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# ***BC Hospitality Group A/S***

Center Boulevard 5, DK-2300 København S

## **Annual Report for 1 January - 31 December 2019**

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CVR No 37 93 98 38

The Annual Report was  
presented and adopted at  
the Annual General  
Meeting of the Company on  
19/8 2020

Mette Kapsch  
Chairman of the General  
Meeting



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# Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of BC Hospitality Group A/S for the financial year 1 January - 31 December 2019.

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 2019 of the Company and of the results of the Company operations for 2019.

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, 10 July 2020

## Executive Board

Allan Linneberg-Agerholm  
CEO

Pernille Damm Nielsen  
CFO

Christian Folden Lund  
CCO

## Board of Directors

David Robson Overby  
Chairman

Mette Kapsch

Johan Ewald Lorentzen

Henrik Gram

Malina Lebrecht Hye  
Staff Representative

Jimmi Smidt  
Staff Representative

# Independent Auditor's Report

To the Shareholder of BC Hospitality Group 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 2019 and of the results of the Company's operations for the financial year 1 January - 31 December 2019 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of BC Hospitality Group A/S for the financial year 1 January - 31 December 2019, 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.

## Independent Auditor's Report

- 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 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, 10 July 2020

**PricewaterhouseCoopers**

Statsautoriseret Revisionspartnerselskab

*CVR No 33 77 12 31*

Torben Jensen  
statsautoriseret revisor  
mne18651

Claus Carlsson  
statsautoriseret revisor  
mne29461

## **Company Information**

### **The Company**

BC Hospitality Group A/S  
Center Boulevard 5  
DK-2300 København S

CVR No: 37 93 98 38

Financial period: 1 January - 31 December

Municipality of reg. office: København

### **Board of Directors**

David Robson Overby, Chairman

Mette Kapsch

Johan Ewald Lorentzen

Henrik Gram

Malina Lebrecht Hye

Jimmi Smidt

### **Executive Board**

Allan Linneberg-Agerholm

Pernille Damm Nielsen

Christian Folden Lund

### **Auditors**

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

Strandvejen 44

DK-2900 Hellerup

## Financial Highlights

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

	2019 TDKK	2018 TDKK	2017** TDKK	2016* TDKK
<b>Key figures</b>				
<b>Profit/loss</b>				
Revenue	892,243	959,224	143,386	941,803
Gross profit/loss	339,705	327,324	49,694	357,723
Profit/loss before financial income and expenses	(28,665)	11,572	(14,603)	(3,548)
Net financials	(991)	(2,144)	(1,424)	(8,239)
Net profit/loss for the year	(23,493)	5,347	(12,292)	(10,462)
<b>Balance sheet</b>				
Balance sheet total	467,538	409,827	430,490	397,126
Equity	219,695	175,188	(5,238)	7,054
Investment in property, plant and equipment	38,719	61,322	7,764	34,978
Number of employees	751	740	772	669
<b>Ratios</b>				
Gross margin	38.1 %	34.1 %	34.7 %	38.0 %
Solvency ratio	47.0 %	42.7 %	(1.2)%	1.8 %
Return on equity	(11.9)%	6.3 %	(1,353.7)%	(296.6)%

For definitions of ratios, see under accounting policies.

\*The financial period covers 18 August 2016 - 30 October 2017.

\*\*The financial period covers 31 October 2017 - 31 December 2017.



# Management's Review

Financial Statements of BC Hospitality Group A/S ("BCHG") for 2019 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C .

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

## Key activities

The Company's primary activity is activities in the hospitality area.

BC Hospitality Group A/S operate, Copenhagen Marriott, AC Hotel Bella Sky Copenhagen, Bella Center Copenhagen activities through long term lease agreements of the properties for the activities, and Crowne Plaza Copenhagen Tower through a management agreement.

## Development in the year

In 2019 the efforts to sharpen and improve the operational and financial performance was prioritized. In a growing and very competitive hotel market in the Capital region the organization also must adapt accordingly.

As a contributing result of the business outlook being challenging, management implemented a revised and downsized organization during the autumn of 2019.

