International Workplace Group

6 March 2018

IWG plc – ANNUAL FINANCIAL REPORT ANNOUNCEMENT – YEAR ENDED 31 DECEMBER 2017

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

IWG plc, the global leader for flexible workspace, today announces its annual results for the year ended 31 December 2017.

Key Financial Highlights

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

£m	**2017**	2016	% change actual currency	% change constant currency
Revenue	**2,352.3**	2,233.4	5.3%	1.9%
Gross profit	**401.6**	448.8	(11)%	(13)%
Overheads	**(237.6)**	(262.8)	(10)%	(12)%
Operating profit (Inc. JV)	**163.2**	185.2	(12)%	(15)%
Profit before tax	**149.4**	173.7	(14)%	
Earnings per share (p)	**12.4**	14.9	(17)%	
Dividend per share (p)	**5.70**	5.10	12%	
EBITDA	**376.2**	379.7	(1)%	(4)%
Post-tax cash return on Investment (i)	**20.8%**	23.6%	Down 280bp	
Cash flow before net growth capex, buybacks and dividends	**215.5**	286.1	(25)%	
Net debt	**296.4**	151.3		
Net debt : EBITDA (x)	**0.8**	0.4		

(i) Calculated as: EBITDA less amortisation of partner contributions, less tax based on EBIT, less net maintenance capital expenditure / growth capital less partner contribution. Returns based on those locations open on or before 31 December 2012. Prepared on the 12 months ended 31 December 2017 and for 2016 on the 12 months ended 31 December 2016

(ii) At constant currency

Key operational highlights

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

Mark Dixon, Chief Executive of IWG plc, said:

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

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

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

We look forward to the future with great confidence."

Details of results presentation

Mark Dixon, Chief Executive Officer, and Dominik de Daniel, Chief Financial Officer and Chief Operating Officer, are hosting a presentation today for analysts and investors at 10.30am at CityPoint, 1 Ropemaker Street, London, EC2Y 9HT.

For those unable to attend the presentation, please contact Jessica Ayres to obtain details for the webcast or conference call: jayres@brunswickgroup.com or +44 (0) 20 7396 7466

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For more information, please visit www.iwgplc.com

Chairman's statement

A year of continued strong returns

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

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

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

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

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

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

Our strategy

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

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

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

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

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

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

Our Board

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

Our people

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

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

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

Dividend

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

Douglas Sutherland
Chairman

6 March 2018

Chief Executive Officer’s review

The revolution advances

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

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

Building the foundations for success

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

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

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

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

Growing the platform

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

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

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

A year of strategic importance

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

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

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

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

Strong returns generation

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

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

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

Group income statement

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

* Including joint ventures

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

Gross margin

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

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

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

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

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

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

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

Performance by region

On a regional basis, mature* revenue and contribution can be analysed as follows:

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

* Centres open on or before 31 December 2015

Americas

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

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

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

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

EMEA

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

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

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

Asia Pacific

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

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

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

UK

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

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

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

Outlook

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

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

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

We look forward to the future with great confidence.

Mark Dixon
Chief Executive Officer

6 March 2018

Chief Financial Officer's review

Strong returns performance underscores the fundamental strength of our business model and strategy

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

Return on investment

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

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

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

2017 Post-tax cash return(1) on net investment by year group – 12 months to 31 December 2017

Year of opening	09 & earlier	10	11	12	13	14	15	16	17
Post-tax cash return	**22.6%**	**17.7%**	**16.7%**	**17.1%**	**14.0%**	**11.3%**	**7.3%**	**(9.6)%**	**(6.9)%**
Net growth investment on locations opened in year(2) £m	**548.9**	**51.1**	**75.6**	**137.7**	**235.1**	**157.6**	**262.7**	**139.7**	**268.8**

