
BCHG Properties A/S

Center Boulevard 5, DK-2300 København S

Annual Report for 31 October - 31 December 2017

CVR No 37 93 96 92

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
24/5 2018

Michael Wejp-Olsen
Chairman



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Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of BCHG Properties A/S for the financial year 31 October - 31 December 2017.

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

In our opinion the Financial Statements give a true and fair view of the financial position at 31 December 2017 of the Company and of the results of the Company operations for the financial year.

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

København, 24 May 2018

Executive Board

Henrik Gram
CEO

Board of Directors

David Robson Overby
Chairman

Mette Kapsch

Johan Ewald Lorentzen

Henrik Gram

Independent Auditor's Report

To the Shareholder of BCHG Properties A/S

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2017 and of the results of the Company's operations for the financial year 31 October - 31 December 2017 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of BCHG Properties A/S for the financial year 31 October - 31 December 2017, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("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 Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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 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.

Independent Auditor's Report

Management's responsibilities for the Financial Statements

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

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

Auditor's responsibilities for the audit of the Financial Statements

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

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 internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the

Independent Auditor's Report

Company to cease to continue as a going concern.

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

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

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

BCHG Properties A/S
Center Boulevard 5
DK-2300 København S

CVR No: 37 93 96 92
Financial period: 31 October - 31 December
Municipality of reg. office: København

Board of Directors

David Robson Overby, Chairman
Mette Kapsch
Johan Ewald Lorentzen
Henrik Gram

Executive Board

Henrik Gram

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Strandvejen 44
DK-2900 Hellerup

Management's Review

Financial Statements of BCHG Properties A/S for the financial year has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B as well as selected rules applying to reporting class C.

The Annual Report has been prepared under the same accounting policies as last year.

Main activity

The object of the Company is to operate a business of investment in real property, rental services and other business that the board of directors deems to incidental thereto.

It is the second financial year for the Company. The first financial year covered the period from 18 August 2016 to 30 October 2017. This current financial year cover the period from 31 October to 31 December 2017.

Development in the year

The income statement of the Company for the financial year shows a positive result of TDKK 4,274, and at 31 December 2017 the balance sheet of the Company shows equity of TDKK 267,151.

Subsequent events

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

Income Statement 31 October - 31 December

	<u>Note</u>	<u>2017</u> TDKK	<u>2016</u> TDKK
Gross profit/loss before value adjustments		7.593	44.751
Revaluations		0	9.246
Gross profit/loss		7.593	53.997
Financial expenses		-2.061	-12.337
Profit/loss before tax		5.532	41.660
Tax on profit/loss for the period	1	-1.258	-42.282
Net profit/loss for the year		4.274	-622

Distribution of profit

Proposed distribution of profit

Retained earnings		4.274	-622
		4.274	-622

Balance Sheet 31 December

Assets

	Note	31.12.2017 TDKK	30.10.2017 TDKK
Investment properties		1.054.865	1.054.865
Property, plant and equipment	2	1.054.865	1.054.865
Fixed assets		1.054.865	1.054.865
Trade receivables		8	17.739
Other receivables		6.602	6.422
Prepayments		0	152
Receivables		6.610	24.313
Cash at bank and in hand		3.161	1.514
Currents assets		9.771	25.827
Assets		1.064.636	1.080.692

Balance Sheet 31 December

Liabilities and equity

	Note	31.12.2017 TDKK	30.10.2017 TDKK
Share capital		1.000	1.000
Reserve for hedging transactions		5.150	6.258
Retained earnings		261.001	256.727
Equity	3	267.151	263.985
Provision for deferred tax		169.807	169.289
Provisions		169.807	169.289
Credit institutions		592.400	598.901
Long-term debt	4	592.400	598.901
Credit institutions	4	27.837	27.975
Prepayments received from customers		0	139
Trade payables		8	438
Payables to group enterprises		5.066	16.721
Other payables		2.367	3.244
Short-term debt		35.278	48.517
Debt		627.678	647.418
Liabilities and equity		1.064.636	1.080.692
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Statement of Changes in Equity

	Share capital	Reserve for hedging transactions	Retained earnings	Total
	<u>TDKK</u>	<u>TDKK</u>	<u>TDKK</u>	<u>TDKK</u>
Equity at 31 October at 31 October	1.000	6.258	256.727	263.985
Fair value adjustment of hedging instruments	0	345	0	345
Tax effect	0	-1.453	0	-1.453
Net profit/loss for the year	0	0	4.274	4.274
Equity at 31 December	<u>1.000</u>	<u>5.150</u>	<u>261.001</u>	<u>267.151</u>

Notes to the Financial Statements

	2017 <u>TDKK</u>	2016 <u>TDKK</u>
1 Tax on profit/loss for the period		
Current tax for the year	740	2.874
Deferred tax for the year	518	39.408
	<u>1.258</u>	<u>42.282</u>

2 Assets measured at fair value

	Investment pro- perties <u>TDKK</u>
Cost at 31 October	<u>1.045.619</u>
Cost at 31 December	<u>1.045.619</u>
Value adjustments at 31 October	<u>9.246</u>
Value adjustments at 31 December	<u>9.246</u>
Carrying amount at 31 December	<u>1.054.865</u>

Assumptions underlying the determination of fair value of investment properties

Investment properties are measured at fair value. The fair value is calculated by using generally accepted valuation methods.

