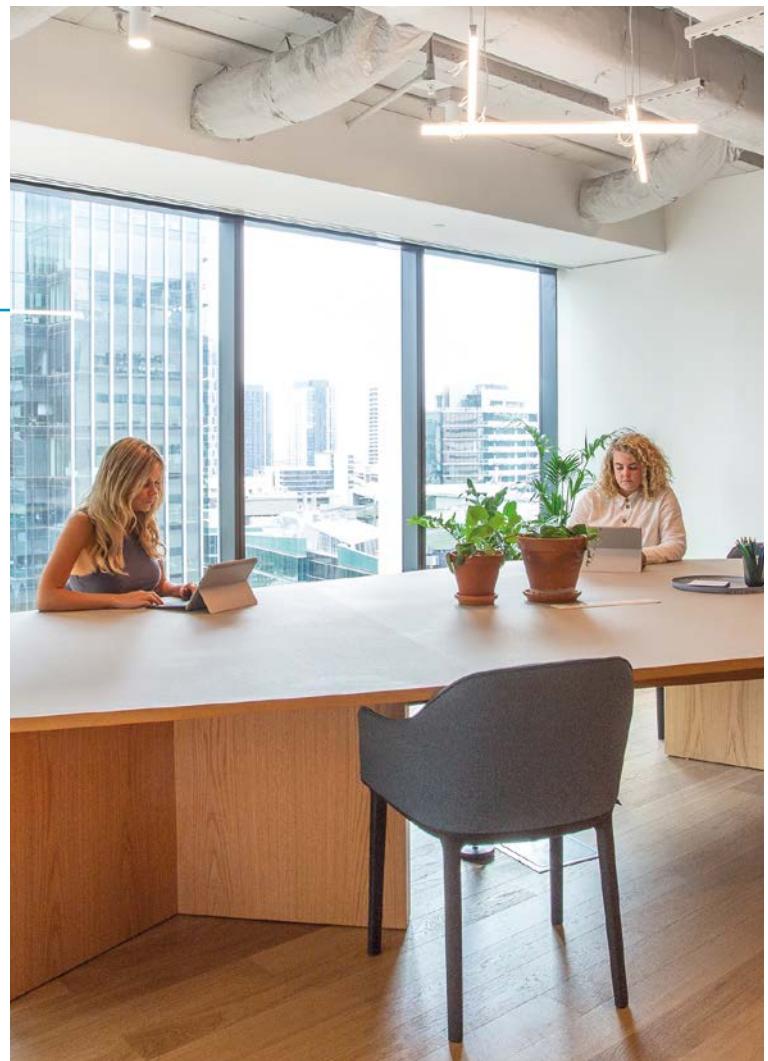
As Dr Altenburger put it, "I am now looking forward to providing our customers with flexible, modern workplace solutions in attractive Bavarian cities. We have already fired the starting pistol in Augsburg and further locations will follow soon."

FEEDING AUSTRALIA'S 'BOOMING' APPETITE FOR FLEXIBLE SPACE

We've signed our first franchise deal in Australia, enabling us to add 10 centres in Northern Queensland to the 79 we already operate across the country. Our partners in the new ventures are Adam and Katrina Adams, owners of the highly successful Adams Group which runs convenience and service-station franchises across Australia.

According to Adam Adams, "The appetite for flexible and coworking spaces was booming in Australia pre-COVID and the pandemic has only increased demand. There is a clear gap in the market for a high-quality product in Queensland and our goal is to partner with Regus, the global leader, with a strong brand, professional infrastructure and worldwide network to fulfil this need."

The Australian flexible workspace market has rocketed in recent years, reflecting the country's 'early adopter' culture. According to Mark Bhardwaj, IWG's Head of Partnership growth in Australia and New Zealand, "We are actively looking for franchise partners to capitalise on this growing demand, and are confident of adding a significant number of further locations to our footprint."



In recent years, and vastly accelerated by the 2020 COVID-19 crisis, IWG has seen demand for flexible workspace outside city centres – in the suburbs, and even in small towns and villages – grow exponentially. This is driving increased interest from franchise partners and is set to be IWG's greatest source of network expansion in the years ahead.

It is therefore fuelling our strategic shift towards the franchise model, in which we sell our centres, regional development areas and in some cases even national networks to long-term partners who then use the power of our brands and business model to grow their businesses. And the move away from city centres is enabling our franchise partners to develop their business in their own areas, supporting local communities by attracting new employers and enabling more people to live, work and spend locally.

It's a win-win situation for everybody, and our franchise partners are enthusiastic. According to Tom Abuaita, who with his business partner has diversified away from the food and beverage sector to open a 13,000 sq ft Regus centre in Wolverhampton, UK, "I enjoy turning a standard office into an amazing coworking space. That's one of the things I like about Regus – they are top-end, quality coworking spaces."

STRATEGIC ADVICE

In the Philippines, franchise partner Ricardo Lagdameo has committed to opening eight new centres in the region over the next five years. As he says, IWG has been highly supportive, with senior-level strategic advice and training on everything from sales to operations. "The good thing about IWG is that it understands our success is its success. And partnering with IWG as a globally recognised brand makes it easier to attract new clients."

In 2020, IWG has entered agreements with 15 new franchise partners, covering a total of 67 committed centres in 14 countries, all of whom benefit from the three decades and counting that we've spent formulating and fine-tuning our business model.

PROPERTY PARTNERSHIPS

As well as franchise partners, we are interested in partnering with anybody who owns commercial property anywhere in the world. Over three decades, we have together proven how such partnerships add value to properties, helping them transform into high-quality spaces that can leverage our globally recognised brands.

Today, our 2,500 landlord partners are not only enjoying access to the global commercial real-estate market's fastest-growing sector, they are also gaining from more than three decades' experience that has enabled us to refine our business model into a precision tool for driving sustainable growth.

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.

1 INDUSTRY-LEADING PROFITABLE GROWTH

Pre-2019 Adjusted EBITDA development (£m)

£255.9m

Pre-2019 Adjusted EBITDA[□] down from £435.3m for 2019 reflecting the impact of COVID-19

2020 – Pre-2019*	255.9
2019 – Pre-2018	455.0
2018 – Pre-2017	402.5
2017 – Pre-2016	379.5

COVID-19 made 2020 the most challenging year in our history. Notwithstanding this, our revenue performance was resilient, which, together with the swift, comprehensive actions taken to reduce costs, delivered pre-2019 EBITDA[□] of £255.9m before COVID-19 related adjusting items. For the Group these adjusting items were £379.5m.

FUTURE AMBITIONS AND RISKS

The continued impact on market conditions of COVID-19 is likely to pose a challenge for much of 2021. However, we continue to aim to deliver long-term revenue growth by expanding 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.

2 BEST-IN-CLASS COST LEADERSHIP

Overheads as percentage of revenue (%)

11.9%

Overheads as a % of revenue[□] before all non-recurring items were well controlled at 11.9%

2020	11.9%
2019	10.6%
2018	10.3%
2017	10.4%

Whilst Group overheads[□] for 2020, excluding adjusting items of £56.4m related to COVID-19, increased 17.0% at constant currency to £324.4m (2019: £280.0m), these included £28.6m of non-recurring costs relating to corporate restructuring. Excluding these non-recurring costs, Group overheads[□] increased by 5.6% to £295.8m, representing 11.9% of the Group's lower revenue reported for 2020 (2019: 10.6%). The increased investment in overheads, particularly in the second half, reflects the Group's continued development of enterprise accounts and pivot to a capital light growth model and a scaled platform of services.

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.

* Including only those operations that were open throughout the period, pre COVID-19 related adjusting items and pre-IFRS 16

3

GLOBAL MULTI-BRAND NETWORK

Network

3,313 locations

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

2020	3,313
2019	3,388
2018	3,306
2017	3,125

In direct response to the pandemic, decisions were taken to accelerate the rationalisation of underperforming centres to ensure we emerge a stronger business post COVID-19. Overall, 217 locations were rationalised, mostly directly COVID-19 related. During 2020 we added 141 new locations in order to maintain the largest global and most widely distributed network.

FUTURE AMBITIONS AND RISKS

The overall business environment globally in 2020 was extremely difficult and these conditions are likely to persist well into 2021, which may lead to further rationalisation of the network. We remain however, 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.

4

STRONG CASH GENERATION, ENABLING INVESTMENT

Cash flow before net growth capital expenditure, investments, dividends, share repurchases and adjusting items[□]

£140.7m

During 2020 we generated £140.7m of cash flow.

2020	£140.7m
2019	£224.6m
2018	£259.2m
2017	£215.5m

Cash generation continues to be an attractive feature of our business model. Despite the negative impact the COVID-19 pandemic has had on business activity and customer growth, and the reported financial performance, the Group's cash performance has been very resilient with a cash inflow of £140.7m[□] before net investment in growth, capital expenditure, investments, dividends, share repurchase and adjusting items.

FUTURE AMBITIONS AND RISKS

Whilst challenging conditions directly related to COVID-19 are likely to continue well into 2021, 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.

5

ATTRACTIVE SHAREHOLDER RETURNS

Total return to shareholders

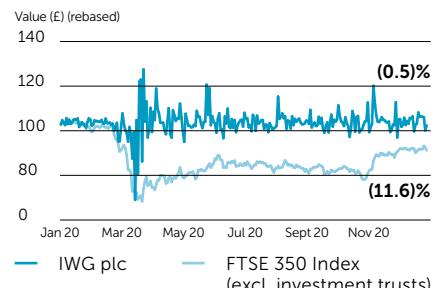
£43.7m

To preserve cash in direct response to COVID-19 we withdrew our final dividend to shareholders for 2019 and suspended our share repurchase scheme and further dividends.

2020	£43.7m
2019	£107.7m
2018	£93.9m
2017	£99.6m

Given the prolonged uncertainty caused by COVID-19, we believe it is prudent to protect our liquidity and as a result the cash distribution to shareholders in 2020 was restricted to the £43.7m on share repurchases conducted before awareness grew in markets across the world of the very real challenges coming from a growing global pandemic.

TOTAL SHAREHOLDER RETURN



FUTURE AMBITIONS AND RISKS

Our capital allocation policy remains in place, prioritising investment in the long term development of our business and distributions to shareholders. We intend the earliest possible return to continuing to provide attractive returns to shareholders with the continuation of a progressive dividend distribution and share repurchase programme.

Despite COVID-19, cash performance has been resilient



GG

The demand for more distributed working has increased sales in many of the satellite towns and cities outside of major cities, as more customers adopt hybrid working. The conditions experienced in 2020 have made it our most challenging year ever experienced."

ERIC HAGEMAN
CHIEF FINANCIAL OFFICER

FINANCIAL PERFORMANCE

The review below highlights the reported results in accordance with IFRS. 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.

The Group also presents the results in accordance with pre-IFRS 16 accounting standards[□] as it provides useful information to key stakeholders on how the Group is managed, operating performance targets are measured, and reporting for bank covenants and certain lease agreements are prepared.

COVID-19

The declaration by the World Health Organization of the COVID-19 pandemic and subsequent global government restrictions impacted the Group's ability to operate at full capacity in 2020. The continuation of COVID-19, including new and extended preventative measures in most of the Group's markets, is expected to prolong the impact on our business in 2021. Following early signs of recovery during the fourth quarter of 2020, we expect our anticipated recovery in 2021 to be delayed but aided by global vaccination programmes.

As a result, in order to improve the transparency and usefulness of the financial information presented and improve year-on-year comparability, the Group has identified net charges of £389.8m (pre-IFRS 16: £379.5m[□]) relating to directly attributable expenses and gains resulting from COVID-19. These charges are adjusting items as they meet the Group's definition applied in previous years, being significant both in nature and value to the results of the Group for the year ended 31 December 2020.

The adjusting items relate to several separately identifiable items which involve accounting judgement and estimates as follows:

- Network rationalisation
- Provision for expected credit losses
- Transaction costs on deferred franchising deals
- Goodwill impairment
- Other one-off items

Should the actual costs relating to the amounts provided prove to be different to the costs incurred and provided for, the excess or surplus will be disclosed in future years, as adjusting items.

NETWORK RATIONALISATION

As previously announced, in direct response to the pandemic, decisions were taken to accelerate the rationalisation of underperforming centres to ensure we emerge a stronger business post COVID-19. The estimated net impact of network rationalisation is £322.3m (pre-IFRS 16: £312.0m[□]). This charge includes the impairment of right of use and non-moveable assets and exit costs incurred in the year, which are over and above the normal run rate for the Group.

GROUP INCOME STATEMENT

£m	2020 (As reported)	IFRS 16 impact	2020 (Pre-IFRS 16)	2019 (Pre-IFRS 16)	IFRS 16 impact	2019 (As reported)
Revenue	2,480.2	–	2,480.2	2,648.9	–	2,648.9
Gross profit/(loss) (centre contribution)	19.9	189.8	(169.9)	414.1	151.0	565.1
Gross profit before adjusting items ⁽¹⁾	353.3	200.1	153.2	414.1	151.0	565.1
Overheads ⁽²⁾	(369.3)	11.5	(380.8)	(280.0)	(1.0)	(281.0)
Joint ventures	(2.6)	–	(2.6)	2.7	–	2.7
Operating (loss)/profit	(352.0)	201.3	(553.3)	136.8	150.0	286.8
Operating (loss)/profit before adjusting items ⁽¹⁾	37.8	211.6	(173.8)	136.8	150.0	286.8
Net finance costs	(268.1)	(257.2)	(10.9)	(18.3)	(213.5)	(231.8)
(Loss)/profit before tax from continuing operations	(620.1)	(55.9)	(564.2)	118.5	(63.5)	55.0
Taxation	(30.1)	13.2	(43.3)	15.5	6.8	22.3
Effective tax rate	(4.9)%		(7.7)%	(13.1)%		(40.5)%
(Loss)/profit after tax from continuing operations	(650.2)	(42.7)	(607.5)	134.0	(56.7)	77.3
Profit after tax from discontinued operations	3.4	0.3	3.1	369.1	4.2	373.3
(Loss)/profit for the period	(646.8)	(42.4)	(604.4)	503.1	(52.5)	450.6
Basic EPS (p)						
– From continuing operations before adjusting items ⁽¹⁾	(26.9)		(24.0)	15.0		8.7
– Attributable to shareholders	(67.9)		(63.5)	56.4		50.5
Depreciation & amortisation	1,195.0		307.3	267.8		1,169.2
Adjusted⁽¹⁾ EBITDA	1,233.9		133.8	428.3		1,482.8

1. Adjusting items relate to income and costs arising specifically from the impact of COVID-19

2. Overheads for 2020 include COVID-19 and other non-recurring items of £85.0m

GOODWILL IMPAIRMENT

Despite the continued uncertainty created by COVID-19, there are no long-term indicators of impairment identified for the US and UK and these businesses are expected to recover post COVID-19. However, as previously reported with the interim results, the COVID-19 crisis and linked restrictions have impacted our ability to trade our way to sustainable profitable growth in certain markets. As a result, the projected cash flows for the operations in certain insignificant markets no longer supported the carrying value of goodwill, and an impairment of £4.9m was taken as at 30 June 2020. No further impairment was taken in the second half.

PROVISION FOR EXPECTED CREDIT LOSSES

The COVID-19 pandemic unfortunately presents an unprecedented crisis to many of our customers who may struggle to navigate through these challenges without external support. We have therefore endeavoured to provide support wherever possible to our customers to sustain our long-term relationships.

Considering the disruption of centres globally, the Group reviewed the recoverability of its debtor profile and recorded an increase in the expected credit-loss provision of £17.5m for 2020. This increase reflects the greater likelihood of credit default by the Group's debtors directly attributable to the impact of COVID-19 and the likelihood of recoverability of such outstanding balances payable to the Group.

The increase is relatively low compared to the overall debtor profile as the Group has not historically incurred significant credit losses and continues to maintain customer deposits as additional security in the rare event of non-performance of customer contracts.

OTHER ONE-OFF ITEMS INCLUDING RESTRUCTURING

During 2020, the Group incurred £8.2m of transaction costs in respect of master franchise agreements that have not completed as at 31 December 2020 because of COVID-19. The Group continues its pivot towards a franchising model and discussions on master franchise agreements have since resumed. Other net charges of £36.9m were also incurred in relation to restructuring the Group in respect of the COVID-19 crisis.

ESTIMATED RESULTING COST BENEFIT

The anticipated annualised cost benefit arising from these actions taken to respond to COVID-19, if fully implemented, is expected to be in the range of £325m to £375m. The estimated cumulative benefit of these actions accruing to the Group in future years will be significant and is estimated to be approximately £2.4bn as previously announced.

REVENUE

Total Group revenue[†] decreased from £2,648.9m to £2,480.2m, a 5.3% decline when compared at constant currency. This is a commendable outcome given the increasing quarterly year-on-year weakness experienced from the second quarter onwards, including double-digit revenue declines in the third and fourth quarters. The improvement achieved in sales activity has been offset by customer churn and the significant impact the pandemic has had on service revenue. Only EMEA recorded annual revenue growth, aided by the annualised benefit of acquisitions in late 2019, but even here revenue declined in the second half. Although the year-on-year trends for the Group after the first quarter were sequentially increasingly more negative, the absolute level of monthly revenues stabilised in the second half and showed some improvement in December.

As anticipated and previously highlighted, the performance of the business outside of central business districts was more resilient. The demand for more distributed working has increased sales in many of the satellite towns and cities outside of major cities, as more customers adopt hybrid working. The conditions experienced in 2020 have made it our most challenging year ever experienced. Despite seeing early signs of recovery during the fourth quarter of 2020, the continuation of the pandemic, including new or extended preventative measures in most of the Group's markets, is likely to persist well into 2021 before we see the environment improving.

Overall, open centre revenue[†] of £2,393.4m (2019: £2,408.1m) was broadly stable for the year, a 0.5% increase when compared at constant currency. Again, this performance is reflective of conditions becoming more challenging as we moved through the year. Open centre revenue in the first half increased 10.2% at constant currency, an outcome that was very much first quarter driven. The second quarter reduced to a small positive revenue increase and thereafter moved increasingly into negative territory as the impact of the pandemic continued to be felt on the business.

The continued maturation of the locations opened in 2018 and 2019 and the initial revenue contribution from the 2020 openings combined to deliver the broadly flat revenue position for the year. Regionally, as can be seen in the table below, the increase in revenue from our second largest region, EMEA, was essentially offset by the decline in our largest market, the Americas. Open centre revenue is not impacted by the pro-active network rationalisation programme.

Pre-2019 revenue[†] for the year declined 7.4% at constant currency to £2,129.8m (2019: £2,328.7m), with all regions experiencing year-on-year revenue declines. A similar pattern emerged through the year. After a very strong first quarter, weakness was experienced in the second quarter resulting in a relatively flat first half performance with revenue up 0.2% at constant currency. This weakness continued into the second half with each quarter showing increasingly weaker year-on-year performance. As a result, pre-2019 revenue declined 15.8% at constant currency in the second half.

Overall, occupancy for the pre-2019 business decreased marginally year-on-year to 72.9% (2019: 73.9%).



OPEN CENTRE REVENUE PERFORMANCE BY REGION

On a regional basis, open centre revenue[†] performance can be analysed as follows:

£m	2020	2019	% Change (constant currency)	% Change (actual currency)
Americas	1,034.2	1,120.5	(5.9)%	(7.7)%
EMEA	688.9	611.9	12.6%	12.6%
Asia Pacific	285.0	285.3	1.9%	(0.1)%
UK	379.7	381.4	(0.4)%	(0.4)%
Other	5.6	9.0	–	–
Total	2,393.4	2,408.1	0.5%	(0.6)%

AMERICAS

After a strong first quarter in 2020 our largest region, the Americas, faced a very challenging environment as the pandemic spread across the region.

£m	2020	2019	% Change (constant currency)	% Change (actual currency)
Total revenue [†]	1,066.5	1,187.9	(8.4)%	(10.2)%
Open centre revenue [†]	1,034.2	1,120.5	(5.9)%	(7.7)%
Pre-2019 revenue [†]	969.8	1,099.8	(10.1)%	(11.8)%
Pre-2019 occupancy	74.1%	77.2%	–	(308) bps
Number of centres	1,271	1,298	–	–

Revenue from open centres[†] declined 5.9% at constant currency to £1,034.2m as conditions increasingly deteriorated from the second quarter onwards due to COVID-19. Total revenue[†] declined 8.4% at constant currency to £1,066.5m after a reduction of 1.1% in the first half. Without the benefit of the maturation of the centres opened in 2019 and 2020, pre-2019 revenue[†] for the region decreased 10.1% at constant currency to £969.8m, with double-digit declines in almost all the major countries in the region. A notable exception among the top countries remained Mexico, where a strong first half resulted in mid-single digit growth for the year despite negative growth in the second half.

Average occupancy for the region in the pre-2019 business decreased to 74.1% (2019: 77.2%).

During 2020, 32 new locations were opened in the region and 59 locations were rationalised. Following these actions there were 1,271 locations in total in the Americas at 31 December 2020.

EMEA

The stronger performance in EMEA relative to the other regions reflects the previously reported strong start to 2020 in most of the major countries in the region and the annualised benefit of acquisitions completed in the second half of 2019. Otherwise the performance through the year was similar to the other regions, with much weaker performance in Q3 and Q4. Open centre revenue[†] has increased 12.6% to £688.9m at constant currency. Open centre revenue growth[†] was heavily weighted to the first half with growth of 22.3% followed by a 3.8% increase in the second half. Total revenue[†] increased 4.7%, at constant currency, to £715.1m. Pre-2019 revenue declined 1.6% at constant currency to £564.0m. The pre-2019 occupancy increased to 73.9% (2019: 72.5%).

£m	2020	2019	% Change (constant currency)	% Change (actual currency)
Total revenue [†]	715.1	683.0	4.7%	4.7%
Open centre revenue [†]	688.9	611.9	12.6%	12.6%
Pre-2019 revenue [†]	564.0	575.1	(1.6)%	(1.9)%
Pre-2019 occupancy	73.9%	72.5%	–	138 bps
Number of centres	1,093	1,096	–	–

A total of 72 new locations were added and 76 locations were rationalised across this region during 2020. This net reduction of three locations took the total in the region to 1,093 at 31 December 2020.

ASIA PACIFIC

Our business in Asia Pacific endured a challenging second half as the effect of the pandemic impacted revenue after delivering a good performance in the first half. Revenue from all open centres[†] increased 1.9% at constant currency to £285.0m. First half growth of 16.2% was followed by a decrease of 11.0% in the second half. Total revenue[†] from the region declined by 9.5% at constant currency to £304.2m. Pre-2019 revenue was down 6.4% to £252.2m (2019: £274.7m) and pre-2019 occupancy decreased to 70.4% (2019: 71.3%).

£m	2020	2019	% Change (constant currency)	% Change (actual currency)
Total revenue [†]	304.2	342.7	(9.5)%	(11.2)%
Open centre revenue [†]	285.0	285.3	1.9%	(0.1)%
Pre-2019 revenue [†]	252.2	274.7	(6.4)%	(8.2)%
Pre-2019 occupancy	70.4%	71.3%	–	(84)bps
Number of centres	645	682	–	–

A total of 24 new locations were added in the region and 61 locations were rationalised during 2020. At 31 December 2020 we had a total of 645 centres in the region.

UK

Like our other markets, the UK had a strong first quarter, but was then increasingly impacted by the COVID-19 pandemic from the second quarter onwards. As anticipated and previously highlighted, the performance of the UK business outside of central London was more resilient. The demand for more distributed working has increased sales in many of the satellite towns and cities outside of London, as more customers adopt hybrid working.

£m	2020	2019	% Change (constant currency)	% Change (actual currency)
Total revenue [†]	388.8	426.3	(8.8)%	(8.8)%
Open centre revenue [†]	379.7	381.4	(0.4)%	(0.4)%
Pre-2019 revenue [†]	338.2	370.1	(8.6)%	(8.6)%
Pre-2019 occupancy	71.0%	71.4%	–	(39)bps
Number of centres	304	312	–	–

Revenue from open centres[†] decreased 0.4% to £379.7m. Pre-2019 revenue[†] declined by 8.6% to £338.2m (2019: £370.1m) and total revenue[†] in the UK declined 8.8% to £388.8m, reflecting the continued network rationalisation in the UK. Pre-2019 occupancy decreased to 71.0% (2019: 71.4%).

A total of 13 new locations were added and 21 locations rationalised in the UK during 2020. The net of these additions and the network rationalisation programme led to an overall reduction of eight locations in the region to 304 at 31 December 2020.

EBITDA

Adjusted EBITDA as reported reduced to £1,233.9m (2019: £1,482.8m), due to the impact of COVID-19 on our business performance.

Under pre-IFRS 16 reporting, adjusted EBITDA[□] declined from £428.3m to £133.8m. Adjusted EBITDA still reflects the significant drag from the investment in growth, which in 2020 was £112.5m (2019: £27.6m), and a further £9.9m in respect of closed centres (2019: £10.3m). The pre-2019 EBITDA[□], which eliminates the drag from the investment in growth and therefore offers a more representative indication of the underlying earnings performance of the business, was £255.9m (2019: £435.3m).

Underlying performance has also been directly impacted as more of our markets went into lockdown, resulting in reduced profitability from the second quarter of 2020, that is expected to improve as global vaccination rollout programmes advance and restrictions are lifted. The impact that COVID-19 has had on underlying trading performance is not recognised within adjusting items.

OVERHEAD INVESTMENT

Whilst reported Group overheads, excluding adjusting items[□] of £56.4m related to COVID-19, increased 12.3% at constant currency to £312.9m (2019: £281.0m), these included £30.6m of additional non-recurring costs related to corporate restructuring. This was also true under pre-IFRS 16 reporting, with

Group overheads excluding adjusting items of £324.4m (2019: £280.0m). Excluding these non-recurring costs, overheads[□] increased by 4.9% to £293.8m, representing 11.8% of the Group's lower revenue reported for 2020 (2019: 10.6%). The increased investment in overheads, particularly in the second half, reflects the Group's continued development of enterprise accounts and pivot to a capital-light franchise growth model and a scaled platform of services.

OPERATING LOSS – CONTINUING OPERATIONS

Adjusted operating profit^t as reported was £37.8m (2019: £286.8m). Including the adjusting items, the operating loss^t was £352.0m compared to the profit of £286.8m in 2019 due to COVID-19.

Under pre-IFRS 16 reporting, adjusted operating loss^{□t} for the year ended 31 December 2020 was £173.8m (2019: profit of £136.8m). In addition to the planned investment in overheads to develop the business platform, the operating profit^{□t} continues to reflect the drag from growth investment of £175.3m (2019: £42.5m) as well as £23.8m (2019: £37.8m) from centres closed during 2020. Including the adjusting items of £379.5m, the operating loss^{□t} was £553.3m compared to a profit^{□t} of £136.8m in 2019.

NET FINANCE COSTS

The Group reported net finance costs for the year to 31 December 2020 of £268.1m (2019: £231.8m), including £257.2m (2019: £213.5m) related to interest on the Group's lease liabilities.

Net finance costs in respect of bank lending decreased to £10.9m (2019: £18.3m) as there was less need for debt usage during the year. This primarily reflects the Group's laser focus on cash generation, the benefit for the entire year of the proceeds from the master franchise agreements completed last year, over seven months' benefit from the £320m share placing in May 2020 and the lower interest rate benefit from the £350m convertible bond issue at the start of December 2020.

TAXATION

The reported effective tax rate for 2020 is (4.9)% (2019: (40.5)%). The effective tax rate^{□t} on continuing operations under pre-IFRS 16 reporting was (7.7)% (2019: (13.1)%). Despite reporting a significant loss for the year resulting from challenging trading conditions due to COVID-19, the Group has incurred a tax charge due to several factors. These include the continuing profitability of certain countries and entities within the overall Group and following some internal restructuring during 2020,

we have reduced the deferred tax asset of £89.8m recognised in 2019 by £20.1m, resulting in a 2020 deferred tax charge. The tax charge benefited in 2020 from no US BEAT (base erosion and anti-abuse tax) liabilities in contrast to the negative £17.5m impact in 2019. The 2020 tax charge also benefitted from the positive tax impact of the 2020 US CARES Act, resulting in a prior year current tax credit of £10.6m in the US.

Dependent upon the Group's continuing ownership of specific countries or regions which may change due to future potential master franchise agreements, the impact of COVID-19 on future results and how long it takes to utilise available tax losses, we currently anticipate an effective tax rate in future years to move back to a similar rate to that seen in the years prior to 2019 of approximately 20%.

EARNINGS PER SHARE

Basic earnings per share were a loss of 67.9p (2019: profit of 50.5p). The loss per share from continuing operations before adjusting items was 26.9p (2019: profit of 8.7p).

Under pre-IFRS 16 reporting, earnings per share[□] decreased in the year ended 31 December 2020 from 56.4p, including the gain in 2019 on the strategic partnerships and deferred tax benefit, to a loss per share of 63.5p. Earnings per share^{□t} from continuing operations reduced from 15.0p to a loss of 63.8p. Excluding the adjusting items, the loss per share reduces to 24.0p.

Diluted earnings per[□] share for the year to 31 December 2020 were a loss of 63.5p (2019: 55.4p). Diluted earnings per share^{□t} on a continuing basis before adjusting items for the year were a loss of 63.8p (2019: 14.7p).

The weighted average number of shares in issue for the year was 951,890,712 (2019: 892,737,688). The weighted average number of shares for diluted earnings per share was 1,045,771,886 (2019: 908,939,911). The Group acquired 13,590,080 shares in the first half of 2020, before the share repurchase programme was suspended, to be held in treasury to satisfy future exercises under various Group long-

term incentive schemes. The Group reissued 1,968,169 shares from treasury to satisfy such exercises during 2020.

CASH FLOW AND FUNDING

Cash generation continues to be an attractive feature of our business model and the Group generated cash monthly at the centre level up until December when there was a modest operating cash outflow resulting from the completion of deals with landlords that have secured the significant long-term positive benefits noted earlier. As more deals with landlords complete, further modest outflows are expected in the first quarter of 2021.

Despite the negative impact the COVID-19 pandemic has had on business activity and customer growth, and the reported financial performance, the Group's cash performance has been very resilient with a cash inflow[□] of £140.7m before net investment in growth capital expenditure, investments, dividends, share repurchases and adjusting items (2019: £224.6m).

As previously reported, the Group deployed capital in the fourth quarter which included £276.2m on a potential investment which, post the year end, did not proceed, and has resulted in a return of that cash outflow in the first quarter of 2021.

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	2020 (As reported)	IFRS 16 impact	2020 (Pre-IFRS 16)	2019 (Pre-IFRS 16)	IFRS 16 impact	2019 (As reported)
Adjusted EBITDA	1,233.9	1,100.1	133.8	428.3	1,054.5	1,482.8
Working capital	24.3	(218.0)	242.3	267.2	(579.3)	(312.1)
Growth-related partner contributions	—	106.6	(106.6)	(263.0)	263.0	—
Maintenance capital expenditure	(81.9)	15.0	(96.9)	(147.8)	39.1	(108.7)
Taxation	(21.9)	—	(21.9)	(48.8)	—	(48.8)
Finance costs	(266.4)	(249.4)	(17.0)	(20.7)	(213.2)	(233.9)
Finance lease liability arising on new leases	(917.8)	(917.8)	—	—	(1,872.8)	(1,872.8)
Proceeds from partner contributions (lease incentives)	111.0	111.0	—	—	204.1	204.1
Other items	(6.8)	13.8	7.0	9.4	3.8	13.2
Cash flow before growth capital expenditure, investments, share repurchases and dividends	74.4	(66.3)	140.7	224.6	(1,100.8)	(876.2)
Gross growth capital expenditure	(310.4)	47.1	(357.5)	(652.0)	104.4	(547.6)
Growth-related partner contributions	106.6	—	106.6	263.0	—	263.0
Net growth capital expenditure⁽¹⁾	(203.8)	47.1	(250.9)	(389.0)	104.4	(284.6)
Total net cash flow from operations	(129.4)	(19.2)	(110.2)	(164.4)	(996.4)	(1,160.8)
Purchase of shares	(43.7)	—	(43.7)	(49.5)	—	(49.5)
Dividend	—	—	—	(58.2)	—	(58.2)
Corporate financing activities	1.8	—	1.8	5.4	—	5.4
Investment related loan receivable	(276.2)	—	(276.2)	—	—	—
Net proceeds from the issue of shares	313.9	—	313.9	—	—	—
Proceeds on convertible bond	343.2	—	343.2	—	—	—
Debt element of convertible bond	(291.4)	—	(291.4)	—	—	—
Proceeds from master franchise	3.3	—	3.3	424.6	—	424.6
Opening net debt	(6,840.1)	(6,546.0)	(294.1)	(460.8)	(5,643.4)	(6,104.2)
Exchange movement	9.0	6.7	2.3	8.8	93.8	102.6
Closing net debt	(6,909.6)	(6,558.5)	(351.1)	(294.1)	(6,546.0)	(6,840.1)

1. Net growth capital expenditure of £250.9m relates to the cash outflow in the year to 31 December 2020. Accordingly, it includes net capital expenditure related to locations added in 2019 and to be added in 2021, as well as those added in 2020. The total net investment in the period for 2019 and 2021 additions amounted to £93.4m.

CAPITAL INVESTMENT IN THE NETWORK

In line with the Group's expectations, net growth capital expenditure in 2020 reduced by £80.8m to £203.8m (2019: £284.6m). This reflects the dialling down of our growth programme as part of the mitigating actions taken to offset the impact of COVID-19 and the continued focus on pivoting to capital-light growth, which is expected to result in further reductions in capital expenditure in future years. Under pre-IFRS 16 reporting, net growth capital expenditure reduced by £138.1m to £250.9m (2019: £389.0m).

During 2020 we added 141 new locations and rationalised 217 locations, mostly directly COVID-19 related.

At 31 December 2020, the Group's physical network comprised 3,313 locations globally, providing the largest global and most widely distributed network. The new locations added 4.0m sq. ft. of space. This, together with the impact of the rationalisation programme, resulted in the Group having 62.9m sq. ft. of flexible workspace at 31 December 2020 (2019: 62.4m sq. ft.).

Maintenance capital expenditure[□] also reduced year on year. After the completion of the planned stepped up refurbishment programme, notably in the first quarter, which increased investment in the first half of the year to £80.7m (pre-IFRS 16: £91.5m), investment slowed from the

second quarter. Consequently, maintenance capital expenditure[□] for 2020 reduced from £108.7m in 2019 to £81.9m (pre-IFRS 16: from £147.8m in 2019 to £96.9m). A further slowdown is anticipated for 2021.

STRONG FINANCIAL POSITION

The Group has maintained a strong financial position throughout 2020. At 31 December 2020, the Group had significant liquidity headroom of £802.3m.

Net debt at 31 December 2020 has increased to £6,909.6m from £6,840.1m at 31 December 2019. Excluding debt related to lease liabilities, the Group had net borrowings[□] of £351.1m (2019: £294.1m). The year-end position

is below the interim position at 30 June 2020 of £7,067.9m reflecting the network rationalisation programme and related actions taken by the Group in response to COVID-19.

The year-end net debt position includes £320m of gross proceeds raised through the equity placing on 28 May 2020, £350m from the convertible bond offering on 2 December 2020 less the debt element of the convertible bonds, and £527.1m deployment of cash for organic and inorganic growth and investments. The Group, as previously announced, also increased the net debt to EBITDA covenant on its £950m revolving credit facility. The new capital raised and increased covenant flexibility will enable the Group to further execute its stated strategy.

The lease liabilities recognised by the Group do not impact on the Group's covenants which are based on pre-IFRS 16 accounting standards.

FOREIGN EXCHANGE

The Group's results are exposed to translation risk from the movement in currencies. During 2020 key individual exchange rates have moved, as shown in the table below. Overall, these exchange rate movements had a mixed but modest impact on the Group's results. Revenue was reduced by £27.3m but gross profit and operating profit increased by £9.5m and £27.1m respectively, reflecting the relative contribution to Group profit from our US business.

RISK MANAGEMENT

Effective management of risk is an everyday activity for the Group and, crucially, integral to our strategic 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 of the 2020 Annual Report and Accounts.

RELATED PARTIES

There have been no changes to the type of related party transactions entered into by the Group that had a material effect

FOREIGN EXCHANGE RATES

Per £ sterling	At 31 December			Annual year average		
	2020	2019	%	2020	2019	%
US dollar	1.37	1.32	3.8%	1.29	1.28	0.8%
Euro	1.11	1.18	(5.9)%	1.13	1.14	(0.9)%

on the financial statements for the period ended 31 December 2020. Details of related party transactions that have taken place in the period can be found in note 30.

