



Britannia Invest A/S

Frederiksberggade 16
1459 Copenhagen K
CVR No. 14119280

Annual report 2020

The Annual General Meeting adopted the
annual report on 10.05.2021

Frantz Palludan

Chairman of the General Meeting

Contents

Entity details	2
Statement by Management	3
Independent auditor's report	4
Management commentary	7
Income statement for 2020	13
Balance sheet at 31.12.2020	14
Statement of changes in equity for 2020	16
Cash flow statement for 2020	17
Notes	18
Accounting policies	22

Entity details

Entity

Britannia Invest A/S
Frederiksberggade 16
1459 Copenhagen K

CVR No.: 14119280
Date of foundation: 01.05.1990
Registered office: Copenhagen
Financial year: 01.01.2020 - 31.12.2020

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
2300 Copenhagen S

Lead Client Service Partner : Lars Kronow

Statement by Management

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 01.01.2020 - 31.12.2020.

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 31.12.2020 and of the results of its operations and cash flows for the financial year 01.01.2020 - 31.12.2020.

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, 15.03.2021

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 01.01.2020 - 31.12.2020, 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 31.12.2020 and of the results of its operations and cash flows for the financial year 01.01.2020 - 31.12.2020 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.

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.

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, 15.03.2021

Deloitte

Statsautoriseret Revisionspartnerselskab
CVR No. 33963556

Bjørn Winkler Jakobsen

State Authorised Public Accountant
Identification No (MNE) mne32127

Management commentary

Financial highlights

	2020 GBP'000	2019 GBP'000	2018 GBP'000	2017 GBP'000	2016 GBP'000
Key figures					
Revenue	25,431	25,448	23,341	21,914	22,641
Gross profit/loss	26,941	26,729	28,071	32,094	4,217
Operating profit/loss	26,439	26,439	28,199	33,716	3,879
Net financials	(7,968)	(9,484)	(8,998)	(9,545)	(9,670)
Profit/loss for the year	16,508	14,855	17,351	22,554	(6,823)
Total assets	490,250	447,874	436,815	369,809	358,752
Investments in property, plant and equipment	33,666	4,716	81,459	1,120	1,161
Equity	210,036	193,528	178,673	161,322	138,768
Ratios					
Gross margin (%)	105.94	105.03	120.26	146.45	18.63
Net margin (%)	64.91	58.37	74.34	102.92	(30.14)
Return on equity (%)	8.18	7.98	10.21	15.03	24.7
Equity ratio (%)	42.84	43.21	40.90	43.62	38.68

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

Gross margin (%):

$\frac{\text{Gross profit/loss} * 100}{\text{Revenue}}$

Revenue

Net margin (%):

$\frac{\text{Profit/loss for the year} * 100}{\text{Revenue}}$

Revenue

Return on equity (%):

$\frac{\text{Profit/loss for the year} * 100}{\text{Average equity}}$

Average equity

Equity ratio (%):

$\frac{\text{Equity} * 100}{\text{Total assets}}$

Total assets

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 when this is considered profitable and reinvesting in new properties.

At year-end 2020 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
- Corner Block, Manchester

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.

Development in activities and finances

In 2020, the world was hit by the Covid-19 pandemic and unseen disruption to the world economy. The property market was hit, with many businesses forced to close, and working from home became the new norm. Especially the retail and leisure sectors were badly affected due to forced closures and limited travel activity. Britannia Invest A/S performed well compared with the general property market. Despite Covid-19, Britannia Invest A/S managed to secure important regears and new lettings during the year.

According to Savills the total return for all property asset classes was -1.0%, reflecting big differences: the office

sector was -0.9% and retail was -10.6%. Capital growth was -6.2% overall and -5.6% for offices.

Britannia Invest A/S realised a return on equity of 8.2% and a profit after tax of GBP 16.9m, including GBP 4.4m 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.

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

	2020	2019
	GBP'000	GBP'000
Rental income and other income	24,996	25,420
Property costs UK	(2,700)	(5,966)
Financial costs	(8,015)	(9,495)
Profit from rental business	14,281	9,959
Profit from asset sales	0	0
Administration in DK	(212)	(206)
Profit/(loss) from primary operations	14,068	9,753

Revenue remained almost in line with last year, but property costs were reduced significantly due to Covid-19. This, combined with reduced interest payments due to the low interest level, meant that profit from primary operations increased from GBP 9.7m to GBP 14.1m.

