
Bellakvarter A/S

Center Boulevard 5, DK-2300 Copenhagen S

Annual Report for 1 January - 31 December 2016

CVR No 26 06 77 15

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
22/05 2017

Chairman



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Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Bellakvarter A/S for the financial year 1 January - 31 December 2016.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements and the Consolidated Financial Statements give a true and fair view of the financial position at 31 December 2016 of the Company and the Group and of the results of the Company and Group operations for 2016.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Copenhagen, 22 May 2017

Executive Board


Johan Ewald Lorentzen
CEO


Henrik Eifler Gram
CFO

Board of Directors


Oscar Claudius Crohn
Chairman


Mette Kapsch


Johan Ewald Lorentzen


David Robson Overby

Independent Auditor's Report

To the Shareholder of Bellakvarter A/S

Opinion

In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2016 and of the results of the Group's and the Parent Company's operations for the financial year 1 January - 31 December 2016 in accordance with the Danish Financial Statements Act.

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of Bellakvarter A/S for the financial year 1 January - 31 December 2016, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for both the Group and the Parent Company ("the Financial Statements").

Basis for opinion

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 Group 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 opinion.

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.

Based on the work we have performed, in our view, Management's Review is in accordance with the Consolidated Financial Statements and the Parent Company Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

Management's responsibilities for the Financial Statements

Management is responsible for the preparation of consolidated financial statements and parent company

Independent Auditor's Report

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 Group's and 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 Group or 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.

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:

- 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 and the Group'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 Group's and 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

Independent Auditor's Report

may cause the Group and 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

Hellerup, 22 May 2017

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31



Torben Jensen
State Authorised Public Accountant



Claus Carlsson
State Authorised Public Accountant

Company Information

The Company

Bellakvarter A/S
Center Boulevard 5
DK-2300 Copenhagen S

CVR No: 26 06 77 15
Financial period: 1 January - 31 December
Financial year: 52nd financial year
Municipality of reg. office: Copenhagen

Consolidated Financial Statements

The Company is included in the Consolidated Financial Statements of Solstra Investments A/S.

Board of Directors

Oscar Claudius Crohn, Chairman
Mette Kapsch
Johan Ewald Lorentzen
David Robson Overby

Executive Board

Johan Ewald Lorentzen
Henrik Eifler Gram

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Strandvejen 44
DK-2900 Hellerup

Financial Highlights

	Group				
	2016*	2015*	2014	2013	2012
	DKK '000	DKK '000	DKK '000	DKK '000	DKK '000
Key figures					
Profit/loss					
Revenue	94.114	0	618.763	591.558	605.166
Gross profit/loss	-4.991	0	90.683	63.369	95.062
Value adjustment of investment properties	158.172	73.118	110.536	0	0
Depreciation	500	66.520	-91.732	44.492	44.186
Profit/loss before financial income and expenses	152.681	34.312	292.951	18.877	50.876
Net financials	-4.090	0	-162.272	-28.134	-71.183
Profit/loss from discontinuing activities	-261.170	26.477	0	0	0
Profit before tax	17.482	41.420	130.679	-9.257	-20.307
Net profit/loss for the year	-146.821	53.240	96.913	4.129	-16.044
Balance sheet					
Balance sheet total	856.705	3.084.860	2.937.257	2.761.143	2.774.042
Equity	345.880	1.103.001	914.661	835.153	648.044
Production properties	10.686	437.633	453.617	569.704	578.236
Hotel property	0	1.441.838	1.444.847	1.321.504	1.330.937
Investment property	327.563	808.669	793.515	674.866	640.614
Credit institution	-261.897	-1.412.707	-1.424.384	-1.408.528	-1.549.214
Investment in PPE	36.546	56.823	67.629	44.951	27.113
Average number of employees	0	0	387	404	431

Financial Highlights

	Group				
	2016*	2015*	2014	2013	2012
	DKK '000	DKK '000	DKK '000	DKK '000	DKK '000
Ratios					
Gross margin	-5,3%	0,0%	14,7%	10,7%	15,7%
Assets/Equity	147,7%	280,0%	320,0%	330,0%	430,0%
Return on equity	-20,3%	5,3%	11,1%	0,6%	-2%

The ratios have been prepared in accordance with the recommendations and guidelines issued by the Danish Society of Financial Analysts. For definitions, see under accounting policies.

* The comparative figures from 2012 to 2014 have not been adjusted to change in the accounting policies. For further description of the effect of change in accounting policies reference are made to Accounting Policies.

Furthermore the company's hospitality activities and related assets/liabilities were carved out and injected into three newly established subsidiaries of the Company during 2016.

These activities have been presented as profit/loss from discontinued activities and comparative figures for 2015 have been adjusted to reflect this.