DIVIDENDS AND SHARE REPURCHASE PROGRAMME

For the purposes of liquidity, we are ensuring that the Group maintains sufficient funding especially in a period of significant centre rationalisation. Our capital allocation policy remains in place, prioritising investment in the long-term development of our business and dividend distribution to shareholders. However, given the prolonged uncertainty caused by COVID-19, we believe it is prudent to protect our liquidity and as a result, future dividend payments and a restart of our share repurchase programme are placed on hold for the moment with a clear intention of the earliest possible return to our stated shareholder return policy.

GOING CONCERN

The impact of COVID-19 on the global economy and the operating activities of many businesses has resulted in a climate of considerable uncertainty. The ultimate impact of the pandemic on the Group is uncertain at the date of signing these financial statements.

The Directors have assessed the potential cash generation of the Group against a range of illustrative COVID-19 scenarios (including a severe but plausible outcome), the liquidity of the Group, funding available under the Group's bank facility and mitigating actions to reduce operating costs and optimise cash flows during the current environment.

In addition, the Group successfully raised £320m of equity in May 2020 and issued £350m of unsubordinated unsecured Guaranteed Convertible Bonds in December 2020 to take

advantage of growth opportunities and strengthen the Group's global leadership position.

On the basis of these actions and assessments, the Directors consider it appropriate to continue to adopt the going concern basis in preparing the financial statements of the Group.

OUTLOOK

After an excellent start to the year, 2020 brought enormous challenges for the Group which we have navigated in a robust manner whilst maintaining a strong financial position. We have successfully augmented our capital resources and are consequently well poised to capitalise on the new world of hybrid working as global vaccination programmes are rolled out, restrictions are removed, and we emerge from this crisis.

We are already witnessing an unprecedented surge in new enterprise deals. We are signing membership deals that are multiple times larger than any previous deals in the Group's history and there is a rich pipeline that represents over one million future members. The quality and scale of these deals is demonstrably generating greater momentum in the evident shift to hybrid working solutions, which we are uniquely positioned to support.

Our business has shown great resilience through this period and, with the actions we have taken to reset the Group, we are confident this will bring us through the challenges and into the new world of working as a stronger, more profitable business capable of delivering increased cashflow and returns.

ERIC HAGEMAN

CHIEF FINANCIAL OFFICER

9 March 2021

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.

GOVERNANCE

The Board oversees the risk management strategy and the effectiveness of the Group's internal control framework. 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.

IDENTIFICATION AND MANAGEMENT OF RISKS

Identification, mitigation and management of risks are critical to achieving our strategic objectives and protecting our personnel, assets and reputation. 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 therefore has a comprehensive approach to risk management, as set out in more detail in the Corporate Governance report on pages 68 to 75.

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. Any emerging risks that could potentially affect the viability of IWG's strategy are

carefully assessed and monitored. We will continue to drive focus on new and emerging risks especially in the current fast changing environment.

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 aim to have our Health, Safety, Environmental and Security risks managed to levels that are as low as reasonably practicable.

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. 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 for 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, updated currently for significant changes between annual reviews.

COVID-19 IMPACT

The speed and scale of the impact of COVID-19 has been unprecedented and fundamentally affected all aspects of our business. All levels of our organisation have responded rapidly to mitigate the risks presented to the business by the pandemic, as set out in more detail in pages 28 to 29. We have also incorporated COVID-19 commentary into each of our principal risks, where applicable, to highlight our response to this.

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 adequate training of staff

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:	Risk status	Risk likelihood	Risk impact
1 Industry-leading profitable growth	↑ Increased	↑ High	↑ High
2 Best-in-class cost leadership	↔ Same	↔ Medium	↔ Medium
3 Global multi-brand network			
4 Strong cash generation, enabling investment	↓ Decreased	↓ Low	↓ Low
5 Attractive shareholder returns			

STRATEGIC RISKS

Risk	Mitigation	Changes since 2019
LEASE OBLIGATIONS	<p>This risk is mitigated in a number of ways:</p> <ol style="list-style-type: none"> 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. This flexibility has no impact on our accounting for leases in the scope of IFRS 16. 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. 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. Each year a significant number of leases in our portfolio reach a natural break point. 	<p>↑ ↔ ↑</p> <p>During 2020, the number of 'flexible' leases as a percentage of the total remained the same at 95%. Approximately 40% of the leases we entered into during 2020 were variable in nature.</p> <p>At the end of 2020, we were operating 3,313 locations in 1,131 towns and cities across 120 countries.</p> <p>COVID-19 impact: During 2020 more than 1,500 leases were renegotiated or restructured which resulted in short- or long-term cash benefits. Discussions on the remaining leases are ongoing. Growth capital expenditure was well controlled in 2020 by limiting, delaying, or renegotiating the terms of new centre openings.</p> <p>We can also see the effects of people's new way of working on our business. While there was lower demand for city centre properties during 2020, we saw strong escalation of interest in suburban locations.</p> <p>In addition, customers can use our digital business and communication tools to support and engage their employees at home as an alternative to having a city-centre based office.</p>
ECONOMIC DOWNTURN	<p>The Group has taken a number of actions to mitigate this risk:</p> <ol style="list-style-type: none"> Approximately one quarter of all our leases are variable in nature and our rental payments, if any, vary with the performance of the centre. 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. We review our customer base to assess exposure to a particular customer or industry group. The geographic spread of the Group's network increases the depth and breadth of our business and provides better protection from an economic downturn in a single market or region. 	<p>↑ ↔ ↔</p> <p>The number of 'flexible' leases as a percentage of the total remained at 95%.</p> <p>Our monthly business performance reviews provide early warning of any impact on our business performance and allow management to react with speed. The Board reviewed 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 on page 55.</p> <p>COVID-19 impact: There has been sharp focus on cash generation by reducing cost, renegotiating rents and rationalising the network. During 2020 more than 1,500 leases were renegotiated or restructured which resulted in short- or long-term cash benefits. Discussions on the remaining leases are ongoing. In 2020, we opened 141 new centres and closed 217 centres.</p>

STRATEGIC RISKS CONTINUED

Risk	Mitigation	Changes since 2019
EMERGING TRENDS AND DISRUPTIVE TECHNOLOGY	<p>Link to strategy: 5</p> <p>New formats and technological developments are driving demand for flexible working. Failure to recognise these could mean IWG's product offering is sub-optimal.</p>	<p>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.</p> <p>2020 saw ongoing modernisation of the technology used by IWG. The adoption of the Microsoft suite of enterprise products underpins a digital operating platform which supports business agility and flexibility. The Company continues to focus on using emerging technology to improve the customer experience and achieve operational efficiency.</p> <p>We are continuously looking 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.</p> <p>COVID-19 impact: With the disruption to the office market due to COVID-19, prompt action was taken to respond to the situation including new product development.</p>
INCREASED COMPETITION	<p>Link to strategy: 35</p> <p>Increased competition in the serviced office industry and an inability to maintain sustainable competitive advantage may result in loss of market share.</p>	<p>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.</p> <p>IWG also offers a diverse product range under its different brands to cater to multiple customer segments, allowing us to capture and maintain market share across the flexible workspace market.</p> <p>We continuously review our portfolio to provide products and services that are aligned to customer expectations and requirements and there are currently active investment programmes being implemented across our estate.</p> <p>While the competitive landscape has shifted significantly in the past year, we continue to focus our efforts on offering an unrivalled network and varied product range to suit the different requirements of our customers. In 2020 we added 21 new towns and cities.</p> <p>We rolled-out 61 new locations in our Spaces coworking format.</p> <p>COVID-19 impact: There is a continuous review at both Group and country level to identify trends or activities impacting our business plus new acquisition opportunities.</p>
EXPOSURE TO UK POLITICAL DEVELOPMENTS	<p>Link to strategy: 135</p> <p>Exposure to UK political developments including Brexit drives uncertainty and could adversely affect revenues, thereby reducing operating profit performance or, in an extreme scenario, resulting in operating losses.</p>	<p>Assessing the medium- to long-term implications of Brexit, the Group believes this will have no significant impact to our business.</p> <p>In addition, Performance Management continues to conduct monthly business reviews to assess centre performance, closures and NCO performance.</p> <p>Dependency on the UK market has been reduced by growth being focused outside the UK. Only 9% of the new locations added during 2020 were in the UK.</p> <p>In 2020, we continued to consolidate some locations in the UK. In addition, several locations were refurbished, and 13 new locations added. Overall, our network in the UK decreased from 312 to 304 locations.</p> <p>Based on the current position, over 36% of our leases with landlords in the UK are variable in nature.</p> <p>COVID-19 impact: During 2020, 177 UK leases were renegotiated or restructured.</p>

STRATEGIC RISKS CONTINUED

Risk	Mitigation	Changes since 2019
BUSINESS PLANNING AND FORECASTING	<p>Link to strategy: 1 2 4 5</p> <p>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.</p>	<p>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.</p> <p></p> <p>The existing forecasting process was enhanced by creating different scenarios as the economic environment in 2020 was constantly changing. The main focus has been cash generation by reducing cost, renegotiating rents and rationalising the network.</p> <p>COVID-19 impact: There has been focus on cash flows to provide sufficient liquidity for working capital requirements and potential acquisitions, including focus on debt collection, supplier payments and on underlying profitability of the business.</p>
FRANCHISE	<p>Link to strategy: 1 2 3 4 5</p> <p>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.</p>	<p>This risk is mitigated as follows:</p> <ol style="list-style-type: none"> 1. A Franchise Committee was formed to oversee key programmes connected with the franchising model and ensure that significant risks are identified and mitigated. 2. We enhanced our communications to franchise partners including sharing best practices to drive performance and deliver consistent service to our customers. <p></p> <p>In 2020, more countries and partners were added in our franchise portfolio.</p> <p>Franchise development and support teams strengthened with the recruitment of a Franchise Support Director and Franchise Development Directors for the US, France, Poland and Brazil.</p> <p>As a result of the franchisee survey conducted during 2020, we are implementing hands-on targeted support to the partners, monthly reviews to drive performance and review of back-end processes to identify improvement opportunities.</p>

FINANCIAL RISKS

Risk	Mitigation	Changes since 2019
FUNDING	<p>Link to strategy: 4 5</p> <p>The Group relies on external funding to support a net debt position of £351.1m¹² at the end of 2020. The loss of this funding would cause a liquidity issue for the Group.</p>	<p>This risk is mitigated in a number of ways:</p> <ol style="list-style-type: none"> 1. 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 manage the risk of breach. The measurement of these covenant ratios is unaffected by the recognition of lease liabilities under IFRS 16. 2. The Group also stress tests these forecasts with downside scenario planning to assess risk and determine potential action plans. 3. The Board intends to maintain a prudent approach to the Group's capital structure. 4. 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. 5. The Group also constantly reviews and manages the maturity profile of its external funding. <p></p> <p>The Group raised £320m of new equity in May and issued a £350m convertible bond in December. In addition to strengthening the Group's balance sheet, this reduced the dependence on funding from the banking market. Our liquidity position remains strong.</p> <p>The Group has a £950m Revolving Credit Facility provided by a group of prime banks. This facility is committed and available until 2025 with an option to extend until 2026. The RCF contains financial covenants on net debt to EBITDA and fixed charge cover ratios. We expect to remain within the covenant limitations throughout the forecast period.</p>

FINANCIAL RISKS CONTINUED

Risk	Mitigation	Changes since 2019
EXCHANGE RATES	<p>Link to strategy: 25</p> <p>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 22% to the euro.</p> <p>Any depreciation or appreciation of sterling would have an adverse or beneficial impact to the Group's reported financial performance and position respectively. The Group does not generally hedge the translation exchange risk of its business results. Rather, it assumes that shareholders will take whatever steps they deem necessary based on their varied appetites for exchange risk and differing base currency investment positions.</p>	<p>Given that transactions generally take place in the functional currency of Group companies, the Group's exposure to transactional foreign exchange risk is limited.</p> <p>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.</p> <p></p> <p>Overall, in 2020 the movement in exchange rates over the course of the year reduced revenue by £27.3m while gross profit and operating profit increased by £9.5m and £27.1m respectively, reflecting the relative contribution to Group profit from our US business.</p>
INTEREST RATES	<p>Link to strategy: 2</p> <p>Operating in a net debt position, an increase in interest rates would increase finance costs.</p>	<p>The Group constantly monitors its interest rate exposure as part of its monthly treasury review.</p> <p>As part of the Group's balance sheet management it utilises interest rate swaps.</p> <p></p> <p>The Group's exposure to higher interest rates was significantly reduced following the issue of the £350m convertible bond which carries a fixed rate coupon of 0.5%.</p> <p>The Group had interest rate protection on £30m of borrowings until February 2021.</p>

OPERATIONAL RISKS

Risk	Mitigation	Changes since 2019
CYBER SECURITY Link to strategy: 25 The trend towards an integrated digital economy and use of external cloud services combined with the rise in malicious attacks and increasing consequential costs warrants particular attention to cyber security risks.	<p>This risk is mitigated as follows:</p> <ol style="list-style-type: none"> IWG's Information Security Steering Committee reports regularly to the Board of Directors and has wide representation from business operations, risk assurance, legal, IT and Non-Executive Board members. IWG runs a world-class Information Security programme with ISO/IEC 27000 adopted as its charter to establish, operate and monitor its Information Security Management System. The programme is delivered in collaboration with external specialists across our environments. Using a risk-based approach, IWG continuously identifies, evaluates and applies remediation controls to threats that could impact the security, confidentiality and integrity of its assets. IWG transfers residual risk through its comprehensive cyber insurance coverage provided by a global leader in cyber insurance. We have a robust security incident management process which facilitates and coordinates our response in the event of a security incident. Security awareness training is mandatory for all employees that covers Information Security, PCI and Privacy. 	 IWG has developed a security roadmap to carry out information security best practices, strengthen controls and implement security operations to detect potential incidents. All critical systems have been migrated to the cloud with high availability and geo-redundancy for disaster recovery. As part of this cloud migration, IWG has implemented best practice cloud security controls. The entire environment is managed by a world-leading security managed services provider. Information Security approvals have been established for all new projects which requires conformance to our cloud security blueprint. A programme is in place to continuously implement Microsoft 365 platform security features.
BUSINESS CONTINUITY Link to strategy: 235 Business continuity covering systems, regional hubs and operations. Should the data centres, sales call centres, regional hubs and centres be impacted as a result of circumstances outside the Group's control there could be an adverse impact on the Group's operations and therefore its financial results.	<p>IWG manages this risk through:</p> <ol style="list-style-type: none"> The implementation and regular testing of its business continuity plans for different parts of the organisation, which includes business processes, personnel knowledge of manual procedures and disaster recovery procedures for our technology systems. All critical applications have been migrated to the cloud with high availability and geo-redundancy, allowing availability of critical systems and providing employees access to the systems from any location, a critical element of our business continuity plans. A robust managed services and managed security services agreement in place with leading vendor. The Group uses a risk-based approach to determine additional redundancy requirements across its entire technology platform, including the global telephony infrastructure critical for continuity of its sales and call centre environment. Appropriate business interruption insurance is in place. Country Business Continuity Plan and Centre Disaster Recovery Plan are in place and regularly reviewed. 	 Our cloud migration project has been completed and all critical systems have disaster recovery plans in place. All new systems development includes disaster recovery built into the initial design phase. For our voice communications platform, we have built in additional redundancy in countries where we experience minor disruption due to external factors. COVID-19 impact: All employees were able to effortlessly work from home with no significant disruption. Immediate COVID-19 response was implemented to keep centres open and safe for customers and employees. Refer to pages 28 to 29 for our response to COVID-19.

OPERATIONAL RISKS CONTINUED

Risk	Mitigation	Changes since 2019
ETHICS AND COMPLIANCE Link to strategy: 2	IWG manages this risk through: <ol style="list-style-type: none"> Visible ethical leadership. 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. Centralised procurement contracts with suppliers for key services and products. Standardised processes to manage and monitor spend including controls over supplier on-boarding and payments approval. Regular reviews to monitor effectiveness of controls. Independent and confidential ethics hotline available to employees, contractors and third parties. Independent investigation of fraud incidents and allegations of misconduct with Board-level oversight. 	 We continue to actively monitor and respond to reports in our ethics hotline. A robust supplier selection and evaluation process continues to be in place with a view to enhance controls to address the risk of fraud. All projects are 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.
DATA PROTECTION AND PRIVACY Link to strategy: 5	IWG mitigates this risk as follows: <ol style="list-style-type: none"> IWG operates a comprehensive programme that covers all aspects of data privacy and data protection. Our strategy is to process minimum amounts of personal data, which are kept only to the extent necessary to provide a service to our customers. We apply the principle of 'least access' privilege and separation of duties to safeguard our data. All credit card data is stored on PCI-accredited payment service providers and not on IWG systems. 	 We continue to remain compliant with data protection and privacy regulations across the business, continuously monitoring and enhancing our privacy and security controls. We also continue to comply with PCI and Swift standards. COVID-19 impact: Enabled all users across the globe to work from home safely and securely. Rolled out security awareness training related to working from home.

GROWTH RISKS

Risk	Mitigation	Changes since 2019
ENSURING DEMAND IS THERE TO SUPPORT OUR GROWTH Link to strategy: 135	IWG mitigates this risk as follows: <ol style="list-style-type: none"> Each investment or acquisition proposal is reviewed and approved by the Investment Committee. 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. A quarterly review process is in place to monitor new centre performance against the investment case to determine if the anticipated returns are being generated. As part of the annual planning process, a growth plan is agreed for each country which clearly sets out the annual growth objectives. 	 Our new centres showed good opening occupancies in 2020 especially when taking COVID-19 restrictions in most markets into account. Performance was helped by the fact that approximately 40% of leases we entered into during 2020 are based on variable rent structures. COVID-19 impact: Centre openings in 2020 were reduced to a minimum but we still managed to open 141 new centres. Some openings were moved into 2021 and for many new centres, the terms were renegotiated.

HUMAN RESOURCES RISKS

Risk	Mitigation	Changes since 2019
ABILITY TO RECRUIT AT THE RIGHT LEVEL Link to strategy: 35 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.	 The executive search firms we use agree to and are working with the Group Board Diversity Policy. Recruitment channels are constantly under review to continue offering opportunities to as wide a population as possible in each market. COVID-19 impact: Key hires are planned for 2021. Whilst succession planning is in place for critical leadership roles, the Company will continue to keep a tight control over costs and headcount whilst the challenges of the health and economic crisis continue.
TRAINING AND EMPLOYEE ENGAGEMENT Link to strategy: 35 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 Learning and Development platform has allowed our employees to learn through e-learning, videos, case studies and coaching. It has over 3,400 online courses, webinars, videos and articles which our team members accessed more than 87,000 times throughout 2020. Our top 300 executives attended our first ever virtual global leadership conference in January 2021 where the future strategy, opportunities and business priorities were communicated and consequently cascaded to the remaining leaders in the business. We also continued the roll-out of our Sales and Customer Service Training Academy to continuously give customers a great day at work. COVID-19 impact: Our new management skills training programme is now up and running and induction is now carried out virtually around the globe, which allows every field team member to get a great start in IWG.

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 taking into account COVID-19
- £ sterling fluctuations (devaluation and appreciation)
- a significant cyber-security or data breach event leading to serious reputational and brand damage

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.

Sustainability at the top of our agenda

Sustainability is at the top of the agenda for investment decision-makers, clients, employees, communities and other stakeholders across the world. It is set to become even more important in the years ahead, and at IWG we are determined to report, openly and transparently, on the environmental, social and governance issues that matter most to all our stakeholders.

ESG (Environmental, Social and Governance) criteria are increasingly important factors for corporate real-estate investors, with 93% including them in their investment decision-making. As a result, investor demand for sustainability disclosure has been rising fast for some years⁽¹⁾.

COVID-19 has only accelerated this existing trend, with KPMG reporting that stakeholders will use ESG criteria to evaluate companies' response to and performance during the pandemic⁽²⁾.

At IWG, we started the process in 2019 of identifying key issues to meet our investors' information needs about our sustainability and ethical practices. At that time, we began the transition to a more materiality-led disclosure for future years, providing value to our primary groups of stakeholders: employees, customers, communities, partners (including landlords and franchisees) and shareholders.

As part of this process, we have identified – and highlight in this report – those issues that have been most material to our business and activities during 2020 (see table below). This is not, however, the end of the journey for us. We are continuing our assessment and aim to evolve our reporting further over the years ahead.

Sources

1. Knight Frank: How ESG is shaping investment value
2. KPMG: The ESG imperative for technology companies

ENVIRONMENTAL

Material issue	Measurement
Energy consumption	<ul style="list-style-type: none"> – Global gas and electricity usage – 2020 Carbon Disclosure programme
Water usage	<ul style="list-style-type: none"> – Global water usage – 2020 Carbon Disclosure programme
Waste reduction and recycling	<ul style="list-style-type: none"> – 2020 Carbon Disclosure programme

SOCIAL

Material issue	Measurement
New employment opportunities and recognising talent	<ul style="list-style-type: none"> – Volume of new hires (incl. graduates and interns) and internal promotions
Training and education	<ul style="list-style-type: none"> – Volume of virtual/online courses and training completed
Diversity, equity and inclusion	<ul style="list-style-type: none"> – Workforce diversity – Employee surveys/reviews
Health and wellbeing	<ul style="list-style-type: none"> – Engagement in health and wellbeing campaigns/initiatives
Performance reward	<ul style="list-style-type: none"> – Competitiveness of compensation structure and incentives
Community engagement	<ul style="list-style-type: none"> – Community investment (financial value generated)

GOVERNANCE

Material issue	Measurement
Corporate governance	<ul style="list-style-type: none"> – Adherence to structure and approach (detailed in Annual Report)
Risk governance	<ul style="list-style-type: none"> – Risk management structure and approach (detailed in Annual Report)
Compliance with local legislation	<ul style="list-style-type: none"> – Business Assurance function conducts risk studies and tests compliance with internal controls
Ethics and compliance	

Reducing our impact

We consider our environmental performance in two broad ways: how to reduce our own environmental impact; and how to help our customers reduce theirs.

HOW WE REDUCE OUR OWN ENVIRONMENTAL IMPACT

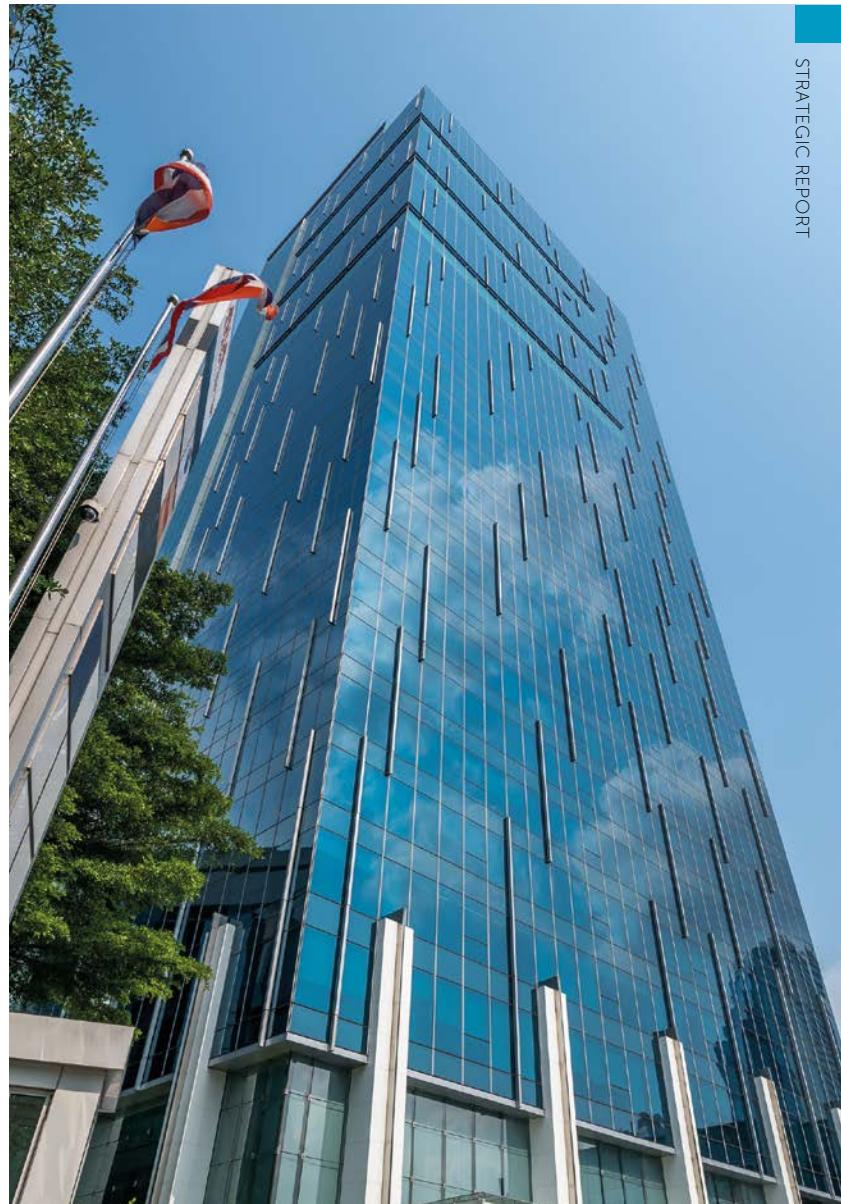
Continually improving our sustainability performance remains at the core of our business and is firmly embedded in everything we do. We address the challenges of climate change as they are manifested in our own operations by a concerted focus on energy, water and waste reductions and recycling initiatives.

ENERGY AND CARBON EMISSIONS

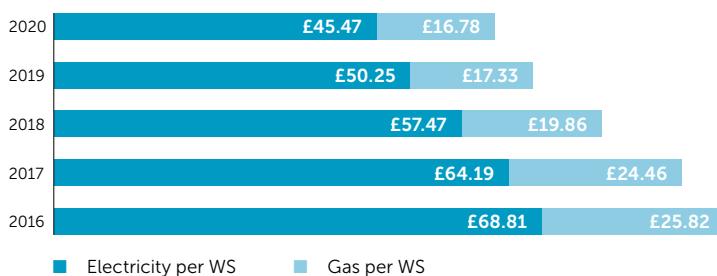
We have presented our successful year-on-year energy and carbon reductions in our climate change submissions to the Carbon Disclosure Programme – CDP (previously the Carbon Disclosure Project). We have once again received a strong 'B' score for our submission for the fifth consecutive year, higher than the European and global averages.

These improvements translate directly into reduced energy costs throughout our centres. In 2020 our electricity and gas costs per workstation reduced by 33% when compared with our 2016 baseline.

This continued reduction in energy costs has been achieved through a concerted effort to identify and implement energy-saving measures through a focus on energy management, centre refurbishments, centre upgrades and the closure of older, inefficient centres. These include lighting upgrades to efficient LEDs, installing automatic lighting controls, upgrading our heating, ventilation and air-conditioning (HVAC) plants and adjusting Building Management System settings. Several of our centres have an environmental certification, for example LEED or BREEAM.



IWG Total Electricity and Gas Costs (£) per Workstation



Many of our countries have taken additional measures. For example, we have implemented demand response agreements in some centres in the US. Within the UK, we continue to review and where appropriate implement the energy-saving opportunities identified through the UK Environment Agency's ESOS audits. We are optimistic of achieving the predicted savings of 7% in the upcoming years.

While the impact of COVID-19 will have made it harder to identify some of the savings made, we continue to monitor and measure our energy consumption. We will be able to identify more clearly our energy savings once the COVID-19 pandemic has ended.

WATER

We recognise that water is an essential resource, and failure to manage it effectively could have detrimental impacts on the environment.

Our business model is not considered to be water intensive as we have very few sites that utilise water for purposes other than to provide amenities. Nevertheless, we take our impact on water consumption seriously.

This is the second year we have submitted a response regarding our water-security strategies to the CDP. In both years our response received a very good 'B' score, demonstrating excellent management of this vitally important resource.

To further demonstrate our commitment to improving our water-management practices, our 2020 water costs show a reduction of 22% per workstation when compared with our 2016 baseline year.

IWG Total Water Costs (£) per Workstation



We have achieved this successful reduction by implementing low-flow plumbing fixtures such as economically flushing toilets and push taps. We are currently investigating the benefits of grey water harvesting in some of our key centres. If deemed appropriate, this would further enhance our water-reduction strategies. We also engage our employees and customers in many centres to enable them to manage energy and other resources efficiently.

WASTE REDUCTION AND RECYCLING

Our centres operate effective waste-management policies and procedures which help our clients reduce unnecessary waste. For example, in North America we have been removing free plastic water bottles in many of our centres, replacing them with refillable glass alternatives. We are also currently upgrading coffee machines from single-service packets to service bean type. Close to two-thirds of our coffee machines have already been changed, significantly reducing plastic waste.

We regularly engage with our waste providers to ensure they are using the most appropriate solutions. This has reduced the amount of waste being generated and increased the amount being recycled.

HOW WE HELP OUR CUSTOMERS REDUCE THEIR IMPACT

As stated above, our business offering helps our customers improve their own sustainability practices.

For example, our large global footprint of more than 3,300 centres – with a growing proportion outside of city centres – enables our customers to find workspaces closer to where their employees live. This directly reduces the distances people have to travel and lowers impact on inner-city congestion and pollution levels. Research shows, in fact, that allowing people to work closer to home saves an average of 7,416 commuting hours per centre per year, equating to 118 metric tonnes of carbon⁽¹⁾. Additionally, with shorter commuting distances they can also embrace a better and healthier work-life balance by working more flexibly and efficiently.

This type of support has never been as important as it is today. As the COVID-19 pandemic continues to impact daily life, the ease of access we provide has helped our clients reduce time spent on public transport, enabling them to stay safe during the COVID-19 pandemic while continuing to run their businesses. The internal spaces of our centres were also redesigned using the most up-to-date government guidance to provide our customers with a safe working environment.

We also offer all our customers the opportunity to participate in our local environmental and social investment programmes across the world, including local recycling and anti-littering initiatives.

We engage suppliers who have a similar sustainability business ethos to our own. A good example of this can be seen with our UK maintenance subcontractors, who engage local people and reduce unnecessary vehicle travel when visiting our London sites.

1. Regus Economic Survey 2019

BUILDING NEW BY USING OLD...

There's nothing new about IWG's latest Spaces centre, in Oslo's city centre – nothing new, that is, except the thinking behind it, which makes this one of Europe's most exciting and important development projects. It not only gives us the blueprint for a massively reduced environmental footprint: it's also defining a revolutionary new approach to future development everywhere.

For this is a project with a vitally important difference: when we were invited to participate in the upgrade of a tired 1950s building, we agreed with owners Entra ASA that only reclaimed or recycled materials should be used. According to IWG's Country Manager of Norway and Finland, Thomas Weeden, "I immediately saw this was the future."

So did Kristine Aassved Storeide and her team from Oslo-based Scenario Interior Architecture Design when Thomas invited them to join the project. As a veteran of seven previous Spaces refurbishments, Kristine was captivated by the idea, relishing the idea of proving that reuse can deliver commercial and aesthetic as well as environmental benefits.

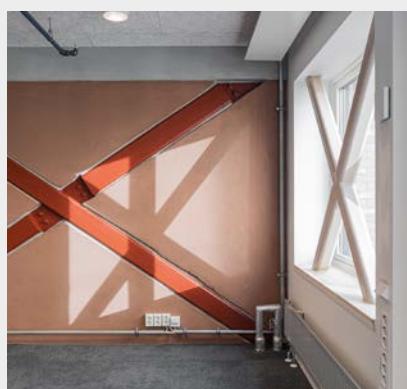
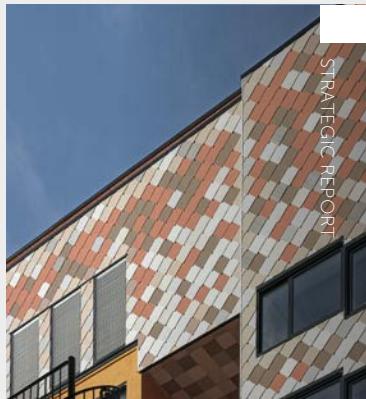
The team found a rich seam of pre-used materials from a total of 25 refurbished or demolished buildings across the city, including offices, a school and even a care home. Reclaimed and repurposed items included windows, toilets, wall tiles and more, as well as benches from an old swimming pool that now have a new lease of life as the steps in a massive staircase.

Part of the project involved the creation of a new extension to the original building, and even here previously used materials including concrete, steel columns and facades from demolition sites were put to new use. This principle also extended to re-using furniture – and whenever new items had to be created, they too were made from repurposed materials.

The positive environmental impact has been immense. The use of existing products has reduced CO₂ emissions by up to 95% – just using old tiles has saved 34,000kg of CO₂, equivalent to 8,500 burgers. And the sheer quantity of re-used materials is mind-blowing: enough reclaimed bricks to create a stack 1.2km high.

The design challenges were many as well, from ensuring longevity of use by enabling interior walls to be moved without interrupting power supplies to creating ingenious solutions for compliance with Norway's strict laws on natural lighting.

Overall, the project is recognised as being at the forefront of circular construction principles. Thomas is finding a particularly receptive audience for its look, feel and environmental credentials among Oslo's younger workers. "They really like its quirkiness as well as its green heritage," he says.



Advancing our talent strategy

OUR PEOPLE

During 2020, our talent strategy has been focused on innovation and new ways of working to help our teams continuously improve their ability to give customers and one another a great day at work.

We have broken this down into workstreams around six essential priorities: structure; recruitment; training and education; diversity, equity and inclusion (DE&I); communication; and reward.

STRUCTURE

We have made it an important priority in 2020 to consolidate and simplify how we work across all our markets. Actions have included the introduction of new ways of working such as centralised call-handling and regional help desks, which are enabling us to streamline field operations to allow our customer-facing teams to spend more of their time on ensuring our customers have a great day at work.

We have also made some important changes to how we operate our workspaces for our own team members and our customers' teams to ensure their health and safety always come first.

RECRUITMENT

Throughout the year, we continued to recruit new talent to ensure we have the ability to respond to the needs of the business over the next decade. We have made key hires in many areas, including new product development, country management, sales, technology, franchising, acquisitions and new project management resource focused on delivering and deploying innovation, automation and simplification.

Diversity of talent continues to be a focus for us, and our recruitment channels and processes offer opportunity to everybody. Graduates and interns are always a key element of our talent strategy, and we will wherever possible continue to provide them with employment opportunities.

Of course, 2020 was an exceptional year in many ways, and we received 60,000 job applications and 500,000 visits to our careers website. Having our own specialist team recruiting our new talent enabled us to make significant cost savings across the 1,500 new people to whom we offered new careers. Additionally, we are also involved in a number of partnerships to help us offer as many opportunities as we can to ensure nobody is unfairly excluded from the workplace.

One of these is with the Youth Employment UK scheme. As part of this, we have signed up to The Good Youth Employment Charter – see panel on page 61 for a list of principles it stands for.

Across all our global operations, we have also been taking action to give flexible working opportunities to people who wish to fit their careers around other commitments in their lives, due to any number of personal, educational, professional or family reasons, which include opportunities for part-time and freelance talent.

TRAINING AND EDUCATION

2020 was IWG's most active year to date for training and education, underpinned by an entirely new global learning platform. This came online during 2020 to support and deliver all our existing and new training and development activities, covering our direct employees and those of our franchise partners.

This has helped us react quickly and decisively to urgent new demands arising from the pandemic. For example, we rapidly shifted our induction processes for new starters to a virtual environment, supported by personal coaching on Microsoft Teams.

We have placed more emphasis on diversity, equity and inclusion in our development activities for existing team members, with the launch of interactive webinars focused on ensuring we always operate fairly and professionally. This was in addition to the curriculum of more than 3,400 online courses, webinars, videos and articles on our training website, which our people collectively visited more than 87,000 times during the year.

Other innovations include the development of a new curriculum on compliance, covering key topics including GDPR, anti-bribery, anti-modern slavery, Code of Conduct, DE&I, discrimination and harassment, social media usage, anti-money laundering and much more. Following the launch in early 2021, this will be mandatory for all IWG employees, irrespective of tenure, as part of our ongoing commitment to compliance and governance.



My experience at IWG has been one of the most stimulating of my professional life. In IWG, you take action from day one, and your activities and decisions are highly valued. It is an exciting place to be!"