There was one acquisition and no disposals of properties during the year, and in spite the Covid-19 disruptions, it was still a very active asset management year.

During the year, property costs in the UK were reduced significantly due to very limited refurbishment activities, and several refurbishment projects have been postponed to 2021.

The portfolio had a net positive market revaluation of GBP 4.4m after investing GBP 7.4m in the portfolio over the year.

Overall borrowing increased from GBP 238m to GBP 263m to fund the acquisition of Corner Block. The shareholder loan remains at GBP 230m but has been extended to 2025. The external funding increased from GBP 8m to GBP 33m, the overall LTV remains modest at 55% and LTV from external funding is only 12%.

The rate of exchange of the British pound fell from 8.7664 to 8.2378 from 31 December 2019 to 31 December 2020.

At year-end 2020, the portfolio of properties is valued at GBP 477.0m, a like-for-like increase of GBP 13.1m. The

external valuer Savills has valued the portfolio at GBP 480.5m.

The balance sheet total increased by 1%, from GBP 448.4m to GBP 490.9m. Equity increased by GBP 16.5m from GBP 193.5m to GBP 210.0m. Return on equity was 8.2% and the intrinsic share value increased by 2% from 381 to 389 from 31 December 2019 to 31 December 2020.

Since 2003 the Company has been owned by shareholders who are subject to taxation under the Danish Pension Investment Return Tax Act. This means that the Company, being subject to the Pension Investment Return Tax Act, is not liable to pay tax in Denmark, and 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 20% will be payable on profit on UK activities. Interest payments and tax depreciation on properties reduce the operating profit in the UK, and a tax payment of GBP 2.1m has been recognised for 2020. The final tax payment will be calculated at the end of the UK financial year in April 2021.

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.

Acquisition and disposal of properties

In September 2020, the company acquired Corner Block in Manchester in an off-market deal for a gross price of GBP 26.3m and at a yield of 6.26%. The building is a multi-let office building with retail on the ground floor in the heart of Manchester City Centre.

The building is newly renovated and comprises 60,129 sq ft, of which 18,770 sq ft of the office space were vacant at the time of acquisition and the remaining space is let to nine tenants.

There were no disposals in the period.

Portfolio of properties

At 31 December 2020, the Company's portfolio of properties consists of 15 well-located office buildings with a geographic spread throughout the UK, 13 of which are freehold and 2 are leasehold.

The total area is 1,254,251 sq ft, of which 100,225 sq ft are vacant at year-end. 76 Hammersmith Road, London, accounts for 49,879 sq ft. 76 Hammersmith Road has been stripped out and as such is not in a lettable state but is a development case. The newly acquired Corner Block has 18,770 vacant sq ft. In 1 City Square, Leeds, the internal refurbishment works finished in December 2020. Two of the newly refurbished floors were let during lockdown and whilst the refurbishment works were ongoing, and at year-end just 20,927 sq ft remain vacant. Since acquisition in December 2018, just over GBP 8m has been invested in the property, and the building has been transformed from an old tired-looking building to one of the best office buildings in Leeds achieving top rent.

The total acquisition cost of the property portfolio is GBP 453.7m, and the contractual rent at year-end is GBP 28.9m, giving a return of 5.7% on the market value.

Asset management

On the asset management side, it was a satisfactory and active year.

The Scottish government has regeared its lease in Optima, Glasgow, and the rent has increased by GBP 2.50 psf, and the lease expiry has been moved from 2020 to 2030 but with a tenant break option in 2027. The property was revalued by GBP 5.8m.

The vacant space in the portfolio has been reduced from 120,856 sq ft to 100,225 sq ft, but of which 49,879 sq ft is located in 76 Hammersmith Road, London, now being a development project and a potential future sale, and some 18,770 sq ft is in the newly acquired Corner Block. The vacancy in Bridgewater House, Manchester, was reduced from being 12% of the office space to just being some storage rooms in the basement, while rents achieved psf simultaneously increased. In Manchester, which occupies some 25% of the building, regeared its seven leases so that they now expire in 2030, adding on average 7 years term certain. Over the year the regears and new lettings have resulted in a GBP 2.9m increase in value. At Finsbury Square, a planned early surrender with Wood Mackenzie has been postponed to 2021.