Management's Review

The Financial Statements of Bellakvarter A/S for 2016 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B. It is the first year the Company voluntary prepare consolidated financial statements.

The accounting policies for the Parent Company has been changed compared to last year. The accounting policies applied previously was International Financial Reporting Standards. The change has been made in accordance with the provision of the Executive Order on transition to presentation of financial statements pursuant to the Danish Financial Statements Act. The change has not had any impact on the recognition and measurement of assets and liabilities as well as income statement. The comparative figures have been restated accordingly. Items previously presented as other comprehensive income has been recognised over statement of change in equity.

Main activity and reorganization in 2016

Bellakvarter is a new attractive urban district of Copenhagen.

In cooperation with the Copenhagen Municipality, Bellakvarter A/S (the "Company") has developed a masterplan for approximately 200,000 square meter land area on which more than 300,000 square metres of new residential and commercial property can be constructed.

The construction projects are carried out through the 100% owned subsidiary Bellakvarter Projektselskab A/S, in close cooperation with Solstra Development ApS, COBE, Wilhelm Lauritzen Architects and other carefully selected business partners.

In order to separate the development of the land area from the Company's commercial operational activities, the Company was reorganized in 2016 by splitting the activities into a 'land development group' and a 'hospitality group'. This was done as follows:

As per 31 October 2016, the Company's hospitality activities and related assets/liabilities were carved out and injected into three newly established subsidiaries of the Company:

- BC Hospitality Group A/S (operational)
- Bella Sky A/S (Bella Sky hotel property)
- BCHG Properties A/S (Bella Center properties).

In December 2016, the Company was demerged with the land development and building activities remaining with the Company and the transfer of the three new subsidiaries to a sister company named BCHG Holding A/S. The demerger became effective as of 31 October 2016 for accounting purposes.

The remaining activities and related assets/liabilities in the Company are therefore now separated from the operational activities. Consequently, the discontinued activities of Bellakvarter A/S (i.e. the hospitality operational activities) for the financial period 1 January – 31 October 2016 has been presented in a separate line in the income statement and the comparative figures have been restated. The discontinued figures are disclosed in a separate note and only briefly commented on in this review. The

management review included in the annual report of BCHG Holding A/S contains a review of the hospitality operational activities (hotel-, exhibition, conference and other operations) for the financial year 2016.

The demerger of the Company thereby effecting the transfer of the three subsidiaries to BCHG Holding A/S was finally resolved and registered with the Danish Business Authority on 12 December 2016.

Results for the year (continued operations)

Profit before tax for 2016 amounts to DKK 149 million (2015: DKK 34 million).

Total revenue from sale of properties amounts to DKK 94 million in 2016 (2015: DKK 0). Sale of residential properties amounts to DKK 35 million. Sale of contractual work of social housing under construction totals DKK 58 million, corresponding to an average completion rate of 28%.

Gross profit of sold properties is at DKK 5.5 million. Gross profit is influenced by a (none cash related) expense of inventory valuation of building rights of DKK 7.0 million related to previously revaluation of land for development.

Total external costs at DKK 10.5 million consist of marketing cost of DKK 2.4 million, consultancy cost of DKK 6.9 million and other administrative costs.

Revaluation of building rights to market value amounts to DKK 158.2 million (2015: DKK 34.3 million) of which DKK 47.1 million have been transferred to inventories (properties under construction) as the construction process on the specific plots has been initiated. The increase in 2016 relates to revaluation and preparation of the coming plots to be used for development and construction.

Ordinary depreciation of 2016 amounts to DKK 0.5 million. Financial expenses are DKK 4.1 million.

Results for the year (discontinued operations)

Profit before tax of continued operations of 2016 is DKK 148.6 million. Tax of continued operations amounts to DKK 34.2 million.

Profit before tax of discontinued operations for the demerged activities shows a loss of DKK 308.6 million (after tax DKK -261 million). The loss is related to refinance of the interest swap of DKK 141 million and write down of properties totalling DKK 241 million. The majority of the write down is related to the drop down of properties and buildings into stand alone investments property companies and thus a reclassification from domicile or production properties. The drop down valuation was based on rental income only and not including operational income.

Balance Sheet

The equity after the demerger amounts to DKK 231.6 million as per 31 October 2016 and adding retained earnings of the year of DKK 114.3 million the total equity amounts to DKK 345.9 million as at 31 December 2016.

Investment properties, undeveloped land area, beginning of year 2016 at DKK 103.0 million have been added DKK 47.7 million land value, formerly stated as production property in balance sheet. In 2016 a positive revaluation of building rights amounted to DKK 158.2 million. From this DKK 47.1 million are transferred to Inventories. Adding DKK 49.2 million of cost spend on land development of future building plots, the total value of undeveloped land area amounts to DKK 327.6 million.

