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BRITANNIA INVEST A/S

Frederiksberggade 16
1459 Copenhagen K
Business Registration No
14119280

Annual report 2019

The Annual General Meeting adopted the annual report on 11.05.2020

Chairman of the General Meeting

Name: Frantz Palludan

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Entity details

Entity

BRITANNIA INVEST A/S
Frederiksberggade 16
1459 Copenhagen K

Central Business Registration No (CVR): 14119280
Registered in: Copenhagen
Financial year: 01.01.2019 - 31.12.2019

Board of Directors

Frantz Palludan, Chairman
Nikolaj Stampe, Vice Chairman
Peter Olsson
Torbjørn Lange

Executive Board

Claude Winther Nielsen

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
P.O. Box 1600
0900 Copenhagen C
Lead Client Service Partner: Lars Kronow

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of BRITANNIA INVEST A/S for the financial year 01.01.2019 - 31.12.2019.

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

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2019 and of the results of its operations and cash flows for the financial year 01.01.2019 - 31.12.2019.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Copenhagen, 18.03.2020

Executive Board

Claude Winther Nielsen

Board of Directors

Frantz Palludan
Chairman

Nikolaj Stampe
Vice Chairman

Peter Olsson

Torbjørn Lange

Independent auditor's report

To the shareholders of BRITANNIA INVEST A/S

Opinion

We have audited the financial statements of BRITANNIA INVEST A/S for the financial year 01.01.2019 - 31.12.2019, which comprise the income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2019 and of the results of its operations and cash flows for the financial year 01.01.2019 - 31.12.2019 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board of 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.

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 Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Entity 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.

Independent auditor's report

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 Entity'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 Entity'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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, 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.

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, 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 the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Independent auditor's report

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the management commentary 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 of the management commentary.

Copenhagen, 18.03.2020

Deloitte

Statsautoriseret Revisionspartnerselskab

Central Business Registration No (CVR) 33963556

Bjørn Winkler Jakobsen

State-Authorised Public Accountant

Identification No (MNE) mne32127

Management commentary

	2019	2018	2017	2016	2015
	GBP'000	GBP'000	GBP'000	GBP'000	GBP'000
Financial highlights					
Key figures					
Revenue	25,448	23,341	21,914	22,641	20,311
Gross profit/loss	26,729	28,071	32,094	4,217	43,446
Operating profit/loss	26,439	28,199	33,716	3,879	43,124
Net financials	(9,484)	(8,998)	(9,545)	(9,670)	(8,062)
Profit/loss for the year	14,855	17,351	22,554	(6,823)	33,327
Total assets	447,874	436,815	369,809	358,752	376,187
Investments in property, plant and equipment	4,716	81,459	1,120	1,161	35,371
Equity	193,528	178,673	161,322	138,768	150,237
Ratios					
Gross margin (%)	105.0	120.3	146.5	18.6	213.9
Net margin (%)	58.4	74.3	102.9	(30.1)	164.1
Return on equity (%)	8.0	10.2	15.0	(4.7)	24.7
Equity ratio (%)	43.2	40.9	43.6	38.7	39.9

Financial highlights are defined and calculated in accordance with the current version of "Recommendations & Ratios" issued by the Danish Society of Financial Analysts.

Ratios	Calculation formula	Calculation formula reflects
Gross margin (%)	$\frac{\text{Gross profit/loss} \times 100}{\text{Revenue}}$	The Entity's operating gearing.
Net margin (%)	$\frac{\text{Profit/loss for the year} \times 100}{\text{Revenue}}$	The Entity's operating profitability.
Return on equity (%)	$\frac{\text{Profit/loss for the year} \times 100}{\text{Average equity}}$	The Entity's return on capital invested in the Entity by the owners.
Equity ratio (%)	$\frac{\text{Equity} \times 100}{\text{Total assets}}$	The financial strength of the Entity.

Management commentary

Primary activities

The Company's mission is to invest in British commercial real estate.

