IWG International Workplace Group | Regus SPACES HQ Signature

8 August 2023

H1 RESULTS ANNOUNCEMENT

IWG plc, the largest provider of hybrid workspace globally including its Regus and Spaces brands with an unrivalled network of 3,398 locations across 120 countries, issues its results for the six months ended 30th June 2023

RECORD REVENUE DELIVERY COMBINED WITH STRONG CASH FLOW PRODUCTION

- Record six-month system-wide revenue of £1,679m, constant currency growth of 14% year-on-year, and group revenue of £1,484m
- EBITDA[1] increase of 48% to £198m (H1 2022: £131m) driven by revenue momentum and cost discipline
- Cash flow from business activities[2] of £162m (H1 2022: £(4)m)
- Net financial debt reduced by £54m over the last 6 months to £658m

Capital light growth continues, centre growth capex falls

- Additional 400 new locations signed in H1 2023 – of which only 5% are company-owned[3]
- Net growth capex has fallen to £34m H1 2023 vs £57m H1 2022, in line with management expectations
- Fee income from capital light strategy up 40% to £21m (H1 2022: £15m) and will grow meaningfully as signings progress to openings over an average 18-month timeframe

Worka progression

- Worka, the industry platform enabling hybrid working, saw revenues increase 32% to £153m (H1 2022: £115m) and 35% EBITDA growth to £62m (H1 2022: £43m)
- Continued investment in the platform for further Q4 product launches expected to be a catalyst for revenue and EBITDA generation

Balance sheet continues to strengthen from cash flow generation

- Successfully refinanced debt facilities until Q4 2025 as previously announced
- Strong cash generation - £68m cash generation used directly to reduce gross debt

Scale and network sets us apart from competition

- Our scale and network of market-leading brands makes us a partner of choice for corporates and building owners exploring and changing their global real estate strategy
- Accelerated network growth will continue to strengthen the many benefits of scale, including purchasing efficiencies to better manage costs
- As the clear market-leader in the structurally growing hybrid working industry we are exceptionally well positioned for the long term

SUMMARY FINANCIALS

The Group reports in accordance with IFRS. Some results are additionally presented before the application of IFRS 16 (in accordance with IAS 17 accounting standards)[1] as it provides useful information to stakeholders on how the Group is managed, and reporting for bank covenants. The primary difference between the two standards is the treatment of operating lease liabilities. There is no difference between underlying cash flow. A reconciliation between EBITDA before the application of IFRS 16 and the IFRS 16 EBITDA is provided in the CFO review.

Continuing operations (£m)	H1 2023	H1 2022	Constant currency	Actual currency
System revenue[4]	**1,679**	1,448	+14%	+16%
Group revenue	**1,484**	1,287	+14%	+15%
EBITDA	**687**	604	+12%	+14%
Operating profit	**94**	37	+154%	+154%
Adjusted EBITDA, before application of IFRS 16[1]	**198**	131	+48%	+51%
Earnings per share (p) – from continuing operations	**(6.0)**	(3.6)	n.m	n.m
Cash flow from business activities[2]	**162**	(4)	n.m	n.m

1. Adjusted EBITDA before the application of IFRS 16 as defined in the Alternative performance measures section
2. Cash flow from operations less tax, interest and payment of lease liabilities (see p. 8)
3. Company-owned comprises of owned buildings and fully conventional leases
4. System-wide revenue represents the total of all revenue made by both non-consolidated and consolidated locations globally

Mark Dixon, Chief Executive of IWG plc, said:

"We continue to grow as expected, producing a record period for IWG with our highest ever revenue in our over 30-year history, up 14% from the first half of 2022. Importantly, we have achieved this alongside increasing EBITDA and cashflow generation, which is reducing net debt. We have done this through a combination of higher demand for flexible work products, improved pricing and cost discipline and I am looking forward to continuing this momentum into the second half of 2023 and into 2024.

During the first half of the year, we have accelerated our capital light growth strategy allowing us to capitalise on the growing pipeline of property investors seeking to maximise their returns by partnering with IWG – in fact we have signed almost as many agreements in the first half of 2023 as we did in the whole of 2022. We continue to be well placed to deliver further revenue, profitable growth and reducing leverage as more companies permanently embrace hybrid working as their preferred model with IWG set to be the biggest beneficiary.

I would like to thank the entire IWG team for their hard work and our customers and building owner partners for their continued support."

Outlook and guidance

Our outlook for the full year remains cautiously optimistic given the growing demand for hybrid working solutions tempered by FX headwinds and a challenging economic and competitive environment. We exit H1 with improved margins and improving monthly EBITDA. As such, management has not changed its expectations for adjusted full year EBITDA and the expectation that net debt continues to fall through the year.

With revenues denominated in or linked to US dollars representing the majority of our revenues and expected to grow, along with recent volatility in Sterling, the Board has initiated a review of IWG's reporting currency as well as the potential implications of reporting under US GAAP rather than IFRS, irrespective of listing venue.

Details of results presentation

Mark Dixon, Chief Executive Officer, and Charlie Steel, Chief Financial Officer, will be hosting a presentation of the results today for analysts and investors at **9.00am BST** (SPACES, New Broad Street House, 35 New Broad St, London, EC2M 1NH).

The presentation will be available via live webcast. This will be available to view at the following link: https://broadcaster-audience.mediaplatform.com/#/event/64abc6a9b40d8852b29095e2

Further information

IWG plc	**Brunswick Tel: + 44 (0) 20 7404 5959**
Mark Dixon, Chief Executive Officer	Nick Cosgrove
Charlie Steel, Chief Financial Officer	Greg Dawson
Richard Manning, Head of Investor Relations	

Chief Executive Officer's review

When I look back at the first half of 2023, I see it clearly as a period of strong evolution and progress, with organisations everywhere accelerating their investment in the new way of working that is set to transform millions of working lives this year and beyond.

In short, it was a continuation of the 'Big Bang' we started seeing in 2022, when the continuing impact of the Covid-19 pandemic finally led to the lift-off of the hybrid model that some of us have been anticipating for many years.

Now we are seeing fast-growing numbers of businesses across the world adopt and reap the benefits of a model that involves employees working from home for a day or two each week, alongside collaborative time spent at a nearby flexible workspace and the occasional visit to corporate HQ.

If it was the pandemic that initially lit the fuse, technology is the fuel that's now propelling the uptake of hybrid working to levels that very few predicted just two or three years ago.

Technology frees people from the burden of having to attend the same single far-off workplace five days a week, month after month, year after year, also confers multiple other freedoms – for employees and employers alike.

For workers, it takes away the drudgery, the cost, the stress and lost time of commuting, while gifting more time spent with family and friends in their communities and indulging their interests. And for businesses, it eradicates the tyranny and expense of the long-term, city-centre lease while improving employee engagement and productivity.

We have achieved this whilst at the same time being a great driver of reducing emissions for the planet: we achieved Carbon neutrality at the start of 2023, and strive to go even further – both ourselves and as an agent supporting our clients in cutting their emissions.

Unique strengths to benefit from hybrid working

Despite the challenges facing the wider Real Estate industry, our story and business is one to be optimistic about. Demand for our products is accelerating – both by corporates trying to reduce their real estate costs and create a more flexible real estate footprint and their employees alike. We are uniquely positioned to service this structural demand shift. No one else boasts such a fantastic global network of buildings and locations, supported by a unique technology platform and apps. Whilst the attraction for customers is clear – it is also one of the main reasons we are increasingly the partner of choice for building owners to sign longer-term, capital-light agreements.

To meet this demand, we are accelerating our supply-side growth to build a fee business. In the first half of 2023, we signed contracts on 400 locations with 95% of those a variation of capital light – so despite this acceleration, our net capex spent on growth fell from £57m in H1 2022 to £34m in H1 2023.

All of this is translating into growing revenues from pricing and services, and our scale and size enables us to manage costs, so a large percentage of the revenue increase is dropping through to EBITDA and this EBITDA is converting to cashflow.

Given that the contribution of the fee business will accelerate markedly as signings turn into openings – this cashflow will grow as we will not need to invest as much to grow as we have historically.

Looking forward

We enter the second half of the year with good momentum. The future for IWG and all our stakeholders remains bright as we continue to grow our customer base, our global network and our best-in-class portfolio of locations and brands.

Customers, and building owners alike see our unique proposition. In contrast to the tough real estate market, it has meant we are able to accelerate growth through our capital light model which, with its significantly lower capex requirements, has demonstrated our ability to deliver both strong growth and a strong balance sheet.

With the right business model, the right strategy, and the right people, we are superbly placed to benefit from the fundamental changes occurring in the workplace market.

Mark Dixon

Chief Executive Officer
8 August 2023

Chief Financial Officer's review

The first half of 2023 has demonstrated the ability of the Group to continue to deliver: highest ever, half-year, system-wide revenue of nearly £1.7bn whilst simultaneously increasing operating profit and cash generation before corporate activities. Combining the Group's unique brand strategy and unrivalled global network with historic investment in new centre capacity, positions the business well for the second half of 2023 and beyond.

Financial performance

The Group reports results in accordance with IFRS. Under IFRS 16, while total lease-related charges over the life of a lease remain unchanged, the lease charges are characterised as depreciation and financing expenses with higher total expense in the early periods of a lease and lower total expense in the later periods of the lease.

Group income statement (£m)	H1 2023	H1 2022	Constant currency	Actual Currency
System-wide revenue	**1,679**	1,448	+14%	+16%
Group revenue	**1,484**	1,287	+14%	+15%
Gross profit	**297**	217	+37%	+37%
Overheads	**(203)**	(179)	+12%	+13%
Joint ventures	**–**	(1)		
Operating profit/(loss)	**94**	37	+154%	+154%
Net finance cost	**(164)**	(107)		+53%
Loss before tax from continuing operations	**(70)**	(70)		-%
Taxation	**9**	31		
Effective tax rate	**13%**	44%		
Loss after tax from continuing operations	**(61)**	(39)		
Profit after tax from discontinued operations	**–**	1		
Loss for the period	**(61)**	(38)		
Basic EPS (p)				
From continuing operations	**(6.0)**	(3.6)		
Attributable to shareholders	**(6.0)**	(3.5)		
Depreciation & amortisation	**593**	567	+2%	+5%
EBITDA	**687**	604	+12%	+14%

Segmental Reporting

System-wide revenue increased by 16%, or 14% at constant currency, to £1,679m. Group revenue also increased by 15%, or 14% at constant currency, to £1,484m. All three regions reported good year-on-year revenue growth. In particular, our largest region of EMEA had strong revenue growth to £655m (+15% at constant currency) and the Americas and Asia both grew at 9%. Alongside this, Worka grew at 32%.

