# *Bellakvarter A/S*

Center Boulevard 5, DK-2300 København S

# Annual Report for 1 January - 31 December 2017

CVR No 26 06 77 15

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 24/05 2018

Mette Kapsch
Chairman

pwc

# Contents

# 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 2017.

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 2017 of the Company and the Group and of the results of the Company and Group operations for 2017.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

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

Copenhagen, 24 May 2018

**Executive Board**

Henrik Gram
CEO

**Board of Directors**

| | | |
|---|---|---|
| Johan Ewald Lorentzen<br>Chairman | Mette Kapsch | David Robson Overby |

# Independent Auditor's Report

To the Shareholders 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 2017 and of the results of the Group's and the Parent Company's operations for the financial year 1 January - 31 December 2017 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 2017, 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 Financials 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 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, 24 May 2018
**PricewaterhouseCoopers**
Statsautoriseret Revisionspartnerselskab
*CVR No 33 77 12 31*

Torben Jensen
statsautoriseret revisor
mne18651

Claus Carlsson
statsautoriseret revisor
mne29461

# Company Information

| | |
|---|---|
| **The Company** | Bellakvarter A/S<br>Center Boulevard 5<br>DK-2300 København S<br><br>CVR No: 26 06 77 15<br>Financial period: 1 January - 31 December<br>Municipality of reg. office: Copenhagen |
| **Board of Directors** | Johan Ewald Lorentzen, Chairman<br>Mette Kapsch<br>David Robson Overby |
| **Executive Board** | Henrik Gram |
| **Auditors** | PricewaterhouseCoopers<br>Statsautoriseret Revisionspartnerselskab<br>Strandvejen 44<br>DK-2900 Hellerup |

# Financial Highlights

Seen over a five-year period, the development of the Group is described by the following financial highlights:

| | Group | | | | |
|---|---|---|---|---|---|
| | 2017 | 2016 | 2015 | 2014* | 2013* |
| | TDKK | TDKK | TDKK | TDKK | TDKK |
| **Key figures** | | | | | |
| **Profit/loss** | | | | | |
| Revenue | 619,985 | 94,114 | 0 | 618,763 | 591,558 |
| Gross profit/loss | 25,612 | (4,991) | 0 | 90,683 | 63,369 |
| Value adjustment of investment properties / land | 35,756 | 158,172 | 73,118 | 110,536 | 0 |
| Profit/loss before financial income and expenses | 58,368 | 152,681 | 34,312 | 292,951 | 18,877 |
| Net financials | (4,355) | (4,090) | 0 | (162,272) | (28,134) |
| Profit before tax, continuing activities | 54,013 | 148,591 | 41,420 | 0 | 0 |
| Profit/loss from discontinuing activities | (48,130) | (261,170) | 26,477 | 130,679 | 9,257 |
| Net profit/loss for the year | (4,460) | (146,821) | 53,240 | 96,913 | 4,129 |
| **Balance sheet** | | | | | |
| Balance sheet total | 881,316 | 856,705 | 3,084,860 | 2,937,257 | 2,761,143 |
| Equity | 401,476 | 345,880 | 1,103,001 | 914,661 | 835,153 |
| Production properties | 7,686 | 10,686 | 437,633 | 453,617 | 569,704 |
| Investment properties/land | 384,500 | 327,563 | 808,669 | 793,515 | 674,866 |
| Hotel property | 0 | 0 | 1,441,838 | 1,444,847 | 1,321,504 |
| Inventories | 339,185 | 347,617 | 156,130 | 3,071 | 3,373 |
| Investment in property, plant and equipment | 15,979 | 86,011 | 56,823 | 67,629 | 44,951 |

# Financial Highlights

| | Group | | | | |
|---|---|---|---|---|---|
| | 2017 | 2016 | 2015 | 2014* | 2013* |
| | TDKK | TDKK | TDKK | TDKK | TDKK |
| **Ratios** | | | | | |
| Solvency ratio | 45.6 % | 40.4 % | 35.8 % | 31.1 % | 30.2 % |

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 for 2013 and 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.

