CT Solstra ApS

c/o Solstra Capital Partners
Lautrupsgade 7. 3. tv., 2100 København Ø

CVR no. 35 41 04 14

Annual report 2016

Approved at the annual general meeting of shareholders on 13 June 2017

Chairman:

....

Building a better
working world

Contents

Statement by the Executive Board

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of CT Solstra ApS for the financial year 1 January - 31 December 2016.

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

In my 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 Company at 31 December 2016 and of the results of the Group's and the Company's operations and of the consolidated cash flows for the financial year 1 January - 31 December 2016.

Further, in my opinion, the Management's review gives a fair review of the development in the Group's and the Company's operations and financial matters and the results of the Group's and the Company's operations and financial position.

I recommend that the annual report be approved at the annual general meeting.

Copenhagen, 13 June 2017
Executive Board:

Oscar Claudius Crohn

Independent auditor's report

To the shareholders of CT Solstra ApS

Opinion

We have audited the consolidated financial statements and the parent company financial statements of CT Solstra ApS for the financial year 1 January - 31 December 2016, which comprise an income statement, balance sheet, statement of changes in equity, consolidated cash flow statement and notes, including accounting policies, for both the Group and the Parent Company. The consolidated financial statements and the parent company financial statements are prepared in accordance with the Danish Financial Statements Act.

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 and parent Company's operations as well as the consolidated cash flows for the financial year 1 January - 31 December 2016 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 consolidated financial statements and the parent company 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 rules and requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to note 2 in which Management states that it is a condition for the Group's and the Company's ability to remain a going concern that the Group obtains positive results of its ongoing negotiations regarding additional financing and a positive development in the leasing activity. It is Management's assessment that these assumptions will be achieved, and consequently, the financial statements have been prepared on a going concern assumption.

We have not modified our opinion in respect of this matter.

Management's responsibilities for the consolidated financial statements and the parent company financial statements

Management is responsible for the preparation of consolidated financial statements and parent company 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 consolidated financial statements and parent company financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and the parent company financial statements, Management is responsible for assessing the Group's and the Parent 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 consolidated financial statements and the parent company financial statements unless Management either intends to liquidate the Group or the Parent Company or to cease operations, or has no realistic alternative but to do so.

Independent auditor's report

Auditor's responsibilities for the audit of the consolidated financial statements and the parent company financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent company 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 consolidated financial statements and parent company 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 skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and the parent company 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 Group's and the Parent Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the consolidated financial statements and the Parent Company 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 Parent 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 consolidated financial statements and the Parent Company financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusion is 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 Parent Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the consolidated financial statements and the parent company financial statements, including the note disclosures, and whether the consolidated financial statements and the parent company 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.

Statement on Management's review

Management is responsible for the Management's review.

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

Independent auditor's report

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

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

Based on the work we have performed, we conclude that the 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 Statement Act. We did not identify any material misstatement of the Management's review.

Copenhagen, 13 June 2017
Ernst & Young
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Anders Stig Lauritsen State Authorised Public Accountant	Kaare Kristensen Lendorf State Authorised Public Accountant

Management's review

Company details

Name	CT Solstra ApS
Address, Postal code, City	c/o Solstra Capital Partners Lautrupsgade 7. 3. tv., 2100 København Ø
CVR no.	35 41 04 14
Established	6 August 2013
Registered office	København
Financial year	1 January - 31 December
Telephone	+45 39 13 99 00
Executive Board	Oscar Claudius Crohn
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Osvald Helmuths Vej 4, P.O. Box 250, 2000 Frederiksberg, Denmark

Financial highlights for the Group

DKKm	2016	2015	2014
Key figures			
Revenue	142	130	116
Gross margin	50	55	50
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	2	14	13
Profit before interest, tax and amortisation of goodwill (EBITA)	-51	-13	-473
Net financials	-68	-53	-39
Profit/loss before tax	-118	-66	-512
Profit/loss for the year	**-118**	**-66**	**-501**
Fixed assets	1,574	1,568	1,311
Non-fixed assets	60	71	67
Total assets	**1,634**	**1,639**	**1,378**
Equity	**-644**	**-545**	**-494**
Financial ratios			
Operating margin	-35.9%	-10.0%	-407.8%
Gross margin	35.2%	42.3%	43.1%
EBITDA-margin	1.4%	10.8%	11.2%
Current ratio	80.0%	97.3%	0.1%
Average number of employees	**137**	**124**	**129**

Management's review

Management commentary

Business review

The Group's purpose is to develop the Copenhagen Towers multi-user office complex and attract new tenants to secure a steady long-term lease income. The Group owns and operates a hotel and conference center.