Revenue (£m)	H1 2023	H1 2022	Constant currency
EMEA	**655**	565	+15%
Americas	**536**	475	+9%
Asia	**135**	125	+9%
Other	**5**	7	-21%
Group pre-Worka	**1,331**	1,172	+12%
Worka	**153**	115	+32%
Group	**1,484**	1,287	+14%

Gross Profit

Revenue improvement coupled with cost control resulted in a 37% improvement in gross profit to £297m (H1 2022: £217m)

Gross Profit (£m)	H1 2023	H1 2022	Constant currency
EMEA	**122**	79	+55%
Americas	**74**	51	+42%
Asia	**22**	22	+2%
Other	**4**	6	-19%
Group pre-Worka	**222**	158	+41%
Worka	**75**	59	+26%
Group	**297**	217	+37%

Overheads

We are pleased that investment in our in-country sales teams and our marketing to support our pivot to capital-light growth is yielding results with 400 new deals signed in the first half of 2023 alone. This investment to grow our network, coupled with the investment to fill our centres and the impact of The Instant Group investment, resulted in Group increased overheads of £(203)m (H1 2022: £(179)m).

EBITDA

The Group's reported EBITDA, on an IFRS basis, increased by 12% at constant currency to £687m from £604m in H1 2022.

The Group reports results in accordance with IFRS. Under IFRS 16, while total lease-related charges over the life of a lease remain unchanged, the lease charges are rationalised as depreciation and financing expenses with higher total expense in the early periods of a lease and lower total expense in the later periods of the lease. Results are additionally presented before the application of IFRS 16 (in accordance with IAS 17 accounting standards) as it provides useful information to stakeholders on how the Group is managed and reporting for bank covenants. The primary difference between the two standards is the treatment of operating lease liabilities. There is no difference between underlying cash flow.

	EBITDA bridge	
(£m)	H1 2023	H1 2022
EBITDA	**687**	604
Rent income	**29**	23
Rent expense	**(543)**	(508)
Centre closure & other cost	**3**	8
EBITDA before application of IFRS 16	**176**	127
Network rationalisation charge	**3**	(44)
Closure costs	**24**	20
Restructuring costs	**2**	2
Asset impairment of Russia & Ukraine	**(1)**	19
Other one-off items	**(6)**	7
Total adjusting items	**22**	4
Adjusted EBITDA before application of IFRS 16	**198**	131

Before the application of IFRS 16 the Group's adjusted EBITDA increased by 48% at constant currency to £198m from £131m in H1 2022. This is as a result of both revenue increases but also disciplined cost control, including with respect to centre costs.

To bridge the Group's EBITDA of £687m under the IFRS 16 standard to the adjusted EBITDA of £198m under IAS 17, we need to rationalise rental income on subleases which are rationalised as lease receivables under IFRS 16, rental costs on our lease portfolio reflected as lease liabilities under IFRS 16 and centre closure and other costs which are reflected as impairments under IFRS 16.

EBITDA by segment (£m)	H1 2023	H1 2022	Constant currency
EMEA	**311**	283	+9%
Americas	**299**	258	+12%
Asia	**69**	68	+1%
Other	**(54)**	(48)	+5%
Group pre-Worka	**625**	561	+10%
Worka	**62**	43	+35%
Continuing operations	**687**	604	+12%
Discontinued operations	**-**	-	
Group	**687**	604	+12%

Adjusting Items

EBITDA before the application of IFRS 16 is shown on an adjusted basis in order to improve the year-on-year comparability. The Group identified net adjusting items on operating profit of £22m compared to £4m in H1 2022, of which £19m are non-cash items (H1 2022: release of £(5)m).

Adjusting items before the application of IFRS 16 in H1 2023 reflect network rationalisation charges (the expected impairment cost arising from centre closures) of £3m (H1 2022: release of £(44)m), closure costs (the actual costs of closing centres, including non-cash write-downs) of £24m (H1 2022: £20m) and other one-off items including restructuring, exceptional acquisition, legal and transaction cost as well as asset impairment reversal of £(5)m (H1 2022: charge of £28m).

Foreign Exchange Rates

	At 30 Jun			**Average**		
Per £ sterling	2023	2022	%	H1 2023	H1 2022	%
US dollar	**1.27**	1.22	-4%	**1.24**	1.29	+4%
Euro	**1.16**	1.17	0%	**1.15**	1.19	+3%

The USD and Euro in H1 2023 were on average stronger compared to Pound Sterling. However, as previously articulated, we expect to see FX headwinds in H2 2023.

Network growth

Our focus has been and will continue to be on expansion through partnerships. Less than 15% of deals we have signed this year are company-owned (comprises of owned buildings, fully conventional and/or variable leases). As a result, we are continuing to improve the quality of our portfolio as we grow our global network.

We are well positioned to continue to grow given that we still have 26.3% of centre capacity remaining which we can use to grow revenues at low marginal cost with minimal further investment.

	H1 2023	H1 2022	YoY change
Number of centres	**3,398**	**3,335**	+2%
Centre openings	**133**	70	
Centre rationalisations	**(80)**	(49)	
Number of SQFT	**66.1m**	**64.6m**	+2%
Total new centre deals signed	**400**	**123**	+225%
Of which capital light	**382**	104	+267%
Average total occupancy	**73.7%**	**73.4%**	+30 bps
Embedded price, indexed*	**103**	**94**	+9%

* Price per square foot, Q1 2020 = 100

Finance costs and taxation

The Group reported a net finance expense for the six months to 30 June 2023 of £(164)m (H1 2022: £(107)m).

The net finance expense includes interest on the Group's lease liabilities of £(136)m (H1 2022: £(112)m) and borrowing facilities of £(28)m (H1 2022: £(15)m). The increase in the finance expense related to the borrowing facilities is mainly driven by increased interest rates. Net finance expense in H1 2022 included a £27m gain on the mark-to-market of the option element of the convertible bond.

The effective tax rate is 13% (H1 2022: 44%). The Group has adopted the amendment to IAS 12 from 1 January 2023 that also impacted the previously accounted deferred tax asset on leases. Following the amendments, the Group has recognised a separate deferred tax asset in relation to its lease liabilities and a deferred tax liability in relation to its right-of-use assets. As a result, retained earnings for the six months ended 30 June 2022 was restated by £71m, including the income tax restatement of £42m. The change also rolls forwards to be applied in the Group's H1 2023 consolidated financial statements.

Earnings per share

Earnings per share from continuing operations in the first six months to 30 June 2023 was a loss of (6.0)p (H1 2022: (3.6)p). Earnings per share attributable to ordinary shareholders for the first half of 2023 was a loss of (6.0)p (H1 2022: (3.5)p).

The weighted average number of shares in issue during the first six months of 2023 was 1,006,682,105 (H1 2022: 1,007,572,244). The weighted average number of shares for diluted earnings per share was 1,090,178,139 (H1 2022: 1,097,148,667). 399,158 shares were acquired in the period to be held in treasury to satisfy future exercises under various Group long-term incentive schemes. The Group reissued 403,879 shares from treasury to satisfy such exercises during the year. At 30 June 2023 the Group held 50,560,132 treasury shares (30 June 2022: 50,699,339).

Cash flow – continuing operations

We continued to manage our costs tightly, restructure centres where necessary and improve revenue. This resulted in strong cash inflow from business activities in H1 2023 of £162m compared to a cash outflow of £(4)m in H1 2022.

Tax paid was £(23)m in H1 2023 (H1 2022: £(11)m). The higher cash tax paid was mainly driven by a £(10)m payment of 2022 US taxes based on the estimated US tax liability as reported at year end 2022.

Cash inflow before growth capex and corporate activities was £109m (H1 2022: outflow of £(27)m).

Net growth capital expenditure was significantly lower at £(34)m (H1 2022: £(57)m) and demonstrates the benefit of our capital-light growth strategy. In the first six months of 2023 we already signed 400 new centre deals which is already almost as much as we signed during the full-year in 2022 (FY 2022: 462 deals).

Net cash before FX movements in H1 2023 decreased by £(30)m primarily due to the repayment of loans of £(97)m compared to cash inflows before corporate activities of £68m.

Cashflow (£m)	H1 2023	H1 2022
Operating profit/(loss)	**94**	37
Depreciation & amortisation	**593**	567
EBITDA	**687**	604
Rent income	**29**	23
Rent expense	**(543)**	(508)
Centre closure & other costs	**3**	8
Adjusting items	**22**	4
Adjusted EBITDA before application of IFRS 16	**198**	131
Working capital (excl. amortisation of partner contributions)	**61**	(13)
Working capital related to the amortisation of partner contributions	**(48)**	(50)
Maintenance capital expenditure (net)	**(42)**	(48)
Other items[1]	**(7)**	(24)
Cash inflow/(outflow) from business activities[2]	**162**	(4)
Tax paid	**(23)**	(11)
Finance costs on bank & other facilities	**(30)**	(12)
Cash inflow/(outflow) before growth capex and corporate activities	**109**	(27)
Gross growth capital expenditure	**(56)**	(76)
Growth-related partner contributions	**22**	19
Net growth capital expenditure	**(34)**	(57)
Purchase of subsidiary undertakings (net of cash)	**(7)**	(304)
Cash inflow/(outflow) before corporate activities	**68**	(388)
Purchase of shares	**(1)**	(6)
Investment-related loan receivable	**-**	-
Net proceeds on transactions	**-**	53
Other corporate items	**-**	-
Net (repayments)/proceeds from loans	**(97)**	466
Net cash (outflow)/inflow for the year	**(30)**	125
Opening net cash	**161**	78
FX movements	**(7)**	3
Closing cash	**124**	206

1. Includes capitalised rent related to centre openings (gross growth capital expenditure) of £(2)m (H1 2022: £(3)m)
2. Cash flow before growth capex, corporate activities, tax and finance cost on bank & other facilities

Cash as at 30 June 2023 was £124m (30 June 2022: £206m). In the first six months of 2023 we decreased our loan balance by £97m to £(782)m and were impacted by £(6)m non-cash movements and FX impacts on loans. This resulted in net debt before application of IFRS 16 of £(658)m (30 June 2022: £(742)m).

Under IFRS, we are obliged to report net debt including the lease liabilities which comprise c.90% of our net debt balance. During H1 2023 we paid principal and interest on finance leases of £616m and recognised new principal and interest on net lease investments of £(31)m. Non-cash movements and currency impact on lease liabilities and investments increased the liability by £(133)m. Hence, total IFRS 16 related net lease liabilities at 30 June 2023 were £(5,440)m (30 June 2022: £(6,287)m).

