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FirstClients ApS
Langebrogade 5
1411 København K

Annual report for 2018

Adopted at the annual general meeting on
6 May 2019

DocuSigned by:
FA710308543649A...

chairman

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STATEMENT BY MANAGEMENT ON THE ANNUAL REPORT

The executive board has today discussed and approved the annual report of FirstClients ApS for the financial year 1 January - 31 December 2018.

The annual report is prepared in accordance with the Danish Financial Statements Act.

In my opinion, the financial statements give a true and fair view of the company's financial position at 31 December 2018 and of the results of the company's operations for the financial year 1 January - 31 December 2018.

In my opinion, management's review includes a fair review of the matters dealt with in the management's review.

Management recommends that the annual report should be approved by the company in general meeting.

Copenhagen, 6 May 2019

Executive board

DocuSigned by:

5A71C3935A3B49A

Christoffel Alfonsus Maria Mul
Director

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INDEPENDENT AUDITOR'S REPORT

To the shareholder of FirstClients ApS

Adverse Opinion

We have audited the financial statements of FirstClients ApS for the financial year 1 January - 31 December 2018, which comprise a summary of significant accounting policies, income statement, balance sheet, statement of changes in equity and notes. The financial statements are prepared under the Danish Financial Statements Act.

In our opinion, due to the significance of the matter described in the “Basis for Adverse Opinion” paragraph, the financial statements do not give a true and fair view of the company's financial position at 31 December 2018 or of the results of the company's operations for the financial year 1 January - 31 December 2018 in accordance with the Danish Financial Statements Act.

Basis for Adverse Opinion

The annual accounts have been prepared assuming continued operation. As shown in the management's review and Note 1, it is material for the company in order to continue its activities that the Regus Group regularly provides the necessary liquidity, which management expects. We have not obtained sufficient and appropriate audit evidence of this commitment. Accordingly, we qualify that the annual accounts have been prepared on the basis of continued operation.

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the “Auditor's responsibilities for the audit of the financial statements” section of our report. We are independent of the company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse opinion.

Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements, that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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INDEPENDENT AUDITOR'S REPORT

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statement on management's review
Management is responsible for management's review.

Our opinion on the financial statements does not cover management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read management's review and, in doing so, consider whether management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether management's review provides the information required under the Danish Financial Statements Act.

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INDEPENDENT AUDITOR'S REPORT

Based on the work we have performed, we conclude that management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of management's review.

Copenhagen, 6 May 2019

CHRISTENSEN KJÆRULFF
Statsautoriseret Revisionsaktieselskab
CVR no. 15 91 56 41

Sven-Erik Vejlby
State Authorized Public Accountant
MNE no. mne25075

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COMPANY DETAILS

The company	FirstClients ApS Langebrogade 5 1411 København K	
	CVR no.:	31 46 93 92
	Reporting period: Incorporated:	1 January - 31 December 2018 22. May 2008
	Domicile:	Copenhagen
Executive board	Christoffel Alfonsus Maria Mul	
Auditors	Christensen Kjærulff Statsautoriseret Revisionsaktieselskab Store Kongensgade 68 1264 København K	

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MANAGEMENT'S REVIEW

Business activities
FirstClients ApS is the parent company of 6 subsidiaries which operates business centers or related activities. The activities are in Poland, Hungary and Denmark.

Business review
The company's income statement for the year ended 31 December shows a loss of DKK 383.243, and the balance sheet at 31 December 2018 shows negative equity of DKK 9.607.599.

Going concern:
Pursuant to the capital loss provision of section 119 of the Danish Companies Act, the company has lost more than 50% of its share capital at year-end.
The annual report has been presented under the assumption of continued operations of the company.
Continued operations require further investments.
It is the current intention of IWG Group to provide the Company with sufficient financial funds in order to enable the Company to fulfil at any time its payment obligations, but no written commitments has been given.
Reference is made to note 1 for more details.

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ACCOUNTING POLICIES

The annual report of FirstClients ApS for 2018 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B as well as selected provisions as regards larger entities.

The accounting policies applied are consistent with those of last year.

The annual report for 2018 is presented in DKK

Pursuant to sections §110 subsection 1, of the Danish Financial Statements Act, the company has not prepared consolidated financial statements.

Basis of recognition and measurement

Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities. All expenses, including amortisation, depreciation and impairment losses, are also recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the company and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow from the company and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. On subsequent recognition, assets and liabilities are measured as described below for each individual accounting item.

Certain financial assets and liabilities are measured at amortised cost using the effective interest method. Amortised cost is calculated as the historic cost less any instalments and plus/less the accumulated amortisation of the difference between the cost and the nominal amount.

On recognition and measurement, allowance is made for predictable losses and risks which occur before the annual report is presented and which confirm or invalidate matters existing at the balance sheet date.

Income statement

Gross profit

In pursuance of section 32 of the Danish Financial Statements Act, the company does not disclose its revenue.