This makes Britannia Invest A/S a company with a clear investment profile intending to exploit the special investor-friendly practices in the British property market.

The key concepts of the investment strategy are security and quality. This applies to the identification of investment properties, including the quality, location, rate of return and growth potential of such properties, as well as requirements applicable to the tenants.

The Company's mission is to be a dynamic property company that constantly monitors opportunities in the portfolio of properties with a view to optimising the rate of return. This includes asset management and selling properties whenever doing so is considered profitable and reinvesting in new properties.

At year-end 2019 the portfolio consisted of the following assets:

- | | |
|-----------------------|-------------|
| • Regus Building | Bristol |
| • Whitehall II | Leeds |
| • Optima Building | Glasgow |
| • Citygate 1 | Newcastle |
| • Talisman House | Aberdeen |
| • Finsbury Square | London |
| • Old Mutual House | Southampton |
| • 80 Hammersmith Road | London |
| • 76 Hammersmith Road | London |
| • Bridgewater House | Manchester |
| • Mainpoint | Edinburgh |
| • Acero | Sheffield |
| • One Colmore Row | Birmingham |
| • 1 City Square | Leeds |

Highlights from the annual report

Over the course of 2019 the UK saw a lot of political and financial uncertainty due to Brexit and the government's lack of parliamentary support ahead of the December election. Despite these uncertainties, tenant take-up and investor interest in the UK market remained positive. Total return for all property asset classes was 2.1%, reflecting big differences: the office sector was 5.1% and retail was -6.4%. Capital growth was -3.1% overall and 0.2% for offices.

Britannia Invest A/S realised a return on equity of 7.9% and a profit after tax of GBP 14.9m, including GBP 6.2m of revaluations.

The core business return is presented as "the basic primary rental business without balance sheet adjustments".

Due to financial reporting requirements, "Revenue" and "Gross profit" in the income statement do not include financial expenses.

Management commentary

Britannia Invest A/S's conventional way of showing the profit from primary operations is as follows:

	2019	2018
	GBP'000	GBP'000
Rental income and other income	25,420	23,341
Property costs UK	(5,966)	(3,265)
Financial costs	(9,495)	(9,038)
Profit from rental business	9,959	11,038
Profit from asset sales	0	390
Administration in DK	(206)	(182)
Profit/(loss) from primary operations	9,753	11,246

Revenue increased as a result of a full year's rent from the three acquisitions back in 2018, a one-off income of GBP 0.8m and successful regears and new lettings.

There were no acquisitions or disposals of properties during the year, but it was a very active asset management year.

Profit from primary operations reduced from GBP 11.2m to GBP 9.7m as the higher rental income was offset by increased property and finance costs.

During the year, property costs in the UK increased due to a performance fee and the increased cost of void space and repairs and maintenance. The increase in cost was in line with business plans.

The portfolio had a net positive market revaluation of GBP 6.2m after investing GBP 4.7m in the portfolio over the year.

Equity increased from GBP 178.7m to GBP 193.5m and the intrinsic value increased by 15% from 332 to 381.

Overall borrowing reduced slightly from GBP 243m to GBP 238m; the shareholder loans increased from GBP 190m to GBP 230m, the external funding reduced from GBP 53m to GBP 8m, the overall LTV remains modest at 54% and LTV from external funding is down at 2%.

The 2019 profit after tax was GBP 14.9m compared to GBP 17.6m in 2018. In the annual report for 2018, a profit after tax of GBP 11.8m was expected for 2019. The improvement is due to a higher turnover, further supported by the positive revaluation of most of the properties.

The positive revaluations on the balance sheet fell from GBP 7.9m to GBP 6.2m due to a falling valuation of the interest swaps.

Management commentary

	2019 GBP'000	2018 GBP'000
Fair market value adjustment of properties	6,209	5,215
Fair market value adjustment of interest swaps	1,051	2,698
Total	7,260	7,913

The rate of exchange of the British pound rose from 8.2719 to 8.7664 from 31 December 2018 to 31 December 2019.