As a result, net debt at the end of June 2023 was at £(6,098)m compared with £(7,029)m at the end of June 2022.

Net debt (£m)	**H1 2023**	H1 2022
Closing cash	**124**	206
Opening loans	**(873)**	(475)
Net proceeds from issue & repayment of loans	**97**	(466)
Non-cash movements & FX impact on loans	**(6)**	(7)
Net financial debt	**(658)**	(742)
Opening lease liabilities (net)	**(5,892)**	(6,121)
Principal & interest payments on finance leases	**616**	615
Non-cash movements (net)	**(349)**	(399)
Principal & interest received on net lease investment	**(31)**	(17)
FX impact on lease liabilities & investments (net)	**216**	(365)
Net debt	**(6,098)**	(7,029)

Risk Management

Effective management of risk is an everyday activity for the Group, and crucially, integral to our growth planning. A detailed assessment of the principal risks and uncertainties which could impact the Group's long-term performance and the risk management structure in place to identify, manage and mitigate such risk can be found on pages 44-53 of the 2022 Annual Report and Accounts. The principal risks and uncertainties are unchanged.

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 six months ended 30 June 2023. Details of related party transactions that have taken place in the period can be found in note 13.

Dividends and share repurchase

The Group continues to focus on cash flow production to reduce net debt and as such there is currently not an intention to pay a dividend.

Financing

In June 2023 the Group successfully repaid the non-recourse bridge facility, with a gross balance of £(270)m at 31 December 2022, by increasing the Revolving Credit Facility ("RCF") from £(750)m to £(875)m, secured against the Group. Additionally, the final maturity date of the RCF is in November 2025, previously in March 2025, and no material terms, such as pricing, have changed.

As a result, the Group has a combination of debt financing instruments, including:

- Convertible bond of £(323)m (face value £(350)m, 31 December 2022: £(318)m) at 30 June 2023 with an interest rate of 0.5%, due for repayment or conversion at £4.5807 per share in December 2027 with an option for the bondholders to put the instrument back to the Group in December 2025 at par; and

- Net financial debt of £(658)m at 30 June 2023 (31 December 2022: £(712)m)

As at half-year 2023 the Group complied with all facility covenants. The financial instruments are discussed in relation to the going concern assessment below.

Going concern

The Group reported a loss after tax of £(61)m (H1 2022: £(39)m) from continuing operations in the first six months of 2023, while net cash of £607m (H1 2022: £512m) was generated from operations during the same period. Although the Group's balance sheet at 30 June 2023 reports a net current liability position of £(1,649)m (31 December 2022: £(1,868)m) which could give rise to a potential liquidity risk, the Directors concluded after a comprehensive review that no liquidity risk exists as:

(1) The Group had funding available under the Group's £(875)m revolving credit facility. £145m (31 December 2022: £173m) was available and undrawn at 30 June 2023. The facility's final maturity date is November 2025;

(2) The Group maintained a 12-month rolling forecast and a three-year strategic outlook. It also monitored the covenants in its facility to manage the risk of potential breach. The Group expects to remain within covenants throughout the forecast period. In reaching this conclusion, the Directors have assessed:
- the potential cash generation of the Group against a range of illustrative scenarios (including a severe but plausible outcome); and
- mitigating actions to reduce operating costs and optimise cash flows during any ongoing global uncertainty.

The Directors consider that the Group is well placed to successfully manage the actual and potential risks faced by the organisation including risks related to inflationary pressures and geopolitical tensions.

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

Charlie Steel
Chief Financial Officer
8th August 2023

Condensed Consolidated Financial Information

Interim consolidated income statement (unaudited)

£m	Notes	Six months ended 30 June 2023	Six months ended 30 June 2022 Restated [1]
Revenue[2]		**1,484**	1,287
Costs of sales[3]		**(1,177)**	(1,080)
Expected credit (losses)/reversal on trade receivables		**(10)**	10
Gross profit (centre contribution)		**297**	217
Selling, general and administration expenses[4]		**(203)**	(179)
Share of loss of equity-accounted investees, net of tax		**–**	(1)
Operating profit		**94**	37
Finance expense	3	**(168)**	(137)
Finance income	3	**4**	30
Net finance expense		**(164)**	(107)
Loss before tax for the period from continuing operations		**(70)**	(70)
Income tax credit		**9**	31
Loss for the period from continuing operations		**(61)**	(39)
Profit after tax for the period from discontinued operations	4	**–**	1
Loss for the period		**(61)**	(38)
Attributable to equity shareholders of the Group		**(60)**	(35)
Attributable to non-controlling interests		**(1)**	(3)
Loss per ordinary share (EPS):			
Attributable to ordinary shareholders			
Basic (p)		**(6.0)**	(3.5)
Diluted (p)		**(6.0)**	(3.5)
From continuing operations			
Basic (p)		**(6.0)**	(3.6)
Diluted (p)		**(6.0)**	(3.6)

(1) These balances have been restated as the Group changed its accounting policy on deferred tax related to assets and liabilities arising from a single transaction due to amendments to IAS 12 (note 1).

(2) Includes a net settlement fee of £2m recognised (comprising the settlement fee of £18m, offset by various non-cash items of £16m), for TKP Corporation's sale of the Japanese master franchise agreement to Mitsubishi Estate Co.

(3) Includes the net charge of £20m (2022: net reversal of £41m), consisting of the net reversal of the impairment of property, plant and equipment and right-of-use assets of £1m (2022: £70m), offset by network rationalisation costs of £18m (2022: £20m) and the impairment of Ukraine and Russia of £3m (2022: £9m) which were previously presented as adjusting items (note 1).

(4) Includes a reversal of £9m (2022: charge of £2m), consisting primarily of closure related legal provisions which were previously presented as adjusting items (note 1).

The above interim consolidated income statement should be read in conjunction with the accompanying notes.

Interim consolidated statement of comprehensive income (unaudited)

£m	Six months ended 30 June 2023	Six months ended 30 June 2022 Restated [1]
Loss for the period	**(61)**	(38)
Other comprehensive (loss)/income that is or may be reclassified to profit or loss in subsequent periods:		
Foreign currency translation differences for foreign operations	**(19)**	22
Items that are or may be reclassified to profit or loss in subsequent periods	**(19)**	22
Other comprehensive income that will never be reclassified to profit or loss in subsequent periods:		
Items that will never be reclassified to profit or loss in subsequent periods	–	–
Other comprehensive (loss)/income for the period, net of tax	**(19)**	22
Total comprehensive loss for the period, net of tax	**(80)**	(16)
Attributable to shareholders of the Group	**(79)**	(15)
Attributable to non-controlling interests	**(1)**	(1)

(1) These balances have been restated as the Group changed its accounting policy on deferred tax related to assets and liabilities arising from a single transaction due to amendments to IAS 12 (note 1).

The above interim consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Interim consolidated statement of changes in equity (unaudited)

£m	Issued share capital	Share premium	Treasury shares	Foreign currency translation reserve	Other reserves[1]	Retained earnings	Total Equity attributable to equity shareholders	Non-controlling interests	Total Equity
Balance at 1 January 2022	10	313	(151)	16	26	82	296	9	305
Change in accounting policy (note 1)	–	–	–	–	–	29	29	–	29
Restated balance at 1 January 2022	10	313	(151)	16	–	111	325	9	334
Restated loss for the period	–	–	–	–	–	(35)	(35)	(3)	(38)
Other comprehensive income:									
Foreign currency translation differences for foreign operations	–	–	–	20	–	–	20	2	22
Other comprehensive income, net of tax	–	–	–	20	–	–	20	2	22
Total comprehensive income/(loss) for the period	–	–	–	20	–	(35)	(15)	(1)	(16)
Transactions with owners of the Company									
Share-based payments	–	–	–	–	–	1	1	–	1
Purchase of shares	–	–	(6)	–	–	–	(6)	–	(6)
Proceeds from exercise of share awards	–	–	4	–	–	(4)	–	–	–
Total transactions with owners of the Company	–	–	(2)	–	–	(3)	(5)	–	(5)
Acquisition of subsidiary with non-controlling interest	–	–	–	–	–	–	–	53	53
Restated balance at 30 June 2022	10	313	(153)	36	26	73	305	61	366
Balance at 1 January 2023	**10**	**313**	**(152)**	**21**	**26**	**(35)**	**183**	**52**	**235**
Change in accounting policy (note 1)	**–**	**–**	**–**	**–**	**–**	**77**	**77**	**–**	**77**
Restated balance at 1 January 2023	**10**	**313**	**(152)**	**21**	**26**	**42**	**260**	**52**	**312**
Loss for the period	**–**	**–**	**–**	**–**	**–**	**(60)**	**(60)**	**(1)**	**(61)**
Other comprehensive loss:									
Foreign currency translation differences for foreign operations	**–**	**–**	**–**	**(19)**	**–**	**–**	**(19)**	**–**	**(19)**
Other comprehensive loss, net of tax	**–**	**–**	**–**	**(19)**	**–**	**–**	**(19)**	**–**	**(19)**
Total comprehensive loss for the period	**–**	**–**	**–**	**(19)**	**–**	**(60)**	**(79)**	**(1)**	**(80)**
Transactions with owners of the Company									
Share-based payments	**–**	**–**	**–**	**–**	**–**	**2**	**2**	**–**	**2**
Purchase of shares	**–**	**–**	**(1)**	**–**	**–**	**–**	**(1)**	**–**	**(1)**
Proceeds from exercise of share awards	**–**	**–**	**1**	**–**	**–**	**(1)**	**–**	**–**	**–**
Total transactions with owners of the Company	**–**	**–**	**–**	**–**	**–**	**1**	**1**	**–**	**1**
Balance at 30 June 2023	**10**	**313**	**(152)**	**2**	**26**	**(17)**	**182**	**51**	**233**

(1) Other reserves include £11m 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, £38m arising from the Scheme of Arrangement undertaken on 14 October 2008, £6m relating to merger reserves and £nil to the redemption of preference shares partly offset by £29m arising from the Scheme of Arrangement undertaken in 2003.