The purpose of CT Solstra ApS is to hold interests in the subsidiary Copenhagen Skyline Holding ApS.

Recognition and measurement uncertainties

At the end of the year, all of the office buildings were almost completed. The majority of the office buildings were vacant and only a few lease contracts were entered into, and consequently, Management has carried out an impairment test of fixed assets. The test did not show a need to recognise any impairment losses.

The Group's earnings from the hotel activities were affected by construction and development in the area, and consequently, Management has carried out an impairment test of fixed assets. The test did not show a need to recognise any impairment losses.

Management experiences increased demand from potential tenants for the vacant buildings, and Management has entered into substantive negotiations with potential tenants. Furthermore, revenue from the hotel activity has improved during the past years.

Due to the above uncertainties regarding earnings, the impairment test is subject to considerable uncertainties, and consequently, the carrying amount of fixed assets is subject to considerable uncertainties. If the assumptions used develop adversely, impairment losses may need to be recognised in the coming financial years.

Unusual matters having affected the financial statements

Going concern

In 2012, the subsidiaries entered into financing agreements with the bank. The financing agreements comprise financing for the completion of the office building constituting stage 2 owned by Copenhagen Towers II P/S and financing for stage 1 owned by Copenhagen Towers ApS.

At 4 October 2016, the Group entered into an addendum to the existing financing agreements, where the loan commitment was increased and amortisation was deferred to 31 October 2018, where the loan in its entirety falls due.

Management has prepared a sensitivity analysis on cash flow budgets showing that it is a condition for the Group's and the Company's ability to remain a going concern until the presentation of the financial statements for 2017 that the Group obtains positive results of its ongoing negotiations regarding additional financing and a positive development in the leasing activity. Management experiences increased demand from potential tenants for the vacant buildings. Management expects to reach a new financing agreement during the coming months and to lease out a significant part of the vacant buildings in the coming period.

There is material uncertainty related to the going concern assumption which casts significant doubt on the Group's and subsidiaries' ability to continue as a going concern, and therefore, the Group and the subsidiaries may be unable to realise their assets and discharge their liabilities in the normal course of business.

The Group's equity is expected to be re-established over the coming years due to rent income from properties, realisation of properties/subsidiaries and cancellation of debt.

Reference is made to note 2 for more details.

Management's review

Management commentary

Financial review

In 2016, the Group's revenue amounted to DKK 142,472 thousand against DKK 130,130 thousand last year. The income statement for 2016 shows a loss of DKK 118,099 thousand against DKK -66,108 thousand last year, and the group's balance sheet at 31 December 2016 shows negative equity of DKK 643,962 thousand.

Events after the balance sheet date

No significant events have occurred after the balance sheet date that materially affect the financial statements at 31 December 2016. Offices are fitted out for tenants as lease contracts are entered into.

Outlook

In the coming year, Management expects that earnings from the leasing activities will increase in connection with the reduction of vacancy and positive results of the negotiations regarding refinancing, which is a condition for the Company's continued operations after 2017.

Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

Income statement

		Group		Parent Company	
Note	DKK'000	2016	2015	2016	2015
	Revenue	142,472	130,130	0	0
	Other external expenses	-92,626	-74,795	-150	-145
	Gross margin	49,846	55,335	-150	-145
4	Staff costs	-48,120	-40,992	0	0
5	Amortisation/depreciation and impairment of intangible assets and property, plant and equipment	-52,322	-27,088	0	0
	Profit/loss before net financials	-50,596	-12,745	-150	-145
	Financial income	10	168	0	0
	Financial expenses	-67,513	-53,561	-395	-385
	Profit/loss before tax	-118,099	-66,138	-545	-530
6	Tax for the year	0	30	0	0
	Profit/loss for the year	-118,099	-66,108	-545	-530

Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

Balance sheet

Note	DKK'000	Group 2016	Group 2015	Parent Company 2016	Parent Company 2015
	ASSETS				
	Fixed assets				
7	**Intangible assets**				
	Acquired intangible assets	1,136	1,225	0	0
	Goodwill	0	0	0	0
		1,136	1,225	0	0
8	**Property, plant and equipment**				
	Land and buildings	1,564,702	796,308	0	0
	Other fixtures and fittings, tools and equipment	7,890	3,979	0	0
	Property, plant and equipment in progress	0	766,823	0	0
		1,572,592	1,567,110	0	0
9	**Investments**				
	Investments in group entities	0	0	0	0
		0	0	0	0
	Total fixed assets	1,573,728	1,568,335	0	0
	Non-fixed assets				
	Inventories				
	Raw materials and consumables	982	929	0	0
		982	929	0	0
	Receivables				
	Trade receivables	20,578	9,702	0	0
	Receivables from group entities	162	0	14,950	14,950
	Other receivables	7,313	7,312	0	45
10	Prepayments	2,887	1,576	0	0
		30,940	18,590	14,950	14,995
	Cash	27,665	51,304	374	385
	Total non-fixed assets	59,587	70,823	15,324	15,380
	TOTAL ASSETS	1,633,315	1,639,158	15,324	15,380

Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

Balance sheet

		Group		Parent Company	
Note	DKK'000	2016	2015	2016	2015
	EQUITY AND LIABILITIES				
	Equity				
11	Share capital	80	80	80	80
	Retained earnings	-644,042	-544,580	-1,499	-954
	Total equity	-643,962	-544,500	-1,419	-874
	Liabilities				
12	**Non-current liabilities other than provisions**				
	Bank debt	2,186,015	2,094,529	0	0
	Other payables	16,371	15,678	16,371	15,678
		2,202,386	2,110,207	16,371	15,678
	Current liabilities				
	Trade payables	19,264	13,980	0	0
	Deposits	7,964	4	0	0
	Other payables	44,677	58,142	372	576
13	Deferred income	2,986	1,325	0	0
		74,891	73,451	372	576
	Total liabilities other than provisions	2,277,277	2,183,658	16,743	16,254
	TOTAL EQUITY AND LIABILITIES	1,633,315	1,639,158	15,324	15,380

1 Accounting policies
2 Material going concern uncertainties
3 Recognition and measurement uncertainties
14 Contractual obligations and contingencies, etc.
15 Collateral
16 Interest rate risks and use of derivative financial instruments
17 Related parties

Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

Statement of changes in equity

DKK'000	Group Share capital	 Retained earnings	 Total
Equity at 1 January 2016	80	-544,580	-544,500
Transfer through appropriation of loss	0	-118,099	-118,099
Adjustment of hedging instruments at fair value	0	18,637	18,637
Equity at 31 December 2016	80	-644,042	-643,962

Note	DKK'000	Parent Company Share capital	 Retained earnings	 Total
	Equity at 1 January 2016	80	-954	-874
18	Transfer, see "Appropriation of profit/loss"	0	-545	-545
	Equity at 31 December 2016	80	-1,499	-1,419

Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

Cash flow statement

Note	DKK'000	Group 2016	Group 2015
	Profit/loss for the year	-118,099	-66,108
19	Adjustments	119,825	80,482
	Cash generated from operations (operating activities)	1,726	14,374
20	Changes in working capital	8,368	-22,280
	Cash generated from operations (operating activities)	10,094	-7,906
	Interest received, etc.	10	168
	Interest paid, etc.	-67,513	-53,179
	Cash flows from operating activities	-57,409	-60,917
	Additions of property, plant and equipment	-57,716	-284,957
	Cash flows to investing activities	-57,716	-284,957
	Proceeds of long-term liabilities	91,486	355,080
	Cash flows from financing activities	91,486	355,080
	Net cash flow	-23,639	9,206
	Cash and cash equivalents at 1 January	51,304	42,098
	Cash and cash equivalents at 31 December	27,665	51,304

Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies

The annual report of CT Solstra ApS for 2016 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to medium-sized reporting class C entities.