Another decision was ending the planned involvement in the opening of Hilton Copenhagen. During 2019 it became clear that the owners, ATP Properties had run a tender process which was not back-to-back with the cooperation agreement with BCHG and the underlying Hilton Brand Standards, and BCHG was not willing to cover the resulting budget overrun.

The most significant changes in development in 2019 compared to previous years, concerns AC Hotel Bella Sky Copenhagen and CIFF (Copenhagen International Fashion Fair). Due to different market related factors, the results for 2019 were unfortunately not as expected.

As a consequence of extensive price increases from our supplier, and to improve quality and customer satisfaction, it was decided to insource the housekeeping functions at AC Hotel Bella Sky with effect from July 2019. The implementation of housekeeping was resource demanding in many aspects, thus affecting the result, but successful from an operational and quality point of view, and overall, at a lower cost than the costs proposed by the supplier.

On the positive side the congress activities were fully in line with budget expectations, thus supporting the investment in the new congress facilities. The positive result provides financial security for the investment in the future.

In May 2018 the largest strategic investment in Bella Center Copenhagen for decades, announced as the construction of the new 14,000 m2 Congress Hall and supporting areas was commenced.

## Management's Review

In April 2021 the new venue will be ready and consist of 7,000 m2 Multi-Purpose Arena and Congress Hall, supported by a further 7,000 m2 area.

It goes without saying the new congress facilities will support Copenhagen to continue to be a World leading congress destination.

### Results for the year

Gross profit was DKK 339.7 million for 2019, compared to gross profit of DKK 327.3 million in 2018. Consolidated revenue amounted to DKK 892.2 million for 2019 compared to DKK 959.2 million for 2018. The gross profit margin was 38.1%.

Net loss was DKK 23.5 million for 2019, compared to profit of DKK 5.3 million for 2018. The result for 2019 was not satisfying.

### Hosting Moments That Matter

It is an established fact that BC Hospitality Group is a leader in the Danish hospitality industry. Our purpose is as always to be strongly committed and obligated to operate with ongoing focus on creating outstanding guest experiences based on our core values: Mutual Respect, Winning Spirit, Service Heroes and Responsible Hospitality - all incapsulated in Hosting Moments That Matters.

The business is developed within four focus areas: Focus on customers, improve financials and administration, live out responsible hospitality and enhance our team.

In total, BC Hospitality Group welcomed app. 938,000 guests in 2019, app. 608,000 of whom stayed at the hotels.

The three hotels in the group also this year proved their popularity with two hotels in top 20 and one in top 40 out of 128 Copenhagen hotels. AC Hotel Bella Sky Copenhagen underwent a renovation of the ground floor including the guest reception area during 2019 resulting in a hotel with an even more welcoming appearance once the construction work was finalized.

Our own book fair "Bogforum 2019" in November was a great success with a record breaking number of visitors: Almost 40,000 came by Bella Center Copenhagen during the three days, the highest number in the event's 27 years long history and proving words and the good story are valid and relevant as ever.

### Careers that matter

The employees are the heart of our business and our onwards success strongly depends our ability to attract the right people and ensure they stay.

The launch of the "BCHG Sales Academy" and increased participation in change, leadership and teamwork programs resulted in almost a doubling of internal training activities from 2018 to 2019: A total of 13,039 training hours and 2,909 participants speak for itself.

# Management's Review

## *Initiatives and acknowledgements*

The challenges facing our global community can only be achieved through partnerships and collaborations. In late spring 2019 CEO Allan L. Agerholm therefore joined the International Tourism Partnership (ITP) a global platform for leading hotel companies with a common commitment to sustainability and social responsibility.

Furthermore, an emphasis of and a testament to the positive results the Group achieved so far was the invitation to Allan L. Agerholm to join the Danish government's Climate- partnership as representative for the tourism industry.

## *Investments*

An ambitious task concerning implementation of the new IT platform D365 took place in 2019. The new platform will simplify and optimize the workflow in all processes from selling and planning to and execution of events.

Concurrently with developing the residential property areas in Bellakvarter, BC Hospitality Group's new logistics centre saw the light of day. An investment of DKK 21 million enabling execution of congresses and events even more smooth and efficient, in respect of the surrounding neighbours.