The above interim consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Interim consolidated balance sheet

£m	Notes	As at 30 June 2023 (unaudited)	As at 31 December 2022 Restated [1]
Non-current assets			
Goodwill	6	**911**	934
Other intangible assets		**207**	214
Property, plant and equipment	7	**5,682**	6,234
Right-of-use assets	7	**4,559**	5,009
Other property, plant and equipment	7	**1,123**	1,225
Non-current net investment in finance leases	9	**69**	95
Deferred tax assets	8	**504**	457
Other long-term receivables		**53**	57
Investments in joint ventures		**45**	45
Other investments		**–**	–
Total non-current assets		**7,471**	8,036
Current assets			
Inventory		**1**	1
Trade and other receivables		**1,108**	919
Current net investment in finance leases	9	**46**	52
Corporation tax receivable		**21**	19
Cash and cash equivalents	9	**124**	161
Total current assets		**1,300**	1,152
Total assets		**8,771**	9,188
Current liabilities			
Trade and other payables		**1,006**	755
Customer deposits		**461**	447
Deferred revenue		**436**	455
Corporation tax payable		**65**	45
Bank and other loans	9	**19**	285
Lease liabilities	9	**935**	1,002
Provisions		**27**	31
Total current liabilities		**2,949**	3,020
Non-current liabilities			
Other long-term payables		**8**	11
Deferred tax liabilities	8	**175**	175
Bank and other loans	9	**763**	588
Lease liabilities	9	**4,620**	5,037
Provisions		**15**	37
Provision for deficit on joint ventures		**6**	6
Retirement benefit obligations		**2**	2
Total non-current liabilities		**5,589**	5,856
Total liabilities		**8,538**	8,876
Total equity			
Issued share capital		**10**	10
Issued share premium		**313**	313
Treasury shares		**(152)**	(152)
Foreign currency translation reserve		**2**	21
Other reserves		**26**	26
Retained earnings		**(17)**	42
Total shareholders' equity		**182**	260
Non-controlling interests		**51**	52
Total equity		**233**	312
Total equity and liabilities		**8,771**	9,188

(1) Based on the audited financial statements for the year ended 31 December 2022. These balances have been restated as the Group changed its accounting policy on deferred tax related to assets and liabilities arising from a single transaction due to amendments to IAS 12 (note 1).

The above interim consolidated balance sheet should be read in conjunction with the accompanying notes.

Interim consolidated statement of cash flows (unaudited)

£m	Notes	Six months ended 30 June 2023	Six months ended 30 June 2022 Restated [1]
Operating activities			
Loss for the period from continuing operations		**(61)**	(39)
Adjustments for:			
Profit from discontinued operations	4	**–**	–
Net finance expense[2]	3	**164**	107
Share of loss on equity-accounted investees, net of income tax		**–**	1
Depreciation charge - Other property, plant and equipment	7	**101**	83
Depreciation charge - Right-of-use assets	7	**466**	476
Loss on disposal of property, plant and equipment		**11**	9
Profit on disposal of right-of-use assets and related leases liabilities	9	**(10)**	(11)
Loss/(reversal) on impairment of property, plant and equipment	7	**10**	(7)
Loss/(reversal) on impairment of right-of-use assets	7	**17**	(8)
Amortisation of intangible assets		**26**	8
Income tax credit		**(9)**	(31)
Expected credit losses/(reversal) on trade receivables		**10**	(10)
(Decrease)/increase in provisions		**(24)**	19
Share-based payments	11	**2**	1
Other non-cash movements		**14**	–
Operating cash flows before movements in working capital		**717**	598
Proceeds from partner contributions (reimbursement of costs)[3]	7	**6**	6
Increase in trade and other receivables		**(239)**	(93)
Increase in trade and other payables		**312**	136
Cash generated from operations		**796**	647
Interest paid and similar charges on bank loans and corporate borrowings		**(30)**	(12)
Interest paid on lease liabilities	9	**(136)**	(112)
Tax paid		**(23)**	(11)
Net cash inflows from operating activities		**607**	512
Investing activities			
Purchase of property, plant and equipment	7	**(79)**	(109)
Payment of initial direct costs related to right-of-use assets		**(1)**	–
Interest received on net lease investment	3	**4**	3
Payment received from net lease investment	9	**27**	14
Purchase of subsidiary undertakings (net of cash acquired)	14	**(7)**	(304)
Purchase of intangible assets		**(19)**	(20)
Proceeds on the sale of discontinued operations, net of cash disposed of	4	**–**	1
Net cash outflows from investing activities		**(75)**	(415)
Financing activities			
Proceeds from issue of loans	9	**308**	898
Repayment of loans	9	**(405)**	(432)
Payment of lease liabilities	9	**(480)**	(503)
Proceeds from partners contributions (lease incentives)[3]		**16**	18
Proceeds received from non-controlling interests		**–**	53
Purchase of treasury shares		**(1)**	(6)
Net cash (outflows)/inflows from financing activities		**(562)**	28
Net (decrease)/increase in cash and cash equivalents		**(30)**	125
Cash and cash equivalents at beginning of the period		**161**	78
Effect of exchange rate fluctuations on cash held		**(7)**	3
Cash and cash equivalents at end of the period	9	**124**	206

(1) These balances have been restated as the Group changed its accounting policy on deferred tax related to assets and liabilities arising from a single transaction due to amendments to IAS 12 (note 1).

(2) The net finance expense includes mark-to-market adjustments of £nil (2022: £27m)

(3) The total proceeds from partner contributions relating to the reimbursement of costs and lease incentives of £22m (2022: £24m) are allocated between maintenance partner contribution of £nil (2022: £5m) and growth partner contributions of £22m (2022: £19m).

The above interim consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the Condensed Interim Consolidated Financial Information (unaudited)

Note 1: Basis of preparation and accounting policies

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.

The unaudited condensed interim consolidated financial information as at and for the six months ended 30 June 2023 included within the half yearly report:

- was prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") as adopted for use in the UK ("adopted IFRS"), and therefore does not include all disclosures that would otherwise be required in a complete set of financial statements. Selected explanatory notes are included to understand events and transactions that are significant to understand the changes in the Group's financial position and performance since the last IWG plc Annual Report and Accounts for the year ended 31 December 2022;
- was prepared in accordance with the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority;
- comprises the Company and its subsidiaries (the "Group") and the Group's interests in jointly controlled entities;
- does not constitute statutory accounts as defined in Companies (Jersey) Law 1991. A copy of the statutory accounts for the year ended 31 December 2022 has been filed with the Jersey Companies Registry. Those accounts have been reported on by the Company's auditors and the report of the auditors was (i) unqualified, and (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report. These accounts are available from the Company's website - www.iwgplc.com; and
- was approved by the Board of Directors on 8 August 2023.

The basis of preparation and accounting policies set out in the Report and Accounts for the year ended 31 December 2022 have been applied in the preparation of this half yearly report, except for the adoption of new accounting policies and new standards and interpretations effective as of 1 January 2023. With the exception of the adoption of the amendments to IAS 12 as noted below, there was no material effect on the Group's financial statements, unless otherwise indicated.

New standards and interpretations

The following standards, interpretations and amendments to standards were applicable to the Group for periods commencing on or after 1 January 2023:

Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12
IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts
Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates
Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)

The following new or amended standards and interpretations that are mandatory for 2024 annual periods (and future years) are not expected to have a material impact on the Company:

Non-current Liabilities with Covenants – Amendments to IAS 1	1 January 2024
Classification of Liabilities as Current or Non-Current – Amendments to IAS 1	1 January 2024
Lease Liability in a Sale and Leaseback – Amendments to IFRS 16	1 January 2024

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.

Change in accounting policy - Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)

The Group has adopted the amendment to IAS 12 from 1 January 2023. The amendments narrow the scope of the initial recognition exemption on leases, to exclude transactions that give rise to equal and offsetting temporary differences. Following this reassessment, the deferred tax asset and liabilities recognised relating to the Group's leases has resulted in a £77m impact on the opening retained earnings as at 1 January 2023 (1 January 2022: £29m). The retained earnings for the six months ended 30 June 2022, required a £42m income tax credit restatement of the losses for the period. The adjustment to retained earnings relates to leases which were originally dealt with using the initial recognition exemption. This change in accounting policy will also be reflected in the Group's consolidated financial statements for the year ending 31 December 2023.

The following table summarises the opening balance impact, on transition to the IAS 12 amendment:

£m	Deferred tax asset	Deferred tax liability	Retained Earnings
Balance reported at 1 January 2022	327	141	82
Adjustment	59	30	29
Restated balance at 1 January 2022	386	171	111
Balance reported at 1 January 2023	**350**	**145**	**(35)**
Adjustment	**107**	**30**	**77**
Restated balance at 1 January 2023	**457**	**175**	**42**

Seasonality

The majority of the Group's revenue is not subject to significant seasonal fluctuations. Demand based revenue (from products such as Meeting Rooms and Customer Services) is impacted by seasonal factors within the period, particularly around summer and winter vacation periods. This fluctuation leads to a small seasonal profit bias to the second half year compared to the first half. However, this seasonal bias is often hidden by other factors, which drive changes in the pattern of profit delivery such as the addition of new centres or changes in demand or prices.

Judgements and estimates

In preparing this condensed consolidated interim financial information, the significant judgments made by management and the key sources of estimation of uncertainty were the same as those that applied to the Report and Accounts for the year ended 31 December 2022.

Adjusting items

Adjusting items were previously presented as a separate line item on the consolidated income statement. As of 1 January 2023 the Group no longer discloses these items separately on the face of the consolidated income statement but refers to them within the notes to the interim financial statements and alternative performance measures. Notwithstanding the change in the presentation on the consolidated income statement, the accounting policy of adjusting items are unchanged from those noted on page 139 of the 2022 Annual Report.

Principal risks

As part of the half year risk assessment, the Board has considered the impact of geopolitical factors on the principal risks of the Group. Following this risk assessment, the Board are satisfied that the principal risks impacting the group over the next six months are unchanged from those noted on pages 44 to 53 of the 2022 Annual Report.

Financing

In June 2023 the Group successfully repaid the non-recourse bridge facility, with a gross balance of £270m at 31 December 2022, by increasing the Revolving Credit Facility ("RCF") from £750m to £875m, secured against the Group. Additionally, the final maturity date of the RCF is in November 2025, previously in March 2025, and no material terms, such as pricing, have changed.

As a result, the Group has a combination of debt financing instruments, including:

- Convertible bond of £323m (face value £350m, 31 December 2022: £318m) at 30 June 2023 with an interest rate of 0.5%, due for repayment in 2027 with an option for the bondholders to put the instrument back to the Group in 2025 at par; and
- Net financial debt of £335m (excluding the convertible bond) at 30 June 2023 (31 December 2022: £394m).

As at half-year 2023 the Group complied with all facility covenants. The financial instruments are discussed in relation to the going concern assessment below.