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

# Management's Review

Consolidated and Parent Company Financial Statements of Bellakvarter A/S for 2017 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The Consolidated and Parent Company Financial Statements have been prepared under the same accounting policies as last year.

## Key activities

Bellakvarter is a new attractive urban district of Copenhagen. In cooperation with the Copenhagen Municipality, the Company has developed a masterplan for approximately 200,000 square metres land area on which approximately 305,000 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, and other carefully selected business partners.

# Management's Review

**The past year and follow-up on development expectations from last year**

Total Group revenue amounts to DKK 620 million in 2017 (2016: DKK 94 million). Sale of residential properties amounts to DKK 429 million (2016: DKK 36 million), and sale of completed contractual work of social housing amounts to DKK 190 million (2016: DKK 58 million).

Gross profit of total sales amounts to DKK 49.5 million (2016: DKK 5.5 million). Gross profit has been reduced by DKK 71 million due to the reversal of revaluations from previous years (2016: DKK 7 million).

Total external cost at DKK 24 million (2016: DKK 10.5 million) consists of property taxes of DKK 17.1 million, consultancy cost of DKK 3.8 million and administrative/marketing costs. The Company has entered into a development agreement with Solstra Development ApS to ensure access to experts within planning, development and construction. The fee payable by the Company equals Solstra Development ApS' costs of having the said experts employed and dedicated to the project long term (salary, bonus and office costs), added a mark-up to ensure compliance with transfer pricing.

Revaluation of building rights to market value amounts to DKK 35.8 million as construction process on further building plots are in progress (2016: DKK 158.2 million).

Depreciation for 2017 amounts to DKK 3 million (2016: DKK 0.5 million). Financial expenses amount to DKK 4.4 million (2016: DKK 4.1 million).

The Group's profit of operations for 2017 amounts to DKK 54 million before tax (2016: DKK 148.6 million). Tax of operations amounts to DKK 10.3 million. Net profit from continuing operating activities amounts to DKK 43.7 million (2016: DKK 114.3 million).

Tax of discontinued operations amounts to DKK 48.1 million in 2017, which is due to BCHG Holding A/S (the Company's sister company) selling the shares in Bella Sky A/S as of 30 June 2017. The sale changed the tax-exempt contribution of the Bella Sky property to Bella Sky A/S as per 30 October 2016 into a taxable contribution.

The Group had a net loss after tax of DKK 4.5 million for 2017.

# Management's Review

## Capital resources

The equity amounts to DKK 401.5 million as per 31 December 2017 (2016: DKK 345.9 million) after a capital increase of DKK 60 million in 2017.

Total investment properties amounted to DKK 384.5 million in 2017 (2016: DKK 327.5 million). The investment properties consist of cost related to the preparation of undeveloped land amounting to DKK 82.4 million and building rights amounting to DKK 302.1 million (2016: DKK 78 million / 249.5 million).

Total land value of DKK 302.1 million is measured by applying third-party market value, corresponding to a total of 241,000 square metres of building rights.

Total inventory of properties held for sale amounts to DKK 339.2 million in 2017 (2016: DKK 347.6 million). Property inventories held for sale is separated into two groups; construction costs of DKK 293.4 million and land valuation  (building rights) of DKKK 45.8 million (2016: DKK 228.4 million/DKK 119.2 million)

Addition of building construction costs is at DKK 548.2 million including contractual work of social housing buildings in progress of DKK 183.8 million. Disposals of properties amount to DKK 486.9 DKK million. The land development cost of DKK 3.6 million related to properties for sale has been transferred from investment properties.

Land valuation of properties held for sale is at DKK 45.8 million as per 31 December 2017 equivalent to 11,000 square metres of building rights.

Total debt to financial institutions amounts to DKK 176.7 million in 2017 (2016: DKK 261.9 million). All debt is short-term facilities related to properties under construction. Payable to group enterprises of DKK 48.9 million comprise payable income tax (2016: DKK 15.2 million).

# Management's Review

**Targets and expectations for the year ahead**

Bellakvarter is an upcoming district in Copenhagen.