At year-end 2019, the portfolio of properties is valued at GBP 438.9m, an increase of GBP 10.9m. The external valuer Savills has valued the portfolio at GBP 448.1m.

The balance sheet total increased by 1%, from GBP 437.4m to GBP 448.4m. Equity increased by GBP 14.8m from GBP 178.7m to GBP 193.5m. Return on equity was 6.6% and the intrinsic share value increased by 15% from 332 to 381 from 31 December 2018 to 31 December 2019.

Since 2003 the Company has been owned by shareholders who are subject to taxation under the Danish Pension Investment Return Tax Act. Combined with other technical tax requirements, this means that the Company, being subject to the Pension Investment Return Tax Act, is not liable to pay tax in Denmark. Therefore, no tax expense on income earned in Denmark has been recognised in the annual report. However, in the UK, tax at a rate equivalent to 22% will be payable on profit on UK activities. Capital allowances on properties reduce the operating profit in the UK and a tax payment of GBP 2.1m has been recognised for 2019. The final tax payment will be calculated at the end of the UK financial year in April 2020.

Changes to the tax rules from April 2019 may result in capital gains becoming subject to taxation in the UK. UK pension funds are exempt and the option to be treated equally and obtain an exemption from the new tax is being explored with the Company's UK tax advisors.

The Board of Directors considers the result for the year satisfactory.

Development in activities and finances

Acquisition and disposals of properties

There were no acquisitions or disposals in the period.

Portfolio of properties

At 31 December 2019, the Company's portfolio of properties consists of 14 well-located office buildings with a geographic spread throughout the UK, 12 of which are freehold and 2 are leasehold.

The total area is 1,197,562 sq ft, of which 120,856 sq ft is vacant at year-end. 76 Hammersmith Road, London, accounts for 49,879 sq ft. 76 Hammersmith has been stripped out and as such is not in a lettable state but is a development case rather than part of the normal lettable office space within the portfolio. In 1 City Square, Leeds, which was acquired in December 2018, 45,713 sq ft equal to 42% of the building is vacant and being refurbished with planned completion in mid-2020.

Management commentary

The total acquisition cost of the property portfolio is GBP 420m and the contractual rent at year-end is GBP 26.6m, giving a return of 5.6% on the market value. At year-end total borrowing is GBP 238m, and over the year interest payments were GBP 9m, showing an interest cover of 277%.

Asset management

On the asset management side, it was a satisfactory and very active year. The vacant space may have increased from 97,813 sq ft to 120,856 sq ft, but of this 49,879 sq ft in 76 Hammersmith Road, London, is now a development project, and in 1 City Square, Leeds, 45,713 sq ft is being refurbished, leaving 25,264 sq ft vacant space in a readily lettable condition, equal to 2% of the portfolio. Acero, Sheffield, became fully let in May 2019 after being acquired with 45% vacancy 12 months earlier. The vacancy in Bridgewater House, Manchester, over the year reduced by 29,145 sq ft to 12%, while rents psf achieved simultaneously increased. On 6 January 2020 Bridgewater became fully let. Over the year the regears and new lettings have resulted in a GBP 6.1m increase in value. An early surrender was agreed on one floor in Finsbury Square, London. The floor has been refurbished and floor space has increased slightly after infill of the lightwell. The floor was let immediately after practical completion, so the property has been revalued by GBP 2.2m.

In 76 Hammersmith Road, London, the tenant vacated in January 2019, paying GBP 650k in dilapidations. The building has been stripped out so that it is no longer lettable while a potential development project is ongoing. Because of this, it has been taken out of rating so that no business rates are payable, representing an annualised saving of GBP 740k. Permission to extend the 49,879 sq ft office building to 92,000 sq ft office is awaiting planning permission in January 2020. The planning of the project is still ongoing, and several options being explored, and no final commitment has been made as to which option to pursue. In Mainpoint, Edinburgh, the service charge dispute with one of the tenants was settled in court in favour of the Landlord back in 2018, and in 2019 a 3-year lease extension was completed in return for the tenant not having to pay the service charge backlog. In Whitehall II, Leeds, the tenants on the second, third and fourth floors have all agreed to lease extensions with a GBP 1.4m value increase. In 1 City Square, Leeds, the GBP 8m refurbishment project is ongoing and a third of the way already with strong interest in the refurbished suites. Revaluation is only in line with the investment in the building over the year. Over the year a total of GBP 4.7m was invested in the portfolio, and the asset management initiatives resulted in a net positive revaluation of the portfolio by GBP 6.2m.