Going concern

The Group reported a loss after tax of £61m (2022 restated: £39m) from continuing operations in the first six months of 2023, while net cash of £607m (2022: £512m) was generated from operations during the same period. Although the Group's balance sheet at 30 June 2023 reports a net current liability position of £1,649m (31 December 2022: £1,868m) which could give rise to a potential liquidity risk, the Directors concluded after a comprehensive review that no liquidity risk exists as:

1) The Group had funding available under the Group's £875m revolving credit facility. £145m (31 December 2022: £173m) was available and undrawn at 30 June 2023. The facility's final maturity date is November 2025;
2) The Group maintained a 12-month rolling forecast and a three-year strategic outlook. It also monitored the covenants in its facility to manage the risk of potential breach. The Group expects to remain within covenants throughout the forecast period. In reaching this conclusion, the Directors have assessed:
   - the potential cash generation of the Group against a range of illustrative scenarios (including a severe but plausible outcome); and
   - mitigating actions to reduce operating costs and optimise cash flows during any ongoing global uncertainty.

The Directors consider that the Group is well placed to successfully manage the actual and potential risks faced by the organisation including risks related to inflationary pressures and geopolitical tensions.

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

Note 2: Segmental analysis

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses. An operating segment's results are reviewed regularly by the chief operating decision-maker (the Board of Directors of the Group) on a pre-IFRS 16 basis to make decisions about resources to be allocated to the segment and assess its performance, and for which distinct financial information is available. The segmental information is presented on the same basis on which the chief operating decision-maker received reporting during the year. Segmental assets and liabilities continue to be presented in accordance with IFRS.

The business is run on a worldwide basis but managed through two operating segments. The Group's primary operating segment is managed through three principal geographical segments: the Americas; EMEA (Continental Europe including UK, Middle East and Africa); and Asia Pacific. The results of business centres in each of these regions, based on time zones; economic relationships; market characteristics; cultural similarities; and language clusters, form the basis for reporting geographical results to the chief operating decision-maker. These geographical segments exclude the Group's non-trading, holding and corporate management companies, which are included in the Other segment. The Instant Group investment has been incorporated into Worka, which is disclosed as a separate operating segment. The combined digital assets in Worka, represents the world's leading fully integrated workspace platform. 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 distinct 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 2022.

Six months ended 30 June £m	Americas		EMEA		Asia Pacific		Other		Pre-Worka		Worka		Total	
Continuing operations	2023	2022 Restated[1]	2023	2022 Restated[1]	2023	2022 Restated[1]	2023	2022 Restated[1]	2023	2022 Restated[1]	2023	2022 Restated[1]	2023	2022 Restated[1]
Reported revenue [2]	**536**	475	**655**	565	**135**	125	**5**	7	**1,331**	1,172	**153**	115	**1,484**	1,287
Rent income	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**29**	23	**29**	23
Revenue on pre-IFRS 16 basis	**536**	475	**655**	565	**135**	125	**5**	7	**1,331**	1,172	**182**	138	**1,513**	1,310
Workstation revenue[3]	**363**	*332*	**490**	*425*	**102**	*97*	**–**	–	**955**	*854*	**–**	–	**955**	*854*
Fee income	**7**	*1*	**12**	*9*	**5**	*4*	**1**	*1*	**25**	*15*	**–**	–	**25**	*15*
Customer Service income[4][5]	**166**	*142*	**153**	*131*	**28**	*24*	**4**	*6*	**351**	*303*	**182**	*138*	**533**	*441*
Gross profit/(loss) (centre contribution)	**46**	25	**57**	42	**9**	12	**4**	5	**116**	84	**78**	64	**194**	148
Share of loss of equity-accounted investees	**–**	–	**–**	(1)	**–**	–	**–**	–	**–**	(1)	**–**	–	**–**	(1)
Operating profit/(loss)	**16**	(19)	**(1)**	(2)	**(3)**	1	**(65)**	(59)	**(53)**	(79)	**44**	47	**(9)**	(32)
Finance expense	**–**	–	**–**	–	**–**	–	**–**	–	**(29)**	(17)	**(9)**	(4)	**(38)**	(21)
Finance income	**–**	–	**–**	–	**–**	–	**–**	–	**–**	28	**–**	–	**–**	28
(Loss)/profit before tax for the period	**–**	–	**–**	–	**–**	–	**–**	–	**(82)**	(68)	**35**	43	**(47)**	(25)
Depreciation and amortisation	**80**	82	**62**	55	**13**	13	**11**	8	**166**	158	**19**	1	**185**	159
Impairment of assets	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
Assets[6]	**3,290**	3,676	**3,711**	4,022	**579**	578	**599**	607	**8,179**	8,883	**592**	761	**8,771**	9,644
Liabilities[6]	**(3,178)**	(3,542)	**(3,581)**	(3,757)	**(584)**	(575)	**(968)**	(796)	**(8,311)**	(8,670)	**(227)**	(609)	**(8,538)**	(9,279)
Net assets / (liabilities)	**112**	134	**130**	265	**(5)**	3	**(369)**	(189)	**(132)**	213	**365**	152	**233**	365
Non-current assets additions [6][7]	**72**	65	**122**	144	**47**	26	**22**	20	**263**	255	**7**	12	**270**	267

(1) Restated for the separate disclosure of the Worka segment and for the change in the Group's accounting policy on deferred tax related to assets and liabilities arising from a single transaction due to amendments to IAS 12 (note 1).

(2) Excludes revenue from discontinued operations.

(3) Includes customer deposits.

(4) Includes membership card income.

(5) Other includes a net settlement fee of £2m recognised (comprising the settlement fees of £18m, offset by various non-cash items of £16m), for TKP Corporation's sale of the Japanese master franchise agreement to Mitsubishi Estate Co.

(6) Presented on a basis consistent with IFRS 16.

(7) Excluding deferred taxation.

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

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

£m	Americas		EMEA		Asia Pacific		Other		Pre-Worka		Worka		Total	
Continuing operations	2023	2022 Restated[1]	2023	2022 Restated[1]	2023	2022 Restated[1]	2023	2022 Restated[1]	2023	2022 Restated[1]	2023	2022 Restated[1]	2023	2022
Gross profit (centre contribution) – pre-IFRS 16	**46**	25	**57**	42	**9**	12	**4**	5	**116**	84	**78**	64	**194**	148
Rent income	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**(29)**	(23)	**(29)**	(23)
Rent	**221**	204	**237**	224	**57**	59	**–**	3	**515**	490	**28**	18	**543**	508
Depreciation of property, plant and equipment including right-of-use assets	**(176)**	(169)	**(185)**	(194)	**(46)**	(43)	**–**	(2)	**(407)**	(408)	**(1)**	–	**(408)**	(408)
Other	**(17)**	(9)	**13**	7	**2**	(6)	**–**	**–**	**(2)**	(8)	**(1)**	–	**(3)**	(8)
Gross profit (centre contribution)	**74**	51	**122**	79	**22**	22	**4**	6	**222**	158	**75**	59	**297**	217

(1) Restated for the separate disclosure of the Worka segment.

£m	Americas		EMEA		Asia Pacific		Other		Pre-Worka		Worka		Total	
Continuing operations	2023	2022 Restated[1]	2023	2022 Restated[1]	2023	2022 Restated[1]	2023	2022 Restated[1]	2023	2022 Restated[1]	2023	2022 Restated[1]	2023	2022
Operating profit/(loss) – pre-IFRS 16	**16**	(19)	**(1)**	(2)	**(3)**	1	**(65)**	(59)	**(53)**	(79)	**44**	47	**(9)**	(32)
Rent income	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**(29)**	(23)	**(29)**	(23)
Rent	**221**	204	**237**	224	**57**	59	**–**	3	**515**	490	**28**	18	**543**	508
Depreciation of property, plant and equipment including right-of-use assets	**(176)**	(169)	**(185)**	(194)	**(46)**	(43)	**–**	(2)	**(407)**	(408)	**(1)**	–	**(408)**	(408)
Other	**(18)**	(9)	**13**	6	**2**	(5)	**–**	–	**(3)**	(8)	**–**	–	**(3)**	(8)
Operating profit/(loss)	**43**	7	**64**	34	**10**	12	**(65)**	(58)	**52**	(5)	**42**	42	**94**	37

(1) Restated for the separate disclosure of the Worka segment.

£m	Americas		EMEA		Asia Pacific		Other		Pre-Worka		Worka		Total	
Continuing operations	2023	2022 Restated[1]	2023	2022 Restated[1]	2023	2022 Restated[1]	2023	2022 Restated[1]	2023	2022 Restated[1]	2023	2022 Restated[1]	2023	2022
Depreciation and amortisation – pre-IFRS 16	**80**	82	**62**	55	**13**	13	**11**	8	**166**	158	**19**	1	**185**	159
Depreciation of property, plant and equipment including right-of-use assets	**176**	169	**185**	194	**46**	43	**–**	2	**407**	408	**1**	–	**408**	408
Depreciation and amortisation	**256**	251	**247**	249	**59**	56	**11**	10	**573**	566	**20**	1	**593**	567

(1) Restated for the separate disclosure of the Worka segment.

£m	Americas		EMEA		Asia Pacific		Other		Pre-Worka		Worka		Total	
Continuing operations	2023	2022 Restated[1]	2023	2022 Restated[1]	2023	2022 Restated[1]	2023	2022 Restated[1]	2023	2022 Restated[1]	2023	2022 Restated[1]	2023	2022
Impairment of assets – pre-IFRS 16	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
Impairment/(net reversal) of property, plant and equipment including right-of-use assets	**11**	(16)	**10**	1	**6**	–	**–**	–	**27**	(15)	**–**	–	**27**	(15)
Impairment/(net reversal) of assets	**11**	(16)	**10**	1	**6**	–	**–**	–	**27**	(15)	**–**	–	**27**	(15)

(1) Restated for the separate disclosure of the Worka segment.

Note 3: Net finance expense

£m	Six months ended 30 June 2023	Six months ended 30 June 2022
Interest payable and similar charges on bank loans and corporate borrowings	(28)	(15)
Interest payable on finance lease liabilities	(136)	(112)
Total interest expense	**(164)**	(127)
Other finance costs (including foreign exchange)	(4)	(10)
Total finance expense	**(168)**	(137)
Interest received on net lease investment	4	3
Financial liabilities measured at FVTPL	–	27
Total finance income	**4**	30
Net finance expense	**(164)**	(107)

Note 4: Discontinued operations

During the period, the Group had no discontinued operations (2022: consideration of £1m and a gain on sale of £1m).