Inventory, properties held for sales and under development beginning of year 2016 amounts to DKK 73.9 million. Addition of construction value of properties held for sale during the year amounts to DKK 180.1 million and contractual work of social housing buildings in progress amounts to DKK 54.5 million. Sale of properties and contractual work of social housing amounts to DKK 80.1 DKK million. Adding land value of building rights of total DKK 119.2 million corresponding 40,100 square metres. Total inventory property held for sales amounts to DKK 347.6 million (2015: DKK 153.0 million / 36,900 square metres). Building rights are valued at estimated 3rd party market value, set in cooperation with external real estate appraiser.

Total debt to financial institutions amounts to DKK 261.9 million. All debt are short term facilities related to properties under construction.

Outlook

Bellakvarter is an upcoming district in Copenhagen.

It is the ambition to create a unique destination and a new neighbourhood around the current hotel-, exhibition and conference facilities of Bella Center Copenhagen. The intention is to create a more natural flow of pedestrians, cyclists and cars and open up the area to create a living city that one passes through instead of moving by. New urban open spaces with recreational facilities will be established to the benefit of both the approximately 1.5 million annual commercial visitors, the new citizens of approximately 1,800 new private homes and the potential 5,000 jobs that can be accommodated.

The construction was initiated in 2015 on two plots building 19,500 square metres private homes.

At the end of 2016 building of 41,600 square metres are in progress, hereof 11,800 square metres social housing in cooperation with fsb, Copenhagen's largest general housing organization. In total 400 private homes have been constructed/are under construction at the end of 2016.

As a result of development of land, the Company expect to increase the group profit before financial income and expenses, value adjustments of properties, asset divestments and tax by DKK 10-20 million.

By the end of year 2017, approximately 750 private homes or 41% of the targeted 1,800 homes are under construction. In December 2016 the first Bellakvarter citizens moved into 12 terraced houses and in May 2017 more than 100 families have moved to Bellakvarter.

The approval of local area development south-west/mid east plan 508 in 2014 enabled the Company to initiate 89,000 square metres of the masterplan of total 305,000 square metres. In 2016 the Company obtained an approval of a new local area plan 538 for the south-east corner of Bellakvarter which initiated further 58,000 square metres. In 2017 planning of a local area plan for the north-east corner are to be initiated.

Statutory statement on Corporate Social Responsibility (CSR) – pursuant to section 99a of the Danish Financial Statement Act

Due to the reorganization, the Company has no longer any employees or engaged in hospitality business activities.

Bellakvarter have focus on environmental and social responsibilities when developing the new Bellakvarter area.

Uncertainty relating to recognition and measurement

Undeveloped land areas have been measured at expected market value. The market value are based on individual assessment of plots. For further details reference are made to the note for property plant and equipment.

Subsequent events

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

Income Statement 1 January - 31 December

	Note	Group		Parent	
		2016	2015	2016	2015
		DKK '000	DKK '000	DKK '000	DKK '000
Revenue	1	94.114	0	91.939	0
Cost of goods sold		-88.628	0	-87.130	0
Other external expenses		-10.477	0	-10.477	0
Gross profit/loss		-4.991	0	-5.668	0
Value adjustment of investment properties		158.172	34.312	158.172	34.312
Depreciation, amortisation and impairment of property, plant and equipment	2	-500	0	-500	0
Profit/loss before financial income and expenses		152.681	34.312	152.004	34.312
Financial expenses	3	-4.090	0	-4.073	0
Profit/loss before tax		148.591	34.312	147.931	34.312
Tax on profit/loss for the year	4	-34.242	-7.549	-34.097	-7.549
Profit/loss from continuing activities		114.349	26.763	113.834	26.763
Profit/loss from discontinuing activities	5	-261.170	26.477	-261.170	26.477
Net profit/loss for the year		-146.821	53.240	-147.336	53.240

Balance Sheet 31 December

Assets

	Note	Group		Parent	
		2016	2015	2016	2015
		DKK '000	DKK '000	DKK '000	DKK '000
Production properties	6	10.686	437.633	10.686	437.633
Equipment	6	0	127.959	0	127.959
Leasehold improvements	6	0	6.001	0	6.001
Hotel property	6	0	1.441.838	0	1.441.838
Investment properties	7	327.563	808.669	327.563	808.669
Property, plant and equipment		338.249	2.822.100	338.249	2.822.100
Investments in subsidiaries	8	0	0	500	500
Deposits		0	1.893	0	1.893
Fixed asset investments		0	1.893	500	2.393
Fixed assets		338.249	2.823.993	338.749	2.824.493
Finished goods		0	3.173	0	3.173
Property held for sale		347.617	152.957	347.617	152.957
Inventories	10	347.617	156.130	347.617	156.130
Trade receivables		5.787	68.787	5.779	68.787
Receivables from group enterprises		0	0	3.055	0
Other receivables		1.714	10.378	1.714	7.852
Receivable from shareholders		0	5.388	0	5.388
Prepayments		0	4.973	0	4.973
Receivables		7.501	89.526	10.548	87.000
Cash at bank and in hand		163.338	15.211	47.886	14.611
Currents assets		518.457	260.867	406.052	257.741
Assets		856.705	3.084.860	744.800	3.082.234