It is the ambition to create a unique destination and a new neighbourhood nearby the current hotel-, exhibition and conference facilities of Bella Center Copenhagen. The intention is to create a local flow of pedestrians, cyclists and cars and open up the area to create a living city. 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 south-west/mid-east local area plan 508 in 2014 and the south-east plan 538 in 2016 enables the Company to initiate 147,000 building square metres of the current Bellakvarter masterplan of total 305,000 building square metres.

The first building constructions were initiated in 2015 on two plots building 19,500 square metres of private homes. By the end of 2017 more than 160 families have moved to Bellakvarter.

At the end of 2017, a further 60,000 square metres residential buildings are in progress, hereof 23,000 square metres social housing in cooperation with fsb, Copenhagen's largest social housing organisation. The social housing projects have been sold as land including contractual work.

In total appr. 800 units have been constructed/are under construction at the end of 2017.

In 2018, additional 12,000 residential square metres are expected to be developed together with a new parking facility. The first parking house with 445 parking spaces opens mid 2018.

Prior year outlook expectations have been met in a satisfactory way as the realised result has been better than expected.

The Company expects an increase in Group profit including value adjustments of properties and before financial expenses and tax, due to revaluation of completed investments properties.

In 2017, the Copenhagen Municipality has published a draft revised local area plan 508 including the north-east corner of Bellakvarter. The revised draft includes an expansion of the masterplan for the Bellakvarter area enabling a total of 333,000 square metres if approved in its current version.

# Management's Review

### Statement of corporate social responsibility

The Company is focusing on environmental and social responsibilities when developing the new Bellakvarter urban area and is exploring opportunities e.g. to construct buildings with recycled materials, to create attractive common areas facilitating both sport, gardening and cultural events. Furthermore, the Company has implemented a central garbage handling for residential units, which allows for easy waste sorting and effective transport.

### Uncertainty relating to recognition and measurement

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

### Unusual events

The financial position at 31 December 2017 of the Group and the results of the activities of the Group for the financial year for 2017 have not been affected by any unusual events.

### 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 Company | |
|---|---|---|---|---|---|
| | | 2017 | 2016 | 2017 | 2016 |
| | | TDKK | TDKK | TDKK | TDKK |
| **Revenue** | 1 | **619,985** | **94,114** | **603,409** | **91,939** |
| Cost of goods sold | | (570,441) | (88,628) | (558,473) | (87,130) |
| Other external expenses | | (23,932) | (10,477) | (23,855) | (10,477) |
| **Gross profit/loss before value adjustments** | | **25,612** | **(4,991)** | **21,081** | **(5,668)** |
| Value adjustments of investment properties/land | | 35,756 | 158,172 | 35,756 | 158,172 |
| **Gross profit/loss after value adjustments** | | **61,368** | **153,181** | **56,837** | **152,504** |
| Depreciation and impairment of property, plant and equipment | | (3,000) | (500) | (3,000) | (500) |
| **Profit/loss before financial income and expenses** | | **58,368** | **152,681** | **53,837** | **152,004** |
| Financial expenses | 2 | (4,355) | (4,090) | (5,725) | (4,073) |
| **Profit/loss before tax** | | **54,013** | **148,591** | **48,112** | **147,931** |
| Tax on profit/loss for the year | 3 | (10,343) | (34,242) | (9,045) | (34,097) |
| **Profit/loss from continuing activities** | | **43,670** | **114,349** | **39,067** | **113,834** |
| Profit/loss from discontinuing activities | 4 | (48,130) | (261,170) | (48,130) | (261,170) |
| **Net profit/loss for the year** | | **(4,460)** | **(146,821)** | **(9,063)** | **(147,336)** |