Furthermore, we are prepared and ready to handle a large increase in activity when our new congress facilities are ready in spring 2021.

# Management's Review

## *Focus on sustainability*

As Denmark's leading hospitality company, we are in the business of enhancing human connections creating a positive ripple effect through communities all over the world.

Our strategic approach to Responsible Hospitality is built on a "do-no-harm" concept: we always adhere to laws, regulations and certifications. We develop our business by identifying opportunities that allow us to use sustainability as a driver in our activities being commercial and operational. Last but not least we actively advocate for positive change in our community.

Partnerships are extremely important for us in all aspects: In corporation with the NGO (Association New Danes) and LO Hovedstaden we established Job School a course for citizens with non-Western backgrounds, refugees and dependent on welfare benefit. The goal was to assist and prepare them for a job in our organization through language school and practical training. In June we had the pleasure and privilege to welcome 14 of the original 21 participants as new colleagues in our Housekeeping department.

For the second year we launched a youth project encouraging young people to choose a vocational education focused on gastronomy and service. It is a huge challenge and as a response we partnered with a local school, Højdevangens Skole in order to increase the interest for our industry among young students.

Our own sustainability conference Responsible Hospitality Day inspiring and advocating for sustainable change in our industry was a tremendous success. 2019 was the third edition and we went from 90 participants in 2018 to 240 in 2019.

Our Responsible Hospitality Report 2019 summarizing all activity and initiatives in 2019, is available at [www.responsiblehospitality.dk](http://www.responsiblehospitality.dk)

## *Credit risks*

### **Outlook**

The Company's outlook for the future will be negatively affected by the COVID-19 outbreak and the measures taken by governments in most of the world to mitigate the impacts of the outbreak, see also subsequent events disclosures in note 2.

Company Management has tried to estimate the effect of COVID-19 on the expected revenue and net profit of the Company. It is, however, too early yet to give an opinion as to the extent of the negative implications. Therefore, Management finds itself unable to disclose reliably its outlook for the future in accordance with section 12 of the Danish Financial Statements Act.

# Management's Review

## Statement of corporate social responsibility

As regards the statement of corporate social responsibility by section 99a of the Danish Financial Statements Act, reference is made to the intermediate parent company BCHG Holding A/S's Annual Report for 2019 and to the above-mentioned CSR report "Responsible Hospitality Report 2019". The report is also available at [www.responsiblehospitality.dk](http://www.responsiblehospitality.dk)

## Statement regarding the underrepresented gender in accordance with section 99b of the Danish Financial Statement Act

BC Hospitality Group A/S is required to report on diversity with respect to Board composition and gender split on other management levels within the Company.

BC Hospitality Group A/S has not obtained equal representation on its Board of directors (2 woman and 4 men). The Company will work towards obtaining equal representation on its Boards of Directors within the next coming years. With respect to other management levels (group executive and management levels) equal representation has been obtained.

## Uncertainty relating to recognition and measurement

Recognition and measurement in the Annual Report have not been subject to any judgement with significant uncertainty, see also note 2.

## Unusual events

The financial position at 31 December 2019 of the Company and the results of the activities of the Company for the financial year for 2019 have not been affected by any unusual events.

## Subsequent events

Except as mentioned above under Outlook and in note 1 and note 2 to the financial statements, no other events materially affect the assessment of the Annual Report have occurred after the balance sheet date.

## Income Statement 1 January - 31 December 2019

	Note	2019 TDKK	2018 TDKK
<b>Revenue</b>	3	<b>892,243</b>	<b>959,224</b>
Other operating income		34	0
Cost of goods sold		(151,746)	(216,777)
Other external expenses		(400,826)	(415,123)
<b>Gross profit/loss</b>		<b>339,705</b>	<b>327,324</b>
Staff expenses	4	(328,040)	(276,212)
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	5	(40,330)	(39,515)
Other operating expenses		0	(25)
<b>Profit/loss before financial income and expenses</b>		<b>(28,665)</b>	<b>11,572</b>
Financial income	6	1,324	721
Financial expenses	7	(2,315)	(2,865)
<b>Profit/loss before tax</b>		<b>(29,656)</b>	<b>9,428</b>
Tax on profit/loss for the year	8	6,163	(4,081)
<b>Net profit/loss for the year</b>		<b>(23,493)</b>	<b>5,347</b>