Note 5: Dividends

Given continuing macroeconomic uncertainties and geopolitical tensions, the Group's capital allocation policy remains unchanged, prioritising investment in the long-term growth of our business.

In order to protect our liquidity in the short term, no dividend was declared in 2023 (2022: £nil) and future dividend payments continue to be placed on hold, with the intention to review the return to our progressive dividend policy when appropriate.

Note 6: Goodwill and indefinite life intangible assets

As at 30 June 2023, the carrying value of the Group's goodwill and indefinite life intangible assets was £911m and £11m respectively (31 December 2022: £934m and £11m respectively). With a £nil impact from acquisitions in the year to date, this decrease is due to foreign exchange movements.

In accordance with IAS 36, the Group reviewed goodwill for indicators of impairment. Detailed impairment indicator reviews were performed on the US, UK and Worka businesses, which represent 78% of the Group's goodwill balance, with consideration given to key drivers of performance and actions taken by management. These key drivers included on-going business performance, cost mitigation actions, review of sales key performance indicators and market specific economic trends. There were no long-term indicators of impairment identified for the US, UK and Worka. There was no impairment recognised in the current period in respect of individually immaterial countries (2022: £3m).

Note 7: Property, plant and equipment

£m	Right-of-use assets [1]	Land and buildings	Leasehold improvements	Furniture and equipment	Computer hardware	Total
Cost						
Balance at 1 January 2023	9,654	160	1,705	923	138	12,580
Additions	**178**	**–**	**49**	**23**	**1**	**251**
Modifications [2]	**80**	**–**	**–**	**–**	**–**	**80**
Acquisition of subsidiaries (Note 14)	**9**	**–**	**5**	**–**	**–**	**14**
Disposals	**(345)**	**–**	**(28)**	**(17)**	**(4)**	**(394)**
Exchange rate movements	**(371)**	**–**	**(90)**	**(38)**	**(6)**	**(505)**
Balance at 30 June 2023	**9,205**	**160**	**1,641**	**891**	**129**	**12,026**
Accumulated depreciation						
Balance at 1 January 2023	4,645	14	1,041	533	113	6,346
Charge for the period	**466**	**1**	**62**	**35**	**3**	**567**
Disposals	**(290)**	**–**	**(20)**	**(15)**	**(3)**	**(328)**
Impairment [3]	**17**	**–**	**10**	**–**	**–**	**27**
Exchange rate movements	**(192)**	**–**	**(47)**	**(24)**	**(5)**	**(268)**
Balance at 30 June 2023	**4,646**	**15**	**1,046**	**529**	**108**	**6,344**
Net book value						
Balance at 1 January 2023	5,009	146	664	390	25	6,234
Balance at 30 June 2023	**4,559**	**145**	**595**	**362**	**21**	**5,682**

(1) Right-of-use assets consist of property related leases.

(2) Modifications includes lease modifications and extensions.

(3) Includes a COVID related net reversal of impairment of £1m (2022: £70m) previously provided for (note 1).

The key assumptions and methodology in calculating right-of-use assets and the corresponding lease liability remain consistent with those noted in note 33 of the Group's 2022 Annual Report and Accounts.

Capital expenditure authorised and contracted for but not provided for in the accounts amounted to £29m (30 June 2022: £68m).

Impairment tests for property, plant and equipment (including right-of-use assets) are performed on a cash-generating unit basis when impairment triggers arise. Cash-generating units (CGUs) are defined as individual business centres, being the smallest identifiable group of assets that generate cash flows that are largely independent of other groups of assets. The Group assesses whether there is an indication that a CGU may be impaired, including persistent operating losses, net cash outflows and poor performance against forecasts. During the period, and as a direct result of the challenging economic circumstances arising from the current geopolitical environment, this gave rise to impairment tests in relation to various centres where impairment indicators were identified.

The recoverable amounts of property, plant and equipment are based on the higher of fair value less costs to sell and value in use. The Group considered both fair value less costs to dispose and value in use in the impairment testing on a centre by centre level. Impairment charges are recognised within cost of sales in the consolidated income statement. In 2023, the Group recorded impairment charges of £17m (2022: net reversal of £8m) in respect of right-of-use assets and £10m (2022: net reversal of £7m) in respect of leasehold improvements.

Note 8: Deferred tax assets

The Group's net deferred tax assets arising on IFRS 16 have increased to £329m (31 December 2022 restated: £282m).

The Group has changed its accounting policy and adopted the amendment to IAS 12 from 1 January 2023. The amendment relates to the recognition of separate deferred tax assets and liabilities arising from a single transaction (note 1).

The Directors have assessed the recoverability of all deferred tax balances in response to the continuing impact of the current geopolitical environment on the Group's performance and concluded that it is more likely than not that the Group will earn sufficient taxable profits on order to recover these balances. The period over which these balances are expected to be recovered is not significantly different at 30 June 2023 than it was at 31 December 2022.

Note 9: Net debt analysis

£m	Six months ended 30 June 2023	Six months ended 30 June 2022
Cash and cash equivalents	**124**	206
Current net investment in finance leases	**46**	54
Non-current net investment in finance leases	**69**	113
Gross cash and lease receivables	**239**	373
Debt due within one year	**(19)**	(14)
Debt due after one year[(1)]	**(763)**	(934)
Lease due within one year[(2)]	**(935)**	(1,021)
Lease due after one year[(2)]	**(4,620)**	(5,433)
Gross debt	**(6,337)**	(7,402)
Net debt	**(6,098)**	(7,029)

(1) Includes £323m (2022: £318m) convertible bond liability.

(2) There are no significant lease commitments for leases not commenced at 30 June 2023.

The following table shows a reconciliation of net cash flow to movements in net debt:

£m	Six months ended 30 June 2023	Six months ended 30 June 2022
Net debt at 1 January	**(6,604)**	(6,518)
Net (decrease)/increase in cash and cash equivalents	**(30)**	125
Interest received on net lease investment	**(4)**	(3)
Payment received from net lease investment	**(27)**	(14)
Proceeds from issue of loans	**(308)**	(898)
Repayment of loans	**405**	432
Interest paid on lease liabilities	**136**	112
Payment of lease liability	**480**	503
Non-cash movements[(1)]	**(356)**	(402)
Exchange rate movements	**210**	(366)
Net debt at 30 June	**(6,098)**	(7,029)

(1) Includes interests accrued on borrowings and the convertible bond liability of £6m (2022: £6m) and movements on leases in relation to new leases, lease modifications/re-measurements and lease cessations of £415m (2022: £459m). Early termination of lease liabilities represent £65m (2022: £63m) of the non-cash movements, including £nil (2022: £1m) related to discontinued operations.

Cash, cash equivalents and liquid investment balances held by the Group that are not available for use (''Blocked Cash'') amounted to £8m at 30 June 2023 (31 December 2022: £7m). Of this balance, £1m (31 December 2022: £1m) is pledged as security against outstanding bank guarantees and a further £7m (31 December 2022: £6m) is pledged against various other commitments of the Group.

Cash flows on debt relate to movements in the revolving credit facility and other borrowings. These net movements align with the activities reported in the cash flow statement.

The following amounts are included in the Group's consolidated financial statements in respect of its leases:

£m	Six months ended 30 June 2023	Six months ended 30 June 2022
Depreciation charge for right-of-use assets	**(466)**	(476)
Principal lease liability repayments	**(480)**	(503)
Interest expense on lease liabilities	**(136)**	(112)
Expense relating to short-term leases	**1**	–
Expense relating to leases of low-value assets that are not shown above as short-term leases	**–**	2
Expenses relating to variable lease payments not included in lease liabilities[(1)]	**38**	31
Total cash outflow for leases comprising interest and capital payments[(1)]	**(616)**	(615)
Additions to right-of-use assets	**178**	179
Acquired right-of-use assets	**9**	2
Interest income on net lease investment	**4**	3
Principal payments received from net lease investment	**27**	14

(1) Total cash outflows of £654m (2022: £646m) for leases, including variable payments of £38m (2022: £31m), were incurred in the period.

Note 10: Financial instruments

The fair values of financial assets and financial liabilities, together with the carrying amounts included in the consolidated statement of financial position, are as follows:

	As at 30 June 2023		As at 31 December 2022	
£m	Amortised cost	Fair value	Amortised cost	Fair value
Cash and cash equivalents	**124**	**–**	161	–
Trade and other receivables[1]	**962**	**–**	767	–
Other long-term receivables	**53**	**–**	57	–
Derivative financial liabilities	**–**	**–**	–	–
Convertible bond	**(323)**	**–**	(318)	–
Bank loans and corporate borrowings	**(440)**	**–**	(266)	–
Other loans	**(19)**	**–**	(289)	–
Contingent consideration on acquisitions	**–**	**(1)**	–	(2)
Deferred consideration on acquisitions	**(4)**	**–**	(6)	–
Trade and other payables	**(1,465)**	**–**	(1,198)	–
Other long-term payables	**(5)**	**–**	(7)	–
	(1,117)	**(1)**	(1,099)	(2)

(1) Excluding prepayments.

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

There has been no change in the classification of financial assets and liabilities, the methods and assumptions used in determining fair value and the categorisation of financial assets and liabilities within the fair value hierarchy from those disclosed in the annual report for the year ended 31 December 2022.

While the Group continues to monitor liquidity risk on a basis consistent to the approach set out on page 163 of the 2022 Annual Report and Accounts. The Group also assessed the recoverability of trade receivables, with an increase in expected credit losses of £10m recorded during the period (as at 30 June 2022: a decrease of £10m).

Although the Group has net current liabilities of £1,649m (31 December 2022: £1,868m), 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 revenue which will be recognised in future periods through the income statement. The Group holds customer deposits of £461m (December 2022: £447m) 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 Group maintains a revolving credit facility provided by a group of international banks. The amount of the facility is £875m (2022: £750m) with a final maturity in November 2025 with an automatic extension until March 2026 given certain conditions are met. As at 30 June 2023, £145m was available and undrawn under this facility (as at 30 June 2022: £162m).

The £875m revolving credit facility is subject to financial covenants which include interest cover and net debt to EBITDA ratio. The Group continued to operate in compliance with the covenants agreed with the lenders. It is concluded that the amendment to the facility represents a non-substantial debt modification in accordance with IFRS 9.

A £330m bridge facility for the Instant acquisition was repaid in full in June 2023.