Changes to presentation and disclosures only

Effective 1 January 2016, the Company has implemented act no. 738 of 1 June 2015 with amendments to the Danish Financial Statements Act. As the implementation of the amendment act has no impact in terms of value on the income statement or the balance sheet in the financial year, nor on the comparative figures, the financial statements have been prepared based on the same accounting policies as last year.

The amendment act has solely implied new or changed presentation and disclosure requirements, which have been incorporated in the financial statements.

Basis of recognition and measurement

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

Liabilities are recognised in the balance sheet when an outflow of economic benefits is probable and when the liability can be reliably measured.

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

Certain financial assets and liabilities are measured at amortised cost implying the recognition of a constant effective interest rate to maturity. Amortised cost is calculated as initial cost minus any principal repayments and plus or minus the cumulative amortisation of any difference between cost and nominal amount.

In recognising and measuring assets and liabilities, any gains, losses and risks occurring prior to the presentation of the annual report that evidence conditions existing at the balance sheet date are taken into account.

Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities measured at fair value or amortised cost. Equally, costs incurred to generate the year's earnings are recognised, including depreciation, amortisation, impairment losses and provisions as well as reversals as a result of changes in accounting estimates of amounts which were previously recognised in the income statement.

Reporting currency

The financial statements are presented in Danish kroner (DKK).

Consolidation

The consolidated financial statements comprise the Parent Company, CT Solstra ApS, and entities controlled by the Parent Company. Control is presumed to exist when the Parent Company owns, directly or indirectly, more than half of the voting rights of an entity. Control may also exist by virtue of an agreement or articles of association or when the Parent Company otherwise has a controlling interest in the subsidiary or actually exercises controlling influence over it.

The existence and impact of potential voting rights that are actually exercisable or convertible are taken into account when assessing whether control exists.

Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

The consolidated financial statements have been prepared as a consolidation of the Parent Company's and the individual subsidiaries' financial statements, which are prepared according to the Group's accounting policies. On consolidation, intra-group income and expenses, shareholdings, intra-group balances and dividends, and realised and unrealised gains on intra-group transactions are eliminated. Unrealised gains on transactions with associates are eliminated in proportion to the Group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains in so far as they do not reflect impairment.

Entities acquired or formed are recognised in the consolidated financial statements from the date of acquisition or formation. Entities sold or otherwise disposed of are recognised in the consolidated income statement until the date of disposal. Comparative figures are not restated for acquisitions or disposals.

Corporate acquisitions are accounted for using the purchase method, according to which the acquired entity's identifiable assets and liabilities acquired are measured at their fair values at the date of acquisition. Restructuring costs recognised in the acquired entity before the date of acquisition and not agreed as part of the acquisition are part of the acquisition balance sheet and, hence, the calculation of goodwill. Restructuring costs decided by the acquiring entity must be recognised in the income statement. Allowance is made for the tax effect of revaluations made. Any excess of the cost over the fair value of the identifiable assets and liabilities acquired (goodwill) is recognised as intangible assets and amortised on a systematic basis in the income statement based on an individual assessment of the useful life of the asset. Negative differences (negative goodwill) are recognised as income in the income statement at the time of acquisition when the general revenue recognition criteria are met. Goodwill and negative goodwill from acquired entities can be adjusted until 12 months after the year of acquisition.

Entities over which the Group has significant influence are considered associates. The Group is considered to have significant influence when it directly or indirectly holds between 20% and 50% of the voting rights or otherwise has or actually exercises significant influence. Associates are recognised in the consolidated financial statements at their net asset value.

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rate at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rate at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the most recent financial statements is recognised in the income statement as financial income or financial expenses.

Derivative financial instruments

On initial recognition, derivative financial instruments are recognised at cost in the balance sheet and are subsequently measured at fair value. Positive and negative fair values of derivative financial instruments are included in "Other receivables" and "Other payables", respectively.