# Balance Sheet 31 December

## Assets

| | Note | Group 2017 TDKK | Group 2016 TDKK | Parent Company 2017 TDKK | Parent Company 2016 TDKK |
|---|---|---|---|---|---|
| Production properties | 6 | 7,686 | 10,686 | 7,686 | 10,686 |
| Investment properties/land | 7 | 384,500 | 327,563 | 384,500 | 327,563 |
| **Property, plant and equipment** | | **392,186** | **338,249** | **392,186** | **338,249** |
| Investments in subsidiaries | 8 | 0 | 0 | 500 | 500 |
| **Fixed asset investments** | | **0** | **0** | **500** | **500** |
| **Fixed assets** | | **392,186** | **338,249** | **392,686** | **338,749** |
| **Inventories** | 9 | **339,185** | **347,617** | **339,185** | **347,617** |
| Trade receivables | | 17,542 | 5,787 | 9 | 5,779 |
| Receivables from group enterprises | | 0 | 0 | 0 | 3,055 |
| Claim for payment of company capital | | 8,833 | 0 | 8,833 | 0 |
| Other receivables | | 7,078 | 1,714 | 7,072 | 1,714 |
| **Receivables** | | **33,453** | **7,501** | **15,914** | **10,548** |
| **Cash at bank and in hand** | 10 | **116,492** | **163,338** | **51,672** | **47,886** |
| **Currents assets** | | **489,130** | **518,456** | **406,771** | **406,051** |
| **Assets** | | **881,316** | **856,705** | **799,457** | **744,800** |

# Balance Sheet 31 December

## Liabilities and equity

| | Note | Group 2017 | Group 2016 | Parent Company 2017 | Parent Company 2016 |
|---|---|---|---|---|---|
| | | TDKK | TDKK | TDKK | TDKK |
| Share capital | | 20,269 | 17,266 | 20,269 | 17,266 |
| Reserve for unpaid share capital and share premium | | 8,833 | 0 | 8,833 | 0 |
| Share premium account | | 161,676 | 113,456 | 161,676 | 113,456 |
| Retained earnings | | 210,698 | 215,158 | 205,580 | 214,643 |
| **Equity** | 11 | **401,476** | **345,880** | **396,358** | **345,365** |
| Provision for deferred tax | 13 | 81,405 | 63,837 | 81,756 | 63,846 |
| Other provisions | | 11,768 | 695 | 6,500 | 0 |
| **Provisions** | | **93,173** | **64,532** | **88,256** | **63,846** |
| Credit institutions | | 0 | 100,000 | 0 | 100,000 |
| **Long-term debt** | 14 | **0** | **100,000** | **0** | **100,000** |
| Credit institutions | 14 | 176,723 | 161,897 | 176,723 | 161,897 |
| Trade payables | | 54,242 | 47,060 | 892 | 8,179 |
| Contract work in progress, liabilities | 12 | 79,331 | 48,624 | 47,689 | 49,489 |
| Payables to group enterprises | | 48,912 | 15,235 | 84,358 | 15,027 |
| Deposits | | 12,152 | 71,406 | 2,729 | 0 |
| Other payables | | 15,307 | 2,071 | 2,452 | 997 |
| **Short-term debt** | | **386,667** | **346,293** | **314,843** | **235,589** |
| **Debt** | | **386,667** | **446,293** | **314,843** | **335,589** |
| **Liabilities and equity** | | **881,316** | **856,705** | **799,457** | **744,800** |
| Distribution of profit | 5 | | | | |
| Contingent assets, liabilities and other financial obligations | 15 | | | | |
| Related parties | 16 | | | | |
| Accounting Policies | 17 | | | | |

# Statement of Changes in Equity

## Group

| | Share capital | Reserve for unpaid share capital and share premium | Share premium account | Retained earnings | Total |
|---|---|---|---|---|---|
| | TDKK | TDKK | TDKK | TDKK | TDKK |
| Equity at 1 January | 17,266 | 0 | 113,456 | 215,158 | 345,880 |
| Cash capital increase | 3,003 | 8,833 | 48,220 | 0 | 60,056 |
| Net profit/loss for the year | 0 | 0 | 0 | -4,460 | -4,460 |
| **Equity at 31 December** | **20,269** | **8,833** | **161,676** | **210,698** | **401,476** |

## Parent Company

| | Share capital | Reserve for unpaid share capital and share premium | Share premium account | Retained earnings | Total |
|---|---|---|---|---|---|
| Equity at 1 January | 17,266 | 0 | 113,456 | 214,643 | 345,365 |
| Cash capital increase | 3,003 | 8,833 | 48,220 | 0 | 60,056 |
| Net profit/loss for the year | 0 | 0 | 0 | -9,063 | -9,063 |
| **Equity at 31 December** | **20,269** | **8,833** | **161,676** | **205,580** | **396,358** |