In December 2020 the Group issued a £350m convertible bond, which is due for repayment in 2027 if not previously converted into shares. If the conversion option is exercised by the holder of the option, the issuer has the choice to settle by cash or equity shares in the Group. The holders of the bond have the right to put the bonds back to the Group in 2025 at par. The bond carries a fixed coupon of 0.5% per annum. In accordance with IFRS, the bond liability is split between corporate borrowings (debt) and a derivative financial liability. At the date of issue, the £350m was bifurcated at £298m and £52m between corporate borrowings (debt) and a derivative financial liability respectively. As at 30 June 2023, the debt was valued at its amortised cost, £323m (31 December 2022: £318m) and the derivative liability at its fair value is £nil (31 December 2022: £nil). A mark-to-market gain of £nil (2022: £27m), on the derivative liability, was recognised through finance income.

The fair value of the derivative element of the convertible bond has been calculated with reference to unobservable credit spreads and is considered to be a level 3 instrument. To calculate the fair value of the derivative element of the convertible bond, a convertible bond model has been applied. The convertible bond model provides a price for the option as well as a price for the bond component. An external valuation is obtained, where judgement is applied in determining the fair credit spread and volatility assumptions to use in the valuation. The model then provides a fair value output for the embedded option which accurately reflects the trading dynamics of the convertible in which it is embedded.

Note 11: Share-based payment

During the period, the Group awarded 1,069,669 options (2022: 1,687,450) under the Share Option Plan, 1,711,795 share awards (2022: 1,289,217) under the Performance Share Plan and 180,752 share awards (2022: 171,415) under the Deferred Share Bonus Plan. During the period, a charge of £2m was recognized (2022: £1m).

Note 12: Bank guarantees and contingent liabilities

The Group has bank guarantees and letters of credit held with certain banks, predominantly in support of leasehold contracts with a variety of landlords, amounting to £320m (31 December 2022: £337m). There are no material lawsuits pending against the Group.

Note 13: Related parties

The nature of related parties as disclosed in the consolidated financial statements for the Group for the year ended 31 December 2022 has not changed.

£m	As at 30 June 2023	As at 31 December 2022
Management fees received from related parties	2	6
Amounts owed by related party	77	51
Amounts owed to related party	(71)	(49)

As at 30 June 2023, no amounts due to the Group have been provided for (31 December 2022: £nil).

During the period the Group acquired goods and services from a company indirectly controlled by a director of the Group amounting to £nil (31 December 2022: £19,015). There was a £4,203 balance outstanding at the end of the period (31 December 2022: £5,217).

Compensation paid to the key management personnel of the Group will be disclosed in the Group's Annual Report and Accounts for the year ending 31 December 2023.

Note 14: Acquisitions of subsidiaries and non-controlling interest

Current period acquisition

During the six months ended 30 June 2023, the Group made individually immaterial acquisitions for a total consideration of £8m.

£m	Book value	Provisional fair value
Net assets acquired		
Right-of-use assets	9	9
Other property, plant and equipment	5	5
Cash	2	2
Other current and non-current assets	7	7
Lease liabilities	(9)	(9)
Current liabilities	(6)	(6)
	8	8
Goodwill arising on acquisition		–
Total consideration		**–**
Less deferred consideration		–
Cash flow on acquisition		
Cash paid		8
Less: cash acquired		(2)
Net cash outflow		6

The provisional goodwill arising on this 2023 acquisition reflects the anticipated future benefits IWG can obtain from operating the businesses more efficiently, primarily through increasing occupancy and the addition of value-adding products and services.

If the above acquisition had occurred on 1 January 2023, the revenue and net retained profit arising from this acquisition would have been £5m and £nil respectively. In the period, the equity acquisition contributed revenue of £4m and a net retained profit of £nil.

The acquisition costs associated with this transaction were £nil, recorded within administration expenses in the consolidated income statement.

There was no contingent consideration recognised on the acquisition and no contingent consideration was paid in the current period. Deferred consideration of £1m was paid during the current period with respect to previous period acquisitions. There are deferred considerations of £4m and contingent considerations of £1m held on the Group's balance sheet as at 30 June 2023.

Prior period acquisition

During the six months ended 30 June 2022, the Group completed the acquisition of The Instant Group for a total consideration of £324m.

The Instant Group

£m	Book value	Provisional fair value recognised on acquisition	Final fair value recognised on acquisition
Net assets/(liabilities) acquired			
Intangible assets	2	82	141
Right-of-use assets	2	2	3
Other property, plant and equipment	15	15	15
Net investment in finance leases	177	177	177
Cash	25	25	25
Other current and non-current assets	64	64	64
Lease liabilities	(171)	(171)	(172)
Provisions due within one year	(7)	(7)	(7)
Current liabilities	(111)	(107)	(105)
	(4)	80	141
Goodwill arising on acquisition		241	183
Total consideration		321	324
Less deferred consideration		–	–
Cash flow on acquisition			
Cash paid		321	324
Less: cash acquired		(25)	(25)
Net cash outflow		296	299

The goodwill arising on this reflects the future benefits anticipated by the IWG Group.

If the above acquisition had occurred on 1 January 2022, the revenue and net retained loss arising from this acquisition would have been £57m and £6m respectively in the period to 30 June 2022. In the period to 30 June 2022, the equity acquisition contributed revenue of £40m and a net retained loss of £4m.

The acquisition costs associated with this transaction were £11m, recorded within administration expenses in the consolidated income statement.

There was no contingent consideration arising on the acquisition. Contingent consideration of £5m was paid during the prior period with respect to milestones achieved on previous period acquisitions. There are deferred considerations of £4m and contingent considerations of £3m held on the Group's balance sheet as at 30 June 2022. No adjustments have been made to the fair values ascribed to this acquisition in the six months ended 30 June 2023.

Non-controlling interests

In a separate transaction on 8 March 2022, the Group sold a 13.4% non-controlling equity interest in a subsidiary of the Worka structure for a consideration of £53m.

Note 15: Events after the balance sheet date

There were no significant events occurring after 30 June 2023 affecting the condensed interim financial information of the Group.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

For the half year ended 30 June 2023

The Directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA").

In preparing the condensed set of financial statements included within the half-yearly financial report, the Directors are required to:

- prepare and present the condensed set of financial statements in accordance with IAS 34 Interim Financial Reporting as adopted for use in the UK and the DTR of the UK FCA;
- ensure the condensed set of financial statements has adequate disclosures;
- select and apply appropriate accounting policies; and
- make accounting estimates that are reasonable in the circumstances.

The Directors are responsible for designing, implementing and maintaining such internal controls as they determine is necessary to enable the preparation of the condensed set of financial statements that is free from material misstatement whether due to fraud or error.

We confirm that to the best of our knowledge:

1. the condensed set of consolidated financial statements included within the half-yearly financial report of IWG plc for the six months ended 30 June 2023 ("the interim financial information") which comprises which comprises the Interim Consolidated Income Statement, the Interim Consolidated Statement of Comprehensive Income, the Interim Consolidated Balance Sheet, the Interim Consolidated Statement of Changes in Equity, the Interim Consolidated Statement of Cash Flows and the related explanatory notes, have been presented and prepared in accordance with IAS 34, Interim Financial Reporting, as adopted for use in the UK, and the DTR of the UK FCA.
2. The interim financial information presented, as required by the DTR of the UK FCA, includes:
   - an indication of important events that have occurred during the first 6 months of the financial year, and their impact on the condensed set of financial statements;
   - a description of the principal risks and uncertainties for the remaining 6 months of the financial year;
   - related parties' transactions that have taken place in the first 6 months of the current financial year and that have materially affected the financial position or the performance of the enterprise during that period; and
   - any changes in the related parties' transactions described in the last annual report that could have a material effect on the financial position or performance of the enterprise in the first 6 months of the current financial year.

On behalf of the board

Mark Dixon	Charlie Steel
Chief Executive Officer	Chief Financial Officer

8 August 2023

This half yearly announcement contains certain forward-looking statements with respect to the operations of IWG plc. These statements and forecasts involve risk and uncertainty because they relate to events and depend upon circumstances that may or may not occur in the future. There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements and forecasts. Nothing in this announcement should be construed as a profit forecast.

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Independent Review Report to IWG plc ('the Entity')

Conclusion

We have been engaged by the Entity to review the Entity's condensed set of consolidated financial statements in the half-yearly financial report for the six months ended 30 June 2023 which comprises the Interim Consolidated Income Statement, the Interim Consolidated Statement of Comprehensive Income, the Interim Consolidated Balance Sheet, the Interim Consolidated Statement of Changes in Equity, the Interim Consolidated Statement of Cash Flows and the related explanatory notes ('the condensed consolidated interim financial information').

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of consolidated financial statements in the half-yearly financial report for the six months ended 30 June 2023 is not prepared, in all material respects in accordance with International Accounting Standard 34 Interim Financial Reporting ("IAS 34") as contained in the UK adopted International Accounting Standards and the Disclosure Guidance and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA").

Basis for conclusion

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity ("ISRE (UK) 2410") issued for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We read the other information contained in the half-yearly financial report to identify material inconsistencies with the information in the condensed set of consolidated financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the review. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Conclusions relating to going concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for conclusion section of this report, nothing has come to our attention that causes us to believe that the directors have inappropriately adopted the going concern basis of accounting, or that the directors have identified material uncertainties relating to going concern that have not been appropriately disclosed.

This conclusion is based on the review procedures performed in accordance with ISRE (UK) 2410. However, future events or conditions may cause the Entity to cease to continue as a going concern, and the above conclusions are not a guarantee that the Entity will continue in operation.

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Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FCA.

The directors are responsible for preparing the condensed set of consolidated financial statements included in the half-yearly financial report in accordance with IAS 34 as adopted for use in the UK.

The annual financial statements of the Entity for the year ended 31 December 2022 are prepared in accordance with UK-adopted international accounting standards.

In preparing the condensed set of consolidated financial statements, the directors are responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Entity or to cease operations, or have no realistic alternative but to do so.

Our responsibility

Our responsibility is to express to the Entity a conclusion on the condensed set of consolidated financial statements in the half-yearly financial report based on our review.

The purpose of our review work and to whom we owe our responsibilities

This report is made solely to the Entity in accordance with the terms of our engagement to assist the Entity in meeting the requirements of the DTR of the UK FCA. Our review has been undertaken so that we might state to the Entity those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Entity for our review work, for this report, or for the conclusions we have reached.

For and on behalf of KPMG
Chartered Accountants, Statutory Audit firm
1 Stokes Place
St. Stephen's Green
Dublin 2
DO2 DEO3
Ireland

8 August 2023

Alternative performance measures

The Group reports certain alternative performance measures ('APMs') that are not required under International Financial Reporting Standards ('IFRS') which represents the generally accepted accounting principles ('GAAP') under which the Group reports. The Group believes that the presentation of these APMs provides useful supplemental information, when viewed in conjunction with our IFRS financial information as follows:

- to evaluate the historical and planned underlying results of our operations;
- to set director and management remuneration; and
- to discuss and explain the Group's performance with the investment analyst community.