FABIO MAGGIONI
EXPERIENCED GRADUATE

THE GOOD YOUTH EMPLOYMENT CHARTER

The Good Youth Employment Charter recognises the importance of the following principles:

Creating Opportunity – Provide opportunities for young people to gain the skills and experiences they need, through meaningful and good-quality experiences of the world of work that raise their aspirations, skills and personal networks.

Recognising Talent – Recruit young people based on their ability, talent and potential, recognising they may have limited experience. Ensure young people from Black, Asian and Ethnic Minority groups, as well as those young people from lower socio-economic backgrounds or those with additional needs or barriers are not unfairly excluded.

Fair Employment – Provide good-quality employment opportunities for young people, such as apprenticeships, graduate roles, entry-level jobs and supported internships. Offer fair and safe opportunities and rewards in accordance with the highest industry standards.

Developing People – Promote the development of all young people through on and off-the-job training and support so they are motivated to take ownership and responsibility for their careers, and they are equipped to progress.

Youth Voice – Listen to young people. Actively provide opportunities for their voices to be heard within a community or organisation.

Health and wellbeing was a particular priority for 2020, and there were more than 5,500 visits to our health and wellbeing curriculum which included productivity and motivation in a remote environment. Stress management, leading teams remotely and staying connected were all important aspects of our training and talent plan that were delivered during the year to adapt quickly to the unfolding events of 2020.

DIVERSITY, EQUITY AND INCLUSION (DE&I)

We extended our programme on DE&I during the year, both online and via interactive webinars investigating what DE&I means in practice and how we should all interact without bias with all IWG team members, partners, customers and other stakeholders.

We also launched a series of 'Affinity Groups' in the US. Made up of team members, these work with the Company to make and consider recommendations on how best to address and resolve DE&I issues arising from our day-to-day business operations.

We also continue to operate our confidential 'Right to Speak' reporting helpline for all members of our extended team across the world. In addition, we have various programmes in place to provide employees with confidential counselling services, 24/7 and 365 days a year.

COMMUNICATION

Communication and connectivity have never been more important than in 2020, as remote working added complexity to staying aligned and connected with one another. Communications on staying healthy and happy have played a key role in our communications programme for the year.

This was the background to our 'Share a Great Day at Work' initiative, which featured simple events like informal online team meetings or pictures showing our people running customer events in our centres. This has been highly successful – simply sharing special moments with one another has helped us remain connected as a team, delivering an uplifting communication platform for everybody.

Our communications also continued to have a business focus, with our established quarterly leadership calls, employee newsletters and townhalls all playing an important role. We ran our annual employee survey in the first quarter of 2020, giving us an accurate picture of employee views and priorities across a range of important topics. We held our annual leadership conference on a virtual platform in 2021 and plan to hold the annual employee survey in the second half of the year.

RWARD

It is by selecting and retaining the best people, helping them to become as good as they can be and rewarding them fairly, that we ensure the millions of members and customers who use our workspaces and service portfolio have a great day at work.

Reward is therefore a key focus area for us, working hard to ensure that high-potential people at every level – from intern to the Senior Leadership Team – are encouraged to stay with us thanks to attractive short- and long-term incentives.

A strategic enabler

Good governance enables us to ensure that all the decisions we make are based on the right considerations: right for our people and shareholders, the communities where we work, our customers and their employees, our partners and society at large. It therefore supports entrepreneurial and commercial management while ensuring the long-term sustainable success of the business for everybody.

BOARD'S OVERSIGHT OF SUSTAINABILITY

The Board has oversight of the Group's sustainability initiatives and receives regular updates from the Executive Directors and the Senior Leadership Team. Through Nina Henderson, Non-Executive Director with oversight of employee engagement and corporate social responsibility, it has oversight of ESG reporting.

RISK GOVERNANCE

The Board defines IWG's risk appetite and tolerance and annually reviews the principal risks faced by the Group and the plans for mitigating those risks. Responsibility for the Company's system of internal control and risk management and for ensuring the effectiveness of this system has been delegated to the Audit Committee. Details of the system and the Audit Committee's review of its effectiveness can be found on pages 80 and 81. Key risks and actions to mitigate these risks are detailed in the Risk Management report on pages 48 to 55.

DATA SECURITY AND RISK

Information security is a top priority for IWG and remains a standing agenda item with the Board of Directors. Significant investment continues to be made to ensure that the IWG Information Security Management System (ISMS) is established, implemented, monitored, reviewed and improved, where necessary, to ensure that the specific security and business objectives of the organisation are met.

IWG's ISMS takes a holistic, coordinated and risk-based view of the organisation's information security risks. Information security is achieved by implementing a suitable set of controls, including policies, processes, procedures, organisational structures and software and hardware functions. These controls ensure that the specific security and business objectives of the organisation are met.

Key components of the ISMS programme can be found on page 63.

IWG's data privacy strategy is to process minimum amounts of personal data only to the extent necessary to provide a service to our customers and ensure the appropriate safe-guards and controls are in place to protect this data.

COMPLIANCE WITH LOCAL LEGISLATION

We strive to take all reasonable and practical steps to ensure that local legislation and regulations are complied with in all the countries in which we operate. Compliance reporting is part of our internal control and risk management process and regular updates are provided to the Audit Committee. Compliance training is provided to all employees, who are also encouraged to make use of the whistleblowing channel without fear of repercussions. Further information can be found on pages 71 and 82.

ETHICS AND COMPLIANCE

The Board is committed to instilling a culture of doing what's right, ensuring that IWG does what is right for the environment and for our people and ensuring that our people act fairly and professionally in all business activities. To support our culture and values and ensure compliance with our internal policies, such as our Code of Conduct, we provide a suite of training courses on our global learning platform. Further information on our global learning platform can be found on pages 60 and 61. Employees are encouraged to raise any concerns through the whistleblowing channel as detailed on pages 71 and 82.

DIVERSITY

Information on IWG's diversity initiatives can be found on pages 60 and 61. Details of the Board Diversity Policy can be found in our Nomination Committee report on pages 76 to 78.

BRIBERY AND CORRUPTION

The Company is committed to carrying out business in an honest and ethical manner and has 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 at www.iwgplc.com.

MODERN SLAVERY

The Company has zero tolerance of slavery and human trafficking. 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. Training is provided to all employees through our global learning platform.

Rising to the challenges of 2020

COMMUNITIES

Our teams across the world have a long and successful record of setting up and delivering charitable initiatives in their areas. Last year was no exception, with a total of more than £430,069 being raised across the year. This was a year like no other as the pandemic created new challenges for our people to overcome. It is great testament to their commitment, talent and generosity with both time and energy that they have once again delivered so many initiatives to support those most in need within their communities.

These have included fundraising efforts of many kinds, from raffles, networking events and awareness campaigns, to collections, participation in sporting events and the donation of skills and time to organisations in need.

As a company, IWG also continues to support team-member activities and initiatives, making direct donations, enabling them to host events and awarding concessions to many organisations in need of space to work.

OUR 'VALUABLE 500' PARTNERSHIP

All our centres include disabled access and other features, enabling people with disabilities to work in a safe and supportive environment. This is a fundamental aspect of our commitment to DE&I in the workplace, which we have taken an important step further in 2020.

This came in March, when we launched our global partnership with The Valuable 500, a global CEO community that is revolutionising inclusion through business leadership and opportunity for the 1.3 billion people across the world who live with some form of disability.

All the 330 corporations whose CEOs have to date given their signatures to The Valuable 500 have committed to putting disability inclusion at the heart of the leadership agenda and to make a firm commitment to action by January 2021. We are proud to be one of these companies.



RAISING CANCER AWARENESS

To raise awareness of breast and prostate cancer, our team in New Zealand participated in two months of awareness raising, partnering with the Breast Cancer Foundation and the Prostate Cancer Foundation. Fundraising activities ranged from donation boxes to bake sales, and centres displayed information stressing the importance of education, health screening and early detection.



Working from a Regus office is great as it is, but it feels even better when seeing Regus staff put so much effort into organising charitable events. They make it really easy for us to contribute to important causes and we appreciate their work behind it."

SAM ANDRIST,
ELECTROMOTIV,
IWG CUSTOMER



RUNNING TO GRANT CHILDREN'S WISHES

For the seventh successive year, our team in India supported the Make-A-Wish Foundation by participating in the Tata Mumbai Marathon, the country's single largest philanthropic sporting event. The 15 IWG team members who participated collectively ran 124km and have over the seven years contributed to the granting of wishes for over 250 children.



I'm very glad to have contributed to this noble cause by supporting the efforts of the Make-A-Wish Foundation in this small way. This opportunity enabled me to bring smiles to so many young faces. If just a run could bring so much joy into the lives of these children, I would run every single day. Thanks for the opportunity and all the support provided by IWG."

DHANANJAY MISHRA,
TEAM LEAD COMMUNITY
MANAGER DEPUTY OPERATIONS



EDUCATION FOR THE ENVIRONMENT

All our Spaces centres in Madrid launched and participated in the 'Earth Month' initiative, educating our customers by sharing tips on ways we can individually help the environment and our planet. They placed more than 60 posters and messages in each centre, displaying data on environmental topics including climate change, pollution and saving water. They also highlighted ways of preventing environmental damage, such as recycling and reusing waste paper.



I am very proud to be able to participate in an event as useful and as necessary as this one – especially being able to communicate with our clients about the serious challenge we as a society are facing and help them understand the small gestures that can help our planet."

FERNANDO SANCHEZ,
COMMUNITY ASSOCIATE



HEART MATTERS...

The Children's Heart Foundation is the United States' leading organisation solely dedicated to funding research into congenital heart defects. Our team chose this charity because our community associate's two-year-old niece has struggled with heart failure all her life. The team raised funds by holding a community potluck, attended by our community associate's niece and family to share their story and raise awareness for this charity and cause.



The charitable event was a joyful project both to put together and to participate in. We invited Piper and her family to share their story – Piper was just under two years old and she already had several heart reconstructive surgeries. It was touching to hear her story, as well as similar stories of children that have been assisted by the vital care of the Children's Heart Foundation."

MADISON HUNTER,
COMMUNITY MANAGER



SUPPORTING BUSINESS INNOVATION

In March, our franchise partner in Augsburg, Germany, hosted a 'Room for Innovation' event, aiming to connect well-established businesses with start-ups. They also hosted a lecture from Professor Kurt Matzler, a four-time winner of the Race Across America, who raises awareness for the Rotary International charity. In addition, IWG donated £1,350 to the charity's 'End Polio Now' campaign, which aims to provide a polio vaccine to every child.



Professor Matzler inspires not only through his sporting success as winner of the Race Across America, but especially through his great contribution to the fight against polio. He has already been able to collect 1 million euros in donations thus making a significant contribution to combating this terrible childhood disease."

DR. RALPH ALtenburger,
IWG FRANCHISEE



SAFEGUARDING YOUNG FUTURES

The SOS Children's Villages charity in Mauritius provides young people with support until they're able to live independently. Great attention is paid to ensure they receive the right kind of education and training to help them secure jobs. Our team and clients donated educational gifts and learning materials for children up to the age of 15.



Being part of the SOS Village project was an enriching experience and well-organised event. It was admirable to see such commitment from the Regus team to have this special day – an unforgettable day for the kids. The event organisation was very professional and it was a pleasure to have been part of this project."

YANNICK NAYNA,
IWG CUSTOMER



DELIVERING JOY

Our team in Ecuador partnered with the Fasinarm charity, which helps people with special educational and training needs and delivers a high level of support to their families. To provide the children with moments of joy, our team and their customers made financial donations to enable 25 children with Down's syndrome to attend the premiere of a popular movie.



It was a beautiful event that I enjoyed from start to finish. It was a special and emotional moment because I believe that the children of Fasinarm can teach us so much about innocence and purity of love – which is what life must be all about."

JUAN CARLOS BAZURTO,
ASURION ECUADOR LLC,
IWG CUSTOMER



PROTECTING THE VULNERABLE

HIV is a widespread disease in Kenya, so all our centres in Nairobi supported the Nyumbani Children's Home, which looks after many orphaned children who are infected with HIV. Our team and customers donated food as well as numerous toys and stationery supplies. In South Africa, similar initiatives were held as our team provided food donations to ten charities who support vulnerable people.



It was a very fulfilling moment to be able to interact with the caregivers and the children at Nyumbani Children's Home. Grateful to Nyumbani for the impact they make on the lives of the amazing children under their care."

EMMA TOWETT,
IWG CUSTOMER

Board of Directors

**DOUGLAS
SUTHERLAND**
CHAIRMAN

(N)



MARK DIXON
CHIEF EXECUTIVE



ERIC HAGEMAN
CHIEF FINANCIAL OFFICER



FRANÇOIS PAULY
SENIOR INDEPENDENT
NON-EXECUTIVE
DIRECTOR

(A) (R) (N)



FLORENCE PIERRE
INDEPENDENT
NON-EXECUTIVE
DIRECTOR

(A) (R) (N)



LAURIE HARRIS
INDEPENDENT
NON-EXECUTIVE
DIRECTOR

(A) (R) (N)



NINA HENDERSON
INDEPENDENT
NON-EXECUTIVE
DIRECTOR WITH
OVERSIGHT OF EMPLOYEE
ENGAGEMENT AND CSR

(A) (R) (N)



Committee membership key

(A) Audit Committee

(R) Remuneration Committee

(N) Nomination Committee

(C) Chairman

DOUGLAS SUTHERLAND**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 member of the board of managers of Al Monet Parento S.à.r.l. and Kinetik S.à.r.l.

* Independent on appointment as Chairman on 19 May 2010.

MARK DIXON**Founder****Experience**

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

ERIC HAGEMAN**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.

FRANÇOIS PAULY**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.

FLORENCE PIERRE**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 shares her time between directorships, private equity investments in high-growth companies providing innovative and digital-based services, managing her art collection and mountain trekking.

LAURIE HARRIS**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. (NASDAQ:SNCR), a global leader and innovator in cloud, messaging, digital and IoT platforms and products; and is a member of the board of Hagerty, an automotive lifestyle company and world's largest provider of specialty insurance for enthusiast vehicles.

NINA HENDERSON**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, Commissioner of the Smithsonian National Portrait Gallery, Director of CNO Financial Inc. (Bankers Life, Washington, National and Colonial Penn insurance companies) and Chair of their Human Resource Compensation Committee. 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.

Introduction to Corporate Governance



2020 has highlighted the importance of having an effective Board that is able to adapt quickly to a rapidly changing environment."

DOUGLAS SUTHERLAND
CHAIRMAN



DEAR SHAREHOLDER,

I am pleased to introduce the Corporate Governance report for 2020. This report explains our approach to corporate governance and details the governance structure we have implemented to facilitate entrepreneurial management whilst ensuring the long-term sustainable success of the Company for the benefit of our partners.

COVID-19

2020 has highlighted the importance of having an effective Board that is able to adapt quickly to a rapidly changing environment and to support our Executives in taking decisive actions for the benefits of the Company and our partners.

We have sought to overcome the challenges of the pandemic by working closely with our partners, including our customers, people, investors, landlords, franchisees and others. I am grateful to my fellow Directors and all our partners for their support as we continue to navigate through this crisis and position IWG for future growth.

Further information on our governance through the COVID-19 pandemic can be found on page 71.

CULTURE

At the heart of our culture are our people. Their health, safety and well-being and how we ensure the safety of our customers has been of paramount importance during 2020. We have been extremely proud of how our people have responded to the pandemic and the support they have continued to provide to our customers in times of challenge.

SUSTAINABILITY

Within our ESG report on pages 56 to 65 we are pleased to report on the progress we have made as a Company in pursuing our sustainability ambitions and helping our customers to achieve their own targets. Sustainability is firmly at the top of our Board agenda and informs all of our decision-making. This year we are particularly pleased to announce that we are targeting carbon-neutral status within five years.

DIVERSITY

We are pleased to advise that we have recently launched a search for a Black, Asian or other Minority Ethnic Director. Further information can be found in our Nomination Committee report on pages 76 to 78.

UK CORPORATE GOVERNANCE CODE

During 2020 we have complied with the UK Corporate Governance Code published by the Financial Reporting Council in July 2018 (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 77, has concluded that due to the COVID-19 pandemic and the significant strategic transformations IWG is undergoing, it is in the best interests of the Group that I currently continue in the Chairman role subject to periodic review by the Nomination Committee.

A copy of the Code is available on www.frc.org.uk.

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 on 11 May 2021.

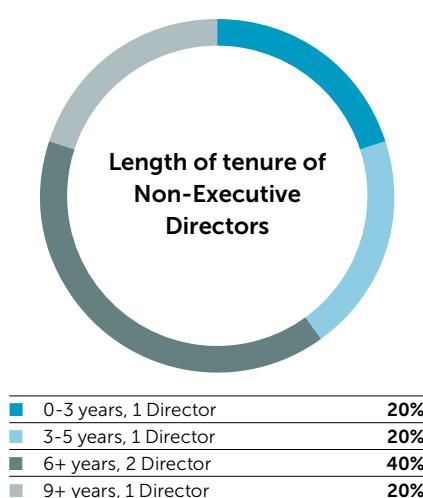
DOUGLAS SUTHERLAND
CHAIRMAN

IN THIS SECTION

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Members	Attendance (out of possible maximum number of meetings)
Douglas Sutherland, Chairman*	12/13
Mark Dixon	13/13
Eric Hageman	13/13
Laurie Harris	13/13
Nina Henderson	13/13
François Pauly	13/13
Florence Pierre	13/13

* The Chairman was unable to attend one meeting due to unforeseen circumstances and this was chaired by François Pauly, Senior Independent Director.



AN EFFECTIVE BOARD

BOARD COMPOSITION

Our Board is made up of seven unique individuals with a diverse combination of skills, drive, beliefs, knowledge, personal attributes and experiences. Individual biographies can be found on page 67.

We believe that an effective Board is a diverse Board and further information on the steps we are taking to embrace diversity and to be inclusive at Board level, as well as our annual performance review, can be found in our Nomination Committee report on pages 76 to 78.

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.

Initially seven meetings were scheduled for 2020 but it was necessary to adapt this as a result of the COVID-19 pandemic to ensure the Board met more regularly and in a safe, virtual Boardroom setting. More regular meetings ensured the Board remained fully abreast of the impact of COVID-19 and was better able to respond to the challenges and opportunities it presented.

The Board met 13 times in 2020 and when time-sensitive approvals were anticipated between scheduled meetings the Board delegated its authority to a committee to be convened as appropriate.

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.

Longer virtual meetings held over two days were held in May, September and December providing time for more in-depth strategy discussions and to receive presentations from members of the Senior Leadership Team as well as internal and external specialists.

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 the 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 is circulated to the Board. No such concerns were raised in 2020.

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.

DEVELOPMENT AND SUPPORT

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

- a customised and comprehensive induction programme prepared by the Chairman with the support of the Company Secretary, ensuring they can quickly and effectively contribute to discussion and decision-making;
- 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 that discussion.

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.



KEY ACTIVITIES OF THE BOARD FOR 2020

STRATEGY

- Approved the purpose and values
- Approved strategy and objectives
- Approved the three-year plan
- Approved the operating model and annual budget
- Regular review of forecast, strategy and objectives
- Approved response to COVID-19 and monitored implementation
- Approved strategic projects and monitored implementation

FINANCING

- Regular review of the Group's financial structure
- Approved and oversaw the issue of £350m of unsecured Guaranteed Convertible Bonds
- Approved and oversaw the placing of new ordinary shares raising £320m
- Suspended the share buyback programme
- Withdrew the final dividend in respect of the financial year ended 31 December 2019

PRUDENT AND EFFECTIVE CONTROLS

- Assessed the Company's viability over a three-year period taking into consideration the risks and scenarios that could affect the Group (page 55)
- Reviewed the Group's key risks and mitigating actions
- Received updates from the Audit Committee Chair on key areas discussed
- Renewed the Group's insurance programme

CORPORATE REPORTING AND PERFORMANCE MONITORING

- Received regular performance updates at scheduled meetings and through Board reports
- Received updates from the Remuneration Committee Chair on key areas discussed
- Approved the Company's year-end and interim results
- Approved Q1 and Q3 trading statements and trading updates
- Reviewed the Group's talent and culture

STAKEHOLDER ENGAGEMENT

- Conducted the IWG Global Workplace Survey
- Received Policy Statements provided by significant shareholders
- Received reports from the Chairman on feedback from shareholder meetings and correspondence
- Attended 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
- Reviewed and approved the Notice of extraordinary general meeting regarding the corporate bonds issue
- Received updates from the Nomination Committee Chairman on succession planning and diversity
- Reviewed reports on employee engagement and ESG
- 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

PURPOSE AND STRATEGY

The Board is responsible for reviewing and approving the Group's purpose and strategy as further detailed in Our Value Creation Framework on pages 8 and 9. Our purpose underpins everything we do and is closely aligned with our three-year plan and strategy which is reviewed annually by the Board.

The two-day Board meetings held in September and December allowed the Board to undertake its deep-dive strategic assessment. This included a review of purpose and culture, a talent review, a review of ESG and presentations from key areas of the business and external advisors.

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 65.

CULTURE, VALUES AND ETHICS

Our people are at the heart of our culture which is based on our pioneering spirit, mutual empowerment, shared leadership and unified global network that's united by trust in one another.

Your Board is committed to doing what is right, ensuring that we do what is right for the environment and for our people and ensuring that our people act ethically and without bias or discrimination in all our business activities.

To support our culture, values and ethics we provide a global learning and development platform to all employees. The platform includes training on our Code of Conduct, compliance policies and approach to diversity and inclusion.

Employees are encouraged to speak out without fear of repercussions, and we provide a confidential whistleblowing channel where concerns can be raised anonymously. During 2020 we received 16 reports through our whistleblowing channel, four of which were considered significant; all significant reports have been resolved to date.

We also maintain a zero-tolerance policy both to bribery and corruption and to slavery and human trafficking. Training on these is provided to all employees and our statements on these are reviewed annually and made available on www.iwgplc.com.

PERFORMANCE MONITORING

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

Trading and finance updates as well as 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 its strategy. In order to closely monitor trading and take appropriate actions during the COVID-19 pandemic the Board held more regular Board meetings during 2020.

The Board is responsible for approving results, dividends and announcements, including the going concern basis for preparing these accounts as detailed on pages 110 and 134 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 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 65.

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 81 to 82.

GOVERNANCE DURING THE COVID-19 PANDEMIC:

COVID-19 has required your Board to respond decisively to rapidly changing circumstances. We have had to consider changing business outlooks and forecasts and to oversee the implementation of plans to ensure employee and customer safety, remove costs and rationalise our network. We have also taken some tough decisions such as withdrawing the 2019 final dividend and suspending our share buyback programme and we have taken steps to position our business for future growth by raising additional capital and continuing our pivot towards a capital-light business.

To achieve this whilst respecting our internal travel ban and the safety measures implemented across the world, we have embraced technology more than ever before, holding Board and Committee meetings in a virtual Boardroom and using online tools to maintain relationships with our stakeholders. Whilst the online experience cannot truly replicate the personal contact achieved by physically meeting, technology has allowed us to work effectively throughout the pandemic, being able to convene meetings more regularly and swiftly than normal.

STAKEHOLDER ENGAGEMENT

Building and maintaining strong relationships with our stakeholders is key to the long-term success of our business. During 2020 we have worked closely with our partners and our decision-making throughout the COVID-19 pandemic has been informed by their views and experiences.

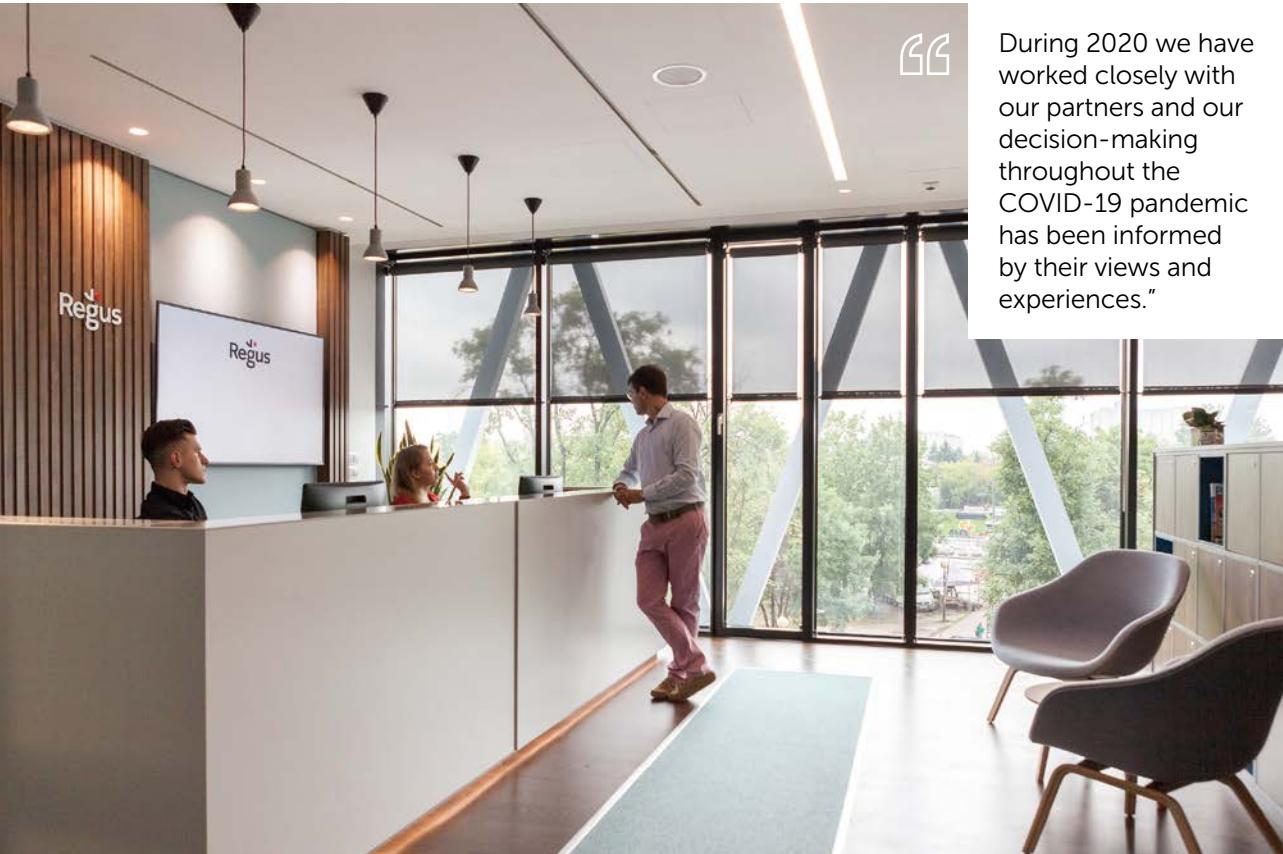
Your Board seeks to take the views of its key stakeholders: our shareholders, customers, franchise partners, landlord partners, employees and communities into account in its discussions and decision-making. The Board receives regular updates from the Chief Executive Officer on the views of key stakeholders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

Key stakeholder engagement initiatives undertaken by the Company include the customer workspace survey, the employee engagement programme overseen from the Board by Nina Henderson, and initiatives to engage with the Group's strategic franchise partners, many of whom attended the Company's annual leadership conference in January 2020 and participated in the virtual meeting held in January 2021.

The Board also seeks to align our strategy to the needs of our primary stakeholders. For example by providing hybrid working solutions to our customers we are enabling their people to work away from city centres, closer to their homes, families and friends, potentially improving the work-life balance for millions and enhancing employee engagement, loyalty and job satisfaction.

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 8 and 9.

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 ESG report on pages 56 to 65.





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 2020 investor relations held over 300 meetings with investors and analysts. After the first quarter of 2020, these meetings were held virtually in view of COVID-19 considerations.

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, 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 Chairs engage with shareholders when there are significant changes within their areas of responsibility.

General meetings

The annual general meeting each year is held in May, save for in exceptional circumstances, in Switzerland and is attended 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.

Due to the COVID-19 pandemic our 2020 annual general meeting was held as a closed meeting and Directors who were unable to attend in person attended by phone. Directors were available to respond to shareholder queries outside of the meeting. All resolutions were passed with at least 98% of votes in favour apart from the approval of the Remuneration Policy (94.33%) and the Annual Report on Remuneration (87.33%). All resolutions were voted on separately by means of a poll and the final results were published after the meeting.

Additionally, this year an extraordinary general meeting was held to grant authority to allot shares and disapply pre-emption rights in relation to our convertible bond offering (the "EGM"). The COVID-19 pandemic necessitated the holding of the EGM as a closed meeting with Directors making themselves available to respond to shareholder questions outside of the meeting. All resolutions were passed with at least 97.9% of votes in favour. The resolutions were voted on separately by means of a poll and the final results were published after the meeting.

The 2021 annual general meeting will be held on Tuesday 11 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. We will monitor the situation to see whether it will be necessary or advisable to hold the meeting as a closed meeting or whether shareholder attendance will be possible. As always, the Directors will be available on request to respond to any shareholder queries outside of the meeting.

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

The health, safety and wellbeing of our people has been of paramount importance during 2020. To support this, Nina Henderson, our Non-Executive Director with responsibility for employee engagement, monitored initiatives around the Group to help support our employees throughout the year.

During 2020 Nina continued with her programme of meeting with our global workforce, with the majority of interactions with employees during 2020 being moved to an online setting. Through her interactions Nina was able to report to the Board on employee views on a large range of topics including our response to COVID-19, health and safety, culture, values, strategy, recognition, training, community engagement, communication, work-life balance and reward.

Nina also reviewed the annual employee survey as detailed on page 61 with the full Board. She attended the leadership conference in person in January 2020 and joined the virtual conference held in January 2021 where she held discussions with leaders from across the global workforce.

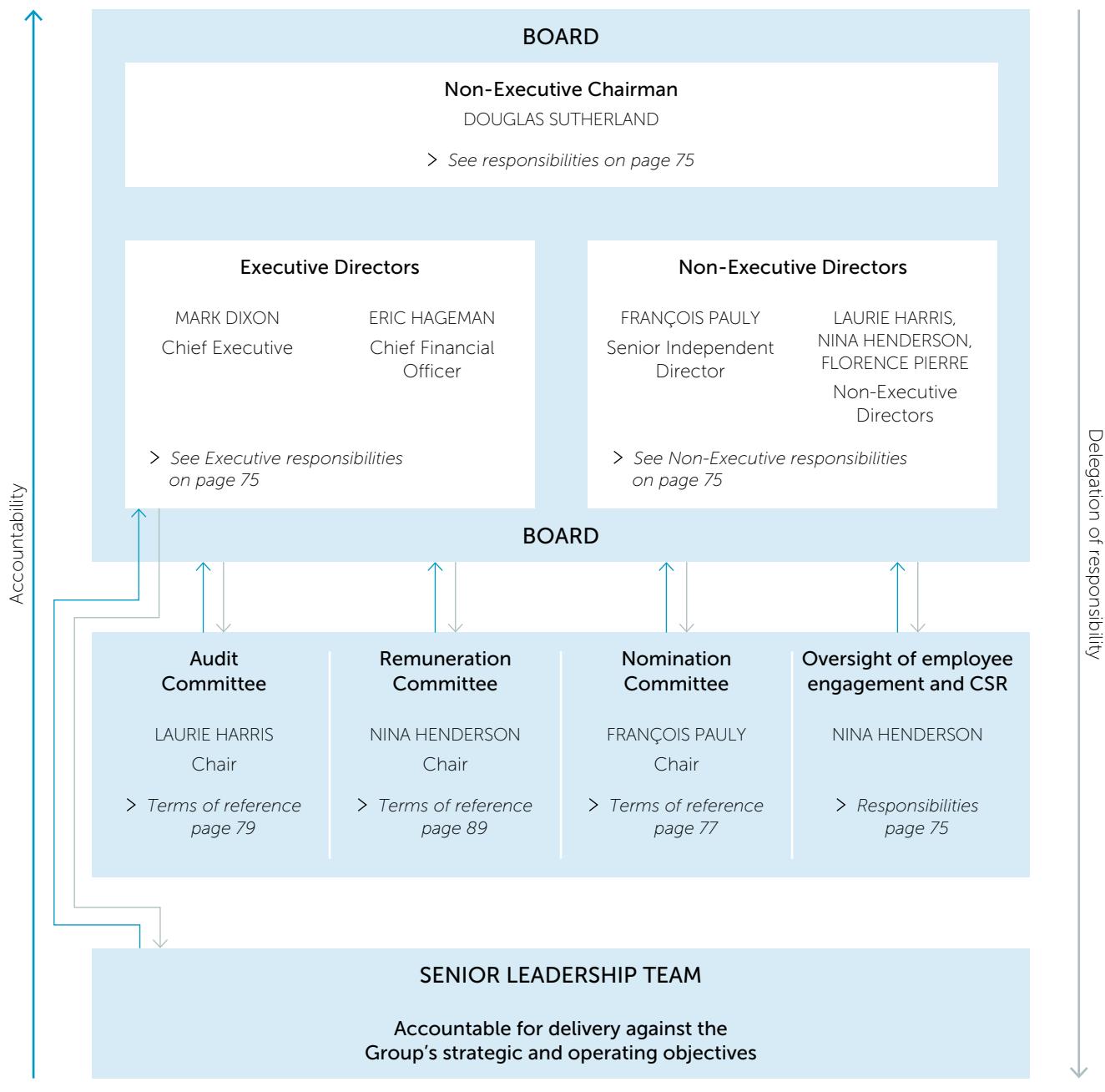
Nina has supported IWG's ongoing efforts focused on enhancing diversity, equity and inclusion throughout the Group. In the USA she participates in the African-American Affinity Network Group hearing about their mission, objectives and perspectives. This activity will continue throughout 2021.

During 2021, Nina will continue her programme of engaging with our global workforce.

We are extremely proud of our diverse global workforce and further information on our people can be found on pages 60 and 61.

DIVISION OF RESPONSIBILITIES

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



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 business 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, compliance 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



We define 'Diversity' as achieving strength and sustainability through actively embracing and being inclusive of all aspects (visible and invisible) of what makes every individual unique."

FRANÇOIS PAULY

CHAIRMAN, NOMINATION COMMITTEE



Members	Attendance (out of possible maximum number of meetings)
François Pauly	4/4
Laurie Harris	4/4
Nina Henderson	4/4
Florence Pierre	4/4
Douglas Sutherland	4/4

All members of the Committee are independent.



■	0-3 years
■	3-5 years
■	6+ years
■	9+ years

DEAR SHAREHOLDER,

I am pleased to present to you my report on the work of the Nomination Committee (the "Committee") during 2020.

2020 was an important year for us and key activities included:

- launching a search for a new Black, Asian or other Minority Ethnic Director;
- defining "Diversity";
- measuring the effectiveness of our Board through our annual Board review;
- overseeing changes to the Senior Leadership Team;
- reviewing our succession plans for the Board and senior leadership roles; and
- measuring progress made in respect of our diversity objectives and revising the objectives for 2021.

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. The biographies of Board members can be found on pages 66 and 67.

DIVERSITY

In view of the 2020 Parker Review research showing that more racially and ethnically diverse Boards make better decisions and our own diversity objectives, your Committee has launched a search for a Black, Asian or other Minority Ethnic Director who will be appointed to the Board on or before our May 2022 Annual General Meeting.

We have also taken the step of defining what diversity means to IWG in our Board Diversity Policy. We define "Diversity" as achieving strength and sustainability through actively embracing and being inclusive of all aspects (visible and invisible) of what makes every individual unique including education, personalities, skill sets, experiences, communication styles, knowledge bases, social economic backgrounds, age, race, gender, religious beliefs, physical abilities and disabilities, ethnicity, sexual orientation and political beliefs.

Progress made against the Diversity objectives we set ourselves for 2020 can be found on page 78. Our objectives for 2021 which will be reported on in 2022 are to:

- maintain a level of at least 30% female Directors on the IWG plc Board over the short to medium term (currently 43%);
- appoint a Black, Asian or other Minority Ethnic Director to the IWG plc Board on or before our May 2022 annual general meeting;
- 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 Director long lists have at least 50% of candidates reflecting diversity including women

and candidates with different racial and ethnic backgrounds; and

- engage executive search firms who have signed up to the voluntary Code of Conduct on gender diversity and best practice.

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 and inclusivity within our workforce can be found on pages 60 and 61.

BOARD REVIEW

An internal review of the performance of the Board, its Committees, the Chairman and individual Directors was conducted in respect of 2020.

