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Hard Rock Café (Denmark) A/S

Vestergade 37, 4. tv.
DK-1456 Copenhagen K
Central Business Registration No
17915371

Annual report 2016

The Annual General Meeting adopted the annual report on 31.05.2017

Chairman of the General Meeting

Name: David Stuart Pellow

Contents

Entity details

Entity
Hard Rock Café (Denmark) A/S
Vestergade 37, 4. tv.
DK-1456 Copenhagen K

Central Business Registration No: 17915371
Registered in: Copenhagen
Financial year: 01.01.2016 - 31.12.2016

Board of Directors
Thomas Joseph Gispanski, Chairman
David Stuart Pellow
Jay Anthony Wolszczak

Executive Board
David Stuart Pellow, Director

Auditors
Deloitte Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
P.O Box 1600
0900 Copenhagen C

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of Hard Rock Café (Denmark) A/S for the financial year 01.01.2016 - 31.12.2016.

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

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2016 and of the results of its operations for the financial year 01.01.2016 - 31.12.2016.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Copenhagen, 31.05.2017

Executive Board

David Stuart Pellow
Director

Board of Directors

Thomas Joseph Gispanski
Chairman

David Stuart Pellow

Jay Anthony Wolszczak

Independent auditor's report

To the shareholders of Hard Rock Café (Denmark) A/S

Opinion

We have audited the financial statements of Hard Rock Café (Denmark) A/S for the financial year 01.01.2016 - 31.12.2016, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2016 and of the results of its operations for the financial year 01.01.2016 - 31.12.2016 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board of 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 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 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 Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Entity 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.

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

Independent auditor's report

- 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 Entity'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 Entity'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 Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, 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 the management commentary
Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, 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 the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

Independent auditor's report

Based on the work we have performed, we conclude that the management commentary 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 the management commentary.

Copenhagen, 31.05.2017

Deloitte
Statsautoriseret Revisionspartnerselskab
Central Business Registration No: 33963556

Søren Strandby
State Authorised Public Accountant

Management commentary

Primary activities

As in prior periods, the Company's primary activity is to run a restaurant in Copenhagen in accordance with the worldwide Hard Rock Café concept as well as sale of merchandise with the Hard Rock Café logo.

Development in activities and finances

Revenue amounts to DKK 42,197 thousand in 2016. Profit/loss before tax has increased to DKK (14,730) in 2016 thousand from DKK (11,518) thousand in 2015. Improved results for 2017 are expected.

In 2016, the company's equity is improved through a capital increase of DKK 30 million and amounts to DKK 16,432 thousand at 31.12.2016.

Uncertainty relating to recognition and measurement

The exchange rate movements between Danish kroner and US dollars will affect the results of Hard Rock Café (Denmark) A/S.

Hard Rock Café (Denmark) A/S is not materially exposed to other financial, currency or credit risks.

Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

Income statement for 2016

	Notes	2016 DKK	2015 DKK
Revenue		42.196.976	46.474.899
Costs of raw materials and consumables		(11.228.741)	(11.468.114)
Other external expenses		(17.026.194)	(19.912.450)
Gross profit/loss		**13.942.041**	**15.094.335**
Staff costs	1	(21.368.540)	(23.152.722)
Depreciation, amortisation and impairment losses		(4.664.000)	(3.591.306)
Operating profit/loss		**(12.090.499)**	**(11.649.693)**
Other financial income		1.538.619	0
Other financial expenses		(815.709)	(3.078.598)
Profit/loss before tax		**(11.367.589)**	**(14.728.291)**
Tax on profit/loss for the year	2	(3.362.256)	3.210.036
Profit/loss for the year		**(14.729.845)**	**(11.518.255)**
Proposed distribution of profit/loss			
Retained earnings		(14.729.845)	(11.518.255)
		(14.729.845)	**(11.518.255)**

Balance sheet at 31.12.2016

	Notes	2016 DKK	2015 DKK
Other fixtures and fittings, tools and equipment		10.140.406	12.742.163
Leasehold improvements		18.035.433	19.828.510
Property, plant and equipment	3	**28.175.839**	**32.570.673**
Deferred tax		0	3.362.256
Fixed asset investments		**0**	**3.362.256**
Fixed assets		**28.175.839**	**35.932.929**
Raw materials and consumables		360.516	384.443
Manufactured goods and goods for resale		784.540	932.818
Inventories		**1.145.056**	**1.317.261**
Trade receivables		98.198	221.594
Other receivables		8.033	6.592.307
Income tax receivable		0	124.000
Prepayments		2.138.748	127.558
Receivables		**2.244.979**	**7.065.459**
Cash		**3.711.301**	**1.284.895**
Current assets		**7.101.336**	**9.667.615**
Assets		**35.277.175**	**45.600.544**