Balance Sheet 31 December

Liabilities and equity

	Note	Group		Parent	
		2016 DKK '000	2015 DKK '000	2016 DKK '000	2015 DKK '000
Share capital		17.266	362.590	17.266	362.590
Reserve for unpaid share capital		0	5.388	0	5.388
Share premium account		113.456	113.456	113.456	113.456
Revaluation reserve		0	82.472	0	82.472
Reserve for investments		0	336.626	0	336.626
Other statutory reserves		0	210.809	0	210.809
Reserve for hedging transactions		0	-115.819	0	-115.819
Retained earnings		215.158	107.479	214.643	107.479
Equity	11	345.880	1.103.001	345.365	1.103.001
Provision for deferred tax	13	63.837	159.066	63.846	159.066
Other provisions		695	0	0	0
Provisions		64.532	159.066	63.846	159.066
Credit institutions		100.000	1.264.996	100.000	1.264.996
Long-term debt	14	100.000	1.264.996	100.000	1.264.996
Credit institutions	14	161.897	55.666	161.897	55.666
Borrowings		0	92.045	0	92.045
Derivative financial instruments		0	210.504	0	210.504
Prepayments received from customers		0	66.292	0	66.292
Trade payables		47.060	66.865	8.179	55.552
Contract work in progress, liabilities	9	48.624	0	49.489	0
Payables to group enterprises		15.235	19.496	15.027	19.496
Deposits		71.406	15.539	0	15.539
Other payables		2.071	31.390	997	40.077
Short-term debt		346.293	557.797	235.589	555.171
Debt		446.293	1.822.793	335.589	1.820.167
Liabilities and equity		856.705	3.084.860	744.800	3.082.234
Distribution of profit	12				
Contingent assets, liabilities and other financial obligations	15				
Related parties	16				

Statement of Changes in Equity

Group and Parent

	Share capital	Reserve for unpaid share capital	Share premium account	Revaluation reserve	Reserve for investments	Other statutory reserves	Reserve for hedging transactions	Retained earnings	Total
	DKK '000	DKK '000	DKK '000	DKK '000	DKK '000	DKK '000	DKK '000	DKK '000	DKK '000
Equity at 1 January	362.590	5.388	113.456	82.472	336.626	210.809	-115.819	107.479	1.103.001
Net effect from business transfer	0	0	0	0	0	0	0	37.681	37.681
Payment of unpaid share capital	0	-5.388	0	0	0	0	0	5.388	0
Dissolution of previous years' revaluation	0	0	0	-259.555	-491.780	-210.809	0	962.144	0
Effect from demerger	0	0	0	0	0	0	0	-940.883	-940.883
Transfers, reserves	0	0	0	0	0	0	115.819	0	115.819
Revaluations of properties	0	0	0	177.083	0	0	0	0	177.083
Share capital decrease	-345.324	0	0	0	0	0	0	345.324	0
Net profit/loss for the year	0	0	0	0	155.154	0	0	-301.975	-146.821
Equity at 31 December	17.266	0	113.456	0	0	0	0	215.158	345.880

Statement of Changes in Equity

Parent

	Share capital	Reserve for unpaid share capital	Share premium account	Revaluation reserve	Reserve for investments	Other statutory reserves	Reserve for hedging transactions	Retained earnings	Total
	DKK '000	DKK '000	DKK '000	DKK '000	DKK '000	DKK '000	DKK '000	DKK '000	DKK '000
Equity at 1 January	362.590	5.388	113.456	82.472	336.626	210.809	-115.819	107.479	1.103.001
Net effect from business transfer	0	0	0	0	0	0	0	37.681	37.681
Payment of unpaid share capital	0	-5.388	0	0	0	0	0	5.388	0
Dissolution of previous years' revaluation	0	0	0	-259.555	-491.780	-210.809	0	962.144	0
Effect from demerger	0	0	0	0	0	0	0	-940.883	-940.883
Transfers, reserves	0	0	0	0	0	0	115.819	0	115.819
Revaluations of properties	0	0	0	177.083	0	0	0	0	177.083
Share capital decrease	-345.324	0	0	0	0	0	0	345.324	0
Net profit/loss from the year	0	0	0	0	155.154	0	0	-302.490	-147.336
Equity at 31 December	17.266	0	113.456	0	0	0	0	214.643	345.365