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.

Our 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.

The results of the review were discussed by the Board and the Committee who considered that overall the Board had performed well in a challenging year. All suggestions for improvement are being incorporated into our ongoing efforts to continuously improve the processes and effectiveness of the Board. We continue to have full confidence in the Board's members and processes.

We intend to have an externally facilitated review in respect of Board performance in 2021, 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.

The Committee reviewed the independence of all Non-Executive Directors in 2020; all are independent and continue to make independent contributions and effectively challenge management.

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 in accordance with the Board Diversity Policy.

Nominations are based on the existing balance of skills, knowledge, diversity 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.

During 2020 the Committee used the results of its Board review to develop a profile which is being used for the recruitment of our next Non-Executive Director. The profile has been provided to Spencer Stuart who have been appointed to assist the Committee in the recruitment process. Spencer Stuart have no connection with the Company other than providing recruitment services and are signed up to the November 2017 Voluntary Code of Conduct on gender and diversity best practice.

SENIOR LEADERSHIP TEAM

The Committee oversees changes to the Senior Leadership Team, and supports initiatives to strengthen the executive talent pipeline.

SUCCESSION PLANNING

We ensure that succession plans are in place for the orderly succession appointments to the Board and senior positions, so that there is an appropriate balance of skills, experience and diversity. Succession planning discussions and a talent review process 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 our current Chairman, Douglas Sutherland, has been on the Board for more than nine years. He was appointed as Chairman on 10 May 2010 having been a Non-Executive Director 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 2020 internal Board review and in consideration of the Group's current challenges and opportunities, the Committee considers that it is in the best interests of the Group for the Chairman to continue in his role, subject to periodic review by the Committee.

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.

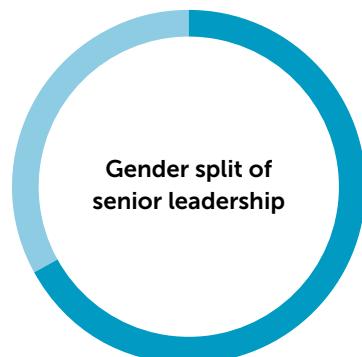
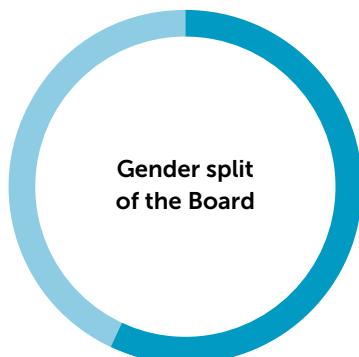
Complete details of the above are available on the Company's website www.iwgplc.com.

FRANÇOIS PAULY

CHAIRMAN, NOMINATION COMMITTEE

PERFORMANCE AGAINST 2020 DIVERSITY OBJECTIVES

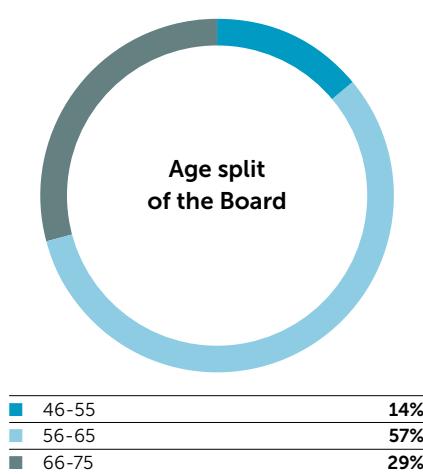
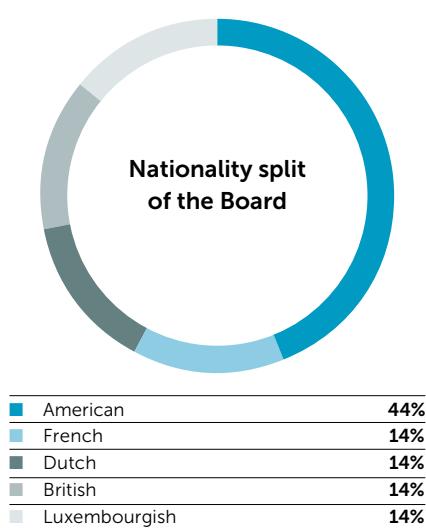
Objective	Performance achieved
Maintain a level of at least 30% female Directors on the IWG plc Board over the short to medium term (currently 43%).	Throughout 2020 we have had three female Board members, making up 43% of our Board.
Assist the development of a pipeline of high-calibre candidates by encouraging a broad range of senior individuals within the business to take on additional roles to gain valuable Board experience.	The Committee supports initiatives aimed at strengthening the executive talent pipeline and ensuring that high potential people at every level are developed and retained within the business. Senior individuals are encouraged to gain Board experience through internal and external Board appointments and are also invited to present at IWG plc Board meetings. Further information on our talent strategy can be found on pages 60 and 61.
Consider candidates for appointment as Non-Executive Directors from a wider pool including those with little or no previous FTSE Board experience.	Our profile for the recruitment of our next Non-Executive Director has been drawn up to allow us to consider a wider pool of talent; FTSE experience is not a pre-requisite.
Ensure Non-Executive Director long lists have at least 50% of candidates reflecting diversity including women and candidates with different ethnic backgrounds.	Our next Non-Executive Director will be appointed from a long list of Black, Asian or other Minority Ethnic candidates and will be reflective of all other aspects of diversity.
Engage executive search firms who have signed up to the voluntary Code of Conduct on gender diversity and best practice.	Spencer Stuart and Egon Zehnder are signatories to the November 2017 Voluntary Code of Conduct on gender and diversity best practice.



Male	57%
Female	43%

Male	30%
Female	70%

Male	67%
Female	33%



Audit Committee report



We have established the robustness of management's response to the pandemic in terms of risk assessment, accounting, controls and disclosures."

LAURIE HARRIS

CHAIR, AUDIT COMMITTEE



Members	Attendance (out of possible maximum number of meetings)
Laurie Harris	7/7
Nina Henderson	7/7
François Pauly	7/7
Florence Pierre	7/7

All members of the Committee are independent.



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

DEAR SHAREHOLDER,

I am pleased to present you with this report on the work of the Audit Committee (the "Committee") during 2020; an unprecedented year when the rapidly changing environment created by the COVID-19 pandemic impacted on all areas of our responsibility.

This year we have worked hard to establish the robustness of management's response to the pandemic, in terms of risk assessment, accounting, controls and disclosures, whilst also maintaining focus on our core responsibilities.

KEY OBJECTIVE

Our 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 on:

- the integrity of financial reporting;
- the systems for internal control, risk management and compliance; and
- the Company's external auditors.

MEMBERSHIP AND MEETINGS

The Committee consists entirely of independent Non-Executive Directors.

The Committee met more often than normal during 2020 and from March onwards it met in a virtual setting. Seven Committee meetings were held in the year and where time-sensitive approvals were needed authority was delegated to a sub-committee.

At my request, the external auditors, Executive Directors, the Chairman, the Company Secretary (as secretary to the Committee) and the Business Assurance Director may attend meetings.

At least annually, the Committee meets independently, without management, with the Company's external auditors and the Business Assurance Director. In addition I regularly meet with the external lead audit partner and the Business Assurance Director outside of the formal Committee process.

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: monitoring the integrity of financial reporting for compliance with applicable statutes and accounting standards.
- Internal control and risk: reviewing the effectiveness of internal controls and risk management systems.
- Internal audit: monitoring the internal audit programme, reviewing all findings and making certain that the function is sufficiently resourced and free from restrictions.
- External audit: advising on the appointment, reappointment, remuneration and removal of the external auditor.
- Employee concerns: reviewing whistleblowing arrangements.

I routinely report to the Board on how the Committee has discharged its responsibilities, as well as highlighting any concerns raised.

ACTIVITIES OF THE AUDIT COMMITTEE DURING THE YEAR

This section summarises the main focus areas of the Committee during 2020 and the results of the work undertaken.

FINANCIAL REPORTING

Our main focus 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 determine 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 confirm 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 2020:

– COVID-19 related adjusting items:

The Committee considered the impact of the global COVID-19 pandemic on the Group's financial reporting, including the recognition and disclosure of expenses and gains incurred by the Group that are directly attributable to COVID-19 as adjusting items. The Committee concluded that management's judgements and the disclosure of these expenses and gains as adjusting items were appropriate and in line with the Group's definition.

– Impairment of leasehold property, plant and equipment ('PPE') and right-of-use ('ROU') assets:

The committee considered the review process and challenged the key judgements and estimates relating to the impairment of leasehold PPE and ROU assets. The Committee concluded that management's judgements and the disclosure of these impairments were appropriate.

– Taxation:

The Committee has reviewed the basis on which management has recognised and valued deferred tax assets, with particular focus on the recoverability of deferred tax assets recognised in Switzerland and for reporting under IFRS 16. The Committee is satisfied that management's judgements on the generation of future taxable profits in the foreseeable future are 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 reflect 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 13 and 14 for further information.

– IFRS 16 Leases:

There have been significant changes to the Group's leasing arrangements in 2020 arising from COVID-19, with rent concessions, deferrals and reductions agreed with a large number of landlords. The Committee has carefully monitored work undertaken by management to ascertain the completeness and accuracy of the Group's lease database including the implementation of new processes

and controls to identify the impact of lease modifications in future reporting periods. The Committee is satisfied that management has made appropriate assumptions and judgements in relation to IFRS 16 and that appropriate disclosures have been made in the 2020 financial statements. See note 2.

In late 2020 the Financial Reporting Council (the 'FRC') submitted a request for further information based solely on their review of the Group's first time adoption of IFRS 16 – Leases, due to the material impact of the new standard on the Group's financial statements. The Group responded fully to the matters raised and as a result of the FRC's enquiry, the Group has reclassified the following items in the Consolidated Statement of Cash Flows as reported in the 2019 Annual Report, as detailed in note 2 'Accounting Policies' to the accounts:

- Lease interest paid as an operating cash flow, instead of including it as a financing cash outflow;
- Partner contributions received for a reimbursement as an operating cash flow, instead of being offset within movements in trade and other payables; and
- Partner contributions received for a lease incentive as a financing cash flow instead of being offset within payment of lease liability.

The FRC's enquiry did not result in any change to reported profit, earnings per share, assets, liabilities or the overall net cash flows reported in respect of the 2019 financial year.

The Committee recommends the Annual Report to the Board. 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.

RISK MANAGEMENT

The Board is responsible for establishing the risk appetite for the Group.

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 part of the planning process and are endorsed by regional management. Key risks are reported to the Committee, which reports on them to the Board.

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.

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.

COVID-19 is an example of an unforeseen risk that has affected several aspects of our business. The Committee made certain that the Company considered the implications of the pandemic on its principal risks and developed a response plan to address these which the Committee continues to review on a regular basis.

The Group's principal risks, together with an explanation of how the Group manages these risks and the impact from COVID-19, are presented on pages 48 to 55 of this Annual Report.

INTERNAL CONTROL

The Committee has a delegated responsibility 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 Group's particular needs and the risks to which it is exposed and is designed to manage rather than eliminate risk. Accordingly, such a system can provide reasonable, but not absolute, assurance against material misstatement or loss.

In accordance with the FRC's Guidance on Risk Management, Internal Control and Related Financial and Business Reporting (the "FRC Guidance"), the Committee confirms there is an ongoing process for identifying, evaluating and managing significant risks faced by the Group.

During 2020, 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:

- Group-wide procedures, policies and standards have been established;
- a framework for reporting and escalating significant matters is 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.

This 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 inherent risks are identified and assessed, and appropriate action plans developed to manage the risk per the risk appetite of the Group as established by the Board. 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 coordinated 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 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 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 makes sure 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 2020 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

An externally hosted whistleblowing channel, EthicsPoint, 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 2019 and completed a review of the half-year results of the Group for the period to 30 June 2020.

The value of non-audit services provided by KPMG in 2020 amounted to £1,188,000 (2019: £192,000). Non-audit services related to half year review engagements and other 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 Switzerland and the Philippines. In 2020, KPMG were engaged to perform carve-out assurance services in relation to potential transactions (£975,000). During the year there were no circumstances where KPMG were engaged to provide services which might have led to a conflict of interest.

The Committee safeguards KPMG's independence through its policy on non-audit related services, which includes the following measures:

- the external auditor is used for non-audit related services only where their use will deliver a demonstrable benefit as compared with the use of other potential providers 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 confirm at every Committee meeting that, since the prior meeting, there have been no significant issues affecting their objectivity and independence arising from the 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 and will rotate after the audit of the 2020 financial statements.

The breakdown of the fees paid to the external auditor during the year to 31 December 2020 can be found in note 5.

In assessing the effectiveness of the external audit process for 2020 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 2020 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 2021 be proposed at the annual general meeting.

LAURIE HARRIS
CHAIR, AUDIT COMMITTEE

Directors' Remuneration report



We seek to motivate our people, reward performance and recruit the calibre of talent that will lead IWG through the COVID-19 pandemic and in our continuing growth ambitions."

NINA HENDERSON

CHAIRMAN, REMUNERATION COMMITTEE



Members	Attendance (out of possible maximum number of meetings)
Nina Henderson	7/7
Laurie Harris	7/7
François Pauyl	7/7
Florence Pierre	7/7

All members of the Committee are independent.



DEAR SHAREHOLDER,

I am pleased to present this Directors' Remuneration report for 2020. The Remuneration Committee (the "Committee") is focused on ensuring that remuneration is designed to drive our strategic priorities, support our Company culture and values and promote the long-term sustainable success of the Company.

COVID-19

2020 has been an unprecedented year, the most challenging ever experienced by the Group. Our people and their talents have been a key strength in IWG's response to COVID-19. We are proud of their resilience and enormous efforts to continue to drive the business and deliver services to our customers under difficult conditions.

All decisions taken during this unprecedented period have recognised the need to reward and incentivise Executive performance while simultaneously considering the experience of the Company and our stakeholders, including our employees, customers, investors, landlords, franchisees and communities.

We have actively engaged with our partners to work together through the challenges of the COVID-19 pandemic. This engagement has informed our decisions and actions.

The impact of the pandemic has been greater than we imagined. We have taken comprehensive actions to reduce costs and improve cash flow and liquidity. This included a decision to

withdraw our final dividend in respect of the 2019 financial year.

Therefore, the following voluntary measures were taken by Board members in 2020 in order to reflect the experience of shareholders and employees:

- implementation of the base salary increase awarded to Mark Dixon in 2020 was deferred until 1 January 2021;
- implementation of the fee increases awarded to the Chairman and Non-Executive Directors in 2020 was deferred until 1 January 2021;
- a 50% reduction in base salaries was taken by the Executive Directors from May 2020 until 31 December 2020;
- a 50% reduction in basic fees was taken by the Chairman and Non-Executive Directors from May 2020 until 31 December 2020.

There will be no recovery of the deferred increases or voluntary reductions.

IWG reported an operating loss, including adjusting items, of £352.0m for 2020. A strong cash position has been maintained and our strategic transformation towards capital-light growth through management agreements, franchising and joint ventures is furthering our rapid growth strategy.

IWG's human resources continue to evolve. Key focus areas are assuring team members' health, wellbeing and professional development along with retention of existing capabilities. Our policy aims to motivate our people, celebrate their diversity, reward their performance and recruit the calibre

of talent that will lead IWG through the COVID-19 pandemic and in our continuing growth ambitions.

ANNUAL BONUS

The 2020 annual bonus plan was measured against an operating profit target adjusted for actual growth costs. The achieved underlying operating loss before growth^D of £61.5m (measured on a pre-IFRS 16 basis) resulted in no annual bonus being paid to Executive Directors.

Whilst the Committee recognises the significant efforts and achievements by the Executive Directors in responding decisively to the COVID-19 pandemic, it was not considered appropriate to make use of the Committee's discretion. The decision not to pay a bonus to the Executive Directors was in line with the discussions and arrangements made with the Company's partners on how to work together through the pandemic.

PERFORMANCE SHARE PLAN ("PSP")

The 2018 PSP will vest at 33.33% in March 2021. The Committee reviewed the three performance metrics and determined that the threshold targets for EPS growth and ROI improvement metrics had not been met; the Company TSR performance was 15% p.a. above the comparator group median, resulting in a vesting outcome of 100% of the maximum for this element. All metrics had a 33.33% weighting and were measured over a three-year period to 31 December 2020. The Committee carefully considered the outcome with regard to the overall Company performance, shareholder and employee experiences, and the voluntary reduction in pay for Board members, and decided that the outcome was appropriate. Therefore no discretion was applied to the vesting outcome.

OUTCOMES FOR 2020

The Committee believes these outcomes demonstrate strong alignment with the Company's performance and sensitivity to its stakeholders.

THE YEAR AHEAD

The Committee was pleased that over 94% of shareholders supported the Remuneration Policy (the "Policy") in 2020. As a result the Committee has not consulted directly with shareholders regarding the Policy in 2020 and will continue to operate under it in 2021.

The Committee has made the following decisions for 2021 taking into account the pay and conditions across the Group's workforce, the experiences of the Company and its stakeholders and

the need to incentivise Executive performance and support the future success of the Company:

- No increases to Executive Directors' salaries for 2021. The increase reported in last year's report was implemented on 1 January 2021 and the Executive Directors returned to full pay on 1 January 2021, following the voluntary reduction in 2020.
- The Company's continued strategic transformation is key to unlocking shareholder value. Results from such transformative actions are not conveniently measured by classic operational performance targets with annual cut-offs, but should be reflected in relative TSR performance. Therefore, during this transformational period, relative TSR performance targets will also be a component of the annual bonus to reflect current year progress on implementing the strategy as well as the measurement of its sustained successful implementation for the PSP awards. Our strategy includes specific ESG targets, in future years these will be reviewed for incorporation into the PSP targets.
- The maximum annual bonus will remain unchanged at 150% of base salary for Executive Directors with half of any bonus paid deferred in share options which vest after three years. Performance will be measured against stretching operating profit and relative TSR targets.
- Awards of 250% of base salary will be granted under the PSP in line with the approved Policy. For the reasons described the awards will vest subject to a relative TSR target measured over three financial years, 2021-2023. 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 remains fit for purpose in the face of the pandemic and the Company's continuing strategic transformation. It ensures alignment between pay and performance through robust target-setting.

Historically, variable pay has rewarded sound performance. However, as demonstrated this year, when performance is less strong or when long-term shareholder value is weaker, performance outcomes are scaled back. This year no annual bonus is being awarded and partial vesting of the 2018 PSP is occurring. Such effective alignment ensures that our Policy

supports the Company's objectives and strategy and enables future success.

WORKFORCE ENGAGEMENT

Through my role as Non-Executive Director with oversight of employee engagement I have interacted with employees across the Group in person and following COVID-19 restrictions in a socially distanced manner.

I attended the leadership conference in January 2020 in person and joined the virtual conference held in January 2021, where I interfaced with 300 managers. I also met with smaller groups of employees both virtually and through visits to IWG sites. Employees have provided me with their reactions to our response to COVID-19, strategic endeavours, reward plans and resources available to them to deliver job performance.

On behalf of the Board I support IWG's ongoing efforts focused on enhancing diversity, equity and inclusion. In the USA I participate in the African American Affinity Network Group hearing about their mission, objectives and perspectives.

I provide feedback to the Committee and the Board on employee perspectives as a result of these interactions.

ANNUAL GENERAL MEETING

You will be asked to pass a resolution approving the Annual Report (and the Chairman's annual statement) by way of an advisory vote at the 2021 annual general meeting. On behalf of the Committee, I commend this report to you and look forward to your support for the resolution at the annual general meeting.

NINA HENDERSON

CHAIR, REMUNERATION COMMITTEE

DIRECTORS' REMUNERATION POLICY

This report sets out the Group's Policy on remuneration for Executive and Non-Executive Directors, which was approved by the Company's shareholders at the annual general meeting on 12 May 2020. The full version of the shareholder-approved Policy can be found on the Company's website at <https://investors.iwgplc.com/reports-and-presentations>.

The Committee is satisfied that the approved Policy operated as intended in 2020.

OVERVIEW OF DIRECTORS' REMUNERATION POLICY

The Policy 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 employee group 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 diversity, equality 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 2021 are set out on page 89 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.

Component	Purpose/link to strategy	Operation	Maximum	Performance framework
BENEFITS	To provide a competitive benefits package.	<p>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.</p> <p>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).</p>	Benefit provision is set at an appropriate competitive market rate for the nature and location of the role. There is no prescribed maximum as some costs may change in accordance with market conditions.	N/A
PENSION	To provide retirement benefits in line with the overall Group Policy.	<p>Provided through participation in the Company's money purchase (personal pension) scheme, under which the Company matches individual contributions up to a maximum of base salary.</p> <p>The Company may amend the form of an Executive Director's pension arrangements in response to changes in legislation or similar developments.</p>	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.	<p>Provides an opportunity for additional reward (up to a maximum specified as a % of salary) based on annual performance against targets set and assessed by the Committee.</p> <p>Half of any annual bonus paid will be deferred in shares which will vest after three years, subject to continued employment but no further performance targets. The other half is paid in cash following the relevant year end. A dividend equivalent provision allows the Committee to pay dividends, at the Committee's discretion, on vested shares at the time of vesting and may assume the reinvestment of dividends on a cumulative basis.</p> <p>Recovery and withholding provisions apply to bonus awards (see note 1 in the full Policy).</p>	150% of base salary per annum.	<p>Performance metrics are selected annually based on the current business objectives. The majority of the bonus will be linked to key financial metrics, of which there will typically be a significant profit based element (see note 3 in the full Policy).</p> <p>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.</p>

Component	Purpose/link to strategy	Operation	Maximum	Performance framework
PERFORMANCE SHARE PLAN ("PSP")	<p>Motivates and rewards the creation of long-term shareholder value.</p> <p>Aligns executives' interests with those of the shareholders.</p>	<p>Awards will normally be made annually under the PSP and will take the form of either nil-cost options or conditional share awards. Participation and individual award levels will be determined at the discretion of the Committee within the Policy.</p> <p>Awards vest five years following grant, subject to performance against pre-determined targets (measured after three years) which are set and communicated at the time of grant.</p> <p>Recovery and withholding provisions apply to PSP awards (see note 1 in the full Policy).</p> <p>A dividend equivalent provision allows the Committee to pay dividends, at the Committee's discretion, on vested shares at the time of vesting and may assume the reinvestment of dividends on a cumulative basis.</p>	The normal plan limit is 250% of base salary.	<p>Awards have a performance period of three financial years starting at the beginning of the financial year in which the award is made. Performance conditions will measure the long-term success of the Company (see note 4 in the full Policy). The Committee may introduce or reweight performance measures so that they are directly aligned with the Company's strategic objectives for each performance period.</p> <p>In respect of each performance measure, performance below the threshold target results in zero vesting. The starting point for vesting of each performance element will be no higher than 25% and rises on a straight-line basis to 100% for attainment of levels of performance between the threshold and maximum targets. There is no opportunity to re-test.</p>
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

ANNUAL REPORT ON REMUNERATION

MEMBERSHIP AND MEETINGS

All members of the Committee are independent. Committee membership during the year and attendance at the meetings is set out on page 84. In addition to the designated members of the 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.

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 2021

This Annual Report on Remuneration (and the Committee Chair's annual statement) will be put to a single advisory shareholder vote at the 2021 annual general meeting. The information below includes how we intend to operate our Policy in 2021 and the pay outcomes in respect of the 2020 financial year.

REPORTING

The Group continues to use pre-IFRS 16 results for its primary management reporting including performance target-setting and measuring achievements against those targets. Therefore the figures in this report are presented on a pre-IFRS 16 basis.

BASE SALARIES FOR THE EXECUTIVE DIRECTORS

No base salary increases are proposed for 2021 (consistent with the approach for the rest of the workforce).

Implementation of the 6.1% salary increase awarded to Mark Dixon in 2020, as detailed in the 2020 Annual Report on Remuneration which was approved at the 2020 annual general meeting, was voluntarily deferred by Mr Dixon in response to COVID-19, and his salary increase has only been implemented with effect from 1 January 2021. Additionally, during 2020 the Executive Directors voluntarily agreed to a 50% reduction in their base salaries from May 2020 to the end of December 2020. There will be no recovery of the deferred salary increase or voluntary salary reductions.

The current salaries as at 1 January 2021 and compared to the approved figures in the 2020 Annual Report as well as the voluntary reduced amount paid in 2020 are as follows:

	Effective 1 Jan 2021 (£'000)	Effective 1 Jan 2020 (£'000)	Percentage change	Actual amount paid 2020 (£'000)
Mark Dixon	£875.0	£875.0	0%	£550.5
Eric Hageman	£440.0	£440.0	0%	£315.4

For context, the average base salary increase received by UK employees was 3% in 2020.

BENEFITS AND PENSION

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

ANNUAL BONUS

For 2021, 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 Deferred Share Bonus Plan ("DSBP"), which will vest after three years subject to continued employment.

The 2021 annual bonus will be based 50% on measurement against underlying operating profit targets ranging from threshold to stretch and 50% on relative TSR performance. The targets are not being disclosed prospectively as they are 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 strategic transformation including our franchising strategy, PSP share option awards will be made at 250% of current salary (up to the Policy maximum) to Executive Directors with performance measured over a three-year period ending 31 December 2023. 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 holding period of two years following achievement of performance conditions. This requires the Executive Directors to hold on to the net-of-tax number of vested shares for a period of two years following vesting.

CHAIRMAN AND NON-EXECUTIVE FEES

No fee increases are proposed for 2021.

Fees were last reviewed and increased in 2020, as detailed in the 2020 Annual Report on Remuneration which was approved at the 2020 annual general meeting, however implementation of the fee increases was voluntarily deferred by the Non-Executive Directors due to COVID-19, and they have only been implemented with effect from 1 January 2021. Additionally, in response to the COVID-19 pandemic, during 2020 the Non-Executive Directors voluntarily agreed to a 50% reduction in their basic fees from May 2020 to the end of December 2020. There will be no recovery of the deferred fee increases or voluntary fee reductions.

The current fees as at 1 January 2021 and compared with the approved figures in the 2020 Annual Report as well as the voluntary reduced amount paid in 2020 are as follows:

	2021 (£'000)	2020 (£'000)	Percentage change	2020 Actual amount paid due to voluntary reduction (£'000)
Non-Executive Chairman	300	300	0%	167
Basic fee for Non-Executive Director	62	62	0%	38
Additional fees:				
Chair of Audit Committee	15	15	0%	12
Chair of Remuneration Committee	15	15	0%	12
Senior Independent Director combined with Chair of Nomination Committee	15	15	0%	12
Oversight of employee engagement and CSR ⁽¹⁾	15	15	–	0
Variable dislocation allowance for non-Swiss Directors ⁽²⁾	5 to 10	5 to 10	0%	2.5 to 5

1. Remuneration for this role was deferred to 1 January 2021.

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

REMUNERATION OUTCOMES FOR 2020

SINGLE TOTAL FIGURE OF REMUNERATION TABLE (AUDITED)

The following table shows the total remuneration in respect of the year ending 31 December 2020, together with the prior year comparative.

Executive Directors

£'000	Salary		Benefits		Pension		Annual bonus		Long Term Incentive Awards		Total		Total Fixed		Total Variable	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Mark Dixon	550.5	825.0	–	8.1	38.5	57.8	–	1,237.5	703.5	2,052.3	1,292.5	4,180.7	589	890.9	703.5	3,289.8
Eric Hageman	315.4	440.0	9.6	44.2	41.5	41.5	–	660.0	–	–	366.5	1,185.7	366.5	525.7	–	660.0

Non-Executive Directors

£'000	Fees		Benefits		Pension		Annual bonus		Long Term Incentive Awards		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Douglas Sutherland	166.7	250.0	—	—	—	—	—	—	—	—	166.7	250.0
Laurie Harris	55.0	48.7	—	—	—	—	—	—	—	—	55.0	48.7
Elmar Heggen	—	26.6	—	—	—	—	—	—	—	—	—	26.6
Nina Henderson	55.0	76.5	—	—	—	—	—	—	—	—	55.0	76.5
Florence Pierre	40.5	59.5	—	—	—	—	—	—	—	—	40.5	59.5
François Pauly	52.5	71.5	—	—	—	—	—	—	—	—	52.5	71.5

Salary – The salaries shown are the voluntary reduced amount paid in 2020.

Fees – The fees shown are the voluntary reduced amount paid in 2020.

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

Long Term Incentive Awards – Includes 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)) vested in March 2020 based on performance until 31 December 2019; the value of this is shown in 2019 and reflects a price on the date of vesting of 352p. £402.3k of the 2017 PSP value of £2,052.4k was attributable to share price increase. The 2018 PSP award (226,804 shares) vests in March 2021 based on performance until 31 December 2020; the value of this is shown in 2020 and reflects a three-month average share price ending 31 December 2020 of 310p. £153.5k of the 2018 PSP value of £703.5k was attributable to share price increase.

Laurie Harris was appointed as Non-Executive Director and Chair of the Audit Committee on 14 May 2019. Remuneration detailed above reflects time served in respect of the role during the relevant periods.

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

DETERMINATION OF 2020 ANNUAL BONUS (AUDITED)

The 2020 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						
						Pre-IFRS 16	£149.4m	£166.0 m	£180.5m	£(61.5m) ⁽¹⁾	
Operating profit pre-growth											
Director	Bonus maximum (% of base salary)	Operating profit achievement (% of award)	Bonus awarded (£'000)	Cash bonus (£'000) ⁽¹⁾	Deferred shares (£'000) ⁽²⁾						
Mark Dixon	150%	0%	£0	£0	0						
Eric Hageman	150%	0%	£0	£0	0						

1. Reflects the achieved a pre-IFRS 16 operating profit adjusted for actual growth costs of £112.3m.

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

PSP AWARDS GRANTED VESTING IN 2020 (AUDITED)

The table below summarises the performance conditions and the actual performance against the award made under the PSP in 2018. This award was subject to performance conditions measured over the three financial years ending 31 December 2020.

	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 2017 performance
Threshold	25%	Median	0%	Compound annual growth of 5%	0%	Return to be equal to 2017 performance
Maximum	100%	10% compound annual growth above median	100%	Compound annual growth of 25%	100%	Return to be 300 basis points above 2017 performance
Performance achieved	+15.1% p.a.		Compound annual growth of (61.4p) per share, – less than 5%		Return 13% below 2017 performance	
Actual % vesting	100%		0%		0%	
Overall vesting	33.33% of maximum					
Director			2017 award number of share options	Total vesting (% of maximum)	No. of share options to vest	Award value (£'000)
Mark Dixon			680,412	33.33%	226,804	703.5

The value of awards reflects a three-month average share price ending 31 December 2020 of 310p.

Awards are 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.

The Committee believes the above outcome is representative of Company performance and no discretion was applied to the 2018 PSP vesting outcome.

PSP AWARDS VESTING IN 2022 (AUDITED)

PSP awards granted to Executive Directors on 4 March 2020 which vest subject to a three-year performance period ending 31 December 2022 were as follows:

Executive	Number of share options	% of base salary	Value of award (£'000) ^{P11}	% of maximum amount receivable for threshold vesting
Mark Dixon	609,332	250%	£2,187.5	25%
Eric Hageman	306,407	250%	£1,100.0	25%

1. Based on a face value grant of 250% of salary and using a share price of 359p on the date of grant.

The awards are subject to a TSR performance metric as summarised below.

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

The Company's current share price, including current assumptions regarding the future implementation of the Company's strategic transformation referenced in analysts' reports, has been taken into account when setting stretching relative TSR targets.

Awards are 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 4 March 2020 as a deferred bonus in respect of the financial year ended 31 December 2019 and which become exercisable on the third anniversary after the date of grant, subject to continuous employment, were as follows:

Executive	Number of share options	% of 2019 bonus	Value of award ⁽¹⁾ (£'000)
Mark Dixon	172,354	50%	£618.7
Eric Hageman	91,923	50%	£330.0

1. Based on a face value grant using a share price of 359p on the date of grant.

The awards were made as a deferral of the 2019 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 2020 alongside the interests in share schemes for the Executive Directors.

	Shareholding guidelines						
	Shares held outright	% of salary required	Guideline met?	% of salary attained ⁽¹⁾	Deferred Share Bonus Plan options ⁽²⁾	PSP options subject to performance conditions ⁽³⁾	Options under the Share Option Plan subject to performance conditions ⁽⁴⁾
Executive Directors							
Mark Dixon	286,949,493	200%	Yes	1,124.5%	284,368	1,299,709	809,843
Eric Hageman	–	200%	No	–	91,923	674,068	–
Non-Executive Directors							
Douglas Sutherland	400,000						–
Laurie Harris	15,000						
Nina Henderson	30,800						
François Pauly	100,000						
Florence Pierre	–						

1. Based on a share price of 343.2p and base salary as at 31 December 2020.

2. Half of any bonus awarded is deferred in share options which vest after three years, subject to continued employment but no further performance targets.

3. Unvested awards under the 2019 and 2020 Performance Share Plan are subject to further performance conditions.

4. Options under the 2017 and 2018 Performance Share Plan for which performance conditions have been achieved are subject to a two-year holding period requirement and 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.

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. There has been no movement in Directors' share interests since year end to the date of this report.

SUPPORTING DISCLOSURES AND ADDITIONAL CONTEXT

PERCENTAGE CHANGE IN REMUNERATION OF DIRECTORS COMPARED TO EMPLOYEES

The table below shows the percentage change in remuneration of each Director and our UK employees (IWG plc does not have any direct employees) on a full-time equivalent basis, between the year ending 31 December 2019 and the year ending 31 December 2020.

	Base salary % change ⁽¹⁾	Benefits % change	Annual bonus % change
Executive Directors			
Mark Dixon	(33)%	(100)% ⁽²⁾	(100)% ⁽³⁾
Eric Hageman	(28)%	(78)%	(100)% ⁽⁴⁾
Non-Executive Directors			
Douglas Sutherland	(33)%	–	–
Laurie Harris	(28)%	–	–
Nina Henderson	(28)%	–	–
François Pauly	(32)%	–	–
Florence Pierre	(27)%	–	–
Employees	3%	(34)%	42%

1. In response to the COVID-19 pandemic Executive Directors and Non-Executive Directors voluntarily agreed to a 50% reduction in their base salaries from 1 May 2020 to 31 December 2020 and salary increases detailed in the 2020 Annual Report were voluntarily deferred until 1 January 2021. There will be no recovery of the deferred increases or the voluntary reductions.
2. No benefits were paid to Mark Dixon in 2020, in 2019 benefits of £8.1k were paid.
3. No annual bonus will be paid to Mark Dixon in respect of 2020, a bonus of £1,237.5k was paid in respect of 2019.
4. No annual bonus will be paid to Eric Hageman in respect of 2020, a bonus of £660.0k was paid in respect of 2019.

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 2020 and 2019 and the percentage changes between years:

	2020	2019	Change 2019 to 2020
Total employee remuneration	£346.5m	£372.7m	(7)%
Distributions to shareholders via dividends and share buybacks	£43.7m	£107.7m	(41)%

CHIEF EXECUTIVE OFFICER'S PAY RATIO

The table below shows our voluntary disclosure of the Chief Executive Officer pay ratio information from 2019 and the required disclosure for 2020 at the 25th, 50th and 75th percentiles compared to the pay of our UK employees. The ratios have been calculated based on the single total figure of remuneration for Mark Dixon and the total pay of our employees on a full-time equivalent basis under calculation methodology A of the regulations, as of 31 December 2020. No element was omitted for the purpose of the calculation.