External valuation of the property portfolio

In accordance with company policy, the entire portfolio of properties is valued at the end of each quarter by an independent valuer appointed by the Company. Savills has carried out an independent valuation of the property portfolio and has valued the portfolio at GBP 448.1m at 31 December 2019.

In the annual report, Management has valued the portfolio at GBP 438.9m. This results in a variance of 2.0% compared to the value estimated by the independent valuer. Management's valuation has been made on a going concern basis and builds on a detailed analysis of the individual properties, including an assessment of the state of the properties, their location, current and estimated level of rent, the tenants' covenant strength and offers received for some of the properties.

Management commentary

Risks

Interest rate risks

The Company finances its acquisition of properties through floating-rate loans. The loans are repayable within 2020. An average interest rate of approx. 3.5% is currently paid. The Company no longer has any active interest-rate swap agreements to fix the interest rate. The last two swap agreements expired on 31 December 2019.

Currency risks

Properties owned by the Company are acquired in British pound sterling (GBP), and the operation of properties is also made in this currency. In order to hedge the currency risk involved in GBP, all borrowing is in GBP. At 31 December 2019, loans had a market value of GBP 238m corresponding to approx. 54% of the GBP 438.0m book value of properties.

As the Company's presentation currency is GBP, financial reporting is not materially affected by fluctuations in this currency. However, exchange rate adjustments are made to the Company's share capital, which is recorded in DKK, and to its activities in Denmark, which are insignificant.

Finance and liquidity risks

At year-end 2019, shareholder loans totalled GBP 230m with expiry in December 2020. Agreements have been entered into with the Company's credit institution for a GBP 40m credit facility, on which at year-end 2019 GBP 8m was drawn. It is planned in mid-2020 to extend the shareholder loans.

Outlook for 2020

For 2020, Britannia Invest A/S expects to generate a profit of GBP 14.3m from rental activities and a profit after tax of GBP 11.8m. Several important regears with existing government tenants are expected to be finalised early 2020. Letting up of the newly refurbished space in 1 City Square is expected to contribute positively to the fund performance.

GBP/DKK exchange rate fluctuations will only have a limited effect on the result. Over the past year there has been a lot of political uncertainty due to Brexit, which even after the election results is expected to continue for some time, but it is not expected to have a material, adverse effect on the future performance of the Company.

Ownership

The Company has registered the following shareholders as holding more than 5% of the voting rights or nominal value of the share capital.

- Pension funds related to Pensionskassernes Administration A/S, Hellerup, Denmark
- AP Pension, Copenhagen Ø, Denmark and
- Sampension Global Real Estate K/S, Hellerup, Denmark.

Events after the balance sheet date

Planning permission for extending 76 Hammersmith Road from 49,879 to 92,000 sq ft was obtained on 7 January 2020.

Income statement for 2019

	Notes	2019 GBP'000	2018 GBP'000
Revenue		25,448	23,341
Fair value adjustments of investment property		6,209	5,216
Fair value adjustments of interest swaps		1,051	2,698
Property costs	1	<u>(5,979)</u>	<u>(3,184)</u>
Gross profit/loss		26,729	28,071
Administrative expenses	2, 3	(290)	(262)
Other operating income		<u>0</u>	<u>390</u>
Operating profit/loss		26,439	28,199
Other financial income	4	40	40
Other financial expenses	5	<u>(9,524)</u>	<u>(9,038)</u>
Profit/loss before tax		16,955	19,201
Tax on profit/loss for the year	6	<u>(2,100)</u>	<u>(1,850)</u>
Profit/loss for the year	7	<u>14,855</u>	<u>17,351</u>