Notes to the Financial Statements

	Group		Parent	
	2016 DKK '000	2015 DKK '000	2016 DKK '000	2015 DKK '000
1 Revenue				
Geographical segments				
Revenue, Denmark	94.114	0	91.939	0
	94.114	0	91.939	0
Business segments				
Sale of properties	35.475	0	34.165	0
Rent	167	0	167	0
Work in progress	58.472	0	57.607	0
	94.114	0	91.939	0
2 Depreciation, amortisation and impairment of property, plant and equipment				
Depreciation of property, plant and equipment	500	0	500	0
	500	0	500	0
3 Financial expenses				
Interests on debt	437	0	437	0
Other financial costs	3.398	0	3.381	0
Interest paid to group enterprises	255	0	255	0
	4.090	0	4.073	0

Notes to the Financial Statements

	Group		Parent	
	2016 DKK '000	2015 DKK '000	2016 DKK '000	2015 DKK '000
4 Tax on profit/loss for the year				
Adjustment of previous years change in deferred tax, discontinued operations	1.922	-1.486	1.922	-1.486
Change in deferred tax, discontinued operations	22.391	7.874	22.391	7.874
Change in deferred tax, continued operations	34.454	7.549	34.463	7.549
Tax on profit, discontinued operations	3.267	3.412	3.267	3.412
Tax on profit, continued operations	-212	0	-366	0
	61.822	17.349	61.677	17.349
Tax on discontinued operations	27.580	9.800	27.580	9.800
Tax on continued operations	34.242	7.549	34.097	7.549
	61.822	17.349	61.677	17.349
Distributed as follows:				
Income statement	-13.144	10.619	-13.289	10.619
Equity	74.966	6.730	74.966	6.730
	61.822	17.349	61.677	17.349

Notes to the Financial Statements

	Group		Parent	
	2016 DKK '000	2015 DKK '000	2016 DKK '000	2015 DKK '000
5 Discontinuing activities				
Revenue	662.506	623.203	662.506	623.203
Expenses for raw materials and consumables	-158.239	-158.336	-158.239	-158.336
Staff expenses	-199.898	-200.461	-199.898	-200.461
Other external expenses	-142.338	-151.389	-142.338	-151.389
Gross profit/loss	162.031	113.017	162.031	113.017
Value adjustments of assets held for investments	-241.442	38.806	-241.442	38.806
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	-30.992	-66.520	-30.992	-66.520
Profit/loss before financial income and expenses	-110.403	85.303	-110.403	85.303
Financial income	204	31.124	204	31.124
Financial expenses	-198.357	-86.880	-198.357	-86.880
Profit/loss before tax	-308.556	29.547	-308.556	29.547
Tax on profit/loss for the year	47.386	-3.070	47.386	-3.070
	-261.170	26.477	-261.170	26.477

Notes to the Financial Statements

6 Property, plant and equipment

Group and Parent

	Production properties DKK '000	Equipment DKK '000	Leasehold improvements DKK '000	Hotel property DKK '000
Cost at 1 January	608.930	254.947	40.285	1.508.397
Net effect from business transfer	-579.071	-288.427	-40.305	-1.509.601
Additions for the year	1.842	33.480	20	1.204
Transfers to investment properties	-16.650	0	0	0
Cost at 31 December	15.051	0	0	0
Revaluations at 1 January	25.166	0	0	88.931
Revaluations for the year	227.029	0	0	0
Transfer to investment properties	-47.694	0	0	0
Net effect from business transfer	-204.501	0	0	-88.931
Revaluations at 31 December	0	0	0	0
Impairment losses and depreciation at 1 January	196.463	126.988	34.284	155.490
Depreciation for the year	12.618	24.011	1.823	11.180
Reversal of impairment and depreciation of sold assets	0	0	0	-18.138
Net effect from business transfer	-204.716	-150.999	-36.107	-148.532
Impairment losses and depreciation at 31 December	4.365	0	0	0
Carrying amount at 31 December	10.686	0	0	0

Production properties and hotel property were revalued at stand alone principles before these properties was contributed in kind to respectively Bella Sky A/S and BCHG Properties. Bellakvarter A/S continued to own land used for parking spots.