In 76 Hammersmith Road, London, the tenant vacated in January 2019, and permission to extend the 49,879 sq ft office building to 92,000 sq ft offices has been granted. The property has been quietly marketed for sale, but this has been put on hold due to Covid-19.

In 1 City Square, Leeds, the GBP 8m refurbishment project was delayed due to lockdown, but all the internal works were completed in December, and the external works completed in January 2021. Even with refurbishment ongoing and the Covid-19 challenges, two of the floors which completed in January and August were let on completion. The lettings were at rents above the original business plan, and the property was revalued by GBP 8.5m.

Over the year a total of GBP 7.4m was invested in the portfolio, and the asset management initiatives resulted in a net positive revaluation of the portfolio by GBP 13.1m.

External valuation of the property portfolio

In accordance with company policy, the entire portfolio of properties is valued half-yearly 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 480.5m at 31 December 2020.

In the annual report, Management has valued the portfolio at GBP 477.0m. This results in a variance of 0.7% 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.

Profit/loss for the year in relation to expected developments

The 2020 profit after tax was GBP 16.5m compared to GBP 14.9m in 2019. In the annual report for 2019, a profit after tax of GBP 14.3m was expected for 2020. The improvement is due to reduced expenditure and lower finance costs, further supported by the positive revaluation of some of the properties.

Outlook

For 2021, Britannia Invest A/S expects to generate a profit of GBP 9.7m from rental activities and a profit after tax of GBP 13.0m. Several major regears with existing tenants are expected to be finalised early 2021. 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 Covid-19 and Brexit, but it is not expected to have a material, adverse effect on the future performance of the Company.

Particular risks

Interest rate risks

The Company finances its acquisition of properties through floating-rate loans. The shareholder loan is repayable in 2025, and the external credit facility expires in 2021 but is assumed to be extended again as was the case in 2019. An average interest rate of approx. 2.6% is currently paid.

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 2020, loans had a market value of GBP 263m corresponding to approx. 55% of the GBP 477.0m 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 2020, shareholder loans totalled GBP 230m with expiry in December 2025. Agreements have been entered into with the Company's credit institution for a GBP 40m credit facility, on which at year-end 2020 GBP 33m was drawn.

Income statement for 2020

	Notes	2020 GBP'000	2019 GBP '000
Revenue		25,431	25,448
Fair value adjustments of investment property		4,434	6,209
Fair value adjustments of debt		0	1,051
Property costs	2	(2,924)	(5,979)
Gross profit/loss		26,941	26,729
Administrative expenses	3	(423)	(290)
Operating profit/loss		26,518	26,439
Other financial income	5	47	40
Other financial expenses	6	(8,015)	(9,524)
Profit/loss before tax		18,550	16,955
Tax on profit/loss for the year	7	(2,042)	(2,100)
Profit/loss for the year	8	16,508	14,855

Balance sheet at 31.12.2020

Assets

	Notes	2020 GBP'000	2019 GBP'000
Investment property		477,000	438,900
Property, plant and equipment	9	477,000	438,900
Fixed assets		477,000	438,900
Trade receivables		2,273	629
Other receivables		974	1,513
Receivables		3,247	2,142
Cash		10,003	6,832
Current assets		13,250	8,974
Assets		490,250	447,874

Equity and liabilities

	Notes	2020 GBP'000	2019 GBP'000
Contributed capital		54,038	50,779
Retained earnings		155,998	142,749
Equity		210,036	193,528
Payables to shareholders and management		234,649	4,649
Other payables		1,708	1,316
Non-current liabilities other than provisions		236,357	5,965
Bank loans		33,000	8,000
Prepayments received from customers		6,496	5,299
Payables to shareholders and management		0	230,000
Tax payable		2,667	1,802
Other payables		1,694	3,280
Current liabilities other than provisions		43,857	248,381
Liabilities other than provisions		280,214	254,346
Equity and liabilities		490,250	447,874
Events after the balance sheet date	1		
Staff costs	4		
Contingent liabilities	11		
Assets charged and collateral	12		
Related parties with controlling interest	13		

Statement of changes in equity for 2020

	Contributed capital GBP'000	Retained earnings GBP'000	Total GBP'000
Equity beginning of year	50,779	142,749	193,528
Exchange rate adjustments	3,259	(3,259)	0
Profit/loss for the year	0	16,508	16,508
Equity end of year	54,038	155,998	210,036

Translated into DKK'000 at 31 December 2020:

- Contributed capital	445,150
- Retained earnings	1,285,085
- Total	1,730,235

The Company's contributed capital amounts to DKK 445,150,000 at 31 December 2020.