2016 Post-tax cash return on net investment by year group – 12 months to 31 December 2016

Year of opening	09 & earlier	10	11	12	13	14	15	16	17
Post-tax cash return	25.0%	31.1%	21.3%	16.6%	13.9%	10.0%	(2.6)%	(15.8)%	–
Net growth investment on locations opened in year(2) £m	562.1	52.5	77.4	142.0	238.6	159.9	259.0	130.8	–

(1) These returns are based on the post-tax cash return divided by the net growth capital investment. The post-tax return is calculated as the EBITDA achieved, less the amortisation of any partner capital contribution, less tax based on the EBIT and after deducting maintenance capital expenditure. Net growth capital expenditure is the growth capital after any partner contributions. We believe this provides an appropriate and conservative measure of cash return

(2) Note these amounts relate to net investment based on the year of opening of the centre. Depending on the timing of opening, some capital expenditure can be incurred in the calendar year before or after opening

Developing the network

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

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

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

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

Operational developments

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

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

Revenue

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

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

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

Financial performance

Group income statement

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

Gross profit

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

Gross margin

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

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

Very strong overhead efficiency

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

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

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

Operating profit

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

Net finance costs

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

Tax

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

Earnings per share

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

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

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

Cash flow and funding

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

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

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

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

Cash flow

The table below reflects the Group's cash flow:

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

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

Foreign exchange

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

Foreign exchange rates

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

Risk management

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

Related parties

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

Dividends

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

Dominik de Daniel
Chief Financial Officer
and Chief Operating Officer

6 March 2018

Consolidated income statement

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

Consolidated statement of comprehensive income

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

Consolidated statement of changes in equity

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

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

Consolidated balance sheet

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

Approved by the Board on 6 March 2018

Mark Dixon
Chief Executive Officer

Dominik de Daniel
Chief Financial Officer
and Chief Operating Officer

Consolidated statement of cash flows

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

Notes to the accounts

1. Authorisation of financial statements

The Group and Company financial statements for the year ended 31 December 2017 were authorised for issue by the Board of Directors on 6 March 2018 and the balance sheets were signed on the Board's behalf by Mark Dixon and Dominik de Daniel. IWG plc is a public limited company incorporated in Jersey and registered and domiciled in Switzerland. The Company's ordinary shares are traded on the London Stock Exchange.

IWG plc owns a network of business centres which are utilised by a variety of business customers. Information on the Group's structure is provided in note 32, and information on other related party relationships of the Group is provided in note 31.

The Group financial statements have been prepared and approved by the Directors in accordance with Companies (Jersey) Law 1991 and International Financial Reporting Standards as adopted by the European Union ('Adopted IFRSs'). The Company prepares its parent company annual accounts in accordance with accounting policies based on the Swiss Code of Obligations; extracts from these are presented on page 126.

2. Accounting policies

Basis of preparation

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

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

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

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

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

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

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

In adopting the going concern basis for preparing the consolidated financial statements, the Directors have considered the further information included in the business activities commentary as set out on pages 24 to 27 as well as the Group's principal risks and uncertainties as set out on pages 38 to 43.

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

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

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

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

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

IFRSs not yet effective

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

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

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

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

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

Estimated impact of the adoption of IFRS 9

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

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

Classification – financial assets

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

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

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

Classification – financial liabilities

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

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

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

Impairment – financial assets

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

Hedge accounting

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

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

From time to time the Group uses short-term derivative financial instruments to manage its transactional foreign exchange exposures where these exposures cannot be eliminated through balancing the underlying risks. The Group designates these derivatives as fair value hedges.