## Distribution of profit

### Proposed distribution of profit

Retained earnings	(23,493)	5,347
	<b>(23,493)</b>	<b>5,347</b>

## Balance Sheet 31 December 2019

### Assets

	Note	2019 TDKK	2018 TDKK
Goodwill		53,218	56,504
Development projects in progress		13,267	5,660
<b>Intangible assets</b>	9	<b>66,485</b>	<b>62,164</b>
Other fixtures and fittings, tools and equipment		74,343	84,372
Leasehold improvements		44,369	34,899
<b>Property, plant and equipment</b>	10	<b>118,712</b>	<b>119,271</b>
Investments in subsidiaries	11	50	50
Receivables from group enterprises		66,200	10,026
Deposits		64,503	65,827
<b>Fixed asset investments</b>		<b>130,753</b>	<b>75,903</b>
<b>Fixed assets</b>		<b>315,950</b>	<b>257,338</b>
<b>Inventories</b>		<b>5,299</b>	<b>5,114</b>
Trade receivables		64,419	71,216
Receivables from group enterprises		20,849	8,917
Other receivables		28,869	10,736
Deferred tax asset		3,853	6,612
Prepayments		10,009	13,387
<b>Receivables</b>		<b>127,999</b>	<b>110,868</b>
<b>Cash at bank and in hand</b>		<b>18,290</b>	<b>36,507</b>
<b>Currents assets</b>		<b>151,588</b>	<b>152,489</b>
<b>Assets</b>		<b>467,538</b>	<b>409,827</b>

# Balance Sheet 31 December 2019

## Liabilities and equity

	Note	2019 TDKK	2018 TDKK
Share capital		1,000	1,000
Retained earnings		218,695	174,188
<b>Equity</b>	12	<b>219,695</b>	<b>175,188</b>
Lease obligations		5,595	2,417
Deposits		14,903	14,532
Other payables		4,990	0
<b>Long-term debt</b>	13	<b>25,488</b>	<b>16,949</b>
Credit institutions		55,603	0
Lease obligations	13	2,284	2,531
Prepayments received from customers		73,583	78,537
Trade payables		30,221	73,282
Deposits		11,709	11,608
Other payables	13	48,955	51,732
<b>Short-term debt</b>		<b>222,355</b>	<b>217,690</b>
<b>Debt</b>		<b>247,843</b>	<b>234,639</b>
<b>Liabilities and equity</b>		<b>467,538</b>	<b>409,827</b>
Going concern	1		
Subsequent events	2		
Contingent assets, liabilities and other financial obligations	14		
Related parties	15		
Accounting Policies	16		



## Statement of Changes in Equity

	Share capital	Retained earnings	Total
	TDKK	TDKK	TDKK
Equity at 1 January 2019	1,000	174,188	175,188
Contribution from group	0	68,000	68,000
Net profit/loss for the year	0	(23,493)	(23,493)
<b>Equity at 31 December 2019</b>	<b>1,000</b>	<b>218,695</b>	<b>219,695</b>

# Notes to the Financial Statements

## 1 Going concern

Following the outbreak of COVID-19, the Company has experienced a significant slowdown in hotel and conference activities after the end of the financial year.

The result of the above is that the Company's liquidity is expected to be very tight during 2020. The Company's ability to continue operations depends on a number of uncertainties, among other things; the prevalence of COVID-19, the temporal extent of restrictions that affect business activities, economic aid packages, and the speed at which the economy recovers after COVID-19.

As a result of these factors, there is uncertainties that can raise doubt about the Company's ability to continue operations. Management has obtained loan from the Company's bank under Vækstfonden's scheme for financing for companies affected by COVID-19 amounting to DKK 100 million. Furthermore, Management has entered into agreements with the owners of properties that the Group rent and carry out its business from. Rent will be based on a percentage of relevant revenue above a threshold in the period up to 1 January 2024 at the latest.

