

FB 40 ApS
Central Business Registration No
14226435
c/o Aberdeen Asset Management
Denmark A/S, Strandvejen 58, 2.
2900 Hellerup

Annual report 2015

The Annual General Meeting adopted the annual report on 11.03.2016

Chairman of the General Meeting

Name: Peter Drachmann

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Entity details

Entity

FB 40 ApS

c/o Aberdeen Asset Management Denmark A/S, Strandvejen 58, 2.
2900 Hellerup

Central Business Registration No: 14226435

Registered in: Gentofte

Financial year: 01.01.2015 - 31.12.2015

Executive Board

Peter Drachmann

Michael John Fitzgerald

Jacob Smed

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

Weidekampsgade 6

Postboks 1600

0900 København C

Statement by Management on the annual report

The Executive Board have today considered and approved the annual report of FB 40 ApS for the financial year 01.01.2015 - 31.12.2015.

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 31.12.2015 and of the results of its operations for the financial year 01.01.2015 - 31.12.2015.

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.

Hellerup, 11.03.2016

Executive Board

Peter Drachmann

Michael John Fitzgerald

Jacob Smed

Independent auditor's reports

To the owners of FB 40 ApS

Report on the financial statements

We have audited the financial statements of FB 40 ApS for the financial year 01.01.2015 - 31.12.2015, which comprise the accounting policies, income statement, balance sheet, statement of changes in equity and notes. The financial statements are prepared in accordance with the Danish Financial Statements Act.

Management's responsibility 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.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Entity's preparation of financial statements that give a true and fair view 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our audit has not resulted in any qualification.

Opinion

In our opinion, the financial statements give a true and fair view of the Company's financial position at 31.12.2015 and of the results of its operations for the financial year 01.01.2015 - 31.12.2015 in accordance with the Danish Financial Statements Act.

Independent auditor's reports

Statement on the management commentary

Pursuant to the Danish Financial Statements Act, we have read the management commentary. We have not performed any further procedures in addition to the audit of the financial statements.

On this basis, it is our opinion that the information provided in the management commentary is consistent with the financial statements.

København, 11.03.2016

Deloitte

Statsautoriseret Revisionspartnerselskab

Lars Andersen
State Authorised Public Accountant

CVR-nr. 33963556

Management commentary

Primary activities

The objective of the Company is to hold properties, both under own auspices and through subsidiaries, and other related activities.

Development in activities and finances

The Company owns the properties Frederiksborggade 5 and Købmagergade 45 in Copenhagen and, indirectly, the property Købmagergade 47 through subsidiaries KG 47 P/S and KG 47 GP ApS.

The properties consist of both retail, office and residential leases.

During the year, the Company has acquired the property Købmagergade 45 through a contribution of assets from group company KG 45 ApS. In return, the Company has issued shares of nominal value DKK 577 thousand. Furthermore, extensive work has been carried out on the development of the properties to utilise the potential increase in operating income. Consequently, the fair value of the properties has risen remarkably.

The profit before value adjustments is DKK 17,684 thousand against a profit before value adjustments of DKK 12,878 thousand last year.

Profit before tax is DKK 31,913 thousand (2014: profit DKK 126,959 thousand) impacted by fair value adjustments in investment property of DKK 14,421 thousand (2014: DKK 114,083 thousand).

Profit for the year is DKK 33,193 thousand (2014: DKK 127,681 thousand).

Management regards results as satisfactory.

Assets total DKK 367,622 thousand, out of which DKK 265,200 thousand comprise the investment properties recognised at fair value and DKK 72,342 comprise investments in subsidiaries.

As of 31 December 2015, equity is DKK 201,577 thousand which equals a solvency ratio of 54.9%. Equity was decreased by DKK 178,713 thousand primarily regarding dividends paid during the year.

Uncertainty relating to recognition and measurement

The investment properties are measured at fair value. The property of Frederiksborggade 5 is measured at DKK 105,400 thousand against DKK 96,650 thousand last year. The property of Købmagergade 45 is measured at DKK 159,800 thousand against DKK 129,000 in group company KG 45 ApS last year.