None of the APMs should be considered as an alternative to financial measures derived in accordance with GAAP. The APMs can have limitations as analytical tools and should not be considered in isolation or as a substitute for an analysis of our results as reported under GAAP. These performance measures may not be calculated uniformly by all companies and therefore may not be directly comparable with similarly titled measures and disclosures of other companies.

Please refer to page 188 of the IWG plc 2022 Annual Report and Accounts for further details.

Additional information has been provided on the following pages to bridge the statutory information reported within this half-year announcement with the performance presented as part of the Chief Executive Officer's and Chief Financial Officer's review.

Reconciliation of alternative performance measurement adjustments recognised

The purpose of these unaudited pages is to provide a reconciliation from the 2023 financial results to the alternative performance measures in accordance with the previous pre-IFRS 16 policies adopted by the Group, and thereby give the reader greater insight into the impact of IFRS 16 on the results of the Group. The recognition of these adjustments will not impact the overall cash flows of the Group or the cash generation per share.

1. Rent income and finance income

Under IFRS 16, where the sublease is assessed with reference to the right-of-use assets arising from the head lease, conventional rent income is not recognised in the profit or loss. The receipts associated with this income instead are used to determine the net investment in finance leases noted above. The net investment in finance leases is measured in subsequent periods using the effective interest rate method, based on the applicable interest rate. The related finance income arising on subsequent measurement is recognised directly through profit or loss.

2. Rent expense and finance costs

Under IFRS 16, conventional rent charges are not recognised in the profit or loss. The payments associated with these charges instead form part of the lease payments used in calculating the right-of-use assets and related lease liabilities noted above. The lease liabilities are measured in subsequent periods using the effective interest rate method, based on the applicable interest rate. The related finance costs arising on subsequent measurement are recognised directly through profit or loss.

3. Depreciation, lease payments and lease receipts

Depreciation on the right-of-use assets recognised, is depreciated over the life of the lease on a straight-line basis, adjusted for any period between the lease commencement date and the date the related centre opens, reflecting the lease-related costs directly incurred in preparing the business centre for trading. Lease payments on head leases reduce the lease liabilities recognised in the balance sheet. Lease receipts on subleases reduce the net investment in finance leases recognised in the balance sheet.

4. Other adjustments

These adjustments primarily reflect the impairment of the right-of-use assets and other property, plant and equipment as well as the reversal of the closure cost provision on a pre-IFRS 16 basis. Certain parking, storage and brokerage costs are also reversed, as they form part of the lease payments.

Consolidated EBITDA

Period ended 30 June 2023

£m	As reported	Rent income	Rent expense	Depreciation	Other adjustments	Pre-IFRS 16
EBITDA	**687**	**29**	**(543)**	**–**	**3**	**176**
Depreciation on property plant and equipment	**(567)**	**–**	**–**	**408**	**–**	**(159)**
Amortisation of intangible assets	**(26)**	**–**	**–**	**–**	**–**	**(26)**
Operating profit/(loss)	**94**	**29**	**(543)**	**408**	**3**	**(9)**
Operating profit from discontinued operations	**–**	**–**	**–**	**–**	**–**	**–**
Operating profit/(loss) from continuing operations	**94**	**29**	**(543)**	**408**	**3**	**(9)**

(1) Includes £27m of net impairment of property, plant and equipment including right-of-use assets.

Period ended 30 June 2022

£m	As reported	Rent income	Rent expense	Depreciation	Other adjustments	Pre-IFRS 16
EBITDA	604	23	(508)	–	8	127
Depreciation on property plant and equipment	(559)	–	–	408	–	(151)
Amortisation of intangible assets	(8)	–	–	–	–	(8)
Operating profit/(loss)	37	23	(508)	408	8	(32)
Operating profit from discontinued operations	–	–	–	–	–	–
Operating profit/(loss) from continuing operations	37	23	(508)	408	8	(32)

(1) Includes £15m of net reversals of impairment of property, plant and equipment including right-of-use assets.

Partner contributions receivables

£m	References	Six months ended 30 June 2023	Six months ended 30 June 2022
Opening partner contribution receivables		**23**	30
Net partner contributions recognised	Statement of cash flows, p15	**22**	24
Maintenance partner contributions	CFO review, p8	**–**	5
Growth partner contributions	CFO review, p8	**22**	19
Settled in the period		**(18)**	(30)
Exchange differences		**(1)**	2
Closing partner contribution receivables		**26**	26

Working capital

Six months ended 30 June 2023

£m	References	As reported	Rent income & expense and finance income & costs	Depreciation and lease payments	Other adjustments	Pre-IFRS 16
Partner contributions – reimbursement	Statement of cash flows, p15	**6**	**–**	**(6)**	**–**	**–**
(Increase)/decrease in trade and other receivables	Statement of cash flows, p15	**(239)**	**1**	**–**	**–**	**(238)**
Increase/(decrease) in trade and other payables	Statement of cash flows, p15	**312**	**382**	**(431)**	**10**	**273**
Analysed as:		**79**	**383**	**(437)**	**10**	**35**
Working capital (excluding amortisation of partner contributions)	CFO review, p8					**61**
Working capital related to the amortisation of partner contributions	CFO review, p8					**(48)**
Growth-related partner contributions	CFO review, p8					**22**

Six months ended 30 June 2022

£m	References	As reported	Rent income & expense and finance income & costs	Depreciation and lease payments	Other adjustments	Pre-IFRS 16
Partner contributions – reimbursement	Statement of cash flows, p15	6	–	(6)	–	–
Increase in trade and other receivables	Statement of cash flows, p15	(93)	(76)	–	–	(169)
Increase/(decrease) in trade and other payables	Statement of cash flows, p15	136	458	(466)	(3)	125
Analysed as:		49	382	(472)	(3)	(44)
Working capital (excluding amortisation of partner contributions)	CFO review, p8					(13)
Working capital related to the amortisation of partner contributions	CFO review, p8					(50)
Growth-related partner contributions	CFO review, p8					19

Capital expenditure

Six months ended 30 June 2023

£m	References	As reported	Rent income & expense and finance income & costs	Pre-IFRS 16
Purchase of property, plant and equipment	Statement of cash flows, p15	**(79)**	**(2)**	**(81)**
Purchase of intangible assets	Statement of cash flows, p15	**(19)**	**–**	**(19)**
Total capital expenditure		**(98)**	**(2)**	**(100)**

£m	References	Net capital expenditure	Partner contributions	Gross capital expenditure
Maintenance capital expenditure	CFO review, p8	**(42)**	**–**	**(42)**
Growth capital expenditure	CFO review, p8	**(34)**	**(22)**	**(56)**
Capitalised rent related to centre openings	CFO review, p8	**(2)**	**–**	**(2)**
		(78)	**(22)**	**(100)**

Six months ended 30 June 2022

£m	References	As reported	Rent income & expense and finance income & costs	Pre-IFRS 16
Purchase of property, plant and equipment	Statement of cash flows, p15	(109)	(3)	(112)
Purchase of intangible assets	Statement of cash flows, p15	(20)	–	(20)
Total capital expenditure		(129)	(3)	(132)

£m	References	Net capital expenditure	Partner contributions	Gross capital expenditure
Maintenance capital expenditure	CFO review, p8	(48)	(5)	(53)
Growth capital expenditure	CFO review, p8	(57)	(19)	(76)
Capitalised rent related to centre openings	CFO review, p8	(3)	–	(3)
		(108)	(24)	(132)

Existing estate and openings

Existing estate by type

	As at 30 June 2023	As at 30 June 2022
Conventional	**2,084**	2,144
Variable rent	**773**	739
Managed partnerships	**135**	61
Franchise	**326**	310
Joint ventures	**80**	81
Total	**3,398**	3,335

New locations opened by type

	As at 30 June 2023	As at 30 June 2022
Conventional	**17**	18
Variable rent	**38**	17
Managed partnerships	**56**	9
Franchise	**20**	25
Joint ventures	**2**	1
Total	**133**	70

Glossary

Adjusted EBITDA
Pre-IFRS 16 EBITDA excluding adjusting items.

Adjusting items
Adjusting items reflects the impact of adjustments, both incomes and costs not indicative of the underlying performance, which are considered to be significant in nature and/or size.

EBIT
Earnings before interest and tax.

EBITDA
Earnings before interest, tax, depreciation and amortisation.

EPS
Earnings per share.

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

Franchisee
The owners of business centres operating under a formal franchise arrangement.

Growth capital expenditure
Capital expenditure in respect of centres which opened during the current or prior financial period.

Growth estate
Comprises centres which opened during the current or prior financial year.

Growth-related partner contributions
Partner contributions received in respect of centres which opened during the current or prior financial period.

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

Maintenance capital expenditure
Capital expenditure in respect of centres owned for a full 12-month period prior to the start of the financial year and operated throughout the current financial year, which therefore have a full-year comparative.

Maintenance-related partner contributions
Partner contributions received in respect of centres owned for a full 12-month period prior to the start of the financial year and operated throughout the current financial year, which therefore have a full-year comparative.

Net debt
Operations cash and cash equivalents, adjusted for both short and long-term borrowings, lease liabilities and net investments in finance leases.

Net financial debt
Operations cash and cash equivalents, adjusted for both short and long-term borrowings.

Net growth capital investment
Growth capital expenditure net of growth-related partner contributions.

Network rationalisation
Network rationalisation for the current year is defined as a centre that ceases operation during the period from 1 January to December of the current year. Network rationalisation for the prior year comparative is defined as a centre that ceases operation from 1 January of the prior year to December of the current year.

Occupancy
Occupied square feet divided by available square feet expressed as a percentage.

Open centre revenue
Revenue for all centres excluding closures.

Operating profit/(loss) before growth
Reported operating profit/(loss) adjusted for the gross profit impact arising from centres opening in the preceding and current years, and centres to be opened in the subsequent year.

Partners
Owners or landlords of business centres, operating under a management lease arrangement.

Pre-IFRS 16 basis
IFRS accounting standards effective as at the relevant reporting date with the exception of IFRS 16.

Revenue development
Revenue programme on a continuing basis, for the last four years.

System wide revenue
Total reported revenue generated, including revenue from franchise, managed centre and joint-venture partners, but excluding fee income.

TSR
Total shareholder return.