3 Equity

The share capital consists of 1,000,000 shares of a nominal value of DKK 1. No shares carry any special rights.

The share capital has developed as follows:

	2017 <u>TDKK</u>	2016 <u>TDKK</u>
Share capital at 31 October	1.000	500
Capital increase - contribution in kind	0	500
Share capital at 31 December	<u>1.000</u>	<u>1.000</u>

Notes to the Financial Statements

4 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:

	<u>2017</u> TDKK	<u>30.10.2017</u> TDKK
Credit institutions		
After 5 years	424.971	434.225
Between 1 and 5 years	167.429	164.676
Long-term part	<u>592.400</u>	<u>598.901</u>
Within 1 year	<u>27.837</u>	<u>27.975</u>
	<u>620.237</u>	<u>626.876</u>

5 Contingent assets, liabilities and other financial obligations

Charges and security

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

Investment property with a book value per 31 December of DKK	1.054.865	1.054.865
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Guarantee obligations

The Company is guarantor with liability for whatever amount BCHG Holding A/S and BC Hospitality Group A/S may owe Nordea Danmark, branch of Nordea Bank AB (Publ), Nordea Bank Finland OY and Nordea Kredit A/S in the future, including interest and expenses in the event of default.

Other contingent liabilities

BCHG Properties is currently required to maintain parking opportunities for 2,300 cars in relation to BC Hospitality activities. Currently the land for parking is rented from Bellakvarter A/S. BCHG Properties A/S is together with Bellakvarter A/S in dialogue with Copenhagen Municipality about the future parking requirement, so that it can be clarified before extensive construction of p-houses is commenced. BCHG Properties A/S is furthermore in dialogue with Bellakvarter A/S about the financial aspects of the p-houses, including whether it can be agreed, that parking opportunities still will be available from Bellakvarter A/S against payment for rent of parking area, rather than BCHG Properties A/S construct their own p-houses.

Notes to the Financial Statements

5 Contingent assets, liabilities and other financial obligations (continued)

The Solstra Investments A/S' Group's Danish companies are jointly and severally liable for tax on the Group's income subject to joint taxation, etc. for 2017. The total amount is disclosed in the Annual Report of Solstra Investments A/S, which is the administration company for joint taxation purposes.

6 Related parties

Related parties are considered to be the Board of Directors, Key management and Solstra Investments A/S's subsidiaries.

Basis

Controlling interest

BCHG Holding A/S

Lautrupsgade 7
2100 København Ø
Holding 100 % 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 Consolidated Financial Statements are not published.

Name

Place of registered office

Solstra Investments A/S

Copenhagen

Notes to the Financial Statements

7 Accounting Policies

The Annual Report of BCHG Properties A/S for the period 31 October 2017 - 31 December 2017 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B as well as selected rules applying to reporting class C.

The accounting policies applied remain unchanged from last year.

The Financial Statements for the financial year are presented in TDKK.

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.

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.

Notes to the Financial Statements

7 Accounting Policies (continued)

Derivative financial instruments

Derivative financial instruments, including cash flow hedges through interest rate swaps after tax, are recognised at fair value. Amortisation and changes in the fair values of derivative financial instruments are recognised the hedged transaction expires.

Hedge accounting

Changes in the fair values of financial instruments that are designated and qualify as fair value hedges of a recognised asset or a recognised liability are recognised in the income statement as are any changes in the fair value of the hedged asset or the hedged liability related to the hedged risk.

Changes in the fair values of derivative financial instruments that are designated and qualify as hedges of expected future transactions are recognised in retained earnings under equity as regards the effective portion of the hedge. The ineffective portion is recognised in the income statement. If the hedged transaction results in an asset or a liability, the amount deferred in equity is transferred from equity and recognised in the cost of the asset or the liability, respectively. If the hedged transaction results in an income or an expense, the amount deferred in equity is transferred from equity to the income statement in the period in which the hedged transaction is recognised. The amount is recognised in the same item as the hedged transaction.

Changes in the fair values of financial instruments that are designated and qualify as hedges of net investments in independent foreign subsidiaries or associates are recognised directly in equity as regards the effective portion of the hedge, whereas the ineffective portion is recognised in the income statement.

Income Statement

Revenue

Revenue consists of rental income from property rental.

Gross profit/loss

With reference to section 32 of the Danish Financial Statements Act, revenue has not been disclosed in the Annual Report.

Financial income and expenses

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

Notes to the Financial Statements

7 Accounting Policies (continued)

Tax on profit/loss for the period

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 and foreign subsidiaries. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

Balance Sheet

Investment properties

Properties is in the Balance Sheet classified as investment property. Investment properties comprise of the Bella Center property.

Investment properties are initially recognised at cost, including transaction costs. The carrying amount includes the cost of replacing part of existing investment properties at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of investment properties. Subsequent to initial recognition, investment properties is stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the period in which they arise.

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.

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.

Notes to the Financial Statements

7 Accounting Policies (continued)

Financial debts

Financial debts are recognised initially as the proceeds received net of transaction expenses incurred. Subsequently, interest-bearing debt is measured at amortised cost determined based on the effective interest rate at the time of borrowing. Remaining debt is measured at amortised cost, corresponding to nominal debt outstanding.