Based on the external valuer's calculation, the fair value was assessed based on budgeted future cash flows from operating income. The fair value is then calculated as the stabilised net operating income divided by the

Management commentary

exit yield, and the subjected to adjustments for loss of rent in estimated vacancy periods and to regulations to market rent and corresponding capital expenditures.

The exit yield is based on a long-term risk-free nominal interest rate plus a risk adjustment. The risk adjustment is made based on an assessment of the solvency of tenants and the duration of the leases. The yield for 2015 has been determined to 4.4% for Frederiksborggade 5, which is the same yield as last year. The yield for Købmagergade 45 has been determined to 4.3% against 4.6% last year.

Change in the valuation of the investment property is the principal financial risk for the Company and, as such, has a significant impact on the income statement. The calculation of the value of the investment property is subject to changes in net operating income and changes in the market valuation of the exit yield.

Outlook

The Company expects to continue investing in the development of the property portfolio. This is expected to lead to an increase in revenue and an improvement of the operating income.

Events after the balance sheet date

No events have occurred after the balance sheet date to this date which would influence the evaluation of this annual report.

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class B enterprises with addition of certain provisions for reporting class C.

The accounting policies applied for these financial statements are consistent with those applied last year, except for the changes mentioned below.

Consolidated financial statements

Referring to section 110 (1) of the Danish Financial Statements Act, no consolidated financial statements have been prepared.

Changes in accounting policies

Due to changes in the Danish Financial Statements Act, accounting policies have been changed in the following areas:

Debt attributable to investment properties is measured at amortised cost. Previously, debt attributable to investment properties was measured at fair value through profit and loss. Comparative figures have been restated.

The effect of the changes in accounting policies

The overall effect of the changes in accounting policies described above constitutes an increase in profit for the year before tax of DKK 968 thousand (2014: decrease of DKK 4.675 thousand). As a result of the changes in accounting policies, tax for the year constitutes DKK 228 thousand (2014: DKK 0 thousand). Consequently, profit for the year after tax is positively affected by DKK 741 thousand (2014: negatively affected by DKK 4.675 thousand). The balance sheet total is increased by DKK 609 thousand (2014: DKK 609 thousand), while equity as of 31 December 2015 is positively affected by DKK 2.778 thousand (2014: DKK 2.038 thousand). The effect of the changes in accounting policies as of 1 January 2015 has been directly recognised in equity, cf. page 14 of the statement of changes in equity.

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.

Accounting policies

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.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the one in effect at the payment date, or the rate at the balance sheet date are recognised in the income statement as financial income or financial expenses. Property, plant and equipment, intangible assets, inventories and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

Income statement

Revenue

Income related to property operation – excluding fair value adjustments – is recognised as rental income.

Fair value adjustment of investment properties and related financial liabilities

Fair value adjustment of investment properties comprises adjustments for the financial year of the Entity's investment properties at fair value.

Other external expenses

Expenses related to property operation – excluding fair value adjustments – are recognised as operating expenses. This item also includes write-downs on receivables recognised in current assets.

Administrative expenses comprise expenses incurred during the year for management and administration of the Company, including among others amortisation, depreciation and impairment losses relating to other fixtures and fittings, tools and equipment.

Income from investments in group enterprises

Income from investments in group enterprises comprises the pro rata share of the individual enterprises' profit/loss after full elimination of internal profits or losses.

Other financial income

Other financial income comprises interest income, net capital gains on transactions in foreign currencies as well as tax relief under the Danish Tax Prepayment Scheme etc.

Accounting policies

Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital losses on transactions in foreign currencies as well as tax surcharge under the Danish Tax Prepayment Scheme etc.

Income taxes

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.

The Entity is jointly taxed with all Danish group companies. The current Danish income tax is allocated among the jointly taxed entities proportionally to their taxable income (full allocation with a refund concerning tax losses).