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 dividend into classes.

Cash flow statement for 2020

	Notes	2020 GBP'000	2019 GBP'000
Operating profit/loss		26,518	26,439
Working capital changes	10	(1,101)	929
Other adjustments		(4,435)	(7,261)
Cash flow from ordinary operating activities		20,982	20,107
Financial income received		47	40
Financial expenses paid		(8,015)	(9,524)
Taxes refunded/(paid)		(1,177)	(1,376)
Cash flows from operating activities		11,837	9,247
Acquisition etc of property, plant and equipment		(33,666)	(4,716)
Cash flows from investing activities		(33,666)	(4,716)
Free cash flows generated from operations and investments before financing		(21,829)	4,531
Loans raised		25,000	40,000
Repayments of loans etc		0	(45,000)
Cash flows from financing activities		25,000	(5,000)
Increase/decrease in cash and cash equivalents		3,171	(469)
Cash and cash equivalents beginning of year		6,832	7,301
Cash and cash equivalents end of year		10,003	6,832
Cash and cash equivalents at year-end are composed of:			
Cash		10,003	6,832
Cash and cash equivalents end of year		10,003	6,832

Notes

1 Events after the balance sheet date

No significant events affecting the Financial statements for 2021 have occurred subsequent to the financial year.

2 Property costs

	2020	2019
	GBP'000	GBP'000
Management fee	1,471	2,415
Other property costs from maintenance, etc.	1,453	3,564
	2,924	5,979

3 Administrative expenses

	2020	2019
	GBP'000	GBP'000
Administrative expenses in Denmark, including staff costs below	213	207
Administrative expenses in UK	210	83
	423	290

4 Staff costs

	2020	2019
	GBP'000	GBP'000
Wages and salaries	63	62
	63	62
Average number of full-time employees	1	1

	Remuneration of management 2020 GBP'000	Remuneration of management 2019 GBP'000
Executive Board	63	62
	63	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.

5 Other financial income

	2020 GBP'000	2019 GBP'000
Other financial income	47	40
	47	40

6 Other financial expenses

	2020 GBP'000	2019 GBP'000
Other interest expenses	8,015	9,495
Other financial expenses	0	29
	8,015	9,524

7 Tax on profit/loss for the year

	2020 GBP'000	2019 GBP'000
Current tax	2,179	2,100
Adjustment concerning previous years	(137)	0
	2,042	2,100

8 Proposed distribution of profit and loss

	2020 GBP'000	2019 GBP'000
Retained earnings	16,508	14,855
	16,508	14,855

9 Property, plant and equipment

	Investment property GBP'000
Cost beginning of year	420,018
Additions	33,666
Cost end of year	453,684
Fair value adjustments beginning of year	18,882
Fair value adjustments for the year	4,434
Fair value adjustments end of year	23,316
Carrying amount end of year	477,000

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

	31.12.2020	31.12.2019
	%	%
Weighted average capital income	5.61	5.57
Highest rate of return	9.50	8.50
Lowest rate of return	4.27	4.22

An increase of required rate of return by an average of 0.5 percentage points will reduce the total fair value by GBP 38.2m.

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.

10 Changes in working capital

	2020	2019
	GBP'000	GBP'000
Increase/decrease in receivables	(1,105)	(603)
Increase/decrease in trade payables etc	4	1,532
	(1,101)	929

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 of GBP 7m at credit institutions. Bank overdraft withdrawals are secured by way of properties of a carrying amount of GBP 241.6m 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 prepared 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.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Income statement

Revenue

Revenue comprises of rental income from investment properties.

Fair value adjustments of investment property

Fair value adjustments of investment property comprise 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 expenses

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

administration of the Entity.

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.

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.

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.

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 cash in hand and bank deposits.

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.

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, and 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, and 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, and 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.