# Notes to the Financial Statements

| | | Group | | Parent Company | |
|---|---|---|---|---|---|
| | | 2017 | 2016 | 2017 | 2016 |
| | | TDKK | TDKK | TDKK | TDKK |
| 1 | **Revenue** | | | | |
| | **Geographical segments** | | | | |
| | Revenue, Denmark | 619,985 | 94,114 | 603,409 | 91,939 |
| | | **619,985** | **94,114** | **603,409** | **91,939** |
| | **Business segments** | | | | |
| | Sale of properties | 428,955 | 35,475 | 415,187 | 34,165 |
| | Rent | 958 | 167 | 958 | 167 |
| | Work in progress | 190,072 | 58,472 | 187,264 | 57,607 |
| | | **619,985** | **94,114** | **603,409** | **91,939** |
| 2 | **Financial expenses** | | | | |
| | Interest paid to group enterprises | 333 | 255 | 1,901 | 255 |
| | Other financial expenses | 4,022 | 3,835 | 3,824 | 3,818 |
| | | **4,355** | **4,090** | **5,725** | **4,073** |
| 3 | **Tax on profit/loss for the year** | | | | |
| | Current tax for the year | 17,369 | (212) | 15,730 | (366) |
| | Deferred tax for the year | (7,026) | 34,454 | (6,685) | 34,463 |
| | | **10,343** | **34,242** | **9,045** | **34,097** |

# Notes to the Financial Statements

| | | Group | | Parent Company | |
|---|---|---|---|---|---|
| | | 2017 | 2016 | 2017 | 2016 |
| | | TDKK | TDKK | TDKK | TDKK |
| **4** | **Discontinuing activities** | | | | |
| | Revenue | 0 | 662,506 | 0 | 662,506 |
| | Value adjustments of assets held for investment | 0 | (241,442) | 0 | (241,442) |
| | Expenses for raw materials and consumables | 0 | (158,239) | 0 | (158,239) |
| | Other external expenses | 0 | (142,338) | 0 | (142,338) |
| | **Gross profit/loss** | **0** | **120,487** | **0** | **120,487** |
| | Staff expenses | 0 | (199,898) | 0 | (199,898) |
| | Depreciation, amortisation and impairment of intangible assets and property, plant and equipment | 0 | (30,992) | 0 | (30,992) |
| | **Profit/loss before financial income and expenses** | **0** | **(110,403)** | **0** | **(110,403)** |
| | Financial income | 0 | 204 | 0 | 204 |
| | Financial expenses | 0 | (198,357) | 0 | (198,357) |
| | **Profit/loss before tax** | **0** | **(308,556)** | **0** | **(308,556)** |
| | Tax on profit/loss for the year | (48,130) | 47,386 | (48,130) | 47,386 |
| | | **(48,130)** | **(261,170)** | **(48,130)** | **(261,170)** |
| **5** | **Distribution of profit** | | | | |
| | Other statutory reserves | 0 | 155,154 | 0 | 155,154 |
| | Retained earnings | -4,460 | -301,975 | -9,063 | -302,490 |
| | | **-4,460** | **-146,821** | **-9,063** | **-147,336** |

# Notes to the Financial Statements

## 6 Property, plant and equipment

**Group and Parent**

| | Production properties TDKK |
|---|---|
| Cost at 1 January | 15,051 |
| Cost at 31 December | 15,051 |
| | |
| Impairment losses and depreciation at 1 January | 4,365 |
| Depreciation for the year | 3,000 |
| Impairment losses and depreciation at 31 December | 7,365 |
| | |
| **Carrying amount at 31 December** | **7,686** |