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

Estimated impact of the adoption of IFRS 15

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

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

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

IFRS 16 Leases

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

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

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

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

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

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

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

Basis of consolidation

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

Impairment of non-financial assets

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

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

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

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

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

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

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

Calculation of recoverable amount

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

Goodwill

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

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

Intangible assets

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

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

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

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

Acquisitions of non-controlling interests

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

Assets held for sale

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

Leases

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

Operating leases

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

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

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

Partner contributions

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

Property, plant and equipment

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

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

Revenue

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

- **Workstations**
  Workstation revenue is recognised when the provision of the service is rendered. Amounts invoiced in advance are accounted for as deferred income and recognised as revenue upon provision of the service.
- **Customer service income**
  Service income (including the rental of meeting rooms) is recognised as services are rendered. In circumstances where IWG acts as an agent for the sale and purchase of goods to customers, only the commission fee earned is recognised as revenue.
- **Management and franchise fees**
  Fees received for the provision of initial and subsequent services are recognised as revenue as the services are rendered. Fees charged for the use of continuing rights granted by the agreement, or for other services provided during the period of the agreement, are recognised as revenue as the services are provided or the rights used.
- **Membership card income**
  Revenue from the sale of membership cards is deferred and recognised over the period that the benefits of the membership card are expected to be provided.

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

Employee benefits

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

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

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

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

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

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

Share-based payments

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

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

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

Taxation

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

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

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

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

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

Provisions

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

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

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

Equity

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

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

Net finance expenses

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

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

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

Interest bearing borrowings and other financial liabilities

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

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

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

Financial assets

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

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

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

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

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

Customer deposits

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

Foreign currency transactions and foreign operations

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

Cash and cash equivalents

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

Derivative financial instruments

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

Foreign currency translation rates

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

3. Segmental analysis – statutory basis

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

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

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

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

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

1. Excluding deferred taxation

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

4. Segmental analysis – entity-wide disclosures

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

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

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

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

1. Excluding deferred tax assets

5. Operating profit

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

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

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

6. Disposal of assets held for sale

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

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

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

7. Staff costs

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

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

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

8. Net finance expense

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

9. Taxation

(a) Analysis of charge in the year

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

(b) Reconciliation of taxation charge

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

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

(c) Factors that may affect the future tax charge

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

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

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

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

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

(d) Corporation tax

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

(e) Deferred taxation

The movement in deferred tax is analysed below:

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

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

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

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

10. Earnings per ordinary share (basic and diluted)

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

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

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

11. Dividends

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

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

12. Goodwill

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Management has considered the following sensitivities:

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

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

13. Other intangible assets

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

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

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

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

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

14. Property, plant and equipment

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

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

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

15. Other long-term receivables

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

16. Trade and other receivables

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

17. Trade and other payables (including customer deposits)

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

18. Other long-term payables

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

19. Borrowings

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

Bank and other loans

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

20. Provisions

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

Onerous leases and closures

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

Other

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

21. Investments in joint ventures

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

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

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

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

22. Share capital
Ordinary equity share capital

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

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

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

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

In the period ending 19 December 2016, 11,834,627 shares were purchased in the open market by Regus plc and 4,712,856 treasury shares held by Regus plc were utilised to satisfy the exercise of share awards by employees. At 19 December 2016, 27,612,384 shares were held as treasury shares. These shares were cancelled as part of the Group reorganisation and Scheme of Arrangement.

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

In the period from 19 December 2016 to 31 December 2016, 1,280,032 shares were purchased in the open market by IWG plc and 109,333 treasury shares held by IWG plc were utilised to satisfy the exercise of share awards by employees. At 31 December 2016, 1,170,699 shares were held as treasury shares.

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

During the year, 16,830,000 shares were purchased in the open market and 5,013,954 treasury shares held by the Group were utilised to satisfy the exercise of share awards by employees. As at 6 March 2018, 12,883,481 treasury shares were held. The holders of ordinary shares in IWG plc are entitled to receive such dividends as are declared by the Company and are entitled to one vote per share at meetings of the Company. Treasury shares do not carry such rights until reissued.