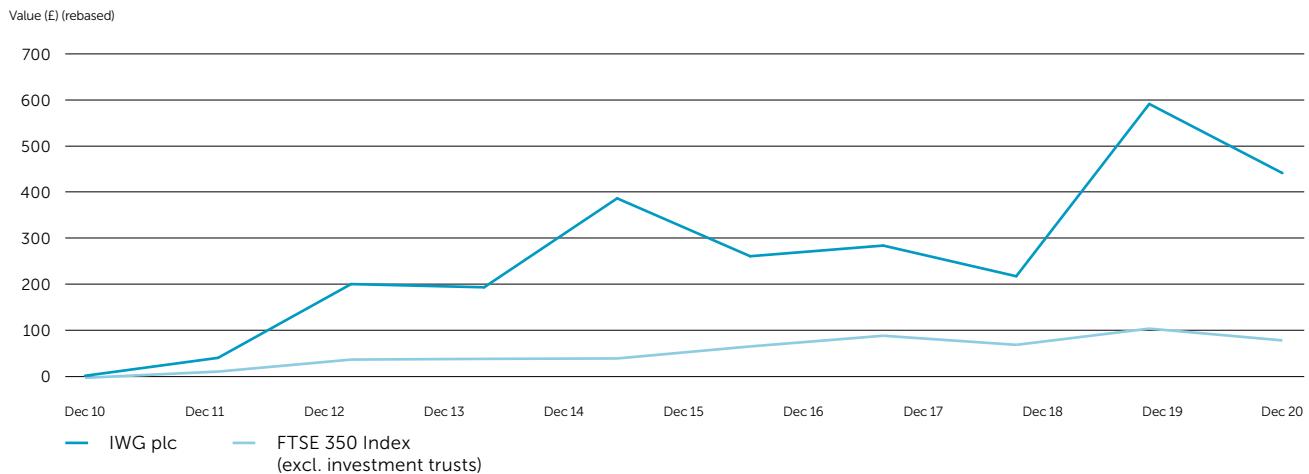
The median pay ratio was lower this year as compared with last year largely due to the voluntary reduction in CEO salary during COVID-19, no annual bonus being awarded and partial vesting of the 2018 PSP. Due to the differences in remuneration structure between the CEO and employees and the higher weighting put on the variable pay elements for the CEO, we expect this ratio to fluctuate year on year.

Overall, the Committee is satisfied that 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. Bonus schemes, participated in by the majority of employees, and long-term incentives align performance with shareholder experience.

Financial year	Methodology	P25 (Lower quartile)	P50 (Median)	P75 (Upper quartile)
2019	Option A	231:1	148:1	102:1
2020	Option A	43:1	35:1	20:1
2020	Mark Dixon (£'000)	P25 (£'000)	P50 (£'000)	P75 (£'000)
Total pay	1,292.5	30.0	37.2	65.4
Base salary	550.5	29.0	32.2	56.8

PERFORMANCE GRAPH AND TABLE

The graph below shows the TSR of IWG in the ten-year period to 31 December 2020 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.



Source: Thomson Reuters Refinitive

This graph shows the value, by 31 December 2020, of £100 invested in IWG plc on 31 December 2010, compared with the value of £100 invested in the FTSE 350 (excluding investment trusts) Index on the same date.

	2011	2012	2013	2014	2015	2016	2017	2018	2019 ⁽¹⁾	2020
Single total figure of remuneration	£1,130k	£1,773k	£1,854k	£2,770k	£1,968k	£3,035k	£1,132k	£1,451k	£4,181k	1,293k
Bonus (% of maximum)	50%	100%	79%	100%	100%	93%	0%	43%	100%	0%
Long-term incentive vesting (% of maximum)	0%	11%	35%	86%	97%	91%	11%	2%	100%	33%⁽²⁾

1. The single total figure of remuneration has been restated to reflect that the share price for the 2017 PSP on the date of vesting is now known.

2. Based on one-third of the 2018 PSP award vesting.

SERVICE CONTRACTS/LETTERS OF APPOINTMENT

Executive Directors have service contracts with the Group which can be terminated by the Company or the Director by giving 12 months' notice. The Chairman and Non-Executive Directors are appointed for an initial three-year term, which shall continue unless terminated 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. The following table sets out the dates that each Director was first appointed by the Group, the expiry date of the current term and the length of service as of 31 December 2020. All Directors will seek re-election at the 2021 annual general meeting.

	Current service contract/appointment agreement	Initial appointment date as Director within the Group	Expiry of current term	Length of service as Director with the Group
Executive Directors				
Mark Dixon	Appointment agreement – 19 December 2016	19 December 2016	–	Founder
	Director Service agreement – 1 July 2020			
Eric Hageman	Appointment agreement – 1 January 2019	1 January 2019	–	2 years
	Employment agreement – 1 January 2019			
Non-Executive Directors				
Douglas Sutherland	Appointment agreement – 16 February 2017	19 December 2016	–	12 years 5 months (10 years 8 months as Chairman)
Laurie Harris	Appointment agreement – 14 May 2019	14 May 2019	14 May 2021*	1 year 8 months
Nina Henderson	Appointment agreement – 19 December 2016	19 December 2016	–	6 years 8 months
François Pauly	Appointment agreement – 19 December 2016	19 December 2016	–	5 years 8 months
Florence Pierre	Appointment agreement – 19 December 2016	19 December 2016	–	7 years 8 months

* Non-Executive Directors are appointed for an initial three year-term.

PAYMENTS TO PAST DIRECTORS/PAYMENTS FOR LOSS OF OFFICE

No payments were made to past Directors or for loss of office in 2020.

ADVISORS TO THE REMUNERATION COMMITTEE

The Executive Compensation team within PwC provided independent advice to the Committee during the year. No other services were provided by PwC during the year. PwC was appointed by the Committee during 2020 in place of Aon, as a result of the senior advisor moving from Aon to PwC. The fees charged by Aon for the provision of independent advice to the Committee during 2020 were £29,500 (2019: £78,500) and by PwC were £9,500 during 2020. With regard to remuneration advice, the Committee is comfortable that PwC'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 12 May 2020 in respect of remuneration related resolutions are shown in the table below:

Resolution	Votes for		Votes against		Total votes cast	Votes withheld
	#	%	#	%		
Approval of Directors' Remuneration Policy at the 2020 AGM	727,136,890	94.33%	43,747,207	5.67%	770,884,097	1,177,273
Approval of Annual Remuneration Report for year ending 31 December 2019	659,375,053	87.33%	95,685,534	12.67%	755,060,587	17,000,783

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 2020.

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 (Chairman)
- François Pauly
- Laurie Harris
- Florence Pierre
- Nina Henderson

Biographical details for the Directors are shown on page 67.

Details of the Directors' interests and shareholdings are given in the Remuneration report on page 93.

Details of the role of the Board can be found on page 75 and the process for the appointment of Directors can be found on page 77.

The Corporate Governance report, Nomination Committee report, Audit Committee report, Remuneration report and Directors' statements on pages 66 to 96 and 99 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 65 as follows:

The Chief Executive Officer's review and Chief Financial Officer's review on pages 24 to 27 and 40 to 47 respectively address:

- review of the Company's business (pages 24 to 27);
- an indication of the likely future developments in the business (page 27);

- development and performance during the financial year (pages 40 to 47); and
- position of the business at the end of the year (pages 45 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 page 50.

The ESG report, on pages 56 to 65, includes the sections in respect of:

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

The Nomination Committee report on pages 76 to 78 covers our approach to diversity and further information on diversity initiatives can be found on pages 60 and 61.

The Directors' statements on page 99 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

The loss before taxation[†] for the year was £620.1m (2019: profit of £55.0m).

No interim dividend has been paid and the Directors do not recommend a final dividend in respect of the 2020 financial year (2019: paid total dividend of £58.2m).

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 £430.1k during the year (2019: £412.4k).

CAPITAL STRUCTURE

The Company's share capital (including treasury shares) comprises 1,057,248,651 issued and fully paid up ordinary shares of 1p nominal value in IWG plc (2019: 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.

During the year, the Company completed a placing of new ordinary shares. More information can be found below and in note 22 of the notes to the accounts on page 133.

Details of the Company's employee share schemes can be found on 140 to 146. The outstanding awards and options do not carry any rights in relation to the control of the Company.

POWER FOR THE COMPANY TO ISSUE SHARES

At the Company's annual general meeting held on 12 May 2020 the shareholders of the Company approved resolutions giving authority for the Company to allot ordinary shares in the Company up to one-third of the Company's issued share capital and up to two-thirds of the Company's issued share capital in connection with a rights issue and to dis-apply pre-emption rights, in each case, until the earlier of the conclusion of the Company's next annual general meeting or 11 August 2021.

On 28 May 2020, the Company used the relevant authorities, taking into account the guidance issued by the Pre-Emption Group then in place, to issue 133,891,213 new ordinary shares by way of a placing including an offer to retail investors. The placing represented approximately 15.4% of the issued ordinary share capital of the Company prior to the placing.

The shareholders of the Company approved further resolutions at a general meeting of the Company on 21 December 2020 for the allotment and issue of new ordinary shares on a non-pre-emptive basis upon conversion

SUBSTANTIAL INTERESTS

At 5 March 2021, 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⁾	286,949,493	28.50%
Toscafund Asset Management LLP	146,625,056	16.8%
Schroders plc	52,336,087	5.20%

1. Mark Dixon owns 100% of Estorn Limited.

of £350m unsubordinated unsecured guaranteed convertible bonds due 2027 which were issued by IWG Group Holdings S.à.r.l., a subsidiary of the Company (the "Bonds") into ordinary shares in IWG plc in accordance with their terms. Such authority is limited to the allotment and issue of new ordinary shares pursuant to the conversion of the Bonds, with no such conversion occurring during 2020. Following a change of control of the Company, the holder of each Bond may exercise their conversion right using the formula set out in the terms of the Bonds or may require the issuer to redeem that Bond at its principal amount, together with accrued and unpaid interest.

POWER FOR THE COMPANY TO REPURCHASE SHARES

At the Company's annual general meeting held on 12 May 2020 the shareholders of the Company approved a resolution giving authority for the Company to purchase in the market up to 87,124,304 ordinary shares representing approximately 10% of the issued share capital (excluding treasury shares) as at 9 April 2020.

13,590,080 shares were repurchased during 2020, 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. The share buyback programme was suspended in March 2020 in response to the COVID-19 pandemic.

BRANCHES

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

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 105 to 152.

In adopting the going concern basis for preparing the financial statements, the Directors have considered the further information included in the business activities commentary as set out on pages 24 to 27, 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 2 of the notes to the accounts on page 110.

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 4 March 2021.

On behalf of the Board

TIMOTHY REGAN

COMPANY SECRETARY

9 March 2021

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 IFRS. 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
9 March 2021

ERIC HAGEMAN
CHIEF FINANCIAL OFFICER
9 March 2021

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

We have audited the financial statements of IWG plc and its consolidated undertakings ('the Group') for the year ended 31 December 2020 set out on pages 105 to 152, which comprise the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated balance sheet, consolidated statement of cash flows and related notes, including the summary of significant accounting policies set out in note 2. 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 state of the Group's affairs as at 31 December 2020 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union; and
- the financial statements have been prepared in accordance with the requirements of Companies (Jersey) Law 1991.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the Audit Committee.

We were appointed as auditor by the directors on 21 December 2016. The period of total uninterrupted engagement is for the 5 financial years ended 31 December 2020. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with UK ethical requirements, including the Financial Reporting Council (FRC)'s Ethical Standard as applied to listed entities. No non-audit services prohibited by that standard were provided.

CONCLUSIONS RELATING TO GOING CONCERN

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or to cease their operations, and as they have concluded that the Group's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the Group's ability to continue to adopt the going concern basis of accounting included considering the strategic risks relevant to the Group's business model and analysing how those risks might affect the Group's financial resources or ability to continue operations for the going concern period.

The sensitivity we considered most likely to adversely affect the Group's available financial resources over the going concern period was the potential economic impact of a prolonged economic downturn as a result of COVID-19. We considered various downside scenarios which were more pessimistic than those indicated by the Group's own forecasts. A key judgement in the downside scenarios of the Group is that there is a reasonable expectation that the existing committed debt facilities in place are adequate to cover the Group's liquidity requirements in such scenarios. No breach of covenants was indicated by the additional downside scenarios that we considered. There were no other risks identified that we considered were likely to have a material adverse effect on the Group's and Company's available financial resources over this period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's ability to continue as a going concern for a period of at least twelve months from the date when the financial statements are authorised for issue.

In relation to the Group's reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Group will continue in operation.

DETECTING IRREGULARITIES INCLUDING FRAUD

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements and risks of material misstatement due to fraud, using our understanding of the entity's industry, regulatory environment and other external factors and inquiry with the directors. In addition, our risk assessment procedures included:

- Inquiring with the directors and other management as to the Group's the policies and procedures regarding compliance with laws and regulations, identifying, evaluating and accounting for litigation and claims, as well as whether they have knowledge of non-compliance or instances of litigation or claims.
- Inquiring of directors as to the Group's high-level policies and procedures to prevent and detect fraud, as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Inquiring of directors regarding their assessment of the risk that the financial statements may be materially misstated due to irregularities, including fraud.
- Reading audit committee, nomination committee, remuneration committee and Board meeting minutes.
- Performing planning analytical procedures to identify any usual or unexpected relationships.

We discussed identified laws and regulations, fraud risk factors and the need to remain alert among the audit team. This included communication from the group to component audit teams of relevant laws and regulations and any fraud risks identified at Group level and request to component audit teams to report to the Group audit team any instances of fraud that could give rise to a material misstatement at Group.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation. We assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items, including assessing the financial statement disclosures and agreeing them to supporting documentation when necessary.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of Group's licence to operate. We identified the following areas as those most likely to have such an effect: health and safety, employment law and certain aspects of company legislation recognising the nature of the Group's activities.

Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. These limited procedures did not identify actual or suspected non-compliance.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

KEY AUDIT MATTERS: OUR ASSESSMENT OF RISKS OF MATERIAL MISSTATEMENT

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In the prior year, we identified the Group's adoption of IFRS 16 leases as a key audit matter given the significant judgement and complexity involved in determining the right of use assets and lease liabilities of the Group for the first time. We continue to perform audit procedures over the right of use assets and lease liabilities, but we have not assessed the adoption of IFRS 16 to be one of the most significant risks in our current year and, therefore, it is not separately identified in our report this year.

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

GOODWILL AND INTANGIBLE ASSETS - £695.5 MILLION (2019: £721.7 MILLION)

Refer to page 113 (accounting policy) and pages 127 to 128 (financial disclosures)

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. Goodwill relating to the US and UK country operations 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, but were not limited to, our assessment of the historical accuracy of the Group's forecasts and challenging management's profitability forecasts underlying their impairment model. 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 but placed particular focus on the UK impairment model due to the limited headroom in the UK operations in the past, the gross operating loss in the current year and given its significance to the Group's goodwill balance.

We used KPMG valuation specialists to assist us in evaluating the judgements 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 key assumptions, where possible, to externally derived data and performed our own assessment in relation to key impairment model inputs. We examined the sensitivity analysis performed by Group management and performed our own sensitivity analysis in relation to key assumptions including revenue growth, discount rates, occupancy rates and terminal values. 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.

The Group's impairment model identified impairments of goodwill amounting to £4.9 million during the year ended 31 December 2020.

Based on the procedures we performed, we concluded that the key assumptions underpinning management's assessment of the recoverable amount of goodwill and intangible assets, are reasonable.

IMPAIRMENT OF LEASEHOLD IMPROVEMENTS PROPERTY, PLANT AND EQUIPMENT ('PPE') AND RIGHT OF USE ('ROU') ASSETS - £246 MILLION (2019: £NIL)

Refer to page 112 (accounting policy) and page 130 (financial disclosures)

THE KEY AUDIT MATTER

There is a risk that the carrying value of the Group's business centres exceeds the recoverable amount of each centre given the impact of the COVID-19 pandemic on the trading performance of the Group in 2020. In response to this risk, the Group has performed an assessment of the Group's CGU's (identified as individual business centres) to identify indicators of impairment. Management carried out an impairment analysis for each CGU where impairment indicators were identified and impaired the associated Leasehold Improvements PPE and Right of Use assets to their estimated recoverable amount. In assessing this key audit matter, we considered the significance of the assets and the impairment charge recognised in the year. We also considered the judgements made in assessing impairment indicators for each CGU and the key assumptions used to determine the future cash flows of each CGU, which are used to determine the recoverable amount.

The recoverability of the Group's Leasehold Improvements PPE and Right of Use assets and the associated impairment charge recognised in the year have been identified as a key audit matter.

HOW THE MATTER WAS ADDRESSED IN OUR AUDIT

The audit procedures we have designed to respond to this risk include challenging whether there were indicators of impairment at the CGU level, including comparing the performance of business centres against expected profitability measures. We tested the completeness of management's identification of business centres performing below expectations and accordingly at a greater risk of impairment. Where centres performed below expectations, we considered whether this was an indicator of impairment given our understanding of the maturity of the business centre, the status of rent renegotiations with landlords and assessment of the current performance of the business centre. Where there were indicators of impairment, we assessed the Group's impairment analysis and challenged the cash flow forecasts used to determine the recoverable amount of each CGU,

including assessing any expected cash outflows where a business centre will be closed. We used statistical sampling techniques and performed substantive tests of detail over the impairment charge to validate the accuracy of the charge recorded in the year. We recalculated the impairment charge for the year and validated the mathematical accuracy of management's calculation.

The Group recognised an impairment charge of £82.1 million and £163.9 million related to Leasehold Improvements PPE and Right of Use assets respectively in the year ended 31 December 2020. As a result of our audit procedures, we found that the identification of impairment indicators by management was supported by reasonable judgements. The judgements made by management in relation to future cash flow forecasts to assess the recoverability of individual business centres were supported by reasonable assumptions and the calculation of the impairment charge recognised in the year was appropriate.

RECOGNITION OF DEFERRED TAX ASSETS ASSOCIATED WITH THE GROUP'S INTELLECTUAL PROPERTY IN SWITZERLAND - £69.7 MILLION (2019: £89.8 MILLION)

Refer to page 114 (accounting policy) and pages 121 to 123 (financial disclosures)

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 offset 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 certain deferred tax assets as a key audit matter because of the inherent uncertainty associated with key assumptions made by management when forecasting future taxable profits, which determine the extent to which deferred tax assets are or are not recognised. In addition, we considered the significance of the recognised deferred tax assets in assessing this key audit matter. The estimation uncertainty has continued to be elevated in 2020 due to the ongoing

strategic developments in the business. We focused our attention in particular on the key assumptions applied by management, including revenue growth, when assessing the recoverability of deferred tax assets associated with the Group's intellectual property in Switzerland.

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. In addition we 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.

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 in 2019, 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.

Based on the audit procedures performed, we concluded that the assumptions used by management in calculating the future taxable profits of the Group for the purpose of assessing the recoverability of deferred tax assets relating to Swiss Intellectual property assets are appropriate.

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 £9 million (2019: £10 million which is 0.36% (2019: 0.38%) of total revenues. In 2020, consistent with 2019, we have used revenue as the benchmark for materiality. In 2019 we also used adjusted profit before tax as a benchmark. This benchmark was not appropriate in 2020 given that the Group has recorded a loss for the year. We have determined, in our professional judgement, that revenue is the principal benchmark within the financial statements relevant to members of the Group in assessing financial performance.

We agreed with the Audit Committee to report corrected and uncorrected misstatements we identified through our audit with a value in excess of £0.45 million (2019: £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 key audit matters, on those transactions and balances accounted for at Group and operating unit level. In determining those components in the Group on which we perform audit procedures, we 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 thirteen identified key reporting components, augmented by risk focused audit procedures which were performed for certain other components. These audits covered 81% (2019: 81%) of total Group revenue and 94% (2019: 93%) of Group total 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 £1.5m to £6m, having regard to the mix of size and risk profile of the components.

Detailed audit instructions were sent to the auditors of each 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 video 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 THE OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information presented in the Annual Report together with the financial statements. The other information comprises the information included in the Strategic Report and Governance sections of the Annual Report, as well as the unaudited appendices (including the unaudited IFRS 16 proforma statements, summarised extract of unaudited Company balance sheet, the post-tax cash return on net investment and the five-year summary and the glossary). 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, except as explicitly

stated below, any form of assurance conclusion thereon.

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

CORPORATE GOVERNANCE STATEMENT

The Listing Rules require us to review the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Group's compliance with the provisions of the UK Corporate Governance Statement specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit:

- Directors' statement with regards the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 98;
- Directors' explanation as to its assessment of the entity's prospects, the period this assessment covers and why the period is appropriate set out on page 98;
- Directors' statement on the annual report and financial statements, taken as a whole on fair, balanced and understandable and the information necessary for shareholders to assess the Group's position and performance, business model and strategy set out on page 99;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks and the disclosures in the annual report that describe the principal risks and the procedures in place to identify emerging risks and explain how they are being managed or mitigated set out on pages 81 to 82;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 81; and
- The section describing the work of the audit committee set out on pages 80 to 83.

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

Under Company (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, or
- returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; 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 AND RESTRICTIONS ON USE

RESPONSIBILITIES OF DIRECTORS FOR THE FINANCIAL STATEMENTS

As explained more fully in the directors' responsibilities statement set out on page 99, 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 FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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 an opinion in an auditor's report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

THE PURPOSE OF OUR AUDIT WORK AND TO WHOM WE OWE OUR RESPONSIBILITIES

Our report is made solely to the Group'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 Group'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
(SENIOR STATUTORY AUDITOR)

for and on behalf of

KPMG
1 Stokes Place,
St. Stephen's Green,
Dublin 2, Ireland

9 March 2021

£m	Notes	Year ended 31 Dec 2020	Year ended 31 Dec 2019 Restated ⁽¹⁾
Revenue	3	2,480.2	2,648.9
Total costs of sales		(2,425.5)	(2,081.8)
Cost of sales		(2,108.4)	(2,083.9)
Adjusting items to cost of sales	10	(71.1)	–
(Loss)/profit on impairment of property, plant, equipment and right-of-use assets	5	(246.0)	2.1
Expected credit losses on trade receivables	5	(34.8)	(2.0)
Gross profit (centre contribution)		19.9	565.1
Total selling, general and administration expenses		(371.9)	(278.3)
Selling, general and administration expenses		(312.9)	(281.0)
Adjusting items to selling, general and administration expenses	10	(56.4)	–
Share of (loss)/profit of equity-accounted investees, net of tax	21	(2.6)	2.7
Operating (loss)/profit	5	(352.0)	286.8
Finance expense	7	(271.1)	(232.3)
Finance income	7	3.0	0.5
Net finance expense		(268.1)	(231.8)
(Loss)/profit before tax for the year from continuing operations		(620.1)	55.0
Income tax (expense)/credit	8	(30.1)	22.3
(Loss)/profit after tax for the year from continuing operations		(650.2)	77.3
Profit after tax for the period from discontinued operations	9	3.4	373.3
(Loss)/profit for the period attributable to equity shareholders of the parent		(646.8)	450.6
(Loss)/earnings per ordinary share (EPS):			
Attributable to ordinary shareholders			
Basic (p)	11	(67.9)	50.5
Diluted (p)	11	(67.9)	49.6
From continuing operations			
Basic (p)	11	(68.3)	8.7
Diluted (p)	11	(68.3)	8.5

1. The comparative information has been restated to reflect the impact of discontinued operations (note 9).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

£m	Notes	Year ended 31 Dec 2020	Year ended 31 Dec 2019
(Loss)/profit for the year		(646.8)	450.6
Other comprehensive income/(loss) 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)
Foreign exchange recycled to profit or loss from discontinued operations	9	–	(8.8)
Foreign currency translation differences for foreign operations		1.3	(24.5)
Items that are or may be reclassified to profit or loss in subsequent periods		1.3	(33.8)
Other comprehensive income/(loss) 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/(loss) for the period, net of tax		1.3	(33.8)
Total comprehensive (loss)/income for the year		(645.5)	416.8

£m	Notes	Issued share capital	Share premium	Treasury shares	Foreign currency translation reserve	Hedging reserve	Other reserves	Retained earnings	Total equity
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		–	–	–	(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	12	–	–	–	–	–	–	(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
Total comprehensive income/(loss) for the year:									
Loss for the year		–	–	–	–	–	–	(646.8)	(646.8)
Other comprehensive income:									
Foreign currency translation differences for foreign operations		–	–	–	1.3	–	–	–	1.3
Other comprehensive income, net of tax		–	–	–	1.3	–	–	–	1.3
Total comprehensive income/(loss) for the year		–	–	–	1.3	–	–	(646.8)	(645.5)
Transactions with owners of the Company									
Share-based payments		–	–	–	–	–	–	6.4	6.4
Ordinary dividend paid	12	–	–	–	–	–	–	–	–
Proceeds from issue of ordinary shares, net of costs	22	1.3	312.6	–	–	–	–	–	313.9
Purchase of shares	22	–	–	(43.7)	–	–	–	–	(43.7)
Proceeds from exercise of share awards	22	–	–	6.5	–	–	–	(4.3)	2.2
Balance at 31 December 2020		10.5	312.6	(154.1)	36.2	(0.2)	25.8	283.0	513.8

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

CONSOLIDATED BALANCE SHEET

£m	Notes	As at 31 Dec 2020	As at 31 Dec 2019
Non-current assets			
Goodwill	13	695.5	674.6
Other intangible assets	14	53.3	45.0
Property, plant and equipment	15	6,855.9	7,190.7
Right-of-use assets	15	5,646.9	5,917.4
Other property, plant and equipment	15	1,209.0	1,273.3
Deferred tax assets	8	188.2	195.0
Other long-term receivables	16	55.0	61.0
Investments in joint ventures	21	11.3	13.8
Total non-current assets		7,859.2	8,180.1
Current assets			
Inventory		1.3	1.3
Trade and other receivables	17	1,003.7	681.3
Corporation tax receivable	8	29.1	24.0
Cash and cash equivalents	23	71.0	66.6
Total current assets		1,105.1	773.2
Total assets		8,964.3	8,953.3
Current liabilities			
Trade and other payables (incl. customer deposits)	18	1,007.6	788.8
Deferred income		328.9	322.6
Corporation tax payable	8	40.0	32.3
Bank and other loans	19	21.9	9.7
Lease liabilities	23	1,019.6	977.4
Provisions	20	17.5	8.9
Total current liabilities		2,435.5	2,139.7
Non-current liabilities			
Other long-term payables		5.9	2.0
Deferred tax liability	8	0.2	–
Bank and other loans	19	400.2	351.0
Lease liabilities	23	5,538.9	5,568.6
Derivative financial liabilities	24	49.6	0.2
Provisions	20	13.5	6.9
Provision for deficit on joint ventures	21	4.6	2.9
Retirement benefit obligations	26	2.1	1.5
Total non-current liabilities		6,015.0	5,933.1
Total liabilities		8,450.5	8,072.8
Total equity			
Issued share capital	22	10.5	9.2
Issued share premium	22	312.6	–
Treasury shares	22	(154.1)	(116.9)
Foreign currency translation reserve		36.2	34.9
Hedging reserve		(0.2)	(0.2)
Other reserves		25.8	25.8
Retained earnings		283.0	927.7
Total equity		513.8	880.5
Total equity and liabilities		8,964.3	8,953.3

Approved by the Board on 9 March 2021

MARK DIXON
CHIEF EXECUTIVE OFFICER

ERIC HAGEMAN
CHIEF FINANCIAL OFFICER

£m	Notes	Year ended 31 Dec 2020	Year ended 31 Dec 2019 Restated ⁽¹⁾
Operating activities			
(Loss)/profit for the year from continuing operations		(650.2)	77.3
Adjustments for:			
Profit from discontinued operations	9	0.6	21.9
Net finance expense	7	268.1	231.8
Share of loss/(profit) on equity-accounted investees, net of income tax	21	2.6	(2.7)
Depreciation charge	15	1,186.3	1,159.7
Right-of-use assets	15	946.0	1,010.0
Other property, plant and equipment	15	240.3	149.7
Loss on impairment of goodwill	13	4.9	0.8
Loss on disposal of property, plant and equipment	5	93.1	24.4
(Profit)/loss on disposal of right-of-use assets and related lease liabilities	5, 23	(25.7)	1.7
Loss/(profit) on disposal of intangible assets	5	0.1	(0.3)
Impairment/(reversal of impairment) of property, plant and equipment	5, 15	82.1	(2.1)
Loss on impairment of right-of-use assets	5, 15	163.9	–
Amortisation of intangible assets	5, 14	8.7	9.7
Loss on disposal of other investments	21	1.6	–
Tax expense/(credit)	8, 9	30.4	(22.3)
Expected credit losses on trade receivables	5	34.8	2.0
Increase/(decrease) in provisions	20	15.2	(1.3)
Share-based payments		6.4	0.7
Other non-cash movements		(4.4)	(1.6)
Operating cash flows before movements in working capital		1,218.5	1,499.7
Proceeds from partner contributions (reimbursement of costs)	15	38.4	98.0
Increase in trade and other receivables		(76.4)	(108.7)
Increase in trade and other payables		77.3	(301.4)
Cash generated from operations		1,257.8	1,187.6
Interest paid and similar charges on bank loans and corporate borrowings		(17.6)	(21.2)
Interest paid on lease liabilities	23	(249.4)	(213.2)
Tax paid		(21.9)	(48.8)
Net cash inflows from operating activities		968.9	904.4
Investing activities			
Purchase of property, plant and equipment	15	(257.4)	(356.4)
Purchase of subsidiary undertakings, net of cash acquired	27	(26.8)	(24.2)
Purchase of intangible assets	14	(16.5)	(12.8)
Purchase of joint ventures	21	–	(1.8)
Purchase of current other current receivables	17	(276.2)	–
Proceeds on the sale of discontinued operations, net of cash disposed of	9	3.3	424.6
Proceeds on sale of property, plant and equipment		8.2	0.6
Interest received	7	0.6	0.5
Net cash (outflows)/inflows from investing activities		(564.8)	30.5
Financing activities			
Proceeds from issue of loans		876.5	850.5
Repayment of loans		(1,109.8)	(1,013.0)
Proceeds from issue of convertible bonds (net of transaction costs)	19	343.2	–
Payment of lease liabilities	23	(898.1)	(878.3)
Proceeds from partner contributions (lease incentives)	15	111.0	204.1
Proceeds from issue of ordinary shares, net of costs	22	313.9	–
Purchase of treasury shares	22	(43.7)	(49.5)
Proceeds from exercise of share awards		2.2	2.9
Payment of ordinary dividend	12	–	(58.2)
Net cash outflows from financing activities		(404.8)	(941.5)
Net decrease in cash and cash equivalents		(0.7)	(6.6)
Cash and cash equivalents at beginning of the year		66.6	69.0
Effect of exchange rate fluctuations on cash held		5.1	4.2
Cash and cash equivalents at end of the year	23	71.0	66.6

1. The comparative information has been restated to reflect the impact of discontinued operations (note 9), interest charges on lease liabilities and partner contributions (note 2).

1. AUTHORISATION OF FINANCIAL STATEMENTS

IWG plc is a public limited company incorporated in Jersey and registered and domiciled in Switzerland. The Group and Company financial statements for the year ended 31 December 2020 were authorised for issue by the Board of Directors on 9 March 2021 and the balance sheets were signed on the Board's behalf by Mark Dixon and Eric Hageman. The Company's ordinary shares are traded on the London Stock Exchange. The audited Group accounts are included from pages 105 to 152.

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 unaudited accounts are presented on page 153.

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 2020 did not have a material effect on the Group financial statements, unless otherwise indicated.

The 2019 Consolidated Statement of Cash Flows has been restated, whereby the Group previously disclosed:

- Interest charges on lease liabilities of £213.2m within the 'payment of lease liabilities' balance (£1,091.5m) within financing activities.
- Partner contributions of £302.1m offset within 'Increase in trade and other payables' for reimbursements for landlord assets (£98.0m) and 'Proceeds for lease incentives' for lease incentives (£204.1m).

Having considered feedback from the Financial Reporting Council, the Group revisited these classifications and determined that:

- Cash flows related to lease interest payments (£213.2m in 2019) are material and should be disclosed separately as operating cash flows, consistent with the treatment of other interest payments. The 'payment of lease liabilities' balance in 2019 has been adjusted accordingly.
- Cash flows related to partner contributions (both reimbursements and lease incentives) are material and should be disclosed separately with contributions received for reimbursements (£98.0m in 2019) as operating cash flows and contributions received for lease incentives (£204.1m in 2019) as financing cash flows, with 'movement in trade and other payables' restated for these changes respectively.

The following standards, interpretations and amendments to standards were adopted by the Group for periods commencing on or after 1 January 2020:

Amendments to References to Conceptual Framework in IFRS Standards

Definition of a Business (Amendments to IFRS 3)

Definition of Material (Amendments to IAS 1 and IAS 8)

Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform

COVID-19 Related Rent Concessions (Amendments to IFRS 16)⁽¹⁾

1. This standard was not applied by the Group as adoption is optional.

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.

GOING CONCERN

The Group reported a loss after tax of £650.2m from continuing operations for the year. This result includes a significant amount of non-cash related charges. Net cash of £968.9m was generated from operations during the year. Although the Group's balance sheet at 31 December 2020 reports a net current liability position of £1,330.4m the Directors do not consider that this gives rise to a liquidity risk. A large portion of the net current liabilities comprise non-cash liabilities such as deferred income which will be recognised through future periods in the income statement. The Group also holds customer deposits which are spread across a large number of customers with no deposit for any individual customer being material. Excluding deferred income and short-term lease liabilities, the Group had net current assets of £18.1m at 31 December 2020.

The Group maintains a 12-month rolling forecast and a three-year strategic outlook. It also monitors the covenants in its facilities to manage the risk of breach. The Group expects to remain within covenants throughout the forecast period. The Directors have assessed the potential cash generation of the Group against a range of illustrative COVID-19 scenarios (including a severe but plausible outcome), mitigating actions to reduce operating costs and optimise cash flows during the ongoing global restrictions, the liquidity of the Group and funding available under the Group's £950.0m Revolving Credit Facility. £731.3m was available and undrawn at 31 December 2020. This facility is committed until March 2025 with an option to extend until 2026 (note 24).

The Directors consider that the Group is well placed to successfully manage the actual and potential risks faced by the organisation including risks related to COVID-19. (For more detail, see 'Understanding and managing risk' in this report.)

On the basis of their assessment, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for a period of at least 12 months from the date of approval of these consolidated financial statements and consider it appropriate to continue to adopt the going concern basis in preparing the financial statements of the Group.

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.

IFRS NOT YET EFFECTIVE

The following new or amended standards and interpretations that are mandatory for 2021 annual periods (and future years) are not expected to have a material impact on the Group financial statements, unless otherwise stated:

Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	1 January 2021
Amendments to IFRS 4 Insurance Contracts – deferral of IFRS 9	1 January 2021
Onerous contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)	1 January 2022
Annual Improvements to IFRS Standards 2018-2020	1 January 2022
Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)	1 January 2022
IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts	1 January 2023
Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates	1 January 2023
Classification of Liabilities as Current or Non-current (Amendments to IAS 1)	1 January 2023

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.

LEASES

The nature of the Group's leases relates to the rental of commercial office real estate premises globally.

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.

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 as 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. Lease modifications

The carrying amount of lease liabilities is remeasured where there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset. The impact of the modification is recognised against the carrying amount of the right-of-use assets or is recorded in profit or loss if the carrying amount of the right-of-use assets has been reduced to zero.

2. ACCOUNTING POLICIES (CONTINUED)

4. 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 under IFRS 16 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.

5. Lessor accounting

There are no lessor arrangements in the Group as a result of the contractual arrangements in place with customers which convey the right to use an identified asset.

6. 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. Partner contributions representing a reimbursement to the lessee (IWG) are accounted for as agency arrangements, and form part of the lessor's (landlord's) assets.

Partner contributions where the Group retains ownership of the fit-out assets are accounted for as a lease incentive. If received at or before the lease commencement date, are accounted for by reducing the right-of-use asset; and if received after the commencement date, are accounted for as a reduction of the lease liability and the right-of-use asset.

7. Lease term

The lease term represents the period from lease inception up to either:

- a. The earliest point at which the lease could be broken, where break clauses exist;
- b. The point at which the lease could be extended, but no further, where extension options exist; or
- c. To the end of the contractual lease term in all other cases.

8. Lease break penalties

Lease break penalties where the lease term has been determined as the period from inception up to a break clause and when there are break payments or penalties, have been appropriately included in the measurement of the lease liability.

DILAPIDATIONS

A provision is recognised for those potential dilapidation payments when it is probable that an outflow will occur and can be reliably estimated.

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 in two tranches, at 30 September 2020 and 31 December 2020 respectively. 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 and inventory), including right-of-use assets, is reviewed at the reporting date to determine whether there is an indicator of impairment. If any such indication exists, the assets' recoverable amount is estimated.

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

A cash-generating unit (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.

The potential impairment of immovable property, plant and equipment and right-of-use assets at the centre (CGU) level are evaluated 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 centres or elsewhere in the business that become obsolete or are damaged are assessed and impaired where appropriate.

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

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.