Balance sheet at 31.12.2019

	<u>Notes</u>	<u>2019 GBP'000</u>	<u>2018 GBP'000</u>
Investment property		438,900	427,975
Property, plant and equipment	8	438,900	427,975
Fixed assets		438,900	427,975
Trade receivables		629	785
Other receivables		1,513	754
Receivables		2,142	1,539
Cash		6,832	7,301
Current assets		8,974	8,840
Assets		447,874	436,815

Balance sheet at 31.12.2019

	<u>Notes</u>	<u>2019 GBP'000</u>	<u>2018 GBP'000</u>
Contributed capital		50,779	53,815
Retained earnings		142,749	124,858
Equity		193,528	178,673
Payables to shareholders and management		4,649	194,648
Other payables		1,316	994
Non-current liabilities other than provisions		5,965	195,642
Bank loans		8,000	53,000
Prepayments received from customers		5,299	5,399
Payables to shareholders and management	9	230,000	0
Income tax payable		1,802	1,078
Other payables		3,280	3,023
Current liabilities other than provisions		248,381	62,500
Liabilities other than provisions		254,346	258,142
Equity and liabilities		447,874	436,815
Contingent liabilities	11		
Assets charged and collateral	12		
Related parties with controlling interest	13		

Statement of changes in equity for 2019

	Contributed capital GBP'000	Retained earnings GBP'000	Total GBP'000
Equity beginning of year	53,815	124,858	178,673
Exchange rate adjustments	(3,036)	3,036	0
Profit/loss for the year	0	14,855	14,855
Equity end of year	50,779	142,749	193,528
Translated into DKK'000 at 31 December 2019	445,149	1,251,395	1,696,544

The Company's contributed capital amounts to DKK 445,150,000 at 31 December 2019.

There have been no changes to the Company's share capital in the past five financial years.

Share capital consists of 4,451,500 shares at DKK 100.

The shares have not been divided into classes.

Cash flow statement for 2019

	<u>Notes</u>	<u>2019</u> <u>GBP'000</u>	<u>2018</u> <u>GBP'000</u>
Operating profit/loss		28,423	24,735
Working capital changes	10	929	(470)
Other adjustments		<u>(9,245)</u>	<u>(4,841)</u>
Cash flow from ordinary operating activities		20,107	19,424
Financial income received		40	40
Financial expenses paid		(9,524)	(9,038)
Income taxes refunded/(paid)		<u>(1,376)</u>	<u>(2,789)</u>
Cash flows from operating activities		9,247	7,637
Acquisition etc of property, plant and equipment		(4,716)	(81,459)
Sale of property, plant and equipment		<u>0</u>	<u>5,990</u>
Cash flows from investing activities		(4,716)	(75,469)
Loans raised		40,000	53,000
Repayments of loans etc		<u>(45,000)</u>	<u>0</u>
Cash flows from financing activities		(5,000)	53,000
Increase/decrease in cash and cash equivalents		(469)	(14,832)
Cash and cash equivalents beginning of year		<u>7,301</u>	<u>22,133</u>
Cash and cash equivalents end of year		6,832	7,301

Notes

1. Property costs

	2019	2018
	GBP'000	GBP'000
Management fee	2,415	1,316
Other property costs from maintenance, etc	3,564	1,868
	5,709	3,184

2. Administrative expenses

	2019	2018
	GBP'000	GBP'000
Administrative expenses in Denmark	207	182
Administrative expenses in UK	84	80
	291	262

3. Staff costs

	2019	2018
	GBP'000	GBP'000
Wages and salaries	62	62
	62	62
Average number of employees	1	1

	Remunera- tion of Manage- ment 2019 GBP'000	Remunera- tion of Manage- ment 2018 GBP'000
Executive Board	62	62
	62	62

Staff costs are included in administrative expenses. There are no variables in wages and salaries. Total wages and salaries relate to Management whose activities have significant effect on the Company's risk profile.