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

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

23. Analysis of financial assets/(liabilities)

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

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

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

24. Financial instruments and financial risk management

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

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

Going concern

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

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

Credit risk

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

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

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

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

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

The ageing of trade receivables at 31 December was:

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

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

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

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

Liquidity risk

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

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

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

Although the Group has net current liabilities of £560.3m (2016: £581.1m), the Group does not consider that this gives rise to a liquidity risk. A large proportion of the net current liabilities comprise non-cash liabilities such as deferred income which will be recognised in future periods through the income statement. The Group holds customer deposits of £429.8m (2016: £421.0m) which are spread across a large number of customers and no deposit held for an individual customer is material. Therefore, the Group does not believe the balance represents a liquidity risk. The net current liabilities, excluding deferred income, were £275.0m at 31 December 2017 (2016: £304.7m).

Market risk

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

Interest rate risk

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

Foreign currency risk

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

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

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

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

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

Other market risks

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

Sensitivity analysis

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

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

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

Capital management

The Group’s parent company is listed on the UK stock exchange and the Board’s policy is to maintain a strong capital base. The Chief Financial Officer monitors the diversity of the Group’s major shareholders and further details of the Group’s communication with key investors can be found in the Corporate Governance Report on page 55. In 2006, the Board approved the commencement of a progressive dividend policy to enhance the total return to shareholders.

The Group’s Chief Executive Officer, Mark Dixon, is the major shareholder of the Company and all executive members of the Board hold shares in the Company. Details of the Directors’ shareholdings can be found in the report of the Remuneration Committee on pages 62 to 73. In addition, the Group operates various share option plans for key management and other senior employees.

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

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

The Company declared an interim dividend of 1.75p per share (2016: 1.55p) during the year ended 31 December 2017 and proposed a final dividend of 3.95p per share (2016: 3.55p per share), a 11% increase on the 2016 dividend.

The Group’s objective when managing capital (equity and borrowings) is to safeguard the Group’s ability to continue as a going concern and to maintain an optimal capital structure to reduce the cost of capital. The Group has a net debt position of £296.4m at the end of 2017 (2016: £151.3m) and £131.8m (2016: £299.4m) of committed undrawn borrowings.

Effective interest rates

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

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

As at 31 December 2017

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

As at 31 December 2016

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

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

Fair value disclosures

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

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

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

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

Valuation techniques

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

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

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

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

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

Derivative financial instruments

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

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

Committed borrowings

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

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

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

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

25. Share-based payments

There are four share-based payment plans, details of which are outlined below:

Plan 1: IWG Group Share Option Plan

During 2004 the Group established the IWG Group Share Option Plan that entitles Executive Directors and certain employees to purchase shares in IWG plc (previously Regus plc). In accordance with this programme, holders of vested options are entitled to purchase shares at the market price of the shares at the day before the date of grant.

The IWG Group also operates the IWG Group Share Option Plan (France) which is included within the numbers for the IWG Share Option Plan disclosed above. The terms of the IWG Share Option Plan (France) are materially the same as the IWG Group Share Option Plan with the exception that they are only exercisable from the fourth anniversary of the date of grant, assuming the performance conditions have been met.