In addition, the Company has used other Danish compensation schemes for salary compensation and fixed cost compensation and expects to continue to use schemes available or take necessary action to reduce costs. Based on available compensations schemes and possibilities to make further cost reduction if needed, Managements consider that the available funds as of 10 July 2020, including the new loan, will be adequately up to and beyond 31 December 2020. Management therefore submits the annual report on the basis of continued operations.

# Notes to the Financial Statements

## 2 Subsequent events

The implications of COVID-19 with many governments across the world deciding to "close down their countries" will have great impact on the global economy. Management considers the implications of COVID-19 a subsequent event occurred after the balance sheet date (31 December 2019), which is therefore a non-adjusting event to the Company.

Consequently, the assessments of impairment indications made by Management at 31 December 2019 is based on the future cash flows expected by Management at 31 December 2019, which may differ from the cash flows expected by Management at the time of adoption of the Annual Report, see comments in the Outlook in Management's Review.

To date, the Company has been negatively impacted by the effects of COVID-19 as several customers have halted a number of existing and new conferences. Moreover, the Company has been negatively impacted by the significant decline in business activities, and consequently, Management decided to lay-off approximately 300 employees. Furthermore, it was decided to close-down AC Hotel Bella Sky temporary. AC Bella Sky is expected to be open again from September 2020.

COVID-19 has caused a significant decline in the Company's revenue of more than 80% compared to last year since 9 March 2020. The reason for this is that the Company's customers have cancelled a number of existing orders, and that orders have stopped coming in.

Many of the Company's customers have indicated that they will continue conferences at a later point in time, but COVID-19 will have significant negative impacts on the Company's revenue and earnings in 2020. Management is monitoring developments closely. Naturally, Management will make an effort to recapture any lost revenue later in the year. At this time, it is not possible to calculate the size of the negative COVID-19 impact.

In connection with the new loan and agreements entered into with the owners of properties that the Company rent and carry out its business from further mortgage pledges of DKK 20 million has be issued against other fixtures and fittings, tools and equipment.

## Notes to the Financial Statements

	2019 <u>TDKK</u>	2018 <u>TDKK</u>
<b>3 Revenue</b>		
<b>Geographical segments</b>		
Revenue, Denmark	892,243	959,224
	<u><b>892,243</b></u>	<u><b>959,224</b></u>
<b>Business segments</b>		
Hotel	387,268	398,901
Area & Entry	217,730	252,656
Technique & Services	93,237	110,081
Food & Beverage	194,008	197,586
	<u><b>892,243</b></u>	<u><b>959,224</b></u>
<b>4 Staff expenses</b>		
Wages and salaries	289,759	235,355
Pensions	24,076	23,705
Other social security expenses	6,600	5,722
Other staff expenses	7,605	11,430
	<u><b>328,040</b></u>	<u><b>276,212</b></u>
Including remuneration to the Executive Board and Board of Directors of:		
Board of Directors	90	90
Executive Board	8,462	8,733
	<u><b>8,552</b></u>	<u><b>8,823</b></u>
<b>Average number of employees</b>	<u><b>751</b></u>	<u><b>740</b></u>

## Notes to the Financial Statements

	2019 <u>TDKK</u>	2018 <u>TDKK</u>
<b>5 Depreciation, amortisation and impairment of intangible assets and property, plant and equipment</b>		
Amortisation of intangible assets	2,088	3,050
Depreciation of property, plant and equipment	<u>38,242</u>	<u>36,465</u>
	<b><u>40,330</u></b>	<b><u>39,515</u></b>
<b>6 Financial income</b>		
Interest received from group enterprises	460	0
Other financial income	<u>864</u>	<u>721</u>
	<b><u>1,324</u></b>	<b><u>721</u></b>
<b>7 Financial expenses</b>		
Interest paid to group enterprises	0	1,509
Other financial expenses	<u>2,315</u>	<u>1,356</u>
	<b><u>2,315</u></b>	<b><u>2,865</u></b>
<b>8 Tax on profit/loss for the year</b>		
Current tax for the year	(8,946)	(2,051)
Deferred tax for the year	2,758	4,721
Adjustment of tax concerning previous years	25	0
Adjustment of deferred tax concerning previous years	<u>0</u>	<u>1,411</u>
	<b><u>(6,163)</u></b>	<b><u>4,081</u></b>