## 7 Assets measured at fair value

| | **Group** | **Parent Company** |
|---|---|---|
| | Investment properties/land TDKK | Investment properties/land TDKK |
| Cost at 1 January | 78,048 | 78,048 |
| Additions for the year | 15,979 | 15,979 |
| Disposals for the year | (7,967) | (7,967) |
| Transfers for the year | (3,648) | (3,648) |
| Cost at 31 December | 82,412 | 82,412 |
| | | |
| Value adjustments at 1 January | 249,515 | 249,515 |
| Revaluations for the year | 50,223 | 50,223 |
| Transfers for the year | 2,350 | 2,350 |
| Value adjustments at 31 December | 302,088 | 302,088 |
| | | |
| **Carrying amount at 31 December** | **384,500** | **384,500** |

**Assumptions underlying the determination of fair value of investment properties**

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

# Notes to the Financial Statements

| | Parent Company | |
|---|---|---|
| | 2017 | 2016 |
| | TDKK | TDKK |

## 8 Investments in subsidiaries

| | 2017 TDKK | 2016 TDKK |
|---|---|---|
| Cost at 1 January | 500 | 500 |
| Net effect from merger and acquisition | 0 | 940,883 |
| Net effect from demerger and business sale | 0 | (940,883) |
| Cost at 31 December | 500 | 500 |
| Value adjustments at 1 January | 0 | 0 |
| Value adjustments at 31 December | 0 | 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 % | 5,618 | 4,603 |

# Notes to the Financial Statements

| | Group | | Parent Company | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| | TDKK | TDKK | TDKK | TDKK |

## 9 Inventories

| | Group 2017 TDKK | Group 2016 TDKK | Parent Company 2017 TDKK | Parent Company 2016 TDKK |
|---|---|---|---|---|
| **Cost** | | | | |
| At 1 January | 228,415 | 73,863 | 228,415 | 73,863 |
| Additions properties and land area under construction | 548,178 | 180,128 | 548,178 | 180,128 |
| Transfer to/from undeveloped land | 3,648 | 0 | 3,648 | 0 |
| Disposals, cost of property sales | -486,878 | -25,576 | -486,878 | -25,576 |
| Additions net | 64,948 | 154,552 | 64,948 | 154,552 |
| At 31 December | 293,363 | 228,415 | 293,363 | 228,415 |
| **Revaluation of land** | | | | |
| At 1 January | 119,202 | 79,095 | 119,202 | 79,095 |
| Transfer to/from undeveloped land | -2,350 | 47,146 | -2,350 | 47,146 |
| Disposals | -71,030 | -7,039 | -71,030 | -7,039 |
| At 31 December | 45,822 | 119,202 | 45,822 | 119,202 |
| **Carrying amount at 31 December** | **339,185** | **347,617** | **339,185** | **347,617** |
| Developed land area in progress (building rights, m2) | 48,737 | 40,135 | 48,737 | 40,135 |

## 10 Cash at bank and in hand

| | Group 2017 TDKK | Group 2016 TDKK | Parent Company 2017 TDKK | Parent Company 2016 TDKK |
|---|---|---|---|---|
| Restricted cash | 22,808 | 118,524 | 4,233 | 4,233 |
| Other cash at bank and in hand | 93,684 | 44,814 | 47,439 | 43,653 |
| | **116,492** | **163,338** | **51,672** | **47,886** |

# Notes to the Financial Statements

## 11 Equity

The share capital consists of 2,026,900,919 shares of a nominal value of DKK 0.01. No shares carry any special rights.

The share capital has developed as follows:

| | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|
| | TDKK | TDKK | TDKK | TDKK | TDKK |
| Share capital at 1 January | 17,266 | 362,590 | 257,642 | 206,139 | 266,848 |
| Capital increase | 3,003 | 0 | 104,948 | 51,503 | 0 |
| Capital decrease | 0 | (345,324) | 0 | 0 | (60,709) |
| **Share capital at 31 December** | **20,269** | **17,266** | **362,590** | **257,642** | **206,139** |