Reconciliation of outstanding share options

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

Date of grant	Numbers granted	Weighted average exercise price per share	Lapsed	Exercised	At 31 Dec 2017	Exercisable from	Expiry date
23/03/2010	3,986,000	100.50	(3,463,777)	(425,258)	96,965 (1)	23/03/2013	23/03/2020
28/06/2010	617,961	75.00	(546,198)	(50,956)	20,807 (1)	28/06/2013	28/06/2020
01/09/2010	160,646	69.10	(146,728)	(9,856)	4,062 (1)	01/09/2013	01/09/2020
01/04/2011	2,400,000	114.90	(954,402)	(481,866)	963,732 (1)	01/04/2014	01/04/2021
30/06/2011	9,867,539	109.50	(4,900,647)	(4,089,695)	877,197 (1)	30/06/2014	30/06/2021
13/06/2012	11,189,000	84.95	(3,833,070)	(5,315,855)	2,040,075 (1)	13/06/2015	13/06/2022
12/06/2013	7,741,000	155.60	(4,280,910)	(1,553,703)	1,906,387	12/06/2016	12/06/2023
18/11/2013	600,000	191.90	(575,000)	–	25,000	18/11/2016	17/11/2023
18/12/2013	1,000,000	195.00	(750,000)	–	250,000	18/12/2016	17/12/2023
20/05/2014	1,845,500	187.20	(1,658,500)	(53,433)	133,567	20/05/2017	19/05/2024
05/11/2014	12,875,796	186.00	(4,606,142)	(9,677)	8,259,977	05/11/2017	04/11/2024
19/05/2015	1,906,565	250.80	(1,794,565)	–	112,000	19/05/2018	18/05/2025
22/12/2015	1,154,646	322.20	(270,528)	–	884,118	22/12/2018	22/12/2025
29/06/2016	444,196	272.50	(175,000)	–	269,196	29/06/2019	29/06/2026
28/09/2016	249,589	258.00	(33,389)	–	216,200	28/09/2019	28/09/2026
01/03/2017	1,200,000	283.70	–	–	1,200,000	01/03/2020	01/03/2027
14/12/2017	1,000,507	197.00	–	–	1,000,507	14/12/2020	14/12/2027
Total	58,238,945	151.73	(27,988,856)	(11,990,299)	18,259,790		

1. All options have vested as of 31 December 2016

Performance conditions for share options

June 2013 share option plan

The Group performance targets for the options awarded in June 2013, based on Group operating profit for the year ending 31 December 2013, were partially met. Those options that are eligible to vest will vest as follows:

	Proportion to vest
June 2016	1/3
June 2017	1/3
June 2018	1/3

November 2013 share option plan

The options awarded in November 2013 are partly subject to a performance target based on the earnings before tax for the years ending 31 December 2016 and 31 December 2017, such that the number of shares vesting will be subject to the satisfaction of a pre-determined earnings before tax target in 2016 and 2017.

Once performance conditions are satisfied, those options that are eligible to vest will vest on the anniversary of the grant date in the year following achievement of one or more of the target thresholds. Those options not subject to the performance targets are eligible to be exercised in three equal tranches from the third anniversary of the grant date.

December 2013 share option plan

The options awarded in December 2013 are subject to a performance target based on the earnings before tax for the years ending 31 December 2018 and 31 December 2021, such that the number of shares vesting will be subject to the satisfaction of a pre-determined earnings before tax target in 2018 and 2021.

Once performance conditions are satisfied, those options that are eligible to vest will vest on the anniversary of the grant date in the year following attainment of one or more of the target thresholds. Those options not subject to the performance targets are eligible to be exercised in three equal tranches from the third anniversary of the grant date.

May 2014 share option plan

The options awarded in May 2014 are conditional on the ongoing employment of the related employees for a specified period of time. Once this condition is satisfied, those options that are eligible to vest will vest as follows:

	Proportion to vest
May 2017	1/3
May 2018	1/3
May 2019	1/3

November 2014 share option plan

The options awarded in November 2014 are conditional on the ongoing employment of the related employees and the achievement of margin targets. The dates and percentage of options vesting are dependent on the year in which the margin targets are achieved. The earliest dates on which the options are eligible to vest is as follows:

	Proportion to vest
November 2017	1/5
November 2018	1/5
November 2019	1/5
November 2020	1/5
November 2021	1/5

May 2015 share option plan

The options awarded in May 2015 are conditional on the ongoing employment of the related employees and the achievement of margin targets. The dates and percentage of options vesting are dependent on the year in which the margin targets are achieved. The earliest dates on which the options are eligible to vest is as follows:

	Proportion to vest
May 2018	1/5
May 2019	1/5
May 2020	1/5
May 2021	1/5
May 2022	1/5

December 2015 share option plan

The Group performance targets for the options awarded in December 2015, based on Group operating profit for the year ending 31 December 2016, were met. Those options that are eligible to vest will vest as follows:

	Proportion to vest
December 2018	1/5
December 2019	1/5
December 2020	1/5
December 2021	1/5
December 2022	1/5

June 2016 share option plan

The Group performance targets for the options awarded in June 2016, based on Group operating profit for the year ending 31 December 2016, were met. Those options that are eligible to vest will vest as follows:

	Proportion to vest
June 2019	1/5
June 2020	1/5
June 2021	1/5
June 2022	1/5
June 2023	1/5

September 2016 share option plan

The options awarded in September 2016 are conditional on the ongoing employment of the related employee for a specified period of time. Once this condition is satisfied, those options that are eligible to vest will vest as follows:

	Proportion to vest
September 2019	1/5
September 2020	1/5
September 2021	1/5
September 2022	1/5
September 2023	1/5

March 2017 share option plan

The total number of shares awarded is subject to three different performance conditions. These conditions are measured over three financial years commencing on 1 January 2017. Thus, conditional on meeting these performance targets, these shares will vest in March 2020. One third is subject to defined earnings per share (EPS) conditions, one third is subject to relative total shareholder return (TSR) conditions and one third is subject to return on investment (ROI) conditions.

The EPS condition is based on the compound annual growth in EPS over the performance period measured from EPS in the financial year ending 31 December 2016 as follows:

Vesting scale	% of one third of the award that vest
25%	100%
Between 5% and 25%	On a straight-line basis between 0% and 100%
5%	0%

The TSR condition is based on the performance of the Group's TSR growth against the median TSR growth of the comparator group as follows:

Vesting scale	% of one third of the award that vest
Exceeds the median by 10% or more	100%
Exceeds the median by less than 10%	On a straight-line basis between 25% and 100%
Ranked at median	25%
Ranked below the median	0%

The ROI condition is based on the ROI improvement over the performance period relative to ROI for the financial year ending 31 December 2016 as follows:

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

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

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

December 2017 share option plan

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

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

Measurement of fair values

The fair value of the rights granted through the employee share purchase plan was measured based on the Monte Carlo simulation or the Black-Scholes formula. The expected volatility is based on the historic volatility adjusted for any abnormal movement in share prices.

The inputs to the model are as follows:

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

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

Plan 2: IWG plc Co-Investment Plan (CIP) and Performance Share Plan (PSP)

The CIP operates in conjunction with the annual bonus whereby a gross bonus of up to 50% of basic annual salary will be taken as a deferred amount of shares (Investment Shares) to be released at the end of a defined period of not less than three years, with the balance of the bonus paid in cash. Awards of Matching Shares are linked to the number of Investment Shares awarded and will vest depending on the Company's future performance. The maximum number of Matching Shares which can be awarded to a participant in any calendar year under the CIP is 200% of salary. As such, the maximum number of Matching Shares which can be awarded, based on Investment Shares awarded, is in the ratio of 4:1.

The PSP provides for the Remuneration Committee to make stand-alone awards, based on normal plan limits, up to a maximum of 250% of base salary.

Reconciliation of outstanding share awards

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

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

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

Plan	Date of grant	Numbers granted	Lapsed	Exercised	At 31 Dec 2017	Release date[1]
CIP: Matching shares	06/03/2013	1,217,176	(317,687)	(648,042)	**251,447**	06/03/2018
CIP: Investment shares	05/03/2014	161,922	–	(161,922)	**–**	05/03/2017
CIP: Matching shares	05/03/2014	647,688	(272,583)	(100,303)	**274,802**	See below[2]
CIP: Investment shares	04/03/2015	207,952	–	(75,626)	**132,326**	04/03/2018
CIP: Matching shares	04/03/2015	831,808	(302,504)	–	**529,304**	04/03/2020
		3,066,546	(892,774)	(985,893)	**1,187,879**	

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

Measurement of fair values

The fair value of the rights granted through the employee share purchase plan was measured based on the Monte Carlo simulation.