Notes to the Financial Statements

7 Investment properties

	Group		Parent	
	Undeveloped land area	Rental	Undeveloped land area	Rental
	DKK '000	DKK '000	DKK '000	DKK '000
Cost at 1 January	12.159	389.144	12.159	389.144
Net effect from business transfer	0	-389.370	0	-389.370
Additions for the year	49.239	226	49.239	226
Transfers for the year from production properties	16.650	0	16.650	0
Cost at 31 December	<u>78.048</u>	<u>0</u>	<u>78.048</u>	<u>0</u>
Value adjustments at 1 January	90.795	316.572	90.795	316.572
Revaluations for the year	158.172	-241.442	158.172	-241.442
Net effect from business transfer	0	-75.130	0	-75.130
Transferred from production properties	47.694	0	47.694	0
Transferred to inventories, Property held for sale and under development	-47.146	0	-47.146	0
Value adjustments at 31 December	<u>249.515</u>	<u>0</u>	<u>249.515</u>	<u>0</u>
Carrying amount at 31 December	<u>327.563</u>	<u>0</u>	<u>327.563</u>	<u>0</u>

Undeveloped land area for Group and Parent (building rights, m2):

2016: 252,906

2015: 268,340.

Land development cost related to building rights amounts to DKK 61,398k.

Transferred to property inventory in 2016 amounts to DKK 47,146k.

The fair value of 263,685 square metres amounting to DKK 266 million (2015: DKK 103 million) is determined by an estimated m2 price multiplied by the actual m2 from the approved masterplan less a deduction of the profit margin or supplementary purchase price on undeveloped land as stated in the conveyance deed.

The estimated m2 fair value is set in cooperation with external real estate appraiser. At start up of building plots, the related fair value of land are transferred to inventory, property held for sale and under development.

Notes to the Financial Statements

	Parent	
	2016	2015
	DKK '000	DKK '000
8 Investments in subsidiaries		
Cost at 1 January	500	0
Addition	0	500
Addition from business transfer	940.883	0
Net effect from demerger	-940.883	0
Carrying amount at 31 December	500	500

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership	Equity	Net profit/loss for the year
Bellakvarter					
Projektselskab A/S	Copenhagen	500	100%	1.015	515

	Group		Parent	
	2016	2015	2016	2015
	DKK '000	DKK '000	DKK '000	DKK '000
9 Contract work in progress				
Selling price of work in progress	58.472	0	57.607	0
Payments received on account	-107.096	0	-107.096	0
	-48.624	0	-49.489	0
Recognised in the balance sheet as follows:				
Prepayments received recognised in debt	-48.624	0	-49.489	0
	-48.624	0	-49.489	0

Notes to the Financial Statements

10 Inventories

	Group		Parent	
	2016 DKK '000	2015 DKK '000	2016 DKK '000	2015 DKK '000
Finished goods	0	3.173	0	3.173
At 31 December	0	3.173	0	3.173
Property held for sale and under development				
Cost				
At 1 January	73.863	17.528	73.683	17.528
Additions properties and land area under construction	180.128	56.334	180.128	56.334
Disposals, cost of property sales	-25.576	0	-25.576	0
Additions net	154.522	56.334	154.522	56.334
At 31 December	228.415	73.862	228.415	73.862
Revaluation of land				
At 1 January	79.095	0	79.095	0
Transfer from undeveloped land	47.146	79.095	47.146	79.095
Disposals	-7.039	0	-7.039	0
At 31 December	119.202	79.095	119.202	79.095
Carrying amount at 31 December	347.617	152.957	347.617	152.957
Developed land area in progres (building rights, m2)	50.914	36.900	40.135	36.900

Notes to the Financial Statements

11 Equity

The share capital consists of 1,726,919,321 shares of a nominal value of DKK 0.01. No shares carry any special rights.

The share capital has developed as follows:

	2016	2015	2014	2013	2012
	DKK '000	DKK '000	DKK '000	DKK '000	DKK '000
Share capital at 1 January	362.590	257.642	206.139	266.848	266.848
Capital increase	0	104.948	51.503	0	0
Capital decrease	-345.324	0	0	-60.709	0
Share capital at 31 December	17.266	362.590	257.642	206.139	266.848

12 Distribution of profit

	Group		Parent	
	2016	2015	2016	2015
	DKK '000	DKK '000	DKK '000	DKK '000
Reserve for investments	155.154	56.666	155.154	56.666
Retained earnings	-301.975	-3.426	-302.490	-3.426
	-146.821	53.240	-147.336	53.240

13 Provision for deferred tax

Property, plant, equipment and inventories	87.980	223.307	87.980	223.307
Other	451	3.372	460	3.372
Tax loss carry-forward	-24.594	-60.869	-24.594	-60.869
	63.837	159.066	63.846	159.066

Notes to the Financial Statements

14 Long-term debt

Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.