## 12 Contract work in progress

| | Group | | Parent Company | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| | TDKK | TDKK | TDKK | TDKK |
| Selling price of work in progress | 248,544 | 58,472 | 244,871 | 57,607 |
| Payments received on account | (327,875) | (107,096) | (292,560) | (107,096) |
| | **(79,331)** | **(48,624)** | **(47,689)** | **(49,489)** |
| Recognised in the balance sheet as follows: | | | | |
| Prepayments received recognised in debt | (79,331) | (48,624) | (47,689) | (49,489) |
| | **(79,331)** | **(48,624)** | **(47,689)** | **(49,489)** |

# Notes to the Financial Statements

## 13 Provision for deferred tax

| | Group | | Parent Company | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| | TDKK | TDKK | TDKK | TDKK |
| Provision for deferred tax at 1 January | 63,837 | 159,066 | 63,846 | 159,066 |
| Amounts recognised in the income statement for the year | (7,026) | 34,454 | (6,685) | 34,463 |
| Amounts recognised in the income statement as profit/loss from discontinuing activities | 24,594 | (50,653) | 24,595 | (50,653) |
| Disposal of activities | 0 | (152,245) | 0 | (152,245) |
| Amounts recognised in equity for the year | 0 | 73,215 | 0 | 73,215 |
| **Provision for deferred tax at 31 December** | **81,405** | **63,837** | **81,756** | **63,846** |
| | | | | |
| Property, plant and equipment and inventories | 78,707 | 87,980 | 78,707 | 87,980 |
| Other | 2,698 | 451 | 3,049 | 460 |
| Tax loss carry-forward | 0 | (24,594) | 0 | (24,594) |
| | **81,405** | **63,837** | **81,756** | **63,846** |

Deferred tax has been provided at 22% corresponding to the current tax rate.

## 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:

**Credit institutions**

| | Group 2017 | Group 2016 | Parent Company 2017 | Parent Company 2016 |
|---|---|---|---|---|
| Between 1 and 5 years | 0 | 100,000 | 0 | 100,000 |
| Long-term part | 0 | 100,000 | 0 | 100,000 |
| Other short-term debt to credit institutions | 176,723 | 161,897 | 176,723 | 161,897 |
| | **176,723** | **261,897** | **176,723** | **261,897** |

# 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 banks:
Investment properties / land (land and building as well as investment properties) have been charged as collateral with mortgage credit institutes. The overall extent of charges amount to TDKK 450,000 (2016: TDKK 120,000)

**Guarantee obligations**

The Company is guarantor with primary liability for whatever amount owed to credit mortgage institutions by Bellakvarter Projektselskab A/S in the future pursuant to the following liability, including interest and expenses in the event of default: TDKK 55,800.

**Other contingent liabilities**

The companies within the Solstra Investments A/S group are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. The total amount of corporation tax payable is disclosed in the Annual Report of Solstra Investments A/S, which is the management company for joint taxation purposes. Moreover, the group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company’s liability.

# 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** | |
| ALFI Mark Trust, Liechtenstein | Ultimate parent company |
| Markerina Investments Ltd., Cytrpus | Intermediate parent company |
| Solstra Holdings Cyprus Ltd., Cyprus | Intermediate parent company |
| Solstra Investments A/S, Copenhagen | Intermediate parent company |
| Bella Solstra Holding A/S, Copenhagen | Intermediate parent company |
| Bella Solstra A/S, Copenhagen | Immediate parent company |

Bella Solstra A/S is holding 84% of the votes in the Company

**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 said consolidated financial statements are not published.

| Name | Place of registered office |
|---|---|
| Solstra Investments A/S | Copenhagen |

The Group Annual Report of Solstra Investments A/S may be obtained at the following address:

Lautrupsgade 7
DK-2100 Copenhagen

# Notes to the Financial Statements

## 17 Accounting Policies

The Annual Report of Bellakvarter A/S for 2017 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The accounting policies applied remain unchanged from last year.

The Consolidated and Parent Company Financial Statements for 2017 are presented in TDKK.

### Cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act and to the cash flow statement included in the consolidated financial statements of Solstra Investments A/S, the Company and the Group have not prepared a cash flow statement.

### 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.

### 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 Compa-

# Notes to the Financial Statements

**17 Accounting Policies** (continued)

ny's share of the net asset value of subsidiaries stated at the time of consolidation.