Balance sheet

Investment properties

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

After initial recognition, the properties are measured by an external valuer at fair value which represents the amount at which the individual property may be sold to an independent buyer. The fair value of the properties is revalued annually based on value in use calculations for expected cash flows from the individual investment properties. When calculating values in use, a discount factor that reflects the current yield requirements on comparable properties is used. Fair value adjustments for the financial year are recognised in the income statement.

Investments in group enterprises

Investments in group enterprises are recognised and measured according to the equity method. This means that investments are measured at the pro rata share of the enterprises' equity minus or plus unrealised intra-group profits or losses.

Group enterprises with negative equity are measured at DKK 0, and any receivables from these enterprises are written down by the Parent's share of such negative equity value if it is deemed irrecoverable. If the negative equity value exceeds the amount receivable, the remaining amount is recognised under provisions if the Parent has a legal or constructive obligation to cover the liabilities of the relevant enterprise.

Upon distribution of profit or loss, net revaluation of investments in group enterprises is transferred to Reserve for net revaluation according to the equity method under equity.

Accounting policies

Investments in group enterprises are written down to the lower of recoverable amount and carrying amount.

Receivables

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

Income tax payable or receivable

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

Cash

Cash comprises bank deposits.

Dividend

The proposed dividend for the financial year is disclosed as a separate item in equity.

Other provisions

Other provisions comprise anticipated costs of non-recourse fee commitments etc.

Other provisions are recognised and measured as the best estimate of the expenses required to settle the liabilities at the balance sheet date. Provisions that are estimated to mature more than one year after the balance sheet date are measured at their discounted value.

Mortgage debt

At the time of borrowing, mortgage debt to mortgage credit institutions is measured at cost which corresponds to the proceeds received less transaction costs incurred. Mortgage debt is subsequently measured at amortised cost. This means that the difference between the proceeds at the time of borrowing and the nominal repayable amount of the loan is recognised in the income statement as a financial expense over the term of the loan applying the effective interest method.

Other financial liabilities

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

Deferred income

Deferred income comprises received income for recognition in subsequent financial years. Deferred income is measured at cost.

Income statement for 2015

	<u>Notes</u>	<u>2015 DKK'000</u>	<u>2014 DKK'000</u>
Revenue		10.694	17.108
Other external expenses		<u>(7.700)</u>	<u>(14.620)</u>
Operating profit/loss		2.994	2.488
Income from investments in group enterprises		19.114	18.875
Other financial income	1	15	2
Other financial expenses	2	<u>(4.814)</u>	<u>(8.489)</u>
Profit/loss from ordinary activities before fair value adjustments and tax		17.309	12.876
Fair value adjustment of investment properties	3	<u>14.604</u>	<u>114.083</u>
Profit/loss from ordinary activities before tax		31.913	126.959
Tax on profit/loss from ordinary activities	4	<u>1.280</u>	<u>722</u>
Profit/loss for the year		<u>33.193</u>	<u>127.681</u>
Proposed distribution of profit/loss			
Dividend for the financial year		0	265.937
Reserve for net revaluation according to the equity method		19.114	17.036
Retained earnings		<u>14.079</u>	<u>(155.292)</u>
		<u>33.193</u>	<u>127.681</u>

Balance sheet at 31.12.2015

	<u>Notes</u>	<u>2015 DKK'000</u>	<u>2014 DKK'000</u>
Investment property		265.200	95.650
Property, plant and equipment	5	<u>265.200</u>	<u>95.650</u>
Investments in group enterprises		72.150	53.036
Fixed asset investments	6	<u>72.150</u>	<u>53.036</u>
Fixed assets		<u>337.350</u>	<u>148.686</u>
Trade receivables		1	456.259
Other short-term receivables		5.421	1.397
Income tax receivable		1.279	722
Receivables		<u>6.701</u>	<u>458.378</u>
Cash	7	<u>23.378</u>	<u>4.440</u>
Current assets		<u>30.079</u>	<u>462.818</u>
Assets		<u>367.429</u>	<u>611.504</u>