# Notes to the Financial Statements

## 9 Intangible assets

	Goodwill TDKK	Development projects in progress TDKK
Cost at 1 January 2019	63,230	5,660
Additions for the year	0	7,607
Cost at 31 December 2019	<u>63,230</u>	<u>13,267</u>
Impairment losses and amortisation at 1 January 2019	6,727	0
Amortisation for the period	3,285	0
Impairment losses and amortisation at 31 December 2019	<u>10,012</u>	<u>0</u>
<b>Carrying amount at 31 December 2019</b>	<b><u>53,218</u></b>	<b><u>13,267</u></b>
Amortised over	<u>20 years</u>	

## 10 Property, plant and equipment

	Other fixtures and fittings, tools and equipment TDKK	Leasehold improvements TDKK
Cost at 1 January 2019	133,749	40,793
Additions for the year	26,026	12,693
Disposals for the year	<u>-21,199</u>	<u>-39,410</u>
Cost at 31 December 2019	<u>138,576</u>	<u>14,076</u>
Revaluations at 1 January 2019	<u>0</u>	<u>0</u>
Revaluations at 31 December 2019	<u>0</u>	<u>0</u>
Impairment losses and depreciation at 1 January 2019	49,376	5,894
Depreciation for the year	33,854	3,191
Reversal of impairment and depreciation of sold assets	<u>-18,997</u>	<u>-39,378</u>
Impairment losses and depreciation at 31 December 2019	<u>64,233</u>	<u>-30,293</u>
<b>Carrying amount at 31 December 2019</b>	<b><u>74,343</u></b>	<b><u>44,369</u></b>

## Notes to the Financial Statements

	2019 <u>TDKK</u>	2018 <u>TDKK</u>
<b>11 Investments in subsidiaries</b>		
Cost at 1 January 2019	50	0
Additions for the year	<u>0</u>	<u>50</u>
<b>Carrying amount at 31 December 2019</b>	<b><u>50</u></b>	<b><u>50</u></b>

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership	Equity	Net profit/loss for the year
BCHG SPV ApS	Copenhagen	50.000	100 %	14	(18)

## 12 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:

	2019 <u>TDKK</u>	2018 <u>TDKK</u>	2017 <u>TDKK</u>
Share capital at 1 January 2019	1,000	1,000	1,000
Capital increase	0	0	0
Capital decrease	<u>0</u>	<u>0</u>	<u>0</u>
<b>Share capital at 31 December 2019</b>	<b><u>1,000</u></b>	<b><u>1,000</u></b>	<b><u>1,000</u></b>

# Notes to the Financial Statements

## 13 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>2019</u> TDKK	<u>2018</u> TDKK
<b>Lease obligations</b>		
Between 1 and 5 years	5,595	2,417
Long-term part	<u>5,595</u>	<u>2,417</u>
Within 1 year	<u>2,284</u>	<u>2,531</u>
	<b><u>7,879</u></b>	<b><u>4,948</u></b>
<b>Deposits</b>		
Between 1 and 5 years	14,903	14,532
Long-term part	<u>14,903</u>	<u>14,532</u>
Within 1 year	<u>11,709</u>	<u>11,608</u>
	<b><u>26,612</u></b>	<b><u>26,140</u></b>
<b>Other payables</b>		
Between 1 and 5 years	4,990	0
Long-term part	<u>4,990</u>	<u>0</u>
Other short-term payables	<u>48,955</u>	<u>51,732</u>
	<b><u>53,945</u></b>	<b><u>51,732</u></b>



## Notes to the Financial Statements

	2019 TDKK	2018 TDKK
<b>14 Contingent assets, liabilities and other financial obligations</b>		
<b>Rental and lease obligations</b>		
Lease obligations under operating leases. Total future lease payments:		
Within 1 year	185,565	177,724
Between 1 and 5 years	736,471	694,936
After 5 years	3,006,900	3,139,582
	<b>3,928,936</b>	<b>4,012,242</b>

### Guarantee obligations

The Company is guarantor with primary liability for whatever amount BCHG Holding A/S and BCHG Properties A/S may owe Nordea Danmark in the future, including interest and expenses in the event of default.