Fair value adjustments of derivative financial instruments designated and qualifying as a cash flow hedge are taken to equity until the hedged transaction is carried through. Where the future transaction results in recognition of an asset or a liability, the accumulated fair value adjustment is transferred from equity to the cost of the asset or liability. Where the future transaction results in income or expenses, the accumulated fair value adjustment is transferred from equity to the income statement together with the hedged item.

Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Fair value adjustments of derivative financial instruments, which do not qualify for being treated as hedging instruments, are recognised in the income statement.

Income statement

Revenue

Revenue comprises income from hotel activities such as renting of rooms, conference facilities and income from restaurant activities, etc.

Revenue also comprises lease income from the office buildings and parking. Lease income is recognised over the lease term on a straight-line basis.

Revenue is measured at the fair value of the agreed consideration excl. VAT and taxes charged on behalf of third parties. All discounts granted are recognised in revenue.

Other external expenses

Other external expenses include the year's expenses relating to the Group's core activities, including expenses relating to distribution, sale, advertising, administration, premises, bad debts, payments under operating leases, etc.

Staff costs

Staff costs include wages and salaries, including compensated absence and pension to the Group's employees, as well as other social security contributions, etc. The item is net of refunds from public authorities.

Depreciation and impairment

The item comprises depreciation and impairment of intangible assets and property, plant and equipment.

The basis of depreciation, which is calculated as cost less any residual value, is depreciated on a straight line basis over the expected useful life. The expected useful lives of the assets are as follows:

Land and buildings	20-50 years
Other fixtures and fittings, tools and equipment	10 years

Financial income and expenses

Financial income and expenses are recognised in the income statements at the amounts that concern the financial year. Net financials include interest income and expenses as well as allowances and surcharges under the advance-payment-of-tax scheme, etc.

Tax

The Company is covered by the Danish rules on mandatory joint taxation of the Group's Danish subsidiaries. Subsidiaries are included in the joint taxation arrangement from the date at which they are included in the consolidated financial statements and up to the date when they are no longer consolidated.

The Parent Company acts as management company for the joint taxation arrangement and consequently settles all corporate income tax payments with the tax authorities.

Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

Notes to the financial statements

1 **Accounting policies (continued)**

On payment of joint taxation contributions, the Danish corporate income tax charge is allocated between the jointly taxed entities in proportion to their taxable income. Entities with tax losses receive joint taxation contributions from entities that have been able to use the tax losses to reduce their own taxable income.

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

Balance sheet

Intangible assets

Goodwill is measured at cost less accumulated amortisation and impairment losses.

Property, plant and equipment

Land and buildings, plant and machinery and fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation. Land is not depreciated.

The basis of depreciation is cost less expected residual value at the end of the useful life.

Cost comprises the purchase price, financing costs and any costs directly attributable to the acquisition until the date when the asset is available for use.

Where individual components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items, which are depreciated separately.

Depreciation is provided on a straight-line basis over the expected useful lives of the assets. The expected useful lives are as follows:

Buildings	20-50 years
Tools and equipment	10 years

Gains or losses on the disposal of property, plant and equipment are determined as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains or losses are recognised in the income statement as depreciation.

The carrying amount of property, plant and equipment is subject to an annual test for indications of impairment other than the decrease in value reflected by depreciation. Impairment tests are conducted of individual assets or groups of assets when there is an indication that they may be impaired. Write-down is made to the recoverable amount if this is lower than the carrying amount.

Investments in subsidiaries

Investments in subsidiaries and associates are measured at cost. Dividends received that exceed the accumulated earnings in the subsidiary or the associate during the period of ownership are treated as a reduction in the cost of acquisition.

Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Impairment of fixed assets

The carrying amount of intangible assets, property, plant and equipment and investments in subsidiaries and associates is assessed for impairment on an annual basis.

Impairment tests are conducted on assets or groups of assets when there is evidence of impairment. The carrying amount of impaired assets is reduced to the higher of the net selling price and the value in use (recoverable amount).

The recoverable amount is the higher of the net selling price of an asset and its value in use. The value in use is calculated as the present value of the expected net cash flows from the use of the asset or the group of assets and the expected net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Previously recognised impairment losses are reversed when the reason for recognition no longer exists. Impairment losses on goodwill are not reversed.