Balance sheet at 31.12.2015

	<u>Notes</u>	<u>2015 DKK'000</u>	<u>2014 DKK'000</u>
Contributed capital	8	1.777	1.200
Reserve for net revaluation according to the equity method		36.150	17.036
Retained earnings		163.650	96.117
Proposed dividend		<u>0</u>	<u>265.937</u>
Equity		<u>201.577</u>	<u>380.290</u>
Other provisions		<u>1.084</u>	<u>0</u>
Provisions		<u>1.084</u>	<u>0</u>
Mortgage debts		112.533	39.331
Deposits		<u>991</u>	<u>3.593</u>
Non-current liabilities other than provisions	9	<u>113.524</u>	<u>42.924</u>
Mortgage debts		0	143.000
Bank loans		27.052	19.245
Trade payables		150	5.531
Debt to group enterprises		17.784	10.532
Other payables		6.255	9.545
Deferred income		<u>3</u>	<u>437</u>
Current liabilities other than provisions		<u>51.244</u>	<u>188.290</u>
Liabilities other than provisions		<u>164.768</u>	<u>231.214</u>
Equity and liabilities		<u>367.429</u>	<u>611.504</u>
Contingent liabilities	10		
Assets charged and collateral	11		
Related parties with control	12		

Statement of changes in equity for 2015

	Contri- buted capital DKK'00	Reserve for net revalua- tion accor- ding to the equity method DKK'00	Retai- ned ear- nings DKK'00	Propo- sed divi- dend DKK'00	Total DKK'00
	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Equity beginning of year	1.200	16.427	94.688	265.937	378.252
Increase (decrease) of equity through changes in ac- counting policies	0	609	1.429	0	2.038
Increase of capital	577	0	53.454	0	54.031
Ordinary dividend paid	0	0	0	(265.937)	(265.937)
Profit/loss for the year	<u>0</u>	<u>19.114</u>	<u>14.079</u>	<u>0</u>	<u>33.193</u>
Equity end of year	<u>1.777</u>	<u>36.150</u>	<u>163.650</u>	<u>0</u>	<u>201.577</u>

Notes

	2015	2014
	DKK'000	DKK'000
1. Other financial income		
Interest income	15	2
	15	2

	2015	2014
	DKK'000	DKK'000
2. Other financial expenses		
Financial expenses from group enterprises	207	550
Interest expenses	2.777	7.939
Other financial expenses	1.830	0
	4.814	8.489

3. Fair value adjustment of investment properties

Fair value adjustment of investment properties comprises adjustments for the financial year of the Entity's investment properties at fair value of DKK 14,421 thousand (2014: DKK 114,032 thousand) and realised gain on sale of investment properties of DKK 183 thousand (2014: DKK 0 thousand).

	2015	2014
	DKK'000	DKK'000
4. Tax on ordinary profit/loss for the year		
Current tax	(1.280)	(722)
	(1.280)	(722)

Deductible temporary differences and unused tax losses for which no deferred tax assets have been recognised amount to DKK 23.4 million (tax value 22%) against DKK 18.1 million in 2014 (tax value 22%).

Notes

	Investment property DKK'000
5. Property, plant and equipment	
Cost beginning of year	94.968
Additions	<u>155.129</u>
Cost end of year	<u>250.097</u>
Fair value adjustments beginning of year	682
Fair value adjustments for the year	<u>14.421</u>
Fair value adjustments end of year	<u>15.103</u>
Carrying amount end of year	<u>265.200</u>

Investment properties are as described in the accounting policies, measured at fair value by an external appraiser. The external appraiser has received relevant documents and information in order to complete the valuation reports. The material includes but is not limited to:

- Brief description of the property
- Tenant overview including tenant name, type of use, area, current rent, deposit, non-terminal ability profile, etc.
- New lease agreements and terminations
- Known capex cost and expected capex cost
- Information on identified potentials and development possibilities including building rights.