### Other contingent liabilities

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. The total amount is disclosed in the Annual Report of Solstra Investments A/S, which is the administration company for joint taxation purposes.

The Company has the obligation to perform maintenance of rented hotel buildings, both interior and exterior. There is the risk that one of the hotel buildings may require replacement of part of the facade. For the time being, it is not possible to evaluate and conclude the extent of the replacement. The Company expects that the main contractor will cover expenses related to the replacement.

# Notes to the Financial Statements

## 15 Related parties

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

### Basis

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#### Controlling interest

Alshair Fiyaz, Monaco	Ultimate owner
ALFI Mark Trust, Liechtenstein	Ultimate parent company
Makerina Investments Ltd., Cyprus	Intermediate parent company
Solstra Holdings Cyprus Ltd., Cyprus	Intermediate parent company
Solsta Investments A/S, Copenhagen	Intermediate parent company
Bella Solstra Holding A/S, Copenhagen	Intermediate parent company
Bella Solstra A/S, Copenhagen	intermediate parent company
BCHG Holding A/S, Copenhagen	Immediate parent company

BCHG Holding A/S is holding 100 % of the votes in the company

#### Transactions

The Company has chosen only to disclose transactions which have not been made on an arm's length basis in accordance with section 98(c)(7) of the Danish Financial Statements Act.

The Company has had transactions related to intercompany payables and management fees. Interests for group enterprises are disclosed in the income statement and note 6 and 7.

#### Consolidated Financial Statements

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

Name	Place of registered office
Solstra Investments A/S	Copenhagen

# Notes to the Financial Statements

## 16 Accounting Policies

The Annual Report of BC Hospitality Group A/S for 2019 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C .

The accounting policies are unchanged from last annual report.

The Financial Statements for 2019 are presented in TDKK.

### Consolidated financial statements

With reference to section 112 of the Danish Financial Statements Act and to the consolidated financial statements of BCHG Holding A/S, the Company has not prepared consolidated financial statements.

### 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 BCHG Holding A/S, the Company has 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.

# Notes to the Financial Statements

## 16 Accounting Policies (continued)

### Leases

Leases in terms of which the Company 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 Company.

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

## Income Statement

### Revenue

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

# Notes to the Financial Statements

## 16 Accounting Policies (continued)

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 Company. The stage of completion is determined on the basis of the ratio between the expenses incurred and the total expected expenses of the service.

### Cost of goods sold

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

### Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Company, including gains and losses on the sale of intangible assets and property, plant and equipment.

### Financial income and expenses

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

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

# Notes to the Financial Statements

## 16 Accounting Policies (continued)

### Balance Sheet

#### Intangible assets

Goodwill acquired is measured at cost less accumulated amortisation. Goodwill is amortised on a straight-line basis over its useful life, which is assessed at 20 years.

#### Property, plant and equipment

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:

Other fixtures and fittings and operating equipment	3 -20 years
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Leasehold improvements are depreciated over 3-20 years or the remaining lease term if shorter than expected useful lives.

Depreciation period and residual value are reassessed annually.

Assets costing less than DKK 13,800 are expensed in the year of acquisition.

#### Impairment of fixed assets

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

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

# Notes to the Financial Statements

## 16 Accounting Policies (continued)

### Investments in subsidiaries

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

### Other fixed asset investments

Other fixed asset investments consist of deposits.

### 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.

### Prepayments

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

### 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.

# Notes to the Financial Statements

## 16 Accounting Policies (continued)

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

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

## Financial Highlights

### Explanation of financial ratios

Gross margin	$\frac{\text{Gross profit} \times 100}{\text{Revenue}}$
Solvency ratio	$\frac{\text{Equity at year end} \times 100}{\text{Total assets at year end}}$
Return on equity	$\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$