The debt falls due for payment as specified below:

	Group		Parent	
	2016 DKK '000	2015 DKK '000	2016 DKK '000	2015 DKK '000
Credit institutions				
Between 1 and 5 years	100.000	1.264.996	100.000	1.264.996
Long-term part	100.000	1.264.996	100.000	1.264.996
Within 1 year	161.897	55.666	161.897	55.666
	261.897	1.320.662	261.897	1.320.662

Notes to the Financial Statements

15 Contingent assets, liabilities and other financial obligations

Charges and security

The following assets have been placed as security with mortgage credit institutes:

	Group		Parent	
	2016 DKK '000	2015 DKK '000	2016 DKK '000	2015 DKK '000
Production, hotel and investment property carrying amount	0	2.688.140	0	2.688.140

Guarantee obligations

The Company is guarantor with primary liability for whatever amount Bellakvarter Projektselskab A/S may owe Nordea Kredit Realkreditaktieselskab in future pursuant to the following liability, including interest and expenses in the event of default: DKK 31,000k.

Other contingent liabilities

On 30 September 2015, the Company entered a framework agreement with the wholly owned subsidiary Bellakvarter Projektselskab A/S. According to the agreement, the Company is under an obligation to provide financial support to Bellakvarter Projektselskab A/S' development activities.

The Solstra Investments A/S Group's Danish companies are jointly and severally liable for tax on the Group's income subject to joint taxation, etc, for 2016. The total amount is disclosed in the Annual Report of Solstra Investments A/S, which is the administration company for joint taxation purposes.

Notes to the Financial Statements

16 Related parties

Related parties are considered to be the Board of Directors, Key Management and Solstra Investments A/S' subsidiaries such as Bella Solstra Holding A/S, Bella Solstra A/S (Immediate parent company) and Bellakvarter Projektselskab A/S (Subsidiary).

Basis

Controlling interest

Bella Solstra A/S

Lautrupsgade 7
2100 København Ø

Holding 82 % of the votes in the Company

Ownership

Furthermore following shareholder is recorded in the Company's register of shareholders as holding at least 5% of the votes or at least 5% of the share capital:

ALM. BRAND BANK A/S
Midtermolen 7
2100 København Ø

Consolidated Financial Statements

The Company is included in the Consolidated Financial Statements of Solstra Investments A/S and the ultimate parent company Solstra Holdings Cyprus Ltd., Cyprus. As a result of the legislation in Cyprus the Consolidated Financial Statements are not published.

Name

Place of registered office

Solstra Investments A/S

Copenhagen

Notes, Accounting Policies

Basis of Preparation

The Annual Report of Bellakvarter A/S for 2016 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B. It is the first year the Company voluntarily prepare consolidated financial statements.

The accounting policies for the Parent Company has been changed compared to last year. The accounting policies applied previously was International Financial Reporting Standards. The change has been made in accordance with the provision of the Executive Order on transition to presentation of financial statements pursuant to the Danish Financial Statements Act. The change has not had any impact on the recognition and measurement of assets and liabilities as well as income statement. The comparative figures have been restated accordingly.

Items previously presented as other comprehensive income has been recognised over statement of change in equity.

The following exception have been applied in accordance with the Executive Order on transition to presentation of financial statements pursuant to the Danish Financial Statements Act.

§4: Key figures has not been restated for 2012 to 2014. 2012 to 2014 income statement include the affect the value adjustment of investment properties, that would not have been possible under the Financial Statement Act.

§8 and §9: Accumulated cost, reevaluation and depreciations for property, plant and equipment have not been changed and the option to pre implement the fair value measurement for investment properties and land undevelopment over the income statement has been applied.

Consolidated and Parent Company Financial Statements for 2016 are presented in DKK '000.

Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset 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 out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Notes, Accounting Policies

Basis of consolidation

The Consolidated Financial Statements comprise the Parent Company, Bellakvarter A/S, and subsidiaries in which the Parent Company directly or indirectly holds more than 50% of the votes or in which the Parent Company, through share ownership or otherwise, exercises control. Enterprises in which the Group holds between 20% and 50% of the votes and exercises significant influence but not control are classified as associates.

On consolidation, items of a uniform nature are combined. Elimination is made of intercompany income and expenses, shareholdings, dividends and accounts as well as of realised and unrealised profits and losses on transactions between the consolidated enterprises.

The Parent Company's investments in the consolidated subsidiaries are set off against the Parent Company's share of the net asset value of subsidiaries stated at the time of consolidation.

Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

Derivative financial instruments

Derivative financial instruments are initially recognised in the balance sheet at cost and are subsequently remeasured at their fair values. Positive and negative fair values of derivative financial instruments are classified as "Other receivables" and "Other payables", respectively.

Changes in the fair values of derivative financial instruments are recognised in the income statement unless the derivative financial instrument is designated and qualify as hedge accounting.

Revenue

Information on business segments and geographical segments based on the Group's risks and returns and its internal financial reporting system. Business segments are regarded as the primary segments.

Notes, Accounting Policies

Income Statement

Revenue

Revenue from the sale of goods is recognised when the risks and rewards relating to the goods sold have been transferred to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Group.