PROPERTY, PLANT AND EQUIPMENT

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

Right-of-use assets ⁽¹⁾	Over the lease term
Buildings	50 years
Leasehold improvements ⁽¹⁾	10 years
Furniture	10 years
Office equipment and telephones	5 – 10 years
Computer hardware	3 – 5 years

1. 10 years represents the average useful economic life across the lease portfolio. Actual economic useful lives determined for leases in scope of IFRS 16 range from approximately 3 to in excess of 10 years.

REVENUE

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

The Group recognises revenue when it transfers services to a customer. It is measured based on the consideration specified in a contract with a customer. Services transfer 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 the Group 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 arrangements, except where noted above.

2. ACCOUNTING POLICIES (CONTINUED)

ADJUSTING ITEMS

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

Adjusting items are separately disclosed by the Group to provide readers with helpful, additional information on the performance of the business across periods. In 2020, items arising specifically from the impact of the COVID-19 pandemic have been deemed to meet the definition of adjusting items. Each of these items are considered to be significant in nature and/or size and are also consistent with items treated as adjusting in prior periods in which significant non-recurring transactions occurred. The exclusion of these items is consistent with how the business performance is planned by, and reported to, the Board. The profit before tax and adjusting items measure is not a recognised profit measure under IFRS and may not be directly comparable with adjusted profit measures used by other companies. The classification of adjusting items requires significant management judgement after considering the nature and intentions of a transaction.

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 plans is determined using the projected unit credit method.

Re-measurements, comprising actuarial gains and losses, the effect of the asset ceiling 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.

Grants that compensate the Group for expenses incurred are recognised in profit or loss on a systematic basis in the periods in which the expenses are recognised.

SHARE-BASED PAYMENTS

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

Upon adoption of IFRIC Interpretation 23, in 2019, 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.

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 accrual 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 an asset 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.

Compound financial instruments issued by the Group comprise convertible bonds denominated in pounds sterling that can be converted to ordinary shares at the option of the holder.

The debt component of compound financial instruments is initially recognised at the fair value of a similar liability that does not have an equity conversion option. The conversion option represents a derivative financial liability and is initially recognised as the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the debt host.

Subsequent to initial recognition, the debt component of a compound financial instrument is measured at amortised cost using the effective interest method. The derivative component of a compound financial instrument is remeasured at fair value through profit or loss. Interest related to the debt is recognised as a finance expense in profit or loss.

2. ACCOUNTING POLICIES (CONTINUED)

DERIVATIVE FINANCIAL INSTRUMENTS

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

FINANCIAL ASSETS

Financial assets are classified and 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 assets held at amortised cost, 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 change 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.

FOREIGN CURRENCY TRANSLATION RATES

	At 31 December		Annual average	
	2020	2019	2020	2019
US dollar	1.37	1.32	1.29	1.28
Euro	1.11	1.18	1.13	1.14

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) on a pre-IFRS 16 basis to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. The segmental information is presented on the same basis on which the chief operating decision-maker received reporting during the year. The presentation of reported segment profit or loss has changed in 2020 to a pre-IFRS 16 basis (2019: in accordance with IFRS) and comparatives have been restated on this basis. Segmental assets and liabilities continue to be presented in accordance with IFRS.

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, which are included in the "Other" segment. 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	
	2020	2019	2020	2019 Restated ⁽⁵⁾	2020	2019 Restated ⁽⁵⁾	2020	2019	2020	2019	2020	2019 Restated ⁽⁵⁾
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Continuing operations												
Revenue from external customers ⁽¹⁾	1,066.5	1,187.9	715.1	683.0	304.2	342.7	388.8	426.3	5.6	9.0	2,480.2	2,648.9
Mature ⁽²⁾	969.8	1,099.8	564.0	575.1	252.2	274.7	338.2	370.1	5.6	9.0	2,129.8	2,328.7
2019 Expansions ⁽²⁾	53.4	20.7	103.4	36.8	27.1	10.6	31.5	11.3	—	—	215.4	79.4
2020 Expansions ⁽²⁾	11.0	—	21.5	—	5.7	—	10.0	—	—	—	48.2	—
Closures ⁽²⁾	32.3	67.4	26.2	71.1	19.2	57.4	9.1	44.9	—	—	86.8	240.8
Gross profit (centre contribution)	(101.7)	220.5	23.0	123.4	(13.9)	28.4	(80.0)	28.9	2.7	12.9	(169.9)	414.1
Share of (loss)/profit of equity-accounted investees	—	—	(0.1)	2.6	(0.2)	(0.1)	(2.3)	0.2	—	—	(2.6)	2.7
Operating (loss)/profit	(184.6)	155.6	(60.4)	60.2	(44.8)	1.8	(116.7)	0.4	(146.8)	(81.2)	(553.3)	136.8
Finance expense											(13.9)	(18.7)
Finance income											3.0	0.5
Profit before tax for the year											(564.2)	118.6
Depreciation and amortisation	161.4	133.0	60.9	45.8	33.1	29.3	41.2	43.7	10.6	8.8	307.2	260.6
Impairment of assets	—	(0.7)	—	0.2	—	(1.2)	—	(0.4)	—	—	—	(2.1)
Assets ⁽³⁾	3,460.0	3,797.4	2,542.0	2,294.4	676.5	730.1	1,925.4	1,699.6	360.4	431.8	8,964.3	8,953.3
Liabilities ⁽³⁾	(3,334.6)	(3,443.7)	(2,398.3)	(2,058.9)	(685.3)	(639.6)	(1,562.3)	(1,426.5)	(470.0)	(504.1)	(8,450.5)	(8,072.8)
Net assets/(liabilities)	125.4	353.7	143.7	235.5	(8.8)	90.5	363.1	273.1	(109.6)	(72.3)	513.8	880.5
Non-current asset additions ⁽⁴⁾	886.2	1,139.1	867.6	779.4	321.5	224.2	320.0	455.5	36.7	172.6	2,432.0	2,770.8

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 – Based on estimates" on pages 158 and 159.

3. Presented on a basis consistent with IFRS 16.

4. Excluding deferred taxation.

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

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.

3. SEGMENTAL ANALYSIS (CONTINUED)

The operating segment's results presented on a pre-IFRS 16 basis reconcile to the financial statements as follows:

Continuing operations	Americas		EMEA		Asia Pacific		United Kingdom		Other		Total	
	2020	2019	2020	2019 Restated ⁽⁵⁾	2020	2019 Restated ⁽⁵⁾	2020	2019	2020	2019	2020	2019 Restated ⁽⁵⁾
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Gross profit (centre contribution)	(101.7)	220.5	23.0	123.4	(13.9)	28.4	(80.0)	28.9	2.7	12.9	(169.9)	414.1
Rent	445.4	454.1	308.4	249.7	148.3	158.1	147.9	149.8	1.2	(0.1)	1,051.2	1,011.6
Depreciation of right-of-use assets/property, plant and equipment	(339.5)	(376.8)	(275.7)	(235.0)	(137.4)	(128.6)	(130.9)	(140.2)	(1.0)	6.2	(884.5)	(874.4)
Other	(9.0)	5.2	17.5	11.8	7.8	2.7	7.1	0.2	(0.3)	(6.1)	23.1	13.8
Gross profit (centre contribution) - Reported	(4.8)	303.0	73.2	149.9	4.8	60.6	(55.9)	38.7	2.6	12.9	19.9	565.1

Continuing operations	Americas		EMEA		Asia Pacific		United Kingdom		Other		Total	
	2020	2019	2020	2019 Restated ⁽⁵⁾	2020	2019 Restated ⁽⁵⁾	2020	2019	2020	2019	2020	2019 Restated ⁽⁵⁾
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Operating (loss)/profit	(184.6)	155.6	(60.4)	60.2	(44.8)	1.8	(116.7)	0.4	(146.8)	(81.2)	(553.3)	136.8
Rent	445.5	454.1	308.4	249.7	148.3	158.1	160.8	149.8	2.2	–	1,065.2	1,011.7
Depreciation of right-of-use assets/property, plant and equipment	(339.5)	(376.8)	(275.7)	(235.0)	(137.4)	(128.6)	(131.5)	(140.5)	(2.9)	5.4	(887.0)	(875.5)
Other	(9.1)	5.0	17.1	11.4	7.4	2.7	7.0	0.1	0.7	(5.4)	23.1	13.8
Operating (loss)/profit - Reported	(87.7)	237.9	(10.6)	86.3	(26.5)	34.0	(80.4)	9.8	(146.8)	(81.2)	(352.0)	286.8

Continuing operations	Americas		EMEA		Asia Pacific		United Kingdom		Other		Total	
	2020	2019	2020	2019 Restated ⁽⁵⁾	2020	2019 Restated ⁽⁵⁾	2020	2019	2020	2019	2020	2019 Restated ⁽⁵⁾
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Depreciation and amortisation	161.4	133.0	60.9	45.8	33.1	29.3	41.2	43.7	10.6	8.8	307.2	260.6
Depreciation of right-of-use assets/property, plant and equipment	339.5	376.8	275.7	236.7	137.4	127.0	131.5	140.5	2.9	(6.9)	887.0	874.1
Depreciation and amortisation - Reported	500.9	509.8	336.6	282.5	170.5	156.3	172.7	184.2	13.5	1.9	1,194.2	1,134.7

Continuing operations	Americas		EMEA		Asia Pacific		United Kingdom		Other		Total	
	2020	2019	2020	2019 Restated ⁽⁵⁾	2020	2019 Restated ⁽⁵⁾	2020	2019	2020	2019	2020	2019 Restated ⁽⁵⁾
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Impairment of assets	–	(0.7)	–	0.2	–	(1.2)	–	(0.4)	–	–	–	(2.1)
Impairment of right-of-use assets/property, plant and equipment	161.3	–	25.2	–	14.1	–	45.4	–	–	–	246.0	–
Impairment of assets - Reported	161.3	(0.7)	25.2	0.2	14.1	(1.2)	45.4	(0.4)	–	–	246.0	(2.1)

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 are as follows:

£m	2020		2019	
	External revenue	Non-current assets ⁽²⁾	External revenue	Non-current assets ⁽²⁾
Country of tax domicile – Switzerland ⁽¹⁾	–	–	–	–
United States of America	899.7	3,140.2	999.3	3,500.1
United Kingdom	388.8	1,613.5	426.3	1,653.5
All other countries	1,191.7	2,917.3	1,223.3	2,831.5
	2,480.2	7,671.0	2,648.9	7,985.1

1. Revenue of £nil (2019: £39.1m) is included in discontinued operations, following sale of master franchise agreement.

2. Excluding deferred tax assets.

5. OPERATING (LOSS)/PROFIT – CONTINUING OPERATIONS

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

	Notes	2020 £m	2019 £m ⁽⁴⁾
Revenue		2,480.2	2,648.9
Depreciation on property, plant and equipment ⁽¹⁾	15	1,185.5	1,125.0
Right-of-use assets	15	945.4	982.0
Other property, plant and equipment	15	240.1	143.0
Amortisation of intangible assets	14	8.7	9.7
Variable property rents payable in respect of leases		64.9	43.7
Lease expense on low-value assets		3.4	0.9
Lease expense on short-term leases		–	2.3
Staff costs	6	346.5	372.7
Facility and other property costs		431.9	419.0
Expected credit losses on trade receivables ⁽²⁾	24	34.8	2.0
Loss on disposal of property, plant and equipment		93.1	31.0
(Profit)/loss on disposal of right-of-use assets and related lease liabilities		(25.7)	1.7
Impairment of goodwill	13	4.9	0.8
Loss/(profit) on disposal of intangible assets	14	0.1	(0.3)
Impairment/(reversal of impairment) of property, plant and equipment ⁽³⁾	15	246.0	(2.1)
Impairment/(reversal of impairment) of other property, plant and equipment		82.1	(2.1)
Impairment of right-of-use assets		163.9	–
Other costs		435.5	358.4
Operating (loss)/profit before equity-accounted investees		(349.4)	284.1
Share of (loss)/profit of equity-accounted investees, net of tax	21	(2.6)	2.7
Operating (loss)/profit		(352.0)	286.8

1. Excludes depreciation expenses related to discontinued operations for right-of-use assets of £0.6m (2019: £27.7m) and other property, plant and equipment of £0.2m (2019: £6.7m).

2. Of the £34.8m expected credit loss, £17.5m relates to COVID-19 adjusting items (note 10).

3. Of the £246.0m impairment charge, £244.8m relates to COVID-19 adjusting items (note 10).

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

5. OPERATING PROFIT – CONTINUING OPERATIONS (CONTINUED)

	2020 £m	2019 £m
Fees payable to the Group's auditor and its associates for the audit of the Group accounts	1.2	1.2
Fees payable to the Group's auditor and its associates for other services:		
The audit of the Company's subsidiaries pursuant to legislation	3.1	2.8
Other services pursuant to legislation:		
Tax services	—	—
Other services	0.2	0.2
Other non-audit services	1.0	—

6. STAFF COSTS

	2020 £m ⁽¹⁾	2019 £m ⁽¹⁾
The aggregate payroll costs were as follows:		
Wages and salaries ⁽²⁾	284.6	314.6
Social security	49.9	51.7
Pension costs	5.6	5.7
Share-based payments	6.4	0.7
	346.5	372.7

1. Excludes staff costs related to discontinued operations of £0.1m (2019: £11.0m).

2. Includes worldwide financial support schemes disclosed in Note 10.

	2020 Average full time equivalents ⁽²⁾	2019 Average full time equivalents ⁽³⁾
The average number of persons employed by the Group (including Executive Directors), analysed by category and geography, was as follows:		
Centre staff	6,467	7,599
Sales and marketing staff	425	462
Finance staff	775	749
Other staff	887	904
	8,554	9,714
Americas	2,431	3,195
EMEA	2,592	2,744
Asia Pacific	1,248	1,268
United Kingdom	683	913
Corporate functions	1,600	1,594
	8,554	9,714

3. The average full-time equivalents excludes employees for countries sold during 2020 of 6 (2019: 227).

Details of Directors' emoluments and interests are given on pages 84 to 96 in the Directors' Remuneration report, with audited schedules identified where relevant.

7. NET FINANCE EXPENSE

	2020 £m	2019 £m ⁽²⁾
Interest payable and similar charges on bank loans and corporate borrowings	(12.8)	(13.7)
Interest payable on finance lease liabilities ⁽¹⁾	(249.4)	(213.3)
Total interest expense	(262.2)	(227.0)
Other finance costs (including foreign exchange)	(8.8)	(5.1)
Unwinding of discount rates	(0.1)	(0.2)
Total finance expense	(271.1)	(232.3)
Financial liabilities measured at FVTPL (note 19)	2.4	–
Total interest income	0.6	0.5
Total finance income	3.0	0.5
Net finance expense	(268.1)	(231.8)

1. Excludes lease liability finance expense related to discontinued operations of £0.1m (2019: £2.9m).

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

8. TAXATION

(A) ANALYSIS OF CHARGE IN THE YEAR

	2020 £m	2019 £m
Current taxation		
Corporate income tax	(42.8)	(60.9)
Previously unrecognised tax losses and other differences	8.5	4.2
Over/(under) provision in respect of prior years	11.1	(0.6)
Total current taxation	(23.2)	(57.3)
Deferred taxation		
Origination and reversal of temporary differences	(6.9)	79.0
Previously unrecognised tax losses and other differences	–	0.9
Under provision in respect of prior years	–	(0.3)
Total deferred taxation	(6.9)	79.6
Tax (charge)/credit on continuing operations	(30.1)	22.3

(B) RECONCILIATION OF TAXATION CHARGE

	2020 £m	2019 £m	2020 %	2019 %
(Loss)/profit before tax from continuing operations	(620.1)	55.0		
Tax on profit at 11.9% (2019: 14.6%)	73.8	(8.0)	(11.9)	(14.6)
Tax effects of:				
Expenses not deductible for tax purposes	(44.9)	(38.5)	7.2	(70.0)
Items not chargeable for tax purposes	155.0	31.9	(25.0)	58.0
Recognition of previously unrecognised deferred tax assets	8.5	5.0	(1.4)	9.1
Movements in temporary differences in the year not recognised in deferred tax	(451.2)	(49.0)	72.8	(89.1)
Adjustment to tax charge in respect of previous years	11.1	(0.9)	(1.8)	(1.6)
Differences in tax rates on overseas earnings	217.6	81.8	(35.1)	148.7
	(30.1)	22.3	4.8	40.5

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.

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.

	2020 £m	2019 £m
2020	—	13.9
2021	24.9	31.7
2022	43.1	37.7
2023	45.9	50.2
2024	49.3	64.0
2025	53.8	44.9
2026	38.8	47.1
2027	18.5	17.3
2028 and later	1,106.9	472.9
Available indefinitely	1,381.2	779.7
Tax losses available to carry forward	2,300.5	1,420.6
Amount of tax losses recognised in deferred tax assets	1,029.0	488.5
Total tax losses available to carry forward	3,329.5	1,909.1

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

	2020 £m	2019 £m
Intangibles	420.0	410.8
Accelerated capital allowances	26.4	17.7
Tax losses	564.5	347.3
Rent	48.6	11.2
Leases	22.7	23.1
Short-term temporary differences	3.7	5.6
	1,085.9	815.7

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

(D) CORPORATION TAX

	2020 £m	2019 £m
Corporation tax payable	(40.0)	(32.3)
Corporation tax receivable	29.1	24.0

(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 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
Current year movement	(19.0)	(42.7)	137.6	9.6	13.4	(105.6)	(6.7)
Prior year movement	–	–	–	–	–	–	–
Disposals	–	–	–	–	–	–	–
Transfers	(0.2)	(4.6)	4.2	0.6	–	–	–
Exchange rate movements	1.8	0.8	(0.3)	(1.7)	(0.1)	(0.6)	(0.1)
At 31 December 2020	22.0	(78.0)	257.0	62.6	106.9	(182.3)	188.2
Deferred tax liability							
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	–	–	–
Current year movement	–	–	–	–	(0.2)	–	(0.2)
Prior year movement	–	–	–	–	–	–	–
Disposals	–	–	–	–	–	–	–
Transfers	0.2	4.6	(4.2)	(0.6)	–	–	–
Exchange rate movements	–	–	–	–	–	–	–
At 31 December 2020	–	–	–	–	(0.2)	–	(0.2)

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 £11.9m (2019: £12.1m). The only tax that would arise on these reserves would be non-recoverable withholding tax.

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 arose in connection with a restructure during 2019 involving the move of the Group's intellectual property (IP) and franchising arrangements from Luxembourg to Switzerland, and was 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.

Further restructuring of Group cost allocations in 2020 has resulted in a reduction in the recognition of the deferred tax asset to £69.7m, resulting in a deferred tax charge of £20.1m, based on the updated future value of annual amortisation on the fair market value of the IP.

Tax losses have increased in 2020 as a result of both trading conditions and a further simplification of the Luxembourg and Switzerland head office structure.

The Directors have exercised judgement in determining the appropriate timescale (which is aligned with the Group's business planning processes) 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 2020, the Group completed the sale of various country operations through the signing of master franchise agreements. The 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.

9. DISCONTINUED OPERATIONS (CONTINUED)

DISPOSAL OF OPERATIONS

During 2020, the Group completed the sale of individually immaterial operations for a consideration of £3.3m (2019: £104.3m). The results of these operations up to the date of disposal were as follows:

	2020 £m	2019 £m
Revenue	1.8	50.3
Expenses	(0.9)	(43.4)
Profit before tax for the year	0.9	6.9
Income tax (expense)/credit	(0.3)	2.8
Profit after tax for the year	0.6	9.7
Gain on the sale of discontinued operations	2.8	84.5
Profit for the year, net of tax	3.4	94.2

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

	2020 £m	2019 £m
Total assets	2.9	141.2
Total liabilities	(2.2)	(124.2)
Net assets	0.7	17.0
Costs directly associated with the disposal ⁽¹⁾	(0.2)	5.0
Foreign exchange recycled to profit and loss	—	(2.2)
Consideration on disposal (net of cash and debt)	0.5	19.8
Gain on sale of discontinued operations	3.3	104.3

1. Includes net payments received as final settlement to the original agreements completed in 2019.

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

	2020 £m	2019 £m
Operating	1.3	15.2
Investing	0.3	(17.9)
Financing	(1.0)	(1.9)
Net cash inflow/(outflow)	0.6	(4.6)

DISPOSAL OF THE JAPANESE OPERATIONS (2019)

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.

	2020 £m	2019 £m
Revenue	—	46.9
Expenses	—	(31.9)
Profit before tax for the year	—	15.0
Income tax expense	—	(2.8)
Profit after tax for the year	—	12.2
Gain on the sale of discontinued operations	—	266.9
Profit for the year, net of tax	—	279.1

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

	2020 £m	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)
Consideration on disposal (net of cash and debt)	—	53.4
Gain on sale of discontinued operations	—	320.3

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

	2020 £m	2019 £m
Operating	–	6.6
Investing	–	(5.2)
Financing	–	–
Net cash inflow	–	1.4

10. COVID-19 RELATED ADJUSTING ITEMS

In March 2020, following the declaration by the World Health Organization of the COVID-19 pandemic (COVID-19) and subsequent global government restrictions, the Group has been unable to operate at full capacity. Given the political and economic uncertainty resulting from COVID-19, the Group continues to see significant volatility and business disruption, reducing expected performance in 2021.

The impact that COVID-19 has had on underlying trading performance is not recognised within adjusting items.

In order to improve the transparency and usefulness of the financial information presented and improve year-on-year comparability, the Group has identified net charges of £389.8m relating to directly attributable charges resulting from COVID-19. These charges are considered to be adjusting items as they meet the Group's definition, as disclosed in previous annual reports, being both significant in nature and value to the results of the Group in the current period. £333.4m of these charges have been recognised as adjusting items to cost of sales and £56.4m of these charges have been recognised as adjusting items to selling, general and administration expenses in the Group's income statement.

The charges relate to several separately identifiable areas of accounting judgement and estimates as follows:

	Year ended 31 Dec 2020
Impairments of property, plant and equipment (including right-of-use assets) ⁽¹⁾	244.8
Impairments of goodwill ⁽²⁾	4.9
Provision for expected credit losses ⁽¹⁾	17.5
Network rationalisation ⁽¹⁾	77.5
Other one-off items including restructuring ⁽³⁾	45.1
Total adjusting items	389.8

1. Included as an adjusting item in cost of sales.
2. Included as an adjusting item in selling, general and administration.
3. Included as adjusting items in selling, general and administration except for £6.4m in respect of worldwide financial support schemes which is included in costs of sales.

– Impairments of property, plant and equipment (including right-of-use assets)

The continuation of COVID-19, including new and extended preventative measures in most of the Group's markets, is expected to prolong the impact on our business in 2021. As a result of these measures, management carried out a comprehensive review exercise for potential impairments across the whole portfolio at a cash-generating units (CGUs) level.

The impairment review formed part of the Group's rationalisation process undertaken throughout the year due to the impact of COVID-19. This review compared the value-in-use of CGUs, based on management's assumptions regarding likely future trading performance, to the carrying values at 31 December 2020. Following this review, a charge of £244.8m was recorded within net operating expenses. Of this charge, £80.9m was recorded against property, plant and equipment and a charge of £163.9m was recorded against right-of-use assets.

– Impairments of goodwill

COVID-19 and linked restrictions has impacted our ability to trade our way to sustainable profitable growth in certain markets. As a result, the projected cash flows for the operations in certain countries no longer supported the carrying value of the CGUs and an impairment of £4.9m was recognised during 2020.

– Provision for expected credit losses

In light of the temporary closure of centres globally, the Group reviewed the recoverability of its trade receivables profile and booked an increase of the expected credit loss provision of £17.5m. This increase reflects the greater likelihood of credit default by the Group's debtors directly attributable to the impact of COVID-19 and the significant change in the ageing profile of trade receivables as a direct consequence of COVID-19.

The increase is relatively low compared to the overall debtor profile as the Group has not historically incurred significant credit losses and continues to maintain customer deposits as additional security in the event of non-performance of customer contracts.

10. COVID-19 RELATED ADJUSTING ITEMS (CONTINUED)**– Network rationalisation**

£77.5m of charges were incurred relating to network rationalisations that occurred in the year, which includes the write off of the book value of assets and direct closure costs related to these centres. A separate rationalisation charge of £15.3m has also been recorded which is not included as adjusting items.

– Other one-off items including restructuring

During the year, the Group incurred £8.2m of transaction costs in respect of master franchise agreements that did not complete due to the outbreak of COVID-19. The Group fully expects to resume its pivot towards a franchising model in due course.

Other charges of £43.3m were also incurred, including severance costs and restructurings arising from mitigating actions taken by the Group in respect of COVID-19, completed by 31 December 2020 as well as claims in respect of centre closures. In addition, during the year, the Group received a total of £6.4m in respect of worldwide financial support schemes to fund staff costs.

Should the estimated charges not prove to be in excess of the amounts required, the release of any amounts provided for at year-end would be treated as adjusting items.

11. EARNINGS PER ORDINARY SHARE (BASIC AND DILUTED)

	2020	2019
Basic and diluted (loss)/profit for the year attributable to shareholders (£m)	(646.8)	450.6
Basic (loss)/earnings per share (p)	(67.9)	50.5
Diluted (loss)/earnings per share (p)	(67.9)	49.6
Basic and diluted (loss)/profit for the year from continuing operations (£m)	(650.2)	77.3
Basic (loss)/earnings per share (p)	(68.3)	8.7
Diluted (loss)/earnings per share (p)	(68.3)	8.5
Basic and diluted profit for the year from discontinued operations (£m)	3.4	373.3
Basic earnings per share (p)	0.4	41.8
Diluted earnings per share (p)	0.4	41.1
Weighted average number of shares for basic EPS	951,890,712	892,737,688
Weighted average number of shares under option	41,016,473	34,671,862
Weighted average number of shares that would have been issued at average market price	(25,287,994)	(19,932,772)
Weighted average number of share awards under the CIP, PSP, DSBP and One-off Award	1,744,492	1,463,133
Weighted average number of shares on convertible bonds	76,408,203	–
Weighted average number of shares for diluted EPS	1,045,771,886	908,939,911

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 Group issued £350.0m of convertible bonds in December 2020. The bond issue creates a potential 76,408,203 shares for bondholders. This represents a potential 7.1% dilutive impact at time of issue.

The average market price of one share during the year was 296.88p (2019: 338.28p), with a high of 469.00p on 17 January 2020 and a low of 114.00p on 18 March 2020.

12. DIVIDENDS

	2020	2019
Dividends per ordinary share proposed	–	4.80p
Interim dividends per ordinary share declared and paid during the year	–	2.15p

The Group initially declared a final dividend of 4.80 pence, equating to £42.4m, on 3 March 2020, for the year ended 31 December 2019. However, in response to COVID-19, the Group announced on 23 March 2020 the prudent and precautionary decision to not pay this final dividend. Consequently, the resolution in respect of the 2019 final dividend was not proposed at the AGM held on 12 May 2020 and no dividends were paid during the year (2019: £58.2m). The Company has proposed to shareholders that no final dividend will be paid for the year ended 31 December 2020 (2019: Nil).

Our capital allocation policy remains unchanged, prioritising investment in the long-term growth of our business and dividend distribution to shareholders. Given the uncertainty caused by COVID-19 and in order to protect our liquidity in the short-term, future dividend payments have been placed on hold with the intention to review the return to our progressive dividend policy when appropriate.

13. GOODWILL

	£m
Cost	
At 1 January 2019	679.2
Recognised on acquisition of subsidiaries ⁽¹⁾	22.6
Disposal of goodwill	(10.9)
Goodwill impairment	(0.8)
Exchange rate movements	(15.5)
At 31 December 2019	674.6
Recognised on acquisition of subsidiaries ⁽¹⁾	28.7
Disposal of goodwill	—
Goodwill impairment	(4.9)
Exchange rate movements	(2.9)
At 31 December 2020	695.5
Net book value	
At 31 December 2019	674.6
At 31 December 2020	695.5

1. Net of £Nil (2019: £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:

	2020 £m	2019 £m
Carrying amount of goodwill included within:		
Americas	307.0	290.9
EMEA	142.5	138.6
Asia Pacific	26.6	26.2
United Kingdom	219.4	218.9
	695.5	674.6

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	2020 £m	2019 £m
USA	286.1	—	286.1	268.7
United Kingdom	219.4	11.2	230.6	230.1
Other countries	190.0	—	190.0	187.0
	695.5	11.2	706.7	685.8

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.

13. GOODWILL (CONTINUED)

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 2021, and for a further four years, that follow a budgeting process approved by the Board;
- 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. 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 business. The terminal value includes a three-year average inflation growth rate which management believes is a reasonable long-term growth rate for the countries in which the Group operates; and
- The Group applies a country-specific pre-tax discount rate to the pre-tax cash flows for each country. The country-specific discount rate is based on the underlying weighted average cost of capital (WACC) for the Group. The Group WACC is then adjusted for each country to reflect the assessed market risk specific to that country. The Group pre-tax WACC decreased from 12.4% in 2019 to 8.2% in 2020 (post-tax WACC: 6.6%), reflecting an update/refinement of the methodology and key assumptions used by the Group in determining the WACC and changes in external information used to determine the cost of equity. The country-specific pre-tax WACC reflecting the respective market risk adjustment has been set between 7.9% and 10.6% (2019: 9.9% to 15.7%).

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 11.0% over the next five years. A terminal value centre gross margin of 16.0% is adopted from 2025, with a 2.1% long-term growth rate assumed on revenue and costs into perpetuity. The cash flows have been discounted using a pre-tax discount rate of 10.0% (2019: 14.0%). As disclosed in the sensitivities below, using the 2019 discount rate (before the update to the methodology and key assumptions in 2020) would not have resulted in a value in use of the CGU amounting to less than its carrying value.

The UK model assumes an average centre contribution of 14.0% over the next five years. A terminal value centre gross margin of 21.0% is adopted from 2025, with a 2.2% long-term growth rate assumed on revenue and costs into perpetuity. The cash flows have been discounted using a pre-tax discount rate of 8.3% (2019: 12.0%). As disclosed in the sensitivities below, using the 2019 discount rate (before the update to the methodology and key assumptions in 2020) would not have resulted in a value in use of the CGU amounting to less than its carrying value.

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 31% (2019: 59%) for the US and 18% (2019: 15%) 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 in all future years would have to decrease by 13% (2019: 17%) for the US and 8% (2019: 2%) for the UK.

14. OTHER INTANGIBLE ASSETS

	Brand £m	Customer lists £m	Software £m	Total £m
Cost				
At 1 January 2019	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
Additions at cost	–	–	16.5	16.5
Acquisition of subsidiaries	–	0.1	0.2	0.3
Disposals (including discontinued operations)	–	(0.6)	(11.2)	(11.8)
Exchange rate movements	2.9	(0.6)	0.2	2.5
At 31 December 2020	65.1	30.7	83.0	178.8
Amortisation				
At 1 January 2019	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
Charge for year	1.1	–	7.6	8.7
Disposals (including discontinued operations)	–	(0.6)	(11.1)	(11.7)
Exchange rate movements	2.3	(0.4)	0.3	2.2
At 31 December 2020	42.2	30.6	52.7	125.5
Net book value				
At 1 January 2019	26.2	0.2	16.1	42.5
At 31 December 2019	23.4	0.2	21.4	45.0
At 31 December 2020	22.9	0.1	30.3	53.3

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 13).

15. PROPERTY, PLANT AND EQUIPMENT

	Right-of-use assets ⁽¹⁾ £m	Land and buildings £m	Leasehold improvements £m	Furniture and equipment £m	Computer hardware £m	Total £m
Cost						
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
Additions	501.4	2.2	267.3	89.5	9.4	869.8
Modifications ⁽²⁾	664.1	–	–	–	–	664.1
Acquisition of subsidiaries	3.0	–	4.1	0.9	0.1	8.1
Disposals ⁽⁴⁾	(1,073.5)	(8.7)	(193.7)	(54.6)	(10.9)	(1,341.4)
Exchange rate movements	(4.5)	–	(26.2)	(10.5)	(2.1)	(43.3)
At 31 December 2020	9,529.9	149.9	1,521.0	775.0	129.0	12,104.8
Accumulated depreciation						
At 1 January 2019	3,172.5	5.3	758.5	413.2	105.5	4,455.0
Charge for the year ⁽³⁾	1,009.7	1.7	89.6	48.8	9.6	1,159.4
Disposals	(706.9)	(0.1)	(115.0)	(26.4)	(10.1)	(858.5)
Reversal of impairment	–	–	(2.1)	–	–	(2.1)
Exchange rate movements	46.7	(0.1)	(27.3)	(13.2)	(3.1)	3.0
At 31 December 2019	3,522.0	6.8	703.7	422.4	101.9	4,756.8
Charge for the year ⁽³⁾	946.0	2.5	173.8	54.1	9.9	1,186.3
Disposals ⁽⁴⁾	(736.5)	(0.7)	(108.1)	(46.4)	(10.2)	(901.9)
Impairment	163.9	–	82.1	–	–	246.0
Exchange rate movements	(12.4)	0.1	(16.0)	(9.3)	(0.7)	(38.3)
At 31 December 2020	3,883.0	8.7	835.5	420.8	100.9	5,248.9
Net book value						
At 1 January 2019	5,132.4	141.0	696.5	295.9	31.4	6,297.2
At 31 December 2019	5,917.4	149.6	765.8	327.3	30.6	7,190.7
At 31 December 2020	5,646.9	141.2	685.5	354.2	28.1	6,855.9

1. Right-of-use assets consist of property related leases.

2. Modifications includes lease modifications and extensions.

3. Includes depreciation expenses related to discontinued operations for right-of-use assets of £0.6m (2019: £27.7m) and other property, plant and equipment of £0.2m (2019: £6.7m).

4. Included disposals related to discontinued operations for right-of-use assets of £0.7m (2019: £274.6m) and other property, plant and equipment of £1.2m (2019: £42.3m).

Impairment tests for property, plant and equipment (including right-of-use assets) are performed on a cash-generating unit basis when impairment triggers arise. Cash-generating units (CGUs) are defined as individual business centres, being the smallest identifiable group of assets that generate cash flows that are largely independent of other groups of assets. The Group assesses whether there is an indication that a CGU may be impaired, including persistent operating losses, net cash outflows and poor performance against forecasts. During the year, and as a direct result of the challenging economic circumstances arising from COVID-19, this gave rise to impairment tests in relation to various centres where impairment indicators were identified.

The recoverable amounts of property, plant & equipment are based on the higher of fair value less costs to sell and value in use. The Group considered both fair value less costs to dispose and value in use in the impairment testing on a centre by centre level. Value in use calculations are based on cash flow projections and discount rates for items of property, plant and equipment, on the same basis as described in note 13. Impairment charges are recognised within cost of sales in the consolidated income statement. In 2020, the Group recorded impairment charges of £163.9m in respect of right-of-use assets and £82.1m in respect of leasehold improvements.

16. OTHER LONG-TERM RECEIVABLES

	2020 £m	2019 £m
Deposits held by landlords against rent obligations	54.5	59.3
Other receivables	0.5	1.3
Amounts owed by joint ventures	—	0.4
Total non-current	55.0	61.0

17. TRADE AND OTHER RECEIVABLES

	2020 £m	2019 £m
Trade receivables, net	285.1	242.1
Prepayments and accrued income	128.4	134.3
Other receivables	416.0	226.8
VAT recoverable	171.8	73.0
Deposits held by landlords against rent obligations	2.4	5.1
Total current	1,003.7	681.3

Included within other receivables is £276.2m (2019: £Nil) of mezzanine and senior debt in an acquisition target that the Group did not control as at 31 December 2020. This classification as a current asset reflects the status of the counterparty in default and that the debt was technically repayable on demand. The balances have been recognised at amortised cost of £276.2m at 31 December 2020 and, as the acquisition did not complete, the debts were fully repaid to the Group in February 2021.

18. TRADE AND OTHER PAYABLES (INCLUDING CUSTOMER DEPOSITS)

	2020 £m	2019 £m
Customer deposits	423.6	476.8
Other accruals	160.0	96.8
Trade payables	270.7	116.4
VAT payable	125.6	46.2
Other payables	12.9	47.0
Other tax and social security	14.8	5.6
Total current	1,007.6	788.8

19. BORROWINGS

The Group's total loan and borrowing position at 31 December 2020 and at 31 December 2019 had the following maturity profiles:

BANK AND OTHER LOANS

	2020 £m	2019 £m
Repayments falling due as follows:		
In more than one year but not more than two years	6.6	8.1
In more than two years but not more than five years ⁽¹⁾	392.8	341.3
In more than five years	0.8	1.6
Total non-current	400.2	351.0
Total current	21.9	9.7
Total bank and other loans	422.1	360.7

1. Includes convertible bond debt of £298.8m (2019: £Nil).

The Group issued £350.0m convertible bonds in December 2020, raising £343.2m, net of transaction fees. At the date of issue the convertible bonds were bifurcated between:

- A financial liability recognised at amortised cost of £298.2m, by using the discounted cash flow of interest payments and the bonds' nominal value; and subsequently remeasured at amortised cost of £298.8m at 31 December 2020. The financial liability is included in the above, falling due in more than two but not more than five years.
- A derivative financial liability of £51.8m, not being closely related to the host financial liability, is recognised separately and measured at fair value through profit or loss (see note 24). A gain has been recognised at 31 December 2020 of £2.4m through net finance expenses, resulting in a year-end liability of £49.4m.