Notes

	2019	2018
	GBP'000	GBP'000
4. Other financial income		
Other financial income	40	40
	40	40

5. Other financial expenses

	2019	2018
	GBP'000	GBP'000
Interest expenses from shareholder loans	7,733	6,109
Interest expenses from derivative financial instruments	1,159	2,592
Interest expenses from external funding	603	337
Other financial expenses	29	0
	9,524	9,038

	2019	2018
	GBP'000	GBP'000
6. Tax on profit/loss for the year		
Current tax	2,100	1,850
	2,100	1,850

	2019	2018
	GBP'000	GBP'000
7. Proposed distribution of profit/loss		
Retained earnings	14,855	17,351
	14,855	17,351

Notes

	Investment property GBP'000
8. Property, plant and equipment	
Cost beginning of year	415,302
Additions	4,716
Cost end of year	420,018
Fair value adjustments beginning of year	12,673
Fair value adjustments for the year	6,209
Fair value adjustments end of year	18,882
Carrying amount end of year	438,900

The calculation of fair value is based on the following rates of return:

	31.12.2019	31.12.2018
	%	%
Weighted average capital income	5.57	5.75
Highest rate of return	8.50	8.00
Lowest rate of return	4.22	4.95

An increase of the required rate of return by an average of 0.5 percentage points will reduce the total fair value by GBP 35.1m.

Management determined the fair value using the first year's rate of return model. As in previous years, a valuer was involved in the calculation of the fair values of properties.

9. Payables to shareholders and management

During 2020 a decision will be made to extend the loans from shareholders.

	2019	2018
	GBP'000	GBP'000
10. Change in working capital		
Increase/decrease in receivables	(603)	(763)
Increase/decrease in trade payables etc	1,532	293
	929	(470)

Notes

11. Contingent liabilities

All of the Company's shareholders are liable to pay tax under the Danish Pension Investment Return Tax Act. As more than 90% of the Company's assets (measured as an average for the year) were in the form of real estate, the Company is not liable to taxation in Denmark under the Danish Corporation Tax Act. The tax liability lies with the individual shareholders.

However, Britannia Invest A/S is jointly and severally liable for tax payable on taxable income from Britannia Invest A/S in relation to each of the shareholders.

12. Assets charged and collateral

The Company has undrawn credit facilities at credit institutions. Bank overdraft withdrawals are secured by way of properties of a carrying amount of GBP 210.7m in total.

13. Related parties with controlling interest

Related parties with controlling interest in Britannia Invest A/S:

None.

Related parties with significant influence on Britannia Invest A/S:

Pension funds related to Pensionskassernes Administration A/S, Hellerup

AP Pension, Copenhagen Ø

Sampension Global Real Estate K/S, Hellerup

The Company's Management, including the Executive Board and the Board of Directors

The annual report only discloses transactions between related parties that have not been conducted at arm's length. Such transactions have not been conducted during the financial year.

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (medium).

The accounting policies applied to these financial statements are consistent with those applied last year.

Income statement

Revenue

Revenue comprises of rental income from investment properties.

Fair value adjustments of investment property

Fair value adjustment of investment property comprises adjustments for the financial year of the Entity's investment properties measured at fair value at the balance sheet date.

Fair value adjustments of financial liabilities

Fair value adjustments of financial liabilities comprise adjustments for the financial year of the Entity's financial liabilities measured at fair value at the balance sheet date.

Property costs

Property costs include costs incurred to operate the Entity's properties in the financial year, including repair and maintenance costs, property tax and electricity, water and heating, which are not charged directly from the lessee.

Administrative costs

Administrative costs comprise expenses incurred for the Entity's administrative functions, including wages and salaries for Management and the Board of Directors.

Other operating income

Other operating income comprises income of a secondary nature as viewed in relation to the Entity's primary activities.

Other financial income

Other financial income comprises interest income.