Contract work in progress (construction + land purchase contracts) is recognised at the rate of completion, which means that revenue equals the selling price of the work completed for the year (percentage-of-completion method). This method is applied when total revenues and expenses in respect of the contract and the stage of completion at the balance sheet date can be measured reliably, and it is probable that the economic benefits, including payments, will flow to the Group. The stage of completion is determined on the basis of the ratio between the expenses incurred and the total expected expenses of the contract.

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

Cost of goods sold

Cost of goods sold comprise the raw materials and consumables consumed to achieve revenue for the enterprise.

Other external expenses

Other external expenses comprise indirect production costs and expenses for premises, sales and distribution as well as office expenses, etc.

Value adjustments of investment properties

Investment properties and undeveloped land area are measured at fair value and the value adjustments are recognized in the income statement.

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of property, plant and equipment.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

Notes, Accounting Policies

Tax on profit/loss for the year

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

The Company and group are jointly taxed with wholly owned subsidiaries of Solstra Investments A/S. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

Balance Sheet

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Interest expenses on loans raised directly for financing the construction of property, plant and equipment are recognised in cost over the period of construction. All indirectly attributable borrowing expenses are recognised in the income statement.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Production buildings	5-100 years
Other buildings	10-50 years
Other fixtures and operating equipment	1-15 years

Leasehold improvements are depreciated over the remaining lease term. Land and investment property are not depreciated.

Depreciation period and residual value are reassessed annually.

Assets costing less than DKK 12,300 are expensed in the year of acquisition.

Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, the asset is written down to its lower recoverable amount.

Notes, Accounting Policies

Investments in subsidiaries

Investments in subsidiaries are measured at cost. Where cost exceeds the recoverable amount, write-down is made to this lower value.

Inventories

Inventories are measured at the lower of cost under the FIFO method and net realisable value.

The net realisable value of inventories is calculated at the amount expected to be generated by sale of the inventories in the process of normal operations with deduction of selling expenses. The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price.

The cost of goods for resale, raw materials and consumables equals landed cost.

The cost of finished goods and work in progress comprises the cost of raw materials, consumables and direct labour with addition of indirect production costs. Indirect production costs comprise the cost of indirect materials and labour as well as maintenance and depreciation of the machinery, factory buildings and equipment used in the manufacturing process as well as costs of factory administration and management.

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts.

Contract work in progress

Contract work in progress is measured at selling price of the work performed calculated on the basis of the stage of completion. The stage of completion is measured by the proportion that the contract expenses incurred to date bear to the estimated total contract expenses. Where it is probable that total contract expenses will exceed total revenues from a contract, the expected loss is recognised as an expense in the income statement.

Where the selling price cannot be measured reliably, the selling price is measured at the lower of expenses incurred and net realisable value.

Payments received on account are set off against the selling price. The individual contracts are classified as receivables when the net selling price is positive and as liabilities when the net selling price is negative.

Expenses relating to sales work and the winning of contracts are recognised in the income statement as incurred.

Notes, Accounting Policies

Prepayments

Prepayments comprise prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

Equity

Reserve for investment assets and revaluation reserve are determined as the value adjustment of investment property after tax and the value adjustment of production property after tax, respectively. Distributable reserves are determined as premiums transferred to reserves in connection with issues, transfers to special reserve, reserve for investment assets (including fair value adjustment of rental property) as well as retained earnings. The hedging reserve includes changes in the fair value of derivatives classified and qualifying as cash flow hedges. Proposed dividend is presented as a separate item under equity. Dividend is recognised as a liability at the time of declaration. Purchase and sale of own shares are recognised directly in equity under distributable reserves.

The outstanding payment of share capital has in accordance with Danish legislation been recognised according to the net method in the Financial Statements and disclosed as a special reserve in the statement of equity.

Dividend

Dividend distribution proposed by Management for the year is disclosed as a separate equity item.

Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

Notes, Accounting Policies

Financial debts

Loans, such as mortgage loans and loans from credit institutions, are recognised initially at the proceeds received net of transaction expenses incurred. Subsequently, the loans are measured at amortised cost; the difference between the proceeds and the nominal value is recognised as an interest expense in the income statement over the loan period.

Mortgage loans are measured at amortised cost, which for cash loans corresponds to the remaining loan. Amortised cost of debenture loans corresponds to the remaining loan calculated as the underlying cash value of the loan at the date of raising the loan adjusted for depreciation of the price adjustment of the loan made over the term of the loan at the date of raising the loan.

Other debts are measured at amortised cost, substantially corresponding to nominal value.

Deferred income

Deferred income comprises payments received in respect of income in subsequent years.

Financial Highlights

Explanation of financial ratios

Gross margin

$$\frac{\text{Gross profit} \times 100}{\text{Revenue}}$$

Return on equity

$$\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$$

Assets/Equity

$$\frac{\text{Assets}}{\text{Equity}}$$