Further information regarding the committed borrowings and the convertible bonds can be found on page 139 in note 24.

20. PROVISIONS

	2020			2019		
	Closures £m	Other £m	Total £m	Closures £m	Other £m	Total £m
At 1 January	13.0	2.8	15.8	14.1	3.0	17.1
Provided in the period	40.3	4.5	44.8	20.4	2.6	23.0
Utilised in the period	(29.0)	–	(29.0)	(20.9)	(2.9)	(23.8)
Exchange rate movements	(0.4)	(0.2)	(0.6)	(0.6)	0.1	(0.5)
At 31 December	23.9	7.1	31.0	13.0	2.8	15.8
Analysed between:						
Current	11.5	6.0	17.5	6.9	2.0	8.9
Non-current	12.4	1.1	13.5	6.1	0.8	6.9
At 31 December	23.9	7.1	31.0	13.0	2.8	15.8

CLOSURES

Provisions for closures relate to the expected costs of centre closures, including restructuring costs. Impairments of right-of-use assets and property, plant and equipment (note 15), are not included above.

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.

The Group is involved in various disputes, primarily related to potential lease obligations, some of which are in the course of litigation. Where there is a dispute and where, based on legal counsel advice, the Group estimates that it is probable that the dispute will result in an outflow of economic resources, provision is made based on the Group's best estimate of the likely financial outcome. Where a reliable estimate cannot be made, or where the Group, based on legal counsel advice, considers that it is not probable that there will be an outflow of economic resources, no provision is recognised. There are no disputes which are expected to have a material impact on the Group.

21. INVESTMENTS IN JOINT VENTURES

	Investments in joint ventures £m	Provision for deficit in joint ventures £m	Total £m
At 1 January 2019	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
Share of loss	(0.9)	(1.7)	(2.6)
Disposals	(1.6)	–	(1.6)
Exchange rate movements	–	–	–
At 31 December 2020	11.3	(4.6)	6.7

The Group has 46 joint ventures (2019: 59) 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:

	2020 £m	2019 £m
Income statement		
Revenue	28.3	30.2
Expenses	(36.9)	(34.3)
Loss before tax for the year	(8.6)	(4.1)
Tax charge	(0.7)	(0.7)
Loss after tax for the year	(9.3)	(4.8)
Balance sheet		
Non-current assets	43.1	67.0
Current assets	50.8	52.0
Current liabilities	(68.8)	(74.3)
Non-current liabilities	(36.4)	(52.8)
Net liabilities	(11.3)	(8.1)

22. SHARE CAPITAL

ORDINARY EQUITY SHARE CAPITAL

	2020		2019	
	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 issued for cash in the year	133,891,213	1.3	–	–
Ordinary 1p shares in IWG plc at 31 December	1,057,248,651	10.5	923,357,438	9.2

On 28 May 2020 the Group announced the placement of 133,891,213 new ordinary shares, with a par value of 1.0 pence each. The price of 239.0 pence represented a discount of 8.1% to the middle market closing price of 260.2 pence on 27 May 2020, with the Group recognising net proceeds of £313.9m, with share premium of £312.6m recognised.

TREASURY SHARE TRANSACTIONS INVOLVING IWG PLC SHARES BETWEEN 1 JANUARY 2020 AND 31 DECEMBER 2020

During the year, 13,590,080 shares were purchased in the open market and 1,968,169 treasury shares held by the Group were utilised to satisfy the exercise of share awards by employees. As at 9 March 2021, 50,380,775 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.

	2020		2019	
	Number of shares	£m	Number of shares	£m
1 January	39,055,369	116.9	28,736,954	74.1
Purchase of treasury shares in IWG plc	13,590,080	43.7	12,379,535	49.5
Treasury shares in IWG plc utilised	(1,968,169)	(6.5)	(2,061,120)	(6.7)
31 December	50,677,280	154.1	39,055,369	116.9

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 ⁽²⁾⁽³⁾ £m	Lease due within one year ⁽¹⁾ £m	Lease due after one year ⁽¹⁾ £m	Gross debt £m	Net financial assets/ (liabilities) £m
At 1 January 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)
Cash flow	(0.7)	(0.7)	(13.1)	(45.0)	151.6	995.9	1,089.4	1,088.7
Non-cash movements ⁽⁴⁾	–	–	–	(0.5)	(200.5)	(966.2)	(1,167.2)	(1,167.2)
Exchange rate movements	5.1	5.1	0.9	(3.7)	6.7	–	3.9	9.0
At 31 December 2020	71.0	71.0	(21.9)	(400.2)	(1,019.6)	(5,538.9)	(6,980.6)	(6,909.6)

1. There are no significant lease commitments for leases not commenced at 31 December 2020.

2. Includes £298.8m (2019: £Nil) convertible bond liability.

3. Excludes the convertible bond derivative liability element at the issue date value of £51.8m.

4. Includes early termination of lease liabilities of £362.8m (2019: £344.0m) of which £0.8m (2019: £281.1m) is related to discontinued operations.

Cash and cash equivalent balances held by the Group that are not available for use amounted to £4.1m at 31 December 2020 (2019: £8.3m). Of this balance, £1.6m (2019: £2.9m) is pledged as security against outstanding bank guarantees and a further £2.5m (2019: £5.4m) is pledged against various other commitments of the Group.

Cash flows on lease liabilities consist of principal payments of £898.1m (2019: £878.3m) and interest payments of £249.4m (2019: £213.2m). Total cash outflows of £1,212.4m (2019: £1,135.2m) for leases, including variable payments of £64.9m (2019: £43.7m), were incurred in the year.

Non-cash movements of £1,166.7m (2019: £2,087.9m) represent the movements on lease liabilities in relation to new leases, lease modifications/remeasurements and lease cessations.

Cash flows on debt due within, and after, one year relate to movements in the revolving credit facility and other borrowings. These net movements align with the activities reported in the cash flow statement after taking into consideration the £51.8m derivative liability recognised separately.

23. ANALYSIS OF FINANCIAL ASSETS/(LIABILITIES) (CONTINUED)

The following amounts are included in the Group's consolidated financial statements in respect of its leases:

	2020	2019
Depreciation charge for right-of-use assets	(946.0)	(1,010.0)
Principal lease liability repayments	(898.1)	(878.3)
Interest expense on lease liabilities	(249.4)	(213.2)
Expense relating to short-term leases	—	2.3
Expense relating to leases of low-value assets that are not shown above as short-term leases	3.4	0.9
Expenses relating to variable lease payments not included in lease liabilities	64.9	43.7
Total cash outflow for leases comprising interest and capital payments	1,147.5	1,091.5
Additions to right-of-use assets	501.4	2,157.7
Gains/(losses) arising from sale and leaseback transactions	—	—
Income from sub-leasing right-of-use assets	—	—

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 65 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. The Group's net debt position increased by £69.5m to a net debt position of £6,909.6m as at 31 December 2020. Excluding the IFRS 16 lease liabilities, the net debt position increased to £351.1m (2019: £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 2025 with an option to extend until 2026. As at 31 December 2020, £731.3m of the RCF was available and undrawn.

Although the Group has net current liabilities of £1,330.4m (2019: £1,366.5m), 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 £423.6m (2019: £476.8m) which are spread across a large number of customers and no deposit held for an individual customer is material. Therefore, the Group does not believe the balance represents a liquidity risk. Excluding short-term lease liabilities and deferred income, the Group has net current assets of £18.1m at 31 December 2020 (2019: net current liabilities of £66.5m).

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

CREDIT RISK

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

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

The Group has assessed the other receivable balances for expected credit losses, with no further provision required due to the nature of these items.

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.

	2020 £m	2019 £m
Americas	113.6	40.2
EMEA	82.7	98.3
Asia Pacific	31.6	39.9
United Kingdom	57.2	63.7
	285.1	242.1

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 2020 £m	Provision 2020 £m	Gross 2019 £m	Provision 2019 £m
Not overdue	161.5	—	178.2	—
Past due 0 – 30 days	27.9	—	32.1	—
Past due 31 – 60 days	16.9	—	13.1	—
Past due more than 60 days	104.5	(25.7)	26.4	(7.7)
	310.8	(25.7)	249.8	(7.7)

At 31 December 2020, the Group maintained a provision of £25.7m for expected credit losses (2019: £7.7m) arising from trade receivables. The Group had provided £34.8m (2019: £2.0m) in the year, utilised £16.8m (2019: £8.3m) and released £Nil (2019: £8.2m). Customer deposits of £423.6m (2019: £476.8m) are held by the Group, mitigating the risk of default.

IFRS 9 requires the Group to record expected credit losses on all of its receivables, either on a 12-month or lifetime basis. The Group has applied the simplified approach to all trade receivables, which requires the recognition of the expected credit loss based on the lifetime expected losses. The expected credit loss is mitigated through the invoicing of contracted services in advance and customer deposits.

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

LIQUIDITY RISK

Liquidity risk represents the risk that the Group will not be able to meet their obligations as they fall due. 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. During 2020, there has been a sharp focus on cash generation by reducing cost, renegotiating rents and rationalising the network. More than 1,500 leases were renegotiated or restructured which resulted in short or long term cash benefits. The Group has free cash and liquid investments (excluding blocked cash) of £66.9m (2019: £58.3m). In addition to cash and liquid investments, the Group had £731.3m 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. At 31 December 2020, the amount of the facility remains £950.0m (2019: £950.0m) and the final maturity extended in March 2020 to March 2025 with an option to extend until 2026.

The Group actively reviews its exposure to interest rate movements. The issuance of the fixed rate convertible bond significantly reduces the Group's exposure to an increase in interest rates. The final interest rate swap taken to hedge against the floating interest rate obligations of debt drawn under the revolving credit facility matured in February 2021. This has a nominal amount of £30.0m and a fixed rate of 1.2%.

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 2020 no cash was invested for a period exceeding three months (2019: £Nil).

24. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

FOREIGN CURRENCY RISK

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

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 22% to the euro.

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

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

£m	2020		
	GBP	EUR	USD
Trade and other receivables	0.1	1.8	1.3
Trade and other payables	(0.4)	(4.1)	(1.8)
Net statement of financial position exposure	(0.3)	(2.3)	(0.5)

£m	2019		
	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)

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 2020, it is estimated that a general increase of one percentage point in interest rates would have increased the Group's loss before tax by approximately £1.8m (2019: decrease in profit of £3.8m) with a corresponding decrease in total equity.

It is estimated that a five-percentage point weakening in the value of the US dollar against pounds sterling would have increased the Group's loss before tax by approximately £2.9m for the year ended 31 December 2020 (2019: decrease in profit of £12.9m). It is estimated that a five-percentage point weakening in the value of the euro against pounds sterling would have increased the Group's loss before tax by approximately £1.0m for the year ended 31 December 2020 (2019: decrease in profit of £5.9m).

It is estimated that a five-percentage point weakening in the value of the US dollar against pounds sterling would have decreased the Group's total equity by approximately £6.3m for the year ended 31 December 2020 (2019: decrease of £11.1m). It is estimated that a five-percentage point weakening in the value of the euro against pounds sterling would have decreased the Group's total equity by approximately £5.4m for the year ended 31 December 2020 (2019: decrease of £6.1m).

CAPITAL MANAGEMENT

The Group's parent company is listed on the UK stock exchange and the Board's policy is to maintain a strong capital base. The Chief Financial Officer monitors the diversity of the Group's major shareholders and further details of the Group's communication with key investors can be found in the Corporate Governance Report on page 73. 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 a major shareholder of the Company. Details of the Directors' shareholdings can be found in the Directors' Remuneration report on pages 84 to 96. In addition, the Group operates various share option plans for key management and other senior employees.

TREASURY SHARE TRANSACTIONS INVOLVING IWG PLC SHARES BETWEEN 1 JANUARY 2020 AND 31 DECEMBER 2020

During the year, 13,590,080 shares were purchased in the open market and 1,968,169 treasury shares held by the Group were utilised to satisfy the exercise of share awards by employees. As at 31 December 2020, 50,677,280 treasury shares were held.

The Company declared and paid no interim dividend per share during the year ended 31 December 2020 (2019: 2.15p) and proposed no final dividend per share (2019: 4.80p per share). The dividend initially proposed of 4.80p per share in the 2019 Annual Report and Accounts was not proposed at the AGM held on 12 May 2020 and no dividends were paid during the current year.

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.

Except for lease liabilities, the undiscounted cash flow and fair values of these instruments is not materially different from the carrying value.

As at 31 December 2020

	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%	71.0	71.0	71.0	—	—	—
Trade and other receivables ⁽¹⁾	—	875.3	875.3	875.3	—	—	—
Other long-term receivables	—	55.0	55.0	—	27.8	27.2	—
Financial assets⁽²⁾		1,001.3	1,001.3	946.3	27.8	27.2	—
Non-derivative financial liabilities ⁽³⁾ :							
Bank loans and corporate borrowings	2.8%	(91.7)	(91.7)	—	(1.0)	(90.7)	—
Convertible bonds – debt host	3.8%	(298.8)	(358.8)	(1.8)	(1.8)	(355.2)	—
Lease liabilities	3.4%	(6,558.5)	(9,832.4)	(1,186.4)	(1,165.1)	(3,054.4)	(4,426.5)
Other loans	1.2%	(31.6)	(31.6)	(21.9)	(5.6)	(3.3)	(0.8)
Trade and other payables ⁽⁴⁾	—	(1,007.6)	(1,007.6)	(1,007.6)	—	—	—
Other long-term payables ⁽⁴⁾	—	(4.1)	(4.1)	—	(4.1)	—	—
Derivative financial liabilities:							
Convertible bonds – embedded conversion option	—	(49.4)	(49.4)	—	—	(49.4)	—
Interest rate swaps							
– Outflow	—	(0.2)	(0.2)	(0.2)	—	—	—
– Inflow	—	—	—	—	—	—	—
Financial liabilities		(8,041.9)	(11,375.8)	(2,217.9)	(1,177.6)	(3,553.0)	(4,427.3)

24. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

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	—	61.0	61.0	—	31.3	29.7	—
Financial assets⁽²⁾		674.6	682.4	621.4	31.3	29.7	—
Non-derivative financial liabilities ⁽³⁾ :							
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 ⁽⁴⁾	—	(788.8)	(788.8)	(788.8)	—	—	—
Other long-term payables ⁽⁴⁾	—	(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)

1. Excluding prepayments.

2. Financial assets are all held at amortised cost.

3. All financial instruments are classified as variable rate instruments.

4. Excluding deferred rents.

FAIR VALUE DISCLOSURES

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

31 December 2020

£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	71.0	—	—	71.0	—	—	—	—
Trade and other receivables	875.3	—	—	875.3	—	276.2	—	276.2
Other long-term receivables	55.0	—	—	55.0	—	—	—	—
Derivative financial liabilities	—	(49.4)	(0.2)	(49.6)	—	(0.2)	(49.4)	(49.6)
Convertible bonds	—	(298.8)	—	(298.8)	—	—	(298.8)	(298.8)
Bank loans and corporate borrowings	—	(91.7)	—	(91.7)	—	—	—	—
Other loans	—	(31.6)	—	(31.6)	—	—	—	—
Trade and other payables	—	(1,007.6)	—	(1,007.6)	—	—	—	—
Other long-term payables	—	(4.1)	—	(4.1)	—	—	—	—
	1,001.3	(1,483.2)	(0.2)	(482.1)	—	276.0	(348.2)	(72.2)

Included within other receivables is £276.2m relating to mezzanine and senior debts acquired in December 2020. The balances have been recognised at fair value of £276.2m at 31 December 2020. The mezzanine and senior debt receivable balances have been settled in full in February 2021.

At the date of issue, the £350.0m was bifurcated at £298.2m and £51.8m between corporate borrowings (debt) and a derivative financial liability respectively. At 31 December 2020, the debt was valued at its amortised cost, £298.8m and the derivative liability at its fair value, £49.4m.

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	61.0	—	—	61.0	—	—	—	—
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)	—	—	—	—
	674.6	(1,151.5)	(0.2)	(477.1)	—	(0.2)	—	(0.2)

During the years ended 31 December 2020 and 31 December 2019, there were no transfers between levels for fair value measured instruments.

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 and level 3 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, customer deposits and investment loan receivables	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, overdrafts and debt element of convertible bonds	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, interest rate swaps and derivative element of convertible bonds	The fair values are based on a combination of broker quotes, forward pricing, and swap models. The fair value of the derivative element of convertible bonds has been calculated with reference to unobservable credit spreads.

DERIVATIVE FINANCIAL INSTRUMENTS

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

	2020 £m	2019 £m
Derivatives used for cash flow hedging	30.0	30.0

COMMITTED BORROWINGS

	2020 Facility £m	2020 Available £m	2019 Facility £m	2019 Available £m
Revolving credit facility	950.0	731.3	950.0	485.9

The Group maintains a revolving credit facility provided by a group of international banks. At 31 December 2020, the amount of the facility remains £950.0m (2019: £950.0m) and the final maturity extended in March 2020 to March 2025 with an option to extend until 2026. As at 31 December, £731.3m was available and undrawn under this facility.

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.

The Group actively reviews its exposure to interest rate movements. The issuance of the fixed rate convertible bond significantly reduces the Group's exposure to an increase in interest rates. The final interest rate swap taken to hedge against the floating interest rate obligations of debt drawn under the revolving credit facility matured in February 2021. This has a nominal amount of £30.0m and a fixed rate of 1.2%.

Convertible bonds

In December 2020 the Group issued a £350.0m convertible bond, issued by IWG Group Holdings Sarl, a subsidiary of Group and guaranteed by IWG plc, which is due for repayment in 2027 if not previously converted into shares. If the conversion option is exercised by the holder of the option, the issuer has the choice to settle by cash or equity shares in the Group. The holders of the bond have the right to put the bonds back to the Group in 2025 at par. The bond carries a fixed coupon of 0.5% per annum. The bond liability is split between corporate borrowings (debt) and a derivative financial liability. At the date of issue, the £350.0m was bifurcated at £298.2m and £51.8m between corporate borrowings (debt) and a derivative financial liability respectively.

At 31 December 2020, the debt was valued at its amortised cost, £298.8m and the derivative liability at its fair value, £49.4m.

The derivative liability represents a level 3 instrument, which has been valued with reference to the total convertible bond price (a level 1 valuation) minus the level 3 valuation of the debt host. A change of 10 basis points in the credit spread that is indirectly used to value the derivative liability would have increased or decreased profit or loss by £1.1m.

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

	2020	2019	
	Number of share options	Weighted average exercise price per share	
At 1 January	32,511,195	200.34	36,441,222
Granted during the year	20,198,148	167.21	918,829
Lapsed during the year	(11,124,669)	209.91	(2,787,736)
Exercised during the year	(1,535,999)	145.00	(2,061,120)
Outstanding at 31 December	40,048,675	183.10	32,511,195
Exercisable at 31 December	4,477,253	156.40	4,807,175

Date of grant	Numbers granted	Weighted average exercise price per share	Lapsed	Exercised	At 31 Dec 2020	Exercisable from	Expiry date
23/03/2010	3,986,000	100.50	(3,499,063)	(486,937)	–	23/03/2013	23/03/2020
28/06/2010	617,961	75.00	(545,505)	(72,456)	–	28/06/2013	28/06/2020
01/09/2010	160,646	69.10	(146,728)	(13,918)	–	01/09/2013	01/09/2020
01/04/2011	2,400,000	114.90	(954,402)	(1,055,598)	390,000 ⁽¹⁾	01/04/2014	01/04/2021
30/06/2011	9,867,539	109.50	(4,905,047)	(4,768,465)	194,027 ⁽¹⁾	30/06/2014	30/06/2021
13/06/2012	11,189,000	84.95	(3,805,914)	(6,382,726)	1,000,360 ⁽¹⁾	13/06/2015	13/06/2022
12/06/2013	7,741,000	155.60	(4,306,000)	(2,752,173)	682,827 ⁽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	(8,675,510)	(1,229,402)	2,970,884 ⁽²⁾	05/11/2017	04/11/2024
19/05/2015	1,906,565	250.80	(1,829,565)	–	77,000 ⁽²⁾	19/05/2018	18/05/2025
22/12/2015	1,154,646	322.20	(395,186)	(25,000)	734,460 ⁽²⁾	22/12/2018	22/12/2025
29/06/2016	444,196	272.50	(367,735)	(11,009)	65,452 ⁽²⁾	29/06/2019	29/06/2026
28/09/2016	249,589	258.00	(214,313)	(7,055)	28,221 ⁽²⁾	28/09/2019	28/09/2026
01/03/2017	1,200,000	283.70	–	–	1,200,000 ⁽²⁾	01/03/2020	01/03/2027
14/12/2017	1,000,507	197.00	(1,000,507)	–	–	14/12/2020	14/12/2027
10/10/2018	685,127	223.20	(685,127)	–	–	10/10/2021	10/10/2028
21/12/2018 (Grant 1)	300,000	203.10	–	–	300,000 ⁽³⁾	21/12/2021	21/12/2028
28/12/2018 (Grant 2)	20,900,000	199.80	(8,674,996)	–	12,225,004 ⁽²⁾	28/12/2021	28/12/2028
15/05/2019	613,872	341.90	(613,872)	–	– ⁽³⁾	15/05/2022	15/05/2029
13/09/2019	196,608	402.30	(130,508)	–	66,100 ⁽³⁾	13/09/2022	13/09/2029
19/12/2019	108,349	408.60	(81,357)	–	26,992 ⁽³⁾	19/12/2022	19/12/2029
02/04/2020	19,575,000	165.00	(162,500)	–	19,412,500 ⁽³⁾	02/04/2023	02/04/2030
15/05/2020	150,000	202.00	–	–	150,000 ⁽³⁾	15/05/2023	15/05/2030
05/08/2020	300,000	222.60	–	–	300,000 ⁽³⁾	05/08/2023	05/08/2030
09/09/2020	173,148	291.00	–	–	173,148 ⁽³⁾	09/09/2023	09/09/2030
Total	101,241,049		(44,060,668)	(17,131,706)	40,048,675		

1. These options have fully vested as of 31 December 2020.

2. The performance targets for these options have been met and they are subject to vesting schedules as described below.

3. These options are subject to performance targets and vesting schedules as described below.

The vesting of share options is subject to an ongoing employment condition. As at 31 December 2020 there were 4,477,253 (2019: 4,807,175) outstanding share options which had fully vested with no further performance or holding period requirements and which had a weighted average exercise price of £156.40 (2019: £142.44).

PERFORMANCE CONDITIONS FOR SHARE OPTIONS

November 2014 share options

The share options outstanding under this grant at 31 December 2020 reflect the options that have been awarded based on achievement against the relevant performance targets and are now vesting ratably over a five-year period, which began in November 2017 and will end in November 2021.

May 2015 share options

The share options outstanding under this grant at 31 December 2020 reflect the options that have been awarded based on achievement against the relevant performance targets and are now vesting ratably over a five-year period beginning May 2020 and ending May 2024.

December 2015 share options

The share options outstanding under this grant at 31 December 2020 reflect the options that have been awarded based on achievement against the relevant performance targets and are now vesting ratably over a five-year period beginning December 2018 and ending December 2022.

June 2016 share options

The share options outstanding under this grant at 31 December 2020 reflect the options that have been awarded based on achievement against the relevant performance targets and are now vesting ratably over a five-year period beginning June 2019 and ending June 2023.

September 2016 share options

The share options outstanding under this grant at 31 December 2020 reflect the options that have been awarded based on achievement against the relevant performance targets and are now vesting ratably over a five-year period beginning September 2019 and ending September 2023.

March 2017 share options

The share options outstanding under this grant at 31 December 2020 reflect the options that have been awarded based on achievement against the relevant performance targets and are now vesting ratably over a three-year period beginning March 2020 and ending March 2022.

December 2018 (Grant 1) share options

The share options outstanding under this grant at 31 December 2020 are subject to the Group ranking at or above the median for TSR performance relative to a comparator group over a period of three years with a minimum performance threshold of achieving a ranking at the median TSR or above and the maximum award being given for exceeding the comparator group median TSR performance by 10% or more. Any shares awarded based on achievement of these performance targets will be subject to vesting ratably over a three-year period beginning December 2021 and ending December 2023.

December 2018 (Grant 2) share options

The share options outstanding under this grant at 31 December 2020 reflect the options that have been awarded based on achievement against performance targets and are now subject to vesting ratably over a three-year period beginning December 2021 and ending December 2023.

May 2019 share options

The share options outstanding under this grant at 31 December 2020 are subject to Group performance targets based on Group ranking at or above the median for TSR performance relative to a comparator group over a period of three years. Any shares awarded based on achievement of these performance targets will be subject to vesting ratably over a three-year period beginning May 2022 and ending May 2024.

September 2019 share options

The share options outstanding under this grant at 31 December 2020 are subject to Group performance targets based on Group operating profit and the Group ranking at or above the median for TSR performance relative to a comparator group over a period of three years with a minimum performance threshold of achieving a ranking at the median TSR or above and the maximum award being given for exceeding the comparator group median TSR performance by 10% or more. Any shares awarded based on achievement of these performance targets will be subject to vesting ratably over a five-year period beginning September 2022 and ending September 2026.

December 2019 share options

The share options outstanding under this grant at 31 December 2020 are subject to Group performance targets based on Group operating profit and the Group ranking at or above the median for TSR performance relative to a comparator group over a period of three years with a minimum performance threshold of achieving a ranking at the median TSR or above and the maximum award being given for exceeding the comparator group median TSR performance by 10% or more. Any shares awarded based on achievement of these performance targets will be subject to vesting ratably over a five-year period beginning December 2022 and ending December 2026.

25. SHARE-BASED PAYMENTS (CONTINUED)

April 2020 share options

The share options outstanding under this grant at 31 December 2020 are subject to performance targets with 50% of the options subject to the achievement of a performance target based on the Group ranking at or above the median for TSR performance relative to a comparator group over a period of three years with a minimum performance threshold of achieving a ranking at the median TSR or above and the maximum award being given for exceeding the comparator group median TSR performance by 10% or more. The remaining 50% of outstanding options are subject to individual and Group franchising targets for a three-year period with a minimum performance threshold based on achieving a minimum level of franchises and the maximum award based on achieving a stretch target for franchises. Any shares awarded based on achievement of these performance targets will then be subject to vesting ratably over a three-year period beginning April 2023 and ending April 2025.

May 2020 share options

The share options outstanding under this grant at 31 December 2020 are subject to performance targets with 50% of the options subject to the achievement of a performance target based on the Group ranking at or above the median for TSR performance relative to a comparator group over a period of three years with a minimum performance threshold of achieving a ranking at the median TSR or above and the maximum award being given for exceeding the comparator group median TSR performance by 10% or more. The remaining 50% of outstanding options are subject to individual and Group franchising targets for a three-year period with a minimum performance threshold based on achieving a minimum level of franchises and the maximum award based on achieving a stretch target for franchises. Any shares awarded based on achievement of these performance targets will then be subject to vesting ratably over a three-year period beginning May 2023 and ending May 2025.

August 2020 share options

The share options outstanding under this grant at 31 December 2020 are subject to performance targets with 50% of the options subject to the achievement of a performance target based on the Group ranking at or above the median for TSR performance relative to a comparator group over a period of three years with a minimum performance threshold of achieving a ranking at the median TSR or above and the maximum award being given for exceeding the comparator group median TSR performance by 10% or more. The remaining 50% of outstanding options are subject to individual and Group franchising targets for a three-year period with a minimum performance threshold based on achieving a minimum level of franchises and the maximum award based on achieving a stretch target for franchises. Any shares awarded based on achievement of these performance targets will then be subject to vesting ratably over a three-year period beginning August 2023 and ending August 2025.

September 2020 share options

The share options outstanding under this grant at 31 December 2020 are subject to performance targets with 50% of the options subject to the achievement of a performance target based on the Group ranking at or above the median for TSR performance relative to a comparator group over a period of three years with a minimum performance threshold of achieving a ranking at the median TSR or above and the maximum award being given for exceeding the comparator group median TSR performance by 10% or more. The remaining 50% of outstanding options are subject to individual and Group franchising targets for a three-year period with a minimum performance threshold based on achieving a minimum level of franchises and the maximum award based on achieving a stretch target for franchises. Any shares awarded based on achievement of these performance targets will then be subject to vesting ratably over a three-year period beginning September 2023 and ending September 2025.

Measurement of fair values

The fair value of the rights granted through the employee share purchase plan was measured based on the Monte Carlo simulation or the Black-Scholes formula. The expected volatility is based on the historic volatility adjusted for any abnormal movement in share prices.

The inputs to the model are as follows:

	September 2020	August 2020	May 2020	April 2020	December 2019	September 2019	May 2019	December 2018 (Grant 2)
Share price on grant date	291.00p	222.60p	202.00p	165.00p	408.60p	402.30p	341.90p	199.80p
Exercise price	291.00p	222.60p	202.00p	165.00p	408.60p	402.30p	341.90p	199.80p
Expected volatility	51.81% - 62.96%	51.88% - 63.17%	50.15% - 61.06%	49.02% - 59.29%	36.24% - 44.72%	36.33% - 44.83%	38.84% - 45.75%	37.66% - 44.35%
Option life	3-7 years	3-7 years	3-7 years	3-7 years	3-7 years	3-7 years	3-5 years	3-5 years
Expected dividend	2.39%	3.12%	3.44%	4.21%	1.59%	1.62%	1.85%	2.95%
Fair value of option at time of grant	122.93p - 146.68p	84.95p - 102.54p	71.39p - 86.80p	50.79p - 62.29p	141.77p - 172.84p	137.79p - 169.19p	120.77p - 141.08p	58.77p - 69.33p
Risk-free interest rate	(0.08%) - (0.04%)	(0.08%) - (0.04%)	0.00% - 0.06%	0.00% - 0.06%	0.57% - 0.65%	0.48% - 0.50%	0.52% - 0.60%	0.87% - 1.01%

	December 2018 (Grant 1)	October 2018	December 2017	March 2017	September 2017	June 2016	December 2015
Share price on grant date	203.10p	223.20p	197.00p	283.70p	258.00p	272.50p	322.20p
Exercise price	203.10p	223.20p	197.00p	283.70p	258.00p	272.50p	322.20p
Expected volatility	37.63% – 44.25%	37.15% – 43.32%	33.31% – 35.93%	27.42% – 29.87%	27.45% – 32.35%	27.71% – 34.81%	24.80% – 37.08%
Option life	3-5 years	3-5 years	3-5 years	3-5 years	3-7 years	3-7 years	3-7 years
Expected dividend	2.90%	2.64%	2.69%	1.80%	1.80%	1.71%	1.40%
Fair value of option at time of grant	39.36p – 46.42p	67.69p – 78.56p	40.06p – 44.20p	44.51p – 76.88p	40.96p – 67.89p	44.28p – 78.68p	29.76p – 90.61p
Risk-free interest rate	0.73% – 0.88%	0.70% – 0.91%	0.54% – 0.75%	0.23% – 0.56%	0.09% – 0.38%	0.14% – 0.39%	0.14% – 0.21%

PLAN 2: IWG PLC CO-INVESTMENT PLAN (CIP) AND PERFORMANCE SHARE PLAN (PSP)

The CIP operated in conjunction with the annual bonus whereby a gross bonus of up to 50% of basic annual salary was 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 vest depending on the Company's future performance. The maximum number of Matching Shares which could be awarded to a participant in any calendar year under the CIP was 200% of salary. As such, the maximum number of Matching Shares which could be awarded, based on Investment Shares awarded, was 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.

Reconciliation of outstanding share awards

	2020	2019
	Number of awards	Number of awards
At 1 January	2,370,535	1,991,250
PSP awards granted during the year	915,739	1,058,578
Lapsed during the year	–	(679,293)
Exercised during the year	(48,506)	–
Outstanding at 31 December	3,237,768	2,370,535
Exercisable at 31 December	–	10,687

There were no shares which were exercised during the year ended 31 December 2020. The weighted average share price at the date of exercise for share awards exercised during the year ended 31 December 2020 was 288.60p (2019: Nil).

Plan	Date of grant	Numbers granted	Lapsed	Exercised	At 31 Dec 2020	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
PSP	04/03/2020	915,739	–	–	915,739	04/03/2025
		5,386,252	(2,148,484)	–	3,237,768	

Plan	Date of grant	Numbers granted	Lapsed	Exercised	At 31 Dec 2020	Release date
CIP: Matching shares	05/03/2014	647,688	(536,698)	(110,990)	–	05/03/2019
CIP: Matching shares	04/03/2015	831,808	(793,989)	(37,819)	–	04/03/2020
		1,479,496	(1,330,687)	(148,809)	–	

25. SHARE-BASED PAYMENTS (CONTINUED)

Measurement of fair values

The fair value of the rights granted through the employee share purchase plan was measured based on the Monte Carlo simulation.

The inputs to the model are as follows:

	04/03/2020	07/03/2019	07/03/2018	01/03/2017	03/03/2016	04/03/2015	06/03/2014
	PSP	PSP	PSP	PSP	PSP	CIP	CIP
Share price on grant date	356.50p	244.90p	240.90p	283.70p	300.00p	225.00p	253.30p
Exercise price	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Number of simulations	250,000	250,000	250,000	250,000	250,000	250,000	250,000
Number of companies	32	32	32	32	32	32	32
Award life	5 years	5 years	5 years	5 years	5 years	3 years	3 years
Expected dividend	1.95%	2.57%	2.37%	1.80%	1.50%	1.78%	1.66%
Fair value of award at time of grant	292.36p- 192.98p	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	0.06%	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. The financial performance period resulted in 10,687 shares vesting in March 2019 pursuant to partial achievement of the relative total shareholder return (TSR) target over the respective period.

2015 CIP Investment and matching grants

The total number of matching awards made in 2015 to each participant was subject to a future performance period of three years which resulted in 37,819 shares vesting in March 2020, based on partial achievement of the relative total shareholder return (TSR) target.

2016 PSP Investment grant

The total number of shares awarded is subject to three different performance conditions which were not met and therefore all awards under this plan lapsed.

2017 PSP Investment grant

The total number of shares awarded was subject to three different performance conditions with one third subject to defined earnings per share (EPS) conditions, one third subject to relative total shareholder return (TSR) conditions and one third subject to return on investment (ROI) conditions. These conditions were all achieved based on 2019 results and the total 583,039 shares vested subject to a holding period ending March 2021.

2018 PSP Investment grant

The total number of shares awarded was subject to three different performance conditions, with one third subject to defined earnings per share (EPS) conditions, one third subject to relative total shareholder return (TSR) conditions and one third subject to return on investment (ROI) conditions. These conditions are measured over three financial years commencing on 1 January 2018.

Based on results as of 31 December 2020, the relative TSR target of exceeding the comparator group median TSR by more than 10% was achieved in full, resulting in the vesting of 226,804 shares subject to a holding period ending March 2022. The performance targets for EPS and ROI were not met and the share awards pursuant to these targets lapsed.

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 vests
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 vests
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 vests
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%

2020 PSP investment grant

The total number of shares awarded is subject to relative total shareholder return (TSR) conditions, measured over three financial years commencing on 1 January 2020. Thus, conditional on meeting these performance targets, these shares will vest in December 2025.

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 the awards that vests
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%

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 2020, an award of 172,354 ordinary shares of 1p each in the Company was granted to the Chief Executive Officer, Mark Dixon and an award of 91,923 ordinary shares of 1p each in the Company was granted to the Chief Financial Officer, Eric Hageman. The awards are conditional on continuous employment and awards that are eligible will vest in March 2023.

Reconciliation of outstanding share options

	2020	2019
	Number of awards	Number of awards
At 1 January	495,678	383,664
DSBP awards granted during the year	264,277	112,014
Lapsed during the year	—	—
Exercised during the year	(383,664)	—
Outstanding at 31 December	376,291	495,678
Exercisable at 31 December	—	—

The weighted average share price at the date of exercise for share awards exercised during the year ended 31 December 2020 was 360.62p (2019: Nil).