Other financial expenses

Other financial expenses comprise interest expenses regarding liabilities related to the investment properties.

Accounting policies

Tax on profit/loss for the year

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

Income tax

All of the Company's shareholders are liable to pay tax under the Danish Pension Investment Return Tax Act. As more than 90% of the Company's assets (measured as an average for the year) consisted of real estate, the Company is not an independent entity liable to taxation under the Danish Corporation Tax Act as the individual shareholders are subject to taxation.

As the Company is not liable to pay tax in Denmark, no tax expense related to the activities in Denmark has been computed or provided for in the financial statements.

The Company remains liable to pay tax in the UK on activities carried out there. So tax on profit/loss for the year consists of tax on this year's income taxable in the UK.

Deferred tax

As mentioned above, the Company is not liable to pay tax in Denmark, and any provision for deferred tax is not relevant for Danish tax purposes.

No provision is made for deferred tax in respect of the UK. Previously, tax depreciation add-backs for UK properties were not subject to taxation as – pursuant to usual UK practice – the properties were sold to buyers who accepted to adopt the value written down for tax purposes. Sales of depreciation bases are not in future expected to deviate from prior years.

Deferred tax assets are recognised in so far as they are expected to be used within the next few years through positive taxable income from UK activities.

Balance sheet

Investment property

On initial recognition, investment properties are measured at cost consisting of the acquisition price of the properties plus directly related acquisition costs.

Subsequent to initial recognition, investment properties are measured at fair value which is equivalent to the amount at which the individual property may be sold to an independent buyer at the balance sheet date.

Fair value is determined by applying the yield-based model as the calculated value in use of expected cash flows from each property. The calculation is based on budgeted net earnings for the next year that has been adjusted to normal earnings, and using a required yield rate that reflects current market yield rates for similar properties. The value is adjusted for factors not reflected in normal earnings, for example, actual vacancy rate, major refurbishments etc.

Accounting policies

The financial year's adjustments of the properties' fair value are recognised in the income statement.

Receivables

Receivables are measured at amortised cost, usually equalling nominal value less writedowns for bad and doubtful debts.

Cash

Cash comprises bank deposits.

Operating leases

Lease payments on operating leases are recognised on a straight-line basis in the income statement over the term of the lease.

Other financial liabilities

Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

Prepayments received from customers

Prepayments received from customers comprise amounts received from customers prior to delivery of the goods agreed or completion of the service agreed.

Income tax receivable or payable

Current tax receivable or payable is recognised in the balance sheet, stated as tax computed on this year's taxable income, adjusted for prepaid tax.

Cash flow statement

The cash flow statement shows cash flows from operating, investing and financing activities as well as cash and cash equivalents at the beginning and the end of the financial year.

Cash flows from operating activities are presented using the indirect method and calculated as the operating profit/loss adjusted for non-cash operating items, working capital changes and income taxes paid.

Cash flows from investing activities comprise payments in connection with acquisition and divestment of enterprises, activities and fixed asset investments as well as purchase, development, improvement and sale, etc of intangible assets and property, plant and equipment, including acquisition of assets held under finance leases.

Cash flows from financing activities comprise changes in the size or composition of the contributed capital and related costs as well as the raising of loans, inception of finance leases, repayments of interest-bearing debt, purchase of treasury shares and payment of dividend.

Cash and cash equivalents comprise cash and short-term securities with an insignificant price risk less short-term bank loans.

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Bjørn Winkler Jakobsen

Revisor

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NEM ID 

Torbjørn Lange

Bestyrelsesmedlem

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IP: 176.22.xxx.xxx

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NEM ID 

Frantz Palludan

Bestyrelsesformand

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NEM ID 

Nikolaj Stampe

Bestyrelsesmedlem

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NEM ID 

Claude Winther Nielsen

Direktionsmedlem

Serienummer: PID:9208-2002-2-933710688750

IP: 2.105.xxx.xxx

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Peter Olsson

Bestyrelsesmedlem

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Frantz Palludan

Dirigent

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