The inputs to the model are as follows:

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

It is recognised by the Remuneration Committee that the additional EPS targets represent a highly challenging goal and consequently, in determining whether they have been met, the Committee will exercise its discretion. The overall aim is that the relevant EPS targets must have been met on a run-rate or underlying basis. As such, an adjusted measure of EPS will be calculated to assess the underlying performance of the business.

The performance conditions are as follows:

2013 CIP Investment and matching grants

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

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

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

% of awards eligible for vesting	IWG TSR % achieved relative to FTSE All Share Total Return index(1)
Below index	0%
Equal to index	25%
Equal to index + 15% p.a.	100%

1. Over the three-, four- or five-year performance period

2014 CIP Investment and matching grants

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

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

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

% of awards eligible for vesting	IWG TSR % achieved relative to FTSE All Share Total Return index(1)
Below index	0%
Median	25%
Upper quartile or above	100%

1. Over the three-, four- or five-year performance period

2015 CIP Investment and matching grants

The total number of matching awards made in 2015 to each participant is subject to a future performance period of three years. Conditional on meeting the performance targets, the matching shares will vest in March 2020. The vesting date relates to the adjusted earnings per share (EPS) performance in the last financial year of the performance period, being 31 December 2017. The vesting of these awards is subject to the achievement of challenging corporate performance targets. 75% is subject to defined adjusted EPS targets over the performance period. The remaining 25% will be subject to relative total shareholder return (TSR) targets over the period. The targets are as follows:

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

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

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

2016 PSP Investment grant

The total number of shares awarded is subject to three different performance conditions. These conditions are measured over three financial years commencing on 1 January 2016. Thus, conditional on meeting these performance targets, these shares will vest in March 2021. One third is subject to defined earnings per share (EPS) conditions, one third is subject to relative total shareholder return (TSR) conditions and one third is subject to return on investment (ROI) conditions.

The EPS condition is based on the compound annual growth in EPS over the performance period measured from EPS in the financial year ending 31 December 2015 as follows:

Vesting scale	% of one third of the award that vest
25%	100%
Between 5% and 25%	On a straight-line basis between 0% and 100%
5%	0%

The TSR condition is based on the performance of the Group's TSR growth against the median TSR growth of the comparator group as follows:

Vesting scale	% of one third of the award that vest
Exceeds the median by 10% or more	100%
Exceeds the median by less than 10%	On a straight-line basis between 25% and 100%
Ranked at median	25%
Ranked below the median	0%

The ROI condition is based on the ROI improvement over the performance period relative to ROI for the financial year ending 31 December 2015 as follows:

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

2017 PSP Investment grant

The total number of shares awarded is subject to three different performance conditions. These conditions are measured over three financial years commencing on 1 January 2017. Thus, conditional on meeting these performance targets, these shares will vest in March 2022. One third is subject to defined earnings per share (EPS) conditions, one third is subject to relative total shareholder return (TSR) conditions and one third is subject to return on investment (ROI) conditions.

The EPS condition is based on the compound annual growth in EPS over the performance period measured from EPS in the financial year ending 31 December 2016 as follows:

Vesting scale	% of one third of the award that vest
25%	100%
Between 5% and 25%	On a straight-line basis between 0% and 100%
5%	0%

The TSR condition is based on the performance of the Group's TSR growth against the median TSR growth of the comparator group as follows:

Vesting scale	% of one third of the award that vest
Exceeds the median by 10% or more	100%
Exceeds the median by less than 10%	On a straight-line basis between 25% and 100%
Ranked at median	25%
Ranked below the median	0%

The ROI condition is based on the ROI improvement over the performance period relative to ROI for the financial year ending 31 December 2016 as follows:

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

Plan 3: One-Off Award

In November 2015, an award of 328,751 ordinary shares of 1p each in the Company was granted to the Company's Chief Financial Officer and Chief Operating Officer, Dominik de Daniel. The award was structured as a conditional award and was granted under a one-off award arrangement established under Listing Rule 9.4.2(2).