Gross profit reflects an aggregation of revenue, consumables and other external expenses.

Revenue

Income from the sale of goods for resale and finished goods is recognised in the income statement, provided that the transfer of risk, usually on delivery to the buyer, has taken place and that the income can be measured reliably and is expected to be received.

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Other external expenses
Other external expenses include expenses related to distribution, sale, advertising, administration, premises, bad debts, payments under operating leases, etc.

Financial income and expenses
Financial income and expenses are recognised in the income statement at the amounts relating to the financial year. Net financials include interest income and expenses, financial expenses relating to finance leases, realised and unrealised capital/exchange gains and losses on securities and foreign currency transactions, amortisation of mortgage loans and surcharges and allowances under the advance-payment-of-tax scheme, etc.

Profit/loss from investments in subsidiaries and associates
Dividend from investments is recognised in the reporting year in which the dividend is declared.

Tax on profit/loss for the year
Tax for the year, which comprises the current tax charge for the year and changes in the deferred tax charge, including changes arising from changes in tax rates, is recognised in the income statement as regards the portion that relates to entries directly in equity.

The entity and its Danish group entities are taxed on a joint basis. The danish income tax charge is allocated between profit-making Danish entities in proportion to their taxable income (full allocation method).

Jointly taxed companies entitled to a tax refund are, as a minimum, reimbursed by the management company according to the current rates applicable to interest allowances, and jointly taxed companies having paid too little tax pay as a maximum, a surcharge according to the current rates applicable to interest surcharges to the management company.

Balance sheet

Tangible assets
Fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

The depreciable amount is cost less the expected residual value at the end of the useful life.

Straight-line depreciation is provided on the basis of the following estimated useful lives of the assets:

	Useful life	
Other fixtures and fittings, tools and equipment.	3-10	years

Assets costing less than DKK 13.500 are expensed in the year of acquisition.

Investments in subsidiaries and associates
Investment in subsidiaries and associates are measured at cost. If cost exceeds the recoverable amount, a write-down is made to this lower value.

Receivables
Receivables are measured at amortised cost.

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ACCOUNTING POLICIES

Prepayments

Prepayments recognised under 'Current assets' comprises expenses incurred concerning subsequent financial years.

Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term securities whose remaining life is less than three months and which are readily convertible into cash and which are subject only to insignificant risks of changes in value.

Income tax and deferred tax

Current tax liabilities and current tax receivables are recognised in the balance sheet as the estimated tax on the taxable income for the year, adjusted for tax on the taxable income for previous years and tax paid on account.

Deferred tax is measured according to the liability method in respect of temporary differences between the carrying amount of assets and liabilities and their tax base, calculated on the basis of the planned use of the asset and settlement of the liability, respectively.

Deferred tax is measured according to the tax rules and at the tax rates applicable in the respective countries at the balance sheet date when the deferred tax is expected to crystallise as current tax. Deferred tax adjustments resulting from changes in tax rates are recognised in the income statement, with the exception of items taken directly to equity.

Liabilities

Other liabilities, which include trade receivables, payables to group entities and other payables, are measured at amortised cost, which is usually equivalent to nominal value.

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INCOME STATEMENT 1 JANUARY - 31 DECEMBER

	Note	2018 DKK	2017 DKK
Gross profit		**-20.075**	**-1.028.663**
Depreciation		8.693	-363.317
Profit/loss before net financials		**-11.382**	**-1.391.980**
Impairment losses on financial assets		-72.450	72.450
Financial income		0	48.224
Financial costs	2	-306.586	-266.708
Profit/loss before tax		**-390.418**	**-1.538.014**
Tax on profit/loss for the year	3	7.175	106.452
Profit/loss for the year		**-383.243**	**-1.431.562**
Recommended appropriation of profit/loss			
Retained earnings		-383.243	-1.431.562
		-383.243	**-1.431.562**

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BALANCE SHEET 31 DECEMBER

	Note	2018	2017
		DKK	DKK
ASSETS			
Other fixtures and fittings, tools and equipment		0	15.015
Tangible assets		**0**	**15.015**
Investments in subsidiaries	5	0	72.450
Fixed asset investments		**0**	**72.450**
Total non-current assets		**0**	**87.465**
Corporation tax		7.175	106.452
Receivables		**7.175**	**106.452**
Total current assets		**7.175**	**106.452**
Total assets		**7.175**	**193.917**

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BALANCE SHEET 31 DECEMBER

	Note	2018	2017
		DKK	DKK
EQUITY AND LIABILITIES			
Share capital		500.000	500.000
Retained earnings		-10.107.599	-9.724.356
Equity		**-9.607.599**	**-9.224.356**
Trade payables		2.145	5.509
Payables to group enterprises		9.604.529	9.391.762
Other payables		8.100	21.002
Total current liabilities		**9.614.774**	**9.418.273**
Total liabilities		**9.614.774**	**9.418.273**
Total equity and liabilities		**7.175**	**193.917**
Uncertainty about the continued operation (going concern)	1		
Contingencies, etc.	6		
Related parties and ownership structure	7		

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STATEMENT OF CHANGES IN EQUITY

	Share capital	Retained earnings	Total
Equity at 1 January 2018	500.000	-9.724.356	-9.224.356
Net profit/loss for the year	0	-383.243	-383.243
Equity at 31 December 2018	500.000	-10.107.599	-9.607.599

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NOTES

1 UNCERTAINTY ABOUT THE CONTINUED OPERATION (GOING CONCERN)

As regards uncertainties concerning the enterprises ability to continue as a going concern, management has assumed, that IWG Group will continue to provide the necessary liquidity available to the company for the current year.