Receivables

Receivables are measured at amortised cost.

An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired. If there is objective evidence that an individual receivable has been impaired, an impairment loss is recognised on an individual basis.

Receivables in respect of which there is no objective evidence of individual impairment are tested for objective evidence of impairment on a portfolio basis. The portfolios are primarily based on the debtors' domicile and credit ratings in line with the Company's risk management policy. The objective evidence applied to portfolios is determined based on historical loss experience.

Impairment losses are calculated as the difference between the carrying amount of the receivables and the present value of the expected cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable or portfolio is used as discount rate.

Prepayments

Prepayments recognised under "Assets" comprise prepaid expenses regarding subsequent financial reporting years.

Income taxes

Current tax payables and receivables are recognised in the balance sheet as the estimated income tax charge for the year, adjusted for prior-year taxes and tax paid on account.

Deferred tax is measured according to the liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is not deductible for tax purposes and on office premises and other items where temporary differences, apart from business combinations, arise at the date of acquisition without affecting either profit/loss for the year or taxable income. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on Management's intended use of the asset or settlement of the liability, respectively.

Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Deferred tax is measured according to the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Deferred tax assets are recognised at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity. Changes in deferred tax due to changes in the tax rate are recognised in the income statement.

Liabilities

Financial liabilities are recognised at the date of borrowing at the net proceeds received less transaction costs paid. On subsequent recognition, financial liabilities are measured at amortised cost, corresponding to the capitalised value, using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan. Financial liabilities also include the capitalised residual lease liability in respect of finance leases.

Other liabilities are measured at net realisable value.

Deferred income

Deferred income recognised as a liability comprises payments received concerning income in subsequent financial reporting years.

Cash flow statement

The cash flow statement shows the Company's net cash flows broken down according to operating, investing and financing activities, the year's changes in cash and cash equivalents as well as the cash and cash equivalents at the beginning and the end of the year.

Cash flows from operating activities are calculated as the profit/loss for the year adjusted for non cash operating items, changes in working capital and paid corporate income tax.

Cash flows from investing activities comprise payments in connection with acquisitions and disposals of entities and activities and of intangible assets, property, plant and equipment and investments.

Cash flows from financing activities comprise changes in the size or composition of the Company's share capital and related expenses as well as raising of loans, repayment of interest bearing debt and payment of dividends to shareholders.

Cash and cash equivalents comprise cash, short term bank loans and short term securities which are readily convertible into cash and which are subject only to insignificant risks of changes in value.

Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

Notes to the financial statements

1 **Accounting policies (continued)**

Financial ratios

Financial ratios are calculated in accordance with the Danish Finance Society's guidelines on the calculation of financial ratios "Recommendations and Financial Ratios 2015".

The financial ratios stated under "Financial highlights" have been calculated as follows:

Operating margin	$\frac{\text{Operating profit x 100}}{\text{Revenue}}$
Gross margin ratio	$\frac{\text{Gross margin x 100}}{\text{Revenue}}$
EBITDA-margin	$\frac{\text{EBITDA}}{\text{Revenue x 100}}$
Current ratio	$\frac{\text{Current assets x 100}}{\text{Current liabilities}}$

2 **Material going concern uncertainties**

In 2012, the real estate companies entered into financing agreements with the bank. The financing agreements comprise financing for the completion of the office building constituting stage 2 owned by Copenhagen Towers II P/S and financing for stage 1 owned by Copenhagen Towers ApS.

At 4 October 2016, the Group entered into an addendum to the existing financing agreements, where the loan commitment was increased and amortisation was deferred to 31 October 2018, where the loan in its entirety falls due.

Management has prepared a sensitivity analysis on cash flow budgets showing that it is a condition for the Group's and the Company's ability to remain a going concern until the presentation of the financial statements for 2017 that the Group obtains positive results of its ongoing negotiations regarding additional financing and a positive development in the leasing activity. Management experiences increased demand from potential tenants for the vacant buildings. Management expects to reach a new financing agreement during the coming months and to lease out a significant part of the vacant buildings in the coming period.