In the normal course of events the award will vest over five years, if and to the extent to which performance conditions are achieved. The applicable performance target is set out below:

Performance metric	Target	Vesting at target
Compound annual growth in EPS over the performance period	5%	100%

Reconciliation of outstanding share options

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

Measurement of fair values

The fair value of the rights granted through the employee share purchase plan was measured based on the Black-Scholes formula. The expected volatility is based on the historic volatility adjusted for any abnormal movement in share prices.

The inputs to the model are as follows:

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

Plan 4: Deferred Shared Bonus Plan

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

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

Reconciliation of outstanding share options

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

Measurement of fair values

The fair value of the rights granted through the employee share purchase plan was measured based on the Black-Scholes formula. The expected volatility is based on the historic volatility adjusted for any abnormal movement in share prices.

The inputs to the model are as follows:

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

26. Retirement benefit obligations

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

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

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

27. Acquisitions

Current period acquisitions

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

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

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

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

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

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

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

For a number of the acquisitions in 2017, the fair value of assets acquired has only been provisionally assessed at the reporting date. The main changes in the provisional fair values expected are for the fair value of the leases (asset or liability), customer relationships and plant, property and equipment. The final assessment of the fair value of these assets will be made within 12 months of the acquisition date and any adjustments reported in future reports.

The Group continued to complete acquisition transactions subsequent to 31 December 2017, which will be accounted for in accordance with IFRS 3. Due to the timing of these transactions, it is not practical to disclose the information associated with the initial accounting for these acquisitions.

Prior period acquisitions

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

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

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

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

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

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

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

28. Capital commitments

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

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

29. Non-cancellable operating lease commitments

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

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

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

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

30. Contingent assets and liabilities

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

31. Related parties

Parent and subsidiary entities

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

Joint ventures

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

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

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

Key management personnel

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

Compensation of key management personnel (including Directors)

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

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

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

Transactions with related parties

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

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

32. Principal Group companies

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

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

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

33. Key judgemental areas adopted in preparing these accounts

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

Fair value accounting for business combinations

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

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

Valuation of intangibles and goodwill

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

Impairment of property, plant and equipment

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

Tax assets and liabilities

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

Onerous lease provisions

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

Dilapidations

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

Parent company accounts

Summarised extract of Company balance sheet
(Accounting policies are based on the Swiss Code of Obligations)

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

Approved by the Board on 6 March 2018

Mark Dixon
Chief Executive Officer

Dominik de Daniel
Chief Financial Officer
and Chief Operating Officer

Accounting policies
Basis of preparation

These financial statements were prepared in accordance with accounting policies based on the Swiss Code of Obligations.

The Company is included in the consolidated financial statements of IWG plc.

The balance sheet has been extracted from the non-statutory accounts of IWG plc for the year ended 31 December 2017, which are available from the Company's registered office, Dammstrasse 19, CH-6300, Zug, Switzerland.

FIVE-YEAR SUMMARY

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

SEGMENTAL ANALYSIS

Segmental analysis – management basis (unaudited)

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

Segmental analysis – management basis (unaudited)

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

Notes:

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

POST-TAX CASH RETURN ON NET INVESTMENT

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

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

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

2017

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

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

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

2017

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

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

2017

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

2017

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

2017

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

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

Directors' statements

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

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

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

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

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

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

Under applicable law and regulations, the Directors are also responsible for preparing a Directors' Report, a Strategic Report, a Remuneration Report and a Corporate Governance Statement that comply with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's websites.

Legislation in the UK and Jersey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statutory statement as to disclosure to auditor

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

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

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

Statement of responsibility

We confirm that to the best of our knowledge:

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

By order of the Board

Mark Dixon
Chief Executive Officer

Dominik de Daniel
Chief Financial Officer
and Chief Operating Officer

6 March 2018