Plan	Date of grant	Numbers granted	Lapsed	Exercised	At 31 Dec 2020	Release date
					2020	
DSBP	01/03/2017	383,664	—	(383,664)	—	01/03/2020
DSBP	07/03/2019	112,014	—	—	112,014	07/03/2022
DSBP	04/03/2020	264,277	—	—	264,277	04/03/2023
		759,955	—	(383,664)	376,291	

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 2020	March 2019	March 2017
Share price on grant date	356.5	244.90p	283.70p
Exercise price	Nil	Nil	Nil
Number of simulations	—	—	—
Number of companies	—	—	—
Award life	3 years	3 years	3 years
Expected dividend	1.95%	2.57%	1.80%
Fair value of award at time of grant	292.36p	188.42p	236.04p
Risk-free interest rate	0.00%	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 is as follows:

	2020 £m	2019 £m
Fair value of plan assets	4.8	11.0
Present value of obligations	(6.9)	(12.5)
Net funded obligations	(2.1)	(1.5)

27. ACQUISITIONS

Current period acquisitions

During the year ended 31 December 2020 the Group made various individually immaterial acquisitions for a total consideration of £28.5m.

£m	Book value	Provisional fair value adjustments	Provisional fair value
Net assets acquired			
Right-of-use assets	3.0	–	3.0
Other property, plant and equipment	5.1	–	5.1
Cash	1.7	–	1.7
Other current and non-current assets	12.3	–	12.3
Lease liabilities	(3.0)	–	(3.0)
Current liabilities	(14.8)	–	(14.8)
Non-current liabilities	(5.9)	–	(5.9)
	(1.6)	–	(1.6)
Previously held share of net assets ⁽¹⁾			1.4
Goodwill arising on acquisition			28.7
Total consideration			28.5
Cash flow on acquisition			
Cash paid			28.5
Net cash outflow			28.5

1. The 2020 acquisitions include one stepped-acquisition where the non-controlling interest in a former joint venture was acquired by the Group.

The goodwill arising on the 2020 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, £28.7m is expected to be deductible for tax purposes.

If the above acquisitions had occurred on 1 January 2020, the revenue and net retained profit arising from these acquisitions would have been £17.8m and £1.5m respectively. In the year, the equity acquisitions contributed revenue of £2.6m and net retained profit of £0.6m.

There was no contingent consideration arising on the 2020 acquisitions, nor was any contingent consideration paid during the current year with respect to milestones achieved on previous acquisitions. There are no contingent considerations held on the Group's balance sheet at 31 December 2020.

The acquisition costs associated with these transactions were £0.4m, recorded within administration expenses in the consolidated income statement.

For 2020's acquisitions, 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 dates and any adjustments reported in future reports.

27. ACQUISITIONS (CONTINUED)

Prior period acquisitions

During the year ended 31 December 2019 the Group made an acquisition for a total consideration of £24.4m.

£m	Book value	Final fair value adjustments	Final fair value
Net assets acquired			
Right-of-use assets	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 was 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 these acquisitions would have been £28.3m and £4.4m respectively. During 2019, the equity acquisition contributed revenue of £4.7m and net retained profit of £1.2m.

There was no contingent consideration arising on the above acquisition. Contingent consideration of £5.3m was paid during the prior year with respect to milestones achieved on a previous acquisition.

The acquisition costs associated with this transaction were £0.3m, recorded within administration expenses in 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 2019.

28. CAPITAL COMMITMENTS

	2020 £m	2019 £m
Contracts placed for future capital expenditure not provided for in the financial statements	147.0	196.4

These commitments are principally in respect of centre fit-out obligations. There are no capital commitments in respect of joint ventures at 31 December 2020 (2019: £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 £143.9m (2019: £144.5m). 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
2020			
Joint ventures	2.6	17.6	4.3
2019			
Joint ventures	3.6	15.5	4.9

As at 31 December 2020, none of the amounts due to the Group have been provided for as the expected credit losses arising on the balances are considered immaterial (2019: £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:

	2020 £m	2019 £m
Short-term employee benefits	6.7	8.2
Retirement benefit obligations	0.2	0.4
Share-based payments	1.9	1.4
	8.8	10.0

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 £6.8m (2019: £2.0m). 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 2020 the Group acquired goods and services from a company indirectly controlled by a Director of the Company amounting to £5,629 (2019: £18,764). There was a £5,629 balance outstanding at the year-end (2019: £18,764).

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 2020, their principal activities and countries of incorporation are set out below:

Name of undertaking	Country of incorporation	% of ordinary shares and votes held	Name of undertaking	Country of incorporation	% of ordinary shares and votes held
Trading companies					
Regus Australia Management Pty Ltd	Australia	100	RGN Management Limited Partnership	Canada	100
Regus Belgium SA	Belgium	100	Pathway IP II Sarl	Switzerland	100
Regus do Brasil Ltda	Brazil	100	Franchise International GmbH	Switzerland	100
Regus Business Service (Shenzen) Ltd	China	100	Regus Service Centre Philippines B.V.	Philippines	100
Regus Management ApS	Denmark	100	Regus Global Management Centre SA	Switzerland	100
Regus Management (Finland) Oy	Finland	100	Regus Group Services Ltd	United Kingdom	100
RBC Deutschland GmbH	Germany	100	IW Group Services (UK) Ltd	United Kingdom	100
Regus HK Management Ltd	Hong Kong	100	Regus Management Group LLC	United States	100
Regus CME Ireland Limited	Ireland	100			
Regus Business Centres Limited	Israel	100	Holding and finance companies		
Regus Business Centres Italia Srl	Italy	100	IWG Enterprises Sarl	Switzerland	100
Regus Management Malaysia Sdn Bhd	Malaysia	100	IWG Group Holdings Sarl	Luxembourg	100
Regus Management de Mexico, SA de CV	Mexico	100	Genesis Finance Sarl	Switzerland	100
Regus New Zealand Management Ltd	New Zealand	100	Pathway Finance Sarl	Switzerland	100
Regus Business Centre Norge AS	Norway	100	Pathway Finance EUR 2 Sarl	Switzerland	100
IWG Management Sp z.o.o.	Poland	100	Pathway Finance USD 2 Sarl	Switzerland	100
Regus Management Singapore Pte Ltd	Singapore	100	Regus Group Limited	United Kingdom	100
Regus Management Espana SL	Spain	100	Regus Corporation	United States	100
IWG Management (Sweden) AB	Sweden	100			
Avanta Managed Offices Ltd	United Kingdom	100			
Basepoint Centres Limited	United Kingdom	100			
H Work LLC	United States	100			
RGN National Business Centre LLC	United States	100			
RB Centres LLC	United States	100			

During the year, Redox plc was deconsolidated from the Group due to the loss of control of the entity subsequent to it being placed into formal bankruptcy proceedings. In addition, a further 132 entities incorporated in the USA, Canada and the UK are currently in administration processes but have not been deconsolidated as they have not met the requirements for deconsolidation as at 31 December 2020.

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

Adjusting items

Adjusting items are separately disclosed by the Group so as to provide readers with helpful additional information on the performance of the business across periods. In 2020, items arising specifically from the impact of the COVID-19 pandemic have been deemed to meet the definition of adjusting items. Each of these items are considered to be significant in nature and/or size and are also consistent with items treated as adjusting in prior periods in which significant non-recurring transactions occurred. The exclusion of these items is consistent with how the business performance is planned by, and reported to, the Board and the Operating Committee. The profit before tax and adjusting items measure is not a recognised profit measure under IFRS and may not be directly comparable with adjusted profit measures used by other companies. The classification of adjusting items requires significant management judgement after considering the nature and intentions of a transaction or provision.

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.

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.

The lease term represents the period from lease inception up to either:

- a. The earliest point at which the lease could be broken, where break clauses exist;
- b. The point at which the lease could be extended, but no further, where extension options exist; or
- c. To the end of the contractual lease term in all other cases.

32. KEY JUDGEMENTAL AND ESTIMATES AREAS ADOPTED IN PREPARING THESE ACCOUNTS (CONTINUED)**KEY ESTIMATES****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 2020, including the sensitivity to changes in those assumptions, can be found in note 13.

Deferred tax assets

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.

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.

While impairment of property, plant and equipment was noted as a key estimate in the 2019 Annual Report and Accounts, COVID-19 has accelerated the need for further network rationalisation. 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 and for centres which have been identified as part of the Group's rationalisation programme. The key area of estimation involved is in determining the recoverable amount of the rationalised centres, over what period the rationalisation will take place, and the level of moveable assets that will be utilised in other centres.

The Group has considered the impact of COVID-19 with respect to all judgements and estimates it makes in the application of its accounting policies. This included assessing the impairment of property, plant and equipment, goodwill and the recoverability of trade receivables. The result of these reviews is detailed in note 10.

Estimating the incremental borrowing rates on leases

The determination of applicable incremental borrowing rates on leases 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.

Valuation of embedded conversion option (Level 3) in convertible bonds

The embedded conversion option relating to the Group's issue of convertible bonds is measured at mark-to-market with reference to the traded price of the convertible bonds as well as external valuation inputs based on credit comparables and bond spreads across competitors and wider markets.

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.

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

	As at 31 Dec 2020 £m	As at 31 Dec 2019 £m
Trade and other receivables	1.1	14.4
Prepayments	0.5	0.1
Total current assets	1.6	14.5
Investments	3,272.3	644.6
Total non-current assets	3,272.3	644.6
Total assets	3,273.9	659.1
Trade and other payables	7.0	6.3
Accrued expenses	1.1	2.7
Total short-term liabilities	8.1	9.0
Long-term interest-bearing liabilities	99.3	332.3
Total long-term liabilities	99.3	332.3
Total liabilities	107.4	341.3
Issued share capital	10.5	9.2
Share premium	312.6	–
Reserves from capital contributions	2,126.8	2,126.8
Retained earnings	(1,699.1)	(32.4)
Profit/(loss) for the year	2,569.8	(1,668.9)
Treasury shares	(154.1)	(116.9)
Total shareholders' equity	3,166.5	317.8
Total liabilities and shareholders' equity	3,273.9	659.1

The values of the investments recognised have been considered by the Directors and are considered fully recoverable.

Approved by the Board on 9 March 2021

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 2020, which are available from the Company's registered office, Dammstrasse 19, CH-6300, Zug, Switzerland.

INVESTMENTS

During 2020, the Company acquired the direct investments in IWG Enterprises Sarl and Umbrella Management Limited as part of an internal restructuring. This transaction resulted in the Company recognising a dividend in specie of £2,966.0m and a corresponding impairment in its investment of IWG Global Investments Sarl of £360.0m. The value of the investments recognised have been considered by the Directors and are considered fully recoverable.

CONSOLIDATED INCOME STATEMENT (UNAUDITED)

The purpose of these unaudited pages is to provide a reconciliation from the 2020 financial results to the pro forma statements in accordance with the previous pre-IFRS 16 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 reflect the impact of the adjusting items during 2020.

£m	Notes	Year ended 31 Dec 2020 As reported	Rent & finance costs	Depreciation	Other adjustments	Taxation	Year ended 31 Dec 2020 pre-IFRS 16
Revenue	3	2,480.2	–	–	–	–	2,480.2
Total costs of sales		(2,425.5)	(1,051.2)	884.5	(23.1)	–	(2,615.3)
Cost of sales		(2,108.4)	(1,051.2)	884.5	(33.3)	–	(2,308.4)
Adjusting items to cost of sales	10	(71.1)	–	–	(235.8)	–	(306.9)
(Loss) on impairment of property, plant, equipment and right-of-use assets	5	(246.0)	–	–	246.0	–	–
Expected credit losses on trade receivables	5	(34.8)	–	–	–	–	(34.8)
Gross profit/(loss) (centre contribution)		19.9	(1,051.2)	884.5	(23.1)	–	(169.9)
Total selling, general and administration expenses		(371.9)	(14.0)	2.5	–	–	(383.4)
Selling, general and administration expenses		(312.9)	(14.0)	2.5	–	–	(324.4)
Adjusting items to selling, general and administration expenses	10	(56.4)	–	–	–	–	(56.4)
Share of (loss)/profit of equity-accounted investees, net of tax	21	(2.6)	–	–	–	–	(2.6)
Operating (loss)/profit	5	(352.0)	(1,065.2)	887.0	(23.1)	–	(553.3)
Finance expense	7	(271.1)	249.4	–	7.8	–	(13.9)
Finance income	7	3.0	–	–	–	–	3.0
Net finance expense		(268.1)	249.4	–	7.8	–	(10.9)
(Loss)/profit before tax for the year from continuing operations		(620.1)	(815.8)	887.0	(15.3)	–	(564.2)
Income tax expense	8	(30.1)	–	–	–	(13.2)	(43.3)
(Loss)/profit after tax for the year from continuing operations		(650.2)	(815.8)	887.0	(15.3)	(13.2)	(607.5)
Profit after tax for the period from discontinued operations	9	3.4	(1.2)	0.7	0.2	–	3.1
(Loss)/profit for the period attributable to equity shareholders of the parent		(646.8)	(817.0)	887.7	(15.1)	(13.2)	(604.4)
Earnings per ordinary share (EPS):							
Attributable to ordinary shareholders							
Basic (p)	11	(67.9)					(63.5)
Diluted (p)	11	(67.9)					(63.5)
From continuing operations							
Basic (p)	11	(68.3)					(63.8)
Diluted (p)	11	(68.3)					(63.8)

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 assets and related lease liabilities

These adjustments reflect the right-of-use assets recognised on transition, together with the related lease liabilities. The initial lease liabilities are 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

Under IFRS 16 conventional rent charges are not 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 assets and related lease liabilities noted above. The lease liabilities are 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 assets 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 liabilities recognised in the balance sheet.

4. Taxation

The underlying tax charge is impacted by the change in the profit before tax and deferred tax assets recognised.

5. Other adjustments

These adjustments primarily reflect the impairment of the right-of-use assets and other property, plant and equipment as well as the reversal of the closure cost provision on a pre-IFRS 16 basis. Certain parking, storage and brokerage costs are also reversed, as they form part of the lease payments.

CONSOLIDATED BALANCE SHEET (UNAUDITED)

£m	Notes	As at 31 Dec 2020 As reported	Right-of-use assets & related lease liability	Rent & finance costs	Depreciation & lease payments	Other adjustments	Taxation	As at 31 Dec 2020 pre-IFRS 16
Non-current assets								
Goodwill	13	695.5	—	—	—	—	—	695.5
Other intangible assets	14	53.3	—	—	—	—	—	53.3
Property, plant and equipment	15	6,855.9	(6,758.9)	871.3	900.9	248.1	—	2,117.3
Right-of-use assets	15	5,646.9	(6,758.9)	—	946.0	166.0	—	—
Other property, plant and equipment	15	1,209.0	—	871.3	(45.1)	82.1	—	2,117.3
Deferred tax assets	8	188.2	—	—	—	—	(107.0)	81.2
Other long-term receivables	16	55.0	—	—	—	0.5	—	55.5
Investments in joint ventures	21	11.3	—	—	—	—	—	11.3
Total non-current assets		7,859.2	(6,758.9)	871.3	900.9	248.6	(107.0)	3,014.1
Current assets								
Inventory		1.3	—	—	—	—	—	1.3
Trade and other receivables	17	1,003.7	—	145.9	—	—	—	1,149.6
Corporation tax receivable	8	29.1	—	—	—	—	—	29.1
Cash and cash equivalents	23	71.0	—	—	—	—	—	71.0
Total current assets		1,105.1	—	145.9	—	—	—	1,251.0
Total assets		8,964.3	(6,758.9)	1,017.2	900.9	248.6	(107.0)	4,265.1
Current liabilities								
Trade and other payables (incl. customer deposits)	18	1,007.6	—	400.8	—	—	—	1,408.4
Deferred income		328.9	—	—	—	—	—	328.9
Corporation tax payable	8	40.0	—	—	—	—	—	40.0
Bank and other loans	19	21.9	—	—	—	—	—	21.9
Lease liabilities	23	1,019.6	(921.9)	(249.3)	151.6	—	—	—
Provisions	20	17.5	—	—	—	247.8	—	265.3
Total current liabilities		2,435.5	(921.9)	151.5	151.6	247.8	—	2,064.5
Non-current liabilities								
Other long-term payables		5.9	—	949.2	—	0.5	—	955.6
Deferred tax liability	8	0.2	—	—	—	(0.2)	—	—
Bank and other loans	19	400.2	—	—	—	—	—	400.2
Lease liabilities	23	5,538.9	(6,534.8)	—	995.9	—	—	—
Non-current derivative financial liabilities	24	49.6	—	—	—	—	—	49.6
Provisions	20	13.5	—	—	—	2.1	—	15.6
Provision for deficit on joint ventures	21	4.6	—	—	—	—	—	4.6
Retirement benefit obligations	26	2.1	—	—	—	—	—	2.1
Total non-current liabilities		6,015.0	(6,534.8)	949.2	995.9	2.4	—	1,427.7
Total liabilities		8,450.5	(7,456.7)	1,100.7	1,147.5	250.2	—	3,492.2
Total equity								
Issued share capital	22	10.5	—	—	—	—	—	10.5
Issued share premium	22	312.6	—	—	—	—	—	312.6
Treasury shares	22	(154.1)	—	—	—	—	—	(154.1)
Foreign currency translation reserve		36.2	(14.8)	—	—	—	—	21.4
Hedging reserve		(0.2)	—	—	—	—	—	(0.2)
Other reserves		25.8	—	—	—	—	—	25.8
Retained earnings		283.0	712.6	(83.5)	(246.6)	(1.6)	(107.0)	556.9
Total equity		513.8	697.8	(83.5)	(246.6)	(1.6)	(107.0)	772.9
Total equity and liabilities		8,964.3	(6,758.9)	1,017.2	900.9	248.6	(107.0)	4,265.1

CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

£m	Notes	Year ended 31 Dec 2020 As reported	Rent & finance	Depreciation & lease payments	Other adjustments	Year ended 31 Dec 2020 pre-IFRS 16
Operating activities						
Loss for the year from continuing operations		(650.2)	(815.8)	887.0	(28.5)	(607.5)
Adjustments for:						
Profit from discontinued operations	9	0.6	(1.2)	0.7	0.2	0.3
Net finance expense	7	268.1	(249.4)	–	(7.8)	10.9
Share of loss on equity-accounted investees, net of income tax	21	2.6	–	–	–	2.6
Depreciation charge	15	1,186.3	–	(887.7)	–	298.6
Right-of-use assets	15	946.0	–	(946.0)	–	–
Other property, plant and equipment	15	240.3	–	58.3	–	298.6
Loss on impairment of goodwill	13	4.9	–	–	–	4.9
Loss on disposal of property, plant and equipment	5	93.1	–	–	(11.5)	81.6
Profit on disposal of right-of-use assets and related lease liabilities	5, 23	(25.7)	–	–	25.7	–
Loss on disposal of intangible assets	5	0.1	–	–	–	0.1
Impairment of property, plant and equipment	5, 15	82.1	–	–	(82.1)	–
Impairment of right-of-use assets	5, 15	163.9	–	–	(163.9)	–
Amortisation of intangible assets	5, 14	8.7	–	–	–	8.7
Gain on disposal of other investments	21	1.6	–	–	–	1.6
Tax expense	8, 9	30.4	–	–	–	30.4
Expected credit losses on trade receivables	5	34.8	–	–	–	34.8
Increase in provisions	20	15.2	–	–	247.8	263.0
Share-based payments		6.4	–	–	–	6.4
Other non-cash movements		(4.4)	–	–	0.3	(4.1)
Operating cash flows before movements in working capital		1,218.5	(1,066.4)	–	(19.8)	132.3
Proceeds from partner contributions (reimbursement of costs)	15	38.4	–	(38.4)	–	–
Increase in trade and other receivables		(76.4)	14.7	–	–	(61.7)
Increase in trade and other payables		77.3	955.6	(748.7)	19.8	304.0
Cash generated from operations		1,257.8	(96.1)	(787.1)	–	374.6
Interest paid and similar charges on bank loans and corporate borrowings		(17.6)	–	–	–	(17.6)
Interest paid on lease liabilities	23	(249.4)	249.4	–	–	–
Tax paid		(21.9)	–	–	–	(21.9)
Net cash inflows from operating activities		968.9	153.7	(787.1)	–	335.1
Investing activities						
Purchase of property, plant and equipment	15	(257.4)	(153.7)	–	–	(411.1)
Purchase of subsidiary undertakings, net of cash acquired	27	(26.8)	–	–	–	(26.8)
Purchase of intangible assets	14	(16.5)	–	–	–	(16.5)
Purchase of joint ventures	21	–	–	–	–	–
Purchase of current assets	17	(276.2)	–	–	–	(276.2)
Proceeds on the sale of discontinued operations, net of cash disposed of	9	3.3	–	–	–	3.3
Proceeds on sale of property, plant and equipment		8.2	–	–	–	8.2
Interest received	7	0.6	–	–	–	0.6
Net cash outflows from investing activities		(564.8)	(153.7)	–	–	(718.1)
Financing activities						
Proceeds from issue of loans		876.5	–	–	–	876.5
Repayment of loans		(1,109.8)	–	–	–	(1,109.8)
Proceeds from issue of convertible bonds (net of transaction costs)	19	343.2	–	–	–	343.2
Payment of lease liabilities	23	(898.1)	–	898.1	–	–
Proceeds from partner contributions (lease incentives)	15	111.0	–	(111.0)	–	–
Proceeds from issue of ordinary shares, net of costs	22	313.9	–	–	–	313.9
Purchase of treasury shares	22	(43.7)	–	–	–	2.2
Proceeds from exercise of share awards		2.2	–	–	–	–
Payment of ordinary dividend	12	–	–	–	–	–
Net cash (outflows)/inflows from financing activities		(515.8)	–	787.1	–	382.3
Decrease in cash and cash equivalents		(0.7)	–	–	–	(0.7)
Cash and cash equivalents at beginning of year		66.6	–	–	–	66.6
Effect of exchange rate fluctuations on cash held		5.1	–	–	–	5.1
Cash and cash equivalents at end of the year	23	71.0	–	–	–	71.0

SEGMENTAL ANALYSIS – BASED ON ESTIMATES (UNAUDITED)

	Americas 2020 (pre-IFRS 16 Basis)	EMEA 2020 (pre-IFRS 16 Basis)	Asia Pacific 2020 (pre-IFRS 16 Basis)	United Kingdom 2020 (pre-IFRS 16 Basis)	Other 2020 (pre-IFRS 16 Basis)	Total 2020 (pre-IFRS 16 Basis)
Pre2019⁽¹⁾						
Workstations ⁽⁴⁾	194,127	138,942	79,810	94,240	—	507,119
Occupancy (%)	74.1%	73.9%	70.4%	71.0%	—	72.9%
Revenue (£m)	969.8	564.0	252.2	338.2	5.6	2,129.8
REVPOW (£)	6,742	5,491	4,488	5,052	—	5,761
2019 Expansions⁽²⁾						
Workstations ⁽⁴⁾	23,258	41,765	11,766	11,698	—	88,487
Occupancy (%)	49.9%	55.4%	59.4%	60.2%	—	55.1%
Revenue (£m)	53.4	103.4	27.1	31.5	—	215.4
2020 Expansions⁽⁵⁾						
Workstations ⁽⁴⁾	8,092	14,005	3,061	4,784	—	29,942
Occupancy (%)	24.2%	36.5%	35.9%	33.6%	—	32.7%
Revenue (£m)	11.0	21.5	5.7	10.0	—	48.2
Network rationalisations⁽³⁾						
Workstations ⁽⁴⁾	8,578	7,076	7,319	2,277	—	25,250
Occupancy (%)	45.5%	63.0%	61.7%	66.6%	—	57.0%
Revenue (£m)	32.3	26.2	19.2	9.1	—	86.8
Total						
Workstations⁽⁴⁾	234,055	201,788	101,956	112,999	—	650,798
Occupancy (%)	68.9%	67.1%	67.5%	68.2%	—	68.0%
Revenue (£m)	1,066.5	715.1	304.2	388.8	5.6	2,480.2
REVPAW (£)	4,557	3,544	2,984	3,441	—	3,811
Period end workstations⁽⁷⁾						
Mature	193,629	143,256	81,959	96,237	—	515,081
2019 Expansions	23,339	42,939	12,070	11,880	—	90,228
2020 Expansions	10,809	21,142	4,659	9,295	—	45,905
Total	227,777	207,337	98,688	117,412	—	651,214

SEGMENTAL ANALYSIS – BASED ON ESTIMATES (UNAUDITED)

	Americas 2019 (pre-IFRS 16 Basis)	EMEA 2019 (pre-IFRS 16 Basis)	Asia Pacific 2019 (pre-IFRS 16 Basis)	United Kingdom 2019 (pre-IFRS 16 Basis)	Other 2019 (pre-IFRS 16 Basis)	Total 2019 (pre-IFRS 16 Basis)
Pre-2019⁽¹⁾						
Workstations ⁽⁴⁾	195,316	135,864	84,238	91,886	–	507,304
Occupancy (%)	77.2%	72.5%	71.3%	71.4%	–	73.9%
Revenue (£m)	1,099.8	575.1	274.7	370.1	9.0	2,328.7
REVPOW (£)	7,296	5,835	4,577	5,640	–	6,211
2019 Expansions⁽²⁾						
Workstations ⁽⁴⁾	9,682	17,261	6,218	7,629	–	40,790
Occupancy (%)	40.0%	40.3%	37.4%	32.5%	–	38.3%
Revenue (£m)	20.7	36.8	10.6	11.3	–	79.4
Network rationalisations⁽⁶⁾						
Workstations ⁽⁴⁾	11,516	12,021	11,390	9,976	–	44,903
Occupancy (%)	63.1%	66.3%	62.6%	57.1%	–	62.5%
Revenue (£m)	67.4	71.1	57.4	44.9	–	240.8
Total						
Workstations⁽⁴⁾	216,514	165,146	101,846	109,491	–	592,997
Occupancy (%)	74.8%	68.7%	68.2%	67.4%	–	70.6%
Revenue (£m)	1,187.9	683.0	342.7	426.3	9.0	2,648.9
REVPAW (£)	5,486	4,136	3,365	3,893	–	4,467

Notes:

1. The pre-2019 business comprises centres not opened in the current or previous financial year.
2. Expansions include new centres opened and acquired businesses.
3. A network rationalisation for the 2020 data is defined as a centre closed during the period from 1 January 2020 to 31 December 2020.
4. Workstation numbers are calculated as the weighted average for the year.
5. 2020 expansions include any costs incurred in 2020 for centres which will open in 2021.
6. A network rationalisation for the 2019 comparative data is defined as a centre closed during the period from 1 January 2019 to 31 December 2020.
7. Workstations available at year-end.

POST-TAX CASH RETURN ON NET INVESTMENT

The purpose of this unaudited page is to reconcile some of the key numbers used in the returns calculation, 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.

2020

Description	Reference	2018 Aggregation	2019 Expansions	2020 Expansions	2021 Expansions	Closures	Total
Post-tax cash return on net investment (unaudited)		5.8%	–	–	–	–	1.2%
Revenue	Pro forma income statement, p154	2,129.8	215.4	48.2	–	86.8	2,480.2
Centre contribution	Pro forma income statement, p154	277.5	(65.7)	(32.4)	(14.2)	(12.0)	153.2
Loss on disposal of assets	EBIT reconciliation (analysed below)	–	–	–	–	80.4	80.4
Underlying centre contribution		277.5	(65.7)	(32.4)	(14.2)	68.4	233.6
Selling, general and administration expenses	Pro forma income statement, p154	(249.6)	(45.8)	(17.0)	(0.2)	(11.8)	(324.4)
EBIT	EBIT reconciliation (analysed below)	27.9	(111.5)	(49.4)	(14.4)	56.6	(90.8)
Depreciation and amortisation ⁽¹⁾		230.5	49.0	13.8	–	13.9	307.2
Amortisation of partner contributions		(70.3)	(18.0)	(6.1)	–	(29.8)	(124.2)
Amortisation of acquired lease fair value adjustments		(0.5)	–	–	–	0.3	(0.2)
Non-cash items		159.7	31.0	7.7	–	(15.6)	182.8
Taxation⁽²⁾		(5.7)	22.3	9.9	2.9	(11.3)	18.1
Adjusted net cash profit		181.9	(58.2)	(31.8)	(11.5)	29.7	110.1
Maintenance capital expenditure	Capital expenditure (analysed below)	96.9	–	–	–	–	96.9
Partner contributions	Partner contributions (analysed below)	(14.6)	–	–	–	–	(14.6)
Net maintenance capital expenditure		82.3	–	–	–	–	82.3
Post-tax cash return		99.6	(58.2)	(31.8)	(11.5)	29.7	27.8
Growth capital expenditure	Capital expenditure (analysed below)	2,210.2	602.0	328.2	40.2	–	3,180.6
Partner contributions	Partner contributions (analysed below)	(505.3)	(206.8)	(116.5)	(13.7)	–	(842.3)
Net investment (unaudited)		1,704.9	395.2	211.7	26.5	–	2,338.3

2020

	2018 Aggregation	2019 Expansions	2020 Expansions	2021 Expansions	Closed	Total	
EBITDA reconciliation							
Centre contribution	277.6	(65.7)	(32.4)	(14.2)	(12.0)	153.2	
Selling, general and administration expenses	(249.6)	(45.8)	(17.0)	(0.2)	(11.8)	(324.4)	
Depreciation and amortisation	230.5	49.0	13.8	–	13.9	307.2	
	258.5	(62.5)	(35.6)	(14.4)	(9.9)	136.1	
Share of profit in joint ventures	Pro forma income statement, p154	(2.6)	–	–	–	(2.6)	
EBITDA on continuing operations		255.9	(62.5)	(35.6)	(14.4)	(9.9)	133.5

1. Excludes depreciation expenses related to discontinued operations of £0.1m.

2. Based on EBIT at the Group's long-term effective tax rate of 20%.

2020

Movement in capital expenditure (unaudited)	2018 Aggregation	2019 Expansions	2020 Expansions	2021 Expansions	Closures	Total
December 2019	2,343.5	528.8	93.7	–	–	2,966.0
2020 Capital expenditure ⁽³⁾	–	82.8	232.3	40.2	–	355.3
Properties acquired	–	–	2.2	–	–	2.2
Centre closures ⁽⁴⁾	(133.3)	(9.6)	–	–	–	(142.9)
December 2020	2,210.2	602.0	328.2	40.2	–	3,180.6

3. 2021 expansions relate to costs and investments incurred in 2020 for centres which will open in 2021.

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.

2020

Movement in partner contributions (unaudited)	2018 Expansions	2019 Expansions	2020 Expansions	2021 Expansions	Closures	Total
December 2019	531.7	194.3	39.4	–	–	765.4
2020 Partner contributions	–	16.0	77.1	13.7	–	106.8
Centre closures ⁽⁵⁾	(26.4)	(3.5)	–	–	–	(29.9)
December 2020	505.3	206.8	116.5	13.7	–	842.3

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

2020

EBIT reconciliation (unaudited)	Reference	£m
EBIT		(90.8)
Loss on disposal of assets	Pro forma statement of cash flows, p157	(80.4)
Share of profit in joint ventures	Pro forma income statement, p154	(2.6)
Adjusting items	note 10, p125	(379.5)
Operating profit	Pro forma income statement, p154	(533.3)

2020

Partner contributions (unaudited)	Reference	£m
Opening partner contributions		640.0
– Current		105.5
– Non-current		534.5
Acquired in the period		2.5
Received in the period		121.7
– Maintenance partner contributions		14.6
– Growth partner contributions		107.1
Utilised in the period		(126.7)
Business disposal		–
Exchange differences		(4.2)
Closing partner contributions		633.3
– Current		109.1
– Non-current		524.2

2020

Capital expenditure (unaudited)	Reference	£m
Maintenance capital expenditure	CFO review, p46	96.9
Growth capital expenditure	CFO review, p46	357.5
– 2020 Capital expenditure		355.3
– Properties acquired		2.2

Total capital expenditure

Analysed as		
– Purchase of subsidiary undertakings	Pro forma statement of cash flows, p157	26.8
– Purchase of property, plant and equipment	Pro forma statement of cash flows, p157	411.1
– Purchase of intangible assets	Pro forma statement of cash flows, p157	16.5

	31 Dec 2020 £m	31 Dec 2019 Restated £m	31 Dec 2018 Restated £m	31 Dec 2017 Restated £m	31 Dec 2016 Restated £m
Income statement (full year ended)					
Revenue	2,480.2	2,648.9	2,398.2	2,237.8	2,127.7
Cost of sales	(2,425.5)	(2,081.8)	(2,006.9)	(1,845.2)	(1,694.5)
Expected credit losses on trade receivables	(34.8)	(2.0)	(17.7)	(16.2)	(10.3)
Gross profit (centre contribution)	19.9	565.1	373.6	376.4	422.9
Administration expenses	(369.3)	(281.0)	(248.0)	(231.8)	(255.0)
Share of (loss)/profit of equity-accounted investees, net of tax	(2.6)	2.7	(1.4)	(0.8)	(0.8)
Operating profit	(352.0)	286.8	124.2	143.8	167.1
Finance expense	(271.1)	(232.3)	(15.9)	(14.1)	(11.6)
Finance income	3.0	0.5	0.5	0.3	0.1
(Loss)/profit before tax for the year from continuing operations	(620.1)	55.0	108.8	130.0	155.6
Income tax (expense)/credit	(30.1)	22.3	(29.6)	(32.8)	(35.0)
(Loss)/profit for the year from continuing operations	(650.2)	77.3	79.2	97.2	120.6
Profit after tax for the year from discontinued operations	3.4	373.3	26.5	16.8	18.2
(Loss)/profit after tax for the year	(646.8)	450.6	105.7	114.0	138.8
Earnings per ordinary share (EPS):					
Attributable to ordinary shareholders					
Basic (p)	(67.9)	50.5	11.7	12.4	14.9
Diluted (p)	(67.9)	49.6	11.6	12.3	14.7
Weighted average number of shares outstanding ('000s)	951,891	892,738	907,077	915,676	929,830
From continuing operations					
Basic (p)	(68.3)	8.7	8.7	10.6	13.0
Diluted (p)	(68.3)	8.5	8.7	10.5	12.8
Weighted average number of shares outstanding ('000s)	951,891	892,738	907,077	915,676	929,830
Balance sheet data (as at)					
Intangible assets	748.8	719.6	721.7	712.1	738.1
Right-of-use assets	5,646.9	5,917.4	—	—	—
Property, plant and equipment	1,209.0	1,273.3	1,751.2	1,367.2	1,194.4
Deferred tax assets	188.2	195.0	30.6	23.0	29.3
Other assets	1,100.4	781.4	848.7	702.7	649.2
Cash and cash equivalents	71.0	66.6	69.0	55.0	50.1
Total assets	8,964.3	8,953.3	3,421.2	2,860.0	2,661.1
Current liabilities	2,435.5	2,139.7	1,429.5	1,224.7	1,183.1
Non-current liabilities	6,015.0	5,933.1	1,240.5	907.6	736.0
Equity	513.8	880.5	751.2	727.7	742.0
Total equity and liabilities	8,964.3	8,953.3	3,421.2	2,860.0	2,661.1

GLOSSARY

The Group reports certain alternative performance measures (APMs) that are not required under International Financial Reporting Standards (IFRS) which represents the generally accepted accounting principles (GAAP) under which the Group reports. The Group believes that the presentation of these APMs provides useful supplemental information, when viewed in conjunction with our IFRS financial information as follows:

- 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.

ADJUSTED OPERATING PROFIT

Operating profit excluding adjusting items.

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.

ADJUSTING ITEMS

Adjusting items reflects the impact of adjustments, both incomes and costs, which are considered to be significant in nature and/or size.

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.

EBIT

Earnings before interest and tax.

EBITDA

Earnings before interest, tax, depreciation and amortisation for the period.

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.

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.

NETWORK RATIONALISATION

Network rationalisation for the current year is defined as a centre that ceases operation during the period from 1 January

to December of the current year. Network rationalisation for the prior year comparative is defined as a centre that ceases operation from 1 January of the prior year to December of the current year.

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-2019 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-2019 GROSS MARGIN

Gross margin attributable to the Pre-2019 business.

PRE-IFRS 16 BASIS

IFRS accounting standards effective as at the relevant reporting date with the exception 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.

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