Balance sheet at 31.12.2016

	Notes	2016 DKK	2015 DKK
Contributed capital		1.500.000	1.000.000
Retained earnings		14.931.518	161.363
Equity		**16.431.518**	**1.161.363**
Payables to group enterprises		4.345.428	30.679.264
Other payables		951.557	1.717.334
Deferred income		13.548.672	12.042.583
Current liabilities other than provisions		**18.845.657**	**44.439.181**
Liabilities other than provisions		**18.845.657**	**44.439.181**
Equity and liabilities		**35.277.175**	**45.600.544**
Unrecognised rental and lease commitments	4		
Group relations	5		

Statement of changes in equity for 2016

	Contributed capital DKK	Retained earnings DKK	Total DKK
Equity beginning of year	1.000.000	161.363	1.161.363
Increase of capital	500.000	29.500.000	30.000.000
Profit/loss for the year	0	(14.729.845)	(14.729.845)
Equity end of year	**1.500.000**	**14.931.518**	**16.431.518**

Notes

	2016 DKK	2015 DKK
1. Staff costs		
Wages and salaries	19.638.147	21.184.644
Pension costs	1.372.780	1.502.140
Other social security costs	357.613	465.938
	21.368.540	23.152.722

	2016 DKK	2015 DKK
2. Tax on profit/loss for the year		
Change in deferred tax for the year	3.362.256	(3.455.602)
Adjustment concerning previous years	0	16.321
Effect of changed tax rates	0	229.245
	3.362.256	(3.210.036)

	Other fixtures and fittings, tools and equipment DKK	Leasehold improvements DKK
3. Property, plant and equipment		
Cost beginning of year	15.004.976	21.256.375
Additions	269.166	0
Cost end of year	15.274.142	21.256.375
Depreciation and impairment losses beginning of the year	(2.262.813)	(1.427.865)
Depreciation for the year	(2.870.923)	(1.793.077)
Depreciation and impairment losses end of the year	(5.133.736)	(3.220.942)
Carrying amount end of year	10.140.406	18.035.433

	2016 DKK	2015 DKK
4. Unrecognised rental and lease commitments		
Hereof liabilities under rental or lease agreements until maturity in total	104.768.043	109.257.486

Notes

5. Group relations

Name and registered office of the Parent preparing consolidated financial statements for the smallest group:
Seminole Hard Rock International, LLC, 1 Seminole Way, Fort Lauderdale, Florida, FL 33314, USA

Accounting policies

Reporting class
This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class B enterprises with addition of certain provisions for reporting class C.

The accounting policies applied to these financial statements are consistent with those applied last year.

Recognition and measurement
Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Foreign currency translation
On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the rate in effect at the payment date, or the rate at the balance sheet date are recognised in the income statement as financial income or financial expenses.

Income statement
Revenue
Revenue from the sale of manufactured goods and goods for resale is recognised in the income statement when delivery is made and risk has passed to the buyer. Revenue from the sale of services is recognised in the income statement when delivery is made to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Costs of raw materials and consumables
Costs of raw materials and consumables comprise the consumption of raw materials and consumables for the financial year after adjustment for changes in inventories of these goods from the beginning to the end of the year. This item includes shrinkage, if any, and ordinary writedowns of the relevant inventories.

Accounting policies

Other external expenses
Other external expenses comprise expenses for sale, marketing, administration, premises, bad debts, etc.

Staff costs
Staff costs comprise salaries and wages as well as social security contributions, pension contributions, etc for entity staff

Depreciation, amortisation and impairment losses
Amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment comprise amortisation, depreciation and impairment losses for the financial year, calculated on the basis of the residual values and useful lives of the individual assets and impairment testing as well as gains and losses from the sale of intangible assets as well as property, plant and equipment.

Other financial income
Other financial income comprises dividends etc received on other investments, interest income, including interest income and net capital gain on transactions in foreign currencies etc.

Other financial expenses
Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital losses on payables and forreign currency transactions as well as tax surcharge under the Danish Tax Prepayment Scheme etc.

Tax on profit/loss for the year
Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

Balance sheet
Property, plant and equipment
Other fixtures and fittings, tools and equipment as well as leasehold improvements are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Other fixtures and fittings, tools and equipment	3-7 years
Leasehold improvements	5-20 years

Property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Accounting policies

Gains and losses on current replacement of property, plant and equipment are recognised in "Amortisation, depreciation and impairment losses".

Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amount and tax-based value of assets and liabilities, for which the tax-based value of assets is calculated based on the planned use of each asset.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Inventories

Inventories are measured at the lower of cost using the FIFO method and net realisable value. The net realisable value of inventories is calculated as the total of future sales income expected to be generated by inventories at the balance sheet date in the process of normal operations and determined in consideration of marketability, obsolescence and development in the estimated selling prices less costs incurred to execute sale.

Cost of goods for resale, raw material and consumables consist of purchase price plus delivery.

Receivables

Receivables are measured at amortised cost, usually equalling nominal value less writedowns for bad and doubtful debts.

Income tax payable or receivable

Current tax payable or receivable is recognised in the balance sheet, stated as tax computed on this year's taxable income, adjusted for prepaid tax.

Prepayments

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Cash

Cash comprises cash in hand and bank deposits.

Other financial liabilities

Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

Deferred income

Deferred income comprises income received for recognition in subsequent financial years. Deferred income is measured at cost.