The value of the investment property is measured at fair value, based on a discounted cash flow calculation. The estimated fair value is calculated on the basis of the discounted cash flows in the 5 year budget period and the discounted value of the terminal value.

The equivalent yield on the property is fixed based on a consideration of several factors, such as: location, condition and repair of the building – including ground and groundwater contamination, tenure, letting, including tenant mix and tenant's standing, town planning non-terminal ability profile and on an estimate of how the general property market is developing.

Significant assumptions in the valuation report:

In this portfolio there is a significant level of vacancy as of 31 December 2015 connected to current work on new retail tenancies on one property and connected to the conversion from office/retail to residential purposes on another property. Cash flows on vacant leases are included with expected market rents at expected lease start. All uncertainties connected with the vacant areas have been considered in the valuation report. Both projects are expected to be finalized end 2016.

Notes

The equivalent yield on the Company's properties are in the interval of 4,35%- 4,40% as of 31 December 2015, compared with 4,39% - 4,60% as of 31 December 2014. Thus leading to a valuation on 265.200.000 DKK as of 31 December 2015 (224.650.000 as of 31 December 2014) The discount rate used in the valuation report are in the interval of 6,00% - 6,02%, this is based on exit yield plus 1,00% inflation.

A change in the equivalent yield on + 0,50% would reduce the market value of the property with 30,100,000 DKK, where a change on -0,50% would increase the market value with 38,000,000 DKK.

	Investments in group enterprises DKK'000
6. Fixed asset investments	
Cost beginning of year	36.000
Cost end of year	36.000
Revaluations beginning of year	16.427
Changes in accounting policies	609
Share of profit/loss after tax	19.114
Revaluations end of year	36.150
Carrying amount end of year	72.150

	Registered in	Corporate form	Equity interest %	Equity DKK'000	Profit/loss DKK'000
Subsidiaries:					
KG 47 P/S	Gentofte	P/S	99,00	72.364	19.154
KG 47 GP ApS	Gentofte	ApS	100,00	509	152

7. Cash and cash equivalents

The Cash includes DKK 15,000,000 deposited in escrow.

	Number	Par value DKK	Nominal value DKK'000
8. Contributed capital			
Share capital	1.777.283	1,00	1.777
	1.777.283		1.777

Notes

	2015	2014	2013	2012	2011
	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000
Changes in contributed capital					
Contributed capital beginning of year	1.200	1.200	800	300	300
Increase of capital	577	0	400	500	0
Contributed capital end of year	1.777	1.200	1.200	800	300

	Instalments within 12 months 2014 DKK'000	Instalments within 12 months 2015 DKK'000	Instalments beyond 12 months 2015 DKK'000	Outstanding after 5 years 2015 DKK'000
9. Long-term liabilities other than provisions				
Mortgage debts	0	0	112.533	97.790
Deposits	0	0	991	0
	0	0	113.524	97.790

10. Contingent liabilities

The Company serves as an administration company in a Danish joint taxation arrangement. According to the joint taxation provisions of the Danish Corporation Tax Act, the Company is therefore liable from the financial year 2013 for income taxes etc. for the jointly taxed companies and from 1 July 2012 also for obligations, if any, relating to the withholding of tax on interest, royalties and dividends for these companies.

The Company has a VAT adjustment liability which only becomes relevant by changing the property's rental purposes.

11. Assets charged and collateral

Mortgage debt and bank loans is secured by way of mortgage on properties.

Collateral securities provided for subsidiaries and group enterprises

The Company has guaranteed a subsidiary's debt to Handelsbanken by way of security in the Company's shares in the subsidiary.

The subsidiary in question, KG 47 P/S, has a booked value of investment property of DKK 131,000,000 and liabilities of DKK 51,939,991 secured by way of mortgage on the property.

Notes

12. Related parties with control

At the date of signature, FREP Holding Canada I LP, Canada owns 67.52% of the shares of the Company and thus has control over the Company. KG 45 ApS owns 32.48% of the shares.

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