There is material uncertainty related to the going concern assumption which casts significant doubt on the Group's and subsidiaries' ability to continue as a going concern, and therefore, the Group and the subsidiaries may be unable to realise their assets and discharge their liabilities in the normal course of business.

The Group's equity is expected to be re-established over the coming years due to rent income from properties, realisation of properties/subsidiaries and cancellation of debt.

Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

Notes to the financial statements

3 **Recognition and measurement uncertainties**

All of the office buildings have been completed except for interior fit-out work awaiting specifications from tenants. The majority of the office buildings square meters are presently vacant but several lease contracts have been entered into and tenants have moved in. Consequently, Management has carried out an impairment test of fixed asset. The test did not show a need to recognise any impairment losses.

The Group's earnings from the hotel activities were affected by construction and development in the area, and consequently, Management has carried out an impairment test of fixed assets. The test did not show a need to recognise any impairment losses.

Due to the above uncertainties regarding earnings, the impairment test is subject to considerable uncertainties, and consequently, the carrying amount of fixed assets is subject to considerable uncertainties. If the assumptions used develop adversely, impairment losses may need to be recognised in the coming financial years.

Management experiences increased demand from potential tenants for the vacant buildings, and Management has entered into substantive negotiations with potential tenants. Due to the improved situation, Management has reversed impairment write-downs from previous years.

		Group		Parent Company	
	DKK'000	2016	2015	2016	2015
4	**Staff costs**				
	Wages/salaries	48,120	40,992	0	0
		48,120	40,992	0	0
	Average number of full-time employees	137	124	0	0
	Remuneration to members of management:				
	Executive board	629	629	0	0
		629	629	0	0
5	**Depreciation and impairment of intangible assets and property, plant and equipment**				
	Impairment of intangible assets	0	89	0	0
	Depreciation of property, plant and equipment	52,322	26,999	0	0
		52,322	27,088	0	0

Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

Notes to the financial statements

	DKK'000	Group 2016	Group 2015	Parent Company 2016	Parent Company 2015
6	**Tax for the year**				
	Tax adjustments, prior years	0	-30	0	0
		0	-30	0	0

7 Intangible assets

DKK'000	Group: Acquired intangible assets	Goodwill	Total
Cost at 1 January 2016	1,402	460,513	461,915
Cost at 31 December 2016	1,402	460,513	461,915
Impairment losses and amortisation at 1 January 2016	177	460,513	460,690
Amortisation/depreciation in the year	89	0	89
Impairment losses and amortisation at 31 December 2016	266	460,513	460,779
Carrying amount at 31 December 2016	1,136	0	1,136

8 Property, plant and equipment

DKK'000	Group: Land and buildings	Other fixtures and fittings, tools and equipment	Property, plant and equipment in progress	Total
Cost at 1 January 2016	846,000	6,831	766,823	1,619,654
Additions in the year	52,395	5,409	0	57,804
Transferred	766,823	0	-766,823	0
Cost at 31 December 2016	1,665,218	12,240	0	1,677,458
Impairment losses and depreciation at 1 January 2016	49,692	2,852	0	52,544
Amortisation/depreciation in the year	50,824	1,498	0	52,322
Impairment losses and depreciation at 31 December 2016	100,516	4,350	0	104,866
Carrying amount at 31 December 2016	1,564,702	7,890	0	1,572,592

Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

Notes to the financial statements

9 **Investments**

Group

Name	Domicile	Interest	Equity DKK'000	Profit/loss DKK'000
Subsidiaries				
Copenhagen Skyline Holding ApS	Copenhagen	100.00 %	-669	-38
Copenhagen Skyline ApS	Copenhagen	100.00 %	-190,524	0
CPH Hotel Management Holding ApS	Copenhagen	100.00 %	-5,487	-38
WTCC P/S	Copenhagen	100.00 %	5,198	-1,092
Copenhagen Towers ApS	Copenhagen	100.00 %	-619,405	-5,160
Copenhagen Towers II P/S	Copenhagen	100.00 %	-491,760	-70,687
Komplementarselskabet WTCC A/S	Copenhagen	100.00 %	-50	0
Komplementarselskabet WTCC II A/S	Copenhagen	100.00 %	-106	-14
Crowne Plaza Copenhagen Towers A/S	Copenhagen	100.00 %	3,099	-371
Copenhagen Towers Holding ApS	Copenhagen	100.00 %	-66,903	-37

	Parent company
DKK'000	Investments in group entities
Cost at 1 January 2016	0
Carrying amount at 31 December 2016	0

10 **Prepayments**

Group

Prepayments include accrual of expenses relating to subsequent financial years.