The company has not received commitments from the IWG Group.
The executive board expects, through strategic measures, that the capital can be restored over a number of years.

	2018	2017
	DKK	DKK
2 FINANCIAL COSTS		
Financial expenses, group entities	306.586	266.708
	306.586	266.708
3 TAX ON PROFIT/LOSS FOR THE YEAR		
Current tax for the year	-7.175	-106.452
	-7.175	-106.452

4 TANGIBLE ASSETS

	Other fixtures and fittings, tools and equipment
Cost at 1 January 2018	3.556.770
Disposals for the year	-23.708
Cost at 31 December 2018	3.533.062
Impairment losses and depreciation at 1 January 2018	3.541.755
Depreciation for the year	988
Reversal for the year of previous years' impairment losses	-9.681
Impairment losses and depreciation at 31 December 2018	3.533.062
Carrying amount at 31 December 2018	0

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NOTES

	2018	2017
	DKK	DKK
5 INVESTMENTS IN SUBSIDIARIES		
Cost at 1 January 2018	5.083.487	5.083.487
Cost at 31 December 2018	5.083.487	5.083.487
Revaluations at 1 January 2018	-5.011.037	-5.083.487
Revaluations for the year, net	-72.450	72.450
Revaluations at 31 December 2018	-5.083.487	-5.011.037
Carrying amount at 31 December 2018	0	72.450

Investments in subsidiaries are specified as follows:

Name	Registered office	Ownership interest	Equity	Profit/loss for the year
FirstClients Langebrogade ApS	Denmark	100%	-20.562.888	-3.619.132
First Clients Egeparken, Albertslund ApS	Denmark	100%	-11.471.360	-1.650.004
FirstClients Gl. Kongevej ApS	Denmark	100%	-4.992.906	-1.376.376
FirstClients Capital Square Kft.	Hungary	100%	-296.215	119.914
FirstClients Alle Corner Kft.	Hungary	100%	2.045.927	318.537
FirstClients Marynarska Point sp. z.o.o.	Poland	100%	-12.484.000	-1.735.000
Prague Rosmarin Business Centre s.r.o.	Czech Republic	100%	-2.648.000	-1.258.000

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NOTES

6 CONTINGENCIES, ETC.

Contingent liabilities
Regus Management ApS being the administration company, the company is subject to the Danish scheme of joint taxation and, as from the financial year 2013, unlimited jointly and severally liable with the other jointly taxed companies for the total corporation tax.

As from 2012, the company is unlimited jointly and severally liable with the other jointly taxed companies for any obligation to withhold tax interest, royalties and dividends.

The company is jointly tax registered with other Regus companies and is therefore jointly liable for VAT settlement.

At the beginning of 2019, The Danish Tax Agency (Skattestyrelsen) finalized its transfer pricing tax audit of Regus Management ApS and the companies of the Danish scheme of joint taxation in 2012-2014. The transfer pricing tax audit resulted in an adjustment of the taxable income from 2012 to 2014.

Consequently, Regus Management ApS as the administration company of the Danish scheme of joint taxation has been imposed charges totaling 1,720 DKK thousands inclusive of interest for the years 2012 to 2014.

Regus Management ApS has appealed the result of the transfer pricing tax audit to the Danish Tax Agency (Skattestyrelsen). The result of the appeal is expected available in 2021 at the earliest.

Tax, interest or fines related to the transfer pricing tax audit have not been recognized in the financial statements, since it is the group's and its advisors’ expectations that the result of the appeal case will turn out to be favorable towards Regus Management ApS.

Other contingent liabilities
The company has provided guarantees for lease obligations of subsidiaries' rentals Egeparken in Albertslund and Gl. Kongevej in Copenhagen. The jointly liable for its subsidaries operating lease with a total residual lease of DKK 13,9 mill. excl VAT at year end.

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7 RELATED PARTIES AND OWNERSHIP STRUCTURE

Other related parties

Firstclients ApS' related parties comprise the following:
IWG Plc, 22 Grenville Street, st. Heller, JE4 8PX Jersey.

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Sven-Erik Vejlby
Revisor
På vegne af: CHRISTENSEN KJÆRULFF STATSAUTORISERET REVISIONSAKTIESELSKAB
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