**Leases**

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership (finance leases) are recognised in the balance sheet at the lower of the fair value of the leased asset and the net present value of the lease payments computed by applying the interest rate implicit in the lease or an alternative borrowing rate as the discount rate. Assets acquired under finance leases are depreciated and written down for impairment under the same policy as determined for the other fixed assets of the Group.

The remaining lease obligation is capitalised and recognised in the balance sheet under debt, and the interest element on the lease payments is charged over the lease term to the income statement.

All other leases are considered operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the lease term.

**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.

**Revenue**

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

# Notes to the Financial Statements

**17 Accounting Policies** (continued)

## Income Statement

### Revenue

Rental income is recognised on a straight line-basis over the term of the lease.

Contract work in progress (construction 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.

Services are recognised at the rate of completion of the service to which the contract relates by using the percentage-of-completion method, which means that revenue equals the selling price of the service completed for the year. This method is applied when total revenues and expenses in respect of the service 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 service.

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 primarily include operating expenses for the year.

### Other external expenses

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

### Amortisation, depreciation and impairment losses

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

### Income from investments in subsidiaries

Dividends from subsidiaries are recognised as income in the income statement when adopted at the General Meeting of the subsidiary. However, dividends relating to earnings in the subsidiary before it was acquired by the Parent Company are set off against the cost of the subsidiary.

# Notes to the Financial Statements

**17 Accounting Policies** (continued)

### Financial income and expenses

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

### 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 is jointly taxed with wholly owned Danish. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

# Balance Sheet

### Investment properties/land and other property, plant and equipment

***Investment properties/land***

Investment properties/land constitute land and buildings held to earn a return on the invested capital by way of current operating income and/or capital appreciation on sale.

On acquisition investment properties/land are measured at cost comprising the acquisition price and costs of acquisition. The cost of own constructed investment properties/land comprises the acquisition price and expenses directly related to the acquisition, including costs of acquisition and indirect expenses for labour, materials, components and supsuppliers up until the time when the asset is ready for use.

After the initial recognition investment properties/land are measured at fair value. Value adjustments of investment properties/land are recognised in the income statement.

In Management's opinion the classification of the properties as investment properties/land did not cause any difficulties.

Fair value is the amount for which the property could be exchanged between knowledgeable, willing parties in an arm's length transaction on the balance sheet date. The determination of fair value involves material accounting estimates.

The fair value of investment properties/land has been assessed by the independent assessor firm external real estate appraiser at 31 December 2017.

The estimates applied are based on historical information and assumptions considered reasonable by Management but which are inherently uncertain and unpredictable. Actual events or circumstances will probably differ from the assumptions made in the calculations as often assumed events do not occur as expec-

# Notes to the Financial Statements

**17 Accounting Policies** (continued)

ted. Such difference may be material. The assumptions applied are disclosed in the notes.

***Comparable market transactions***

In Management's opinion the determination of fair value for the year was enabled through comparable market transactions and, consequently, valuation is based on the expected selling price of investment properties/land.

***Other property, plant and equipment***

Other 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 10-50 years. Depreciation period and residual value are reassessed annually.

Assets costing less than DKK 13,200 are expensed in the year of acquisition.

**Impairment of fixed assets**

The carrying amounts of 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.

**Investments in subsidiaries**

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

The item in the balance sheet include the proportionate ownership share of the net asset value of the enterprises calculated on the basis of the fair values of identifiable net assets at the time of acquisition.

# Notes to the Financial Statements

**17 Accounting Policies** (continued)

**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 regarding service 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.

**Equity**

***Dividend***

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

# Notes to the Financial Statements

**17 Accounting Policies** (continued)

### Provisions

Provisions are recognised when - in consequence of an event occurred before or on the balance sheet date - the Group has a legal or constructive obligation and it is probable that economic benefits must be given up to settle the obligation.

### 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.

### Financial debts

Loans, such as 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.
Other debt are measured at amortised cost, substantially corresponding to nominal value.

# Financial Highlights

### Explanation of financial ratios

Solvency ratio $\dfrac{\text{Equity at year end x 100}}{\text{Total assets at year end}}$