11 **Share capital**

The Parent's share capital has remained DKK 80 thousand over the past 3 years.

Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

Notes to the financial statements

12 Non-current liabilities other than provisions

	Group			
DKK'000	Total debt at 31/12 2016	Repayment, next year	Long-term portion	Outstanding debt after 5 years
Bank debt	2,186,015	0	2,186,015	0
Other payables	16,371	0	16,371	0
	2,202,386	0	2,202,386	0

	Parent Company			
DKK'000	Total debt at 31/12 2016	Repayment, next year	Long-term portion	Outstanding debt after 5 years
Other payables	16,371	0	16,371	0
	16,371	0	16,371	0

13 Deferred income

Group

Deferred income consists of payments received from customers that may not be recognised until the subsequent financial year.

14 Contractual obligations and contingencies, etc.

Other contingent liabilities

Group

Except for the Parent Company, the Group was jointly taxed with the other Danish companies in the ALMC Group until 31 January 2014. Together with the other companies included in the joint taxation, the Group is jointly and severally liable for payment of income taxes for the income in the period of joint taxation and withholding taxes in the group of jointly taxed entities.

Parent Company

As management company, the Company is jointly taxed with other Danish group entities. The Company is jointly and severally liable with other jointly taxed group entities for payment of income taxes for the income years from 1 February 2014 and withholding taxes in the group of jointly taxed entities.

15 Collateral

Group

Registered mortgages totalling DKK 2,195 million in the Group's properties and properties under construction, the carrying amount of which is DKK 1,567 million, have been provided as security for the Group's bank loans, which totals DKK 2,094 million.

Parent company

The Parent Company has not placed any assets as security for loans at 31 December 2015.

Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

Notes to the financial statements

16 **Interest rate risks and use of derivative financial instruments**

Interest rate risks

The Group hedges interest rate risks through interest rate swaps whereby floating interest payments are changed to fixed interest payments.

Interest rate swap agreements

The Group has entered into three interest rate swap agreements with Aareal Bank AG for purposes of hedging the interest rate risk associated with the mortgage debt totalling DKK 2,186 million at 31 December 2016.

The nominal value of the agreements amounts to DKK 411.3 million, and the agreements expire on 30 November 2017.

The interest rate swaps are based on the 3-month floating-rate RD Cibor 2® with a fixed interest rate of 4.7%.

The fair value is calculated by Aareal Bank AG based on the discounted cash flow of the agreements by applying the market rate at 31 December 2016. The fair value of the three interest rate swaps amounted to DKK -18.7 million at 31 December 2016 and is recognised under "Other payables".

17 **Related parties**

Group

Group enterprise transactions not carried through on normal market terms

As a result of the Group's financial situation, no interest has been added to receivables and payables to affiliates.

Parent Company

Parties exercising control

Related party	Domicile	Basis for control
Hanjo Holding ApS	Copenhagen	Participating interest
Holding A3 ApS	Copenhagen	Shareholders' agreement

Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

Notes to the financial statements

	DKK'000	Parent Company 2016	Parent Company 2015
18	**Appropriation of profit/loss**		
	Recommended appropriation of profit/loss		
	Retained earnings/accumulated loss	-545	-530
		-545	-530

	DKK'000	Group 2016	Group 2015
19	**Adjustments**		
	Amortisation/depreciation and impairment losses	52,322	27,088
	Financial income	-10	-168
	Financial expenses	67,513	53,562
		119,825	80,482
20	**Changes in working capital**		
	Change in inventories	-53	56
	Change in receivables	-12,188	5,551
	Change in trade payables and other payables	20,609	-27,887
		8,368	-22,280