

FB 40 ApS

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

Annual report 2016

The Annual General Meeting adopted the annual report on 13.06.2017

Chairman of the General Meeting

Name: Rasmus Madsen

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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: 01.01.2016 - 31.12.2016

Executive Board

Peter Drachmann

Michael John Fitzgerald

Niels Christian Wedell-Wedellsborg

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

Weidekampsgade 6

Postboks 1600

0900 København C

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of FB 40 ApS for the financial year 01.01.2016 - 31.12.2016.

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 31.12.2016 and of the results of its operations for the financial year 01.01.2016 - 31.12.2016.

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, 29.05.2017

Executive Board

Peter Drachmann

Michael John Fitzgerald

Niels Christian Wedell-
Wedellsborg

Independent auditor's report

To the shareholders of FB 40 ApS

Opinion

We have audited the financial statements of FB 40 ApS for the financial year 01.01.2016 - 31.12.2016, which comprise the income statement, balance sheet, statement of changes in equity 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 31.12.2016 and of the results of its operations for the financial year 01.01.2016 - 31.12.2016 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:

Independent auditor's report

- 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.

Independent auditor's report

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, 29.05.2017

Deloitte

Statsautoriseret Revisionspartnerselskab
Central Business Registration No: 33963556

Lars Andersen
State Authorised Public Accountant

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.

The loss before value adjustments is DKK 2,240 thousand against a profit before value adjustments of DKK 17,309 thousand last year.

Profit before tax is DKK 82,714 thousand (2015: profit DKK 31,913 thousand) impacted by fair value adjustments in investment property of DKK 84,954 thousand (2014: DKK 14,604 thousand).

Profit for the year is DKK 77,957 thousand (2015: DKK 33,193 thousand).

Management regards results as satisfactory.

Assets total DKK 500,030 thousand, out of which DKK 384,200 thousand comprise the investment properties recognised at fair value and DKK 84,435 comprise investments in subsidiaries.

As of 31 December 2016, equity is DKK 279,534 thousand which equals a solvency ratio of 55.9%. Equity was increased by DKK 77,957 thousand primarily regarding fair value adjustments on the investment properties.

Uncertainty relating to recognition and measurement

The investment properties are measured at fair value. The property of Frederiksborggade 5 is measured at DKK 161,200 thousand against DKK 105,400 thousand last year. The property of Købmagergade 45 is measured at DKK 223,000 thousand against DKK 159,800 thousand 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 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 Frederiksborggade 5 has been determined to 4.1% against 4.4% last year. The yield for Købmagergade 45 has been determined to 3.7% against 4.3% 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

Management commentary

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.

Income statement for 2016

	<u>Notes</u>	<u>2016 DKK'000</u>	<u>2015 DKK'000</u>
Revenue		8.792	10.694
Other external expenses		<u>(20.025)</u>	<u>(7.700)</u>
Operating profit/loss		(11.233)	2.994
Income from investments in group enterprises		12.286	19.114
Other financial income	1	0	15
Other financial expenses	2	<u>(3.293)</u>	<u>(4.814)</u>
Profit/loss before fair value adjustments and tax		(2.240)	17.309
Fair value adjustment of investment properties		<u>84.954</u>	<u>14.604</u>
Profit/loss before tax		82.714	31.913
Tax on profit/loss for the year	3	<u>(4.757)</u>	<u>1.280</u>
Profit/loss for the year		<u>77.957</u>	<u>33.193</u>
Proposed distribution of profit/loss			
Transferred to reserve for net revaluation according to the equity method		12.285	19.114
Retained earnings		<u>65.672</u>	<u>14.079</u>
		<u>77.957</u>	<u>33.193</u>

Balance sheet at 31.12.2016

	<u>Notes</u>	<u>2016 DKK'000</u>	<u>2015 DKK'000</u>
Investment property		384.200	265.201
Property, plant and equipment	4	384.200	265.201
Investments in group enterprises		84.435	72.149
Fixed asset investments	5	84.435	72.149
Fixed assets		468.635	337.350
Other receivables		5.534	5.421
Income tax receivable		69	1.280
Receivables		5.603	6.701
Cash		25.792	23.378
Current assets		31.395	30.079
Assets		500.030	367.429

Balance sheet at 31.12.2016

	<u>Notes</u>	<u>2016 DKK'000</u>	<u>2015 DKK'000</u>
Contributed capital	6	1.777	1.777
Reserve for net revaluation according to the equity method		48.435	36.150
Retained earnings		229.322	163.650
Equity		279.534	201.577
Deferred tax		4.757	0
Other provisions		11.024	1.084
Provisions		15.781	1.084
Mortgage debts		108.225	112.533
Deposits		2.659	991
Non-current liabilities other than provisions	7	110.884	113.524
Current portion of long-term liabilities other than provisions	7	4.028	0
Bank loans		60.295	27.052
Trade payables		2.161	150
Payables to group enterprises		18.942	17.784
Other payables		8.405	6.255
Deferred income		0	3
Current liabilities other than provisions		93.831	51.244
Liabilities other than provisions		204.715	164.768
Equity and liabilities		500.030	367.429
Contingent liabilities	8		
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Statement of changes in equity for 2016

	Contributed capital DKK'000	Reserve for net revaluation according to the equity method DKK'000	Retained earnings DKK'000	Total DKK'000
Equity beginning of year	1.777	36.150	163.650	201.577
Profit/loss for the year	0	12.285	65.672	77.957
Equity end of year	1.777	48.435	229.322	279.534

Notes

	2016	2015
	DKK'000	DKK'000
1. Other financial income		
Interest income	0	15
	0	15
	2016	2015
	DKK'000	DKK'000
2. Other financial expenses		
Financial expenses from group enterprises	177	207
Interest expenses	3.115	2.777
Exchange rate adjustments	1	0
Other financial expenses	0	1.830
	3.293	4.814
	2016	2015
	DKK'000	DKK'000
3. Tax on profit/loss for the year		
Tax on current year taxable income	0	(1.280)
Change in deferred tax for the year	4.757	0
	4.757	(1.280)
		Investment
		property
		DKK'000
4. Property, plant and equipment		
Cost beginning of year		250.098
Additions		34.045
Cost end of year		284.143
Fair value adjustments beginning of year		15.103
Fair value adjustments for the year		84.954
Fair value adjustments end of year		100.057
Carrying amount end of year		384.200

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:

Notes

- 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 properties are 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 properties 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:

Current vacant units are assumed to be leased after 6 months for residential. Cash flows on vacant leases are attached with expected market rents. All uncertainties connected with the vacant areas have been considered in the valuation reports.

The equivalent yield on the Company`s properties are in the interval of 3,74% - 4,10% as of 31 December 2016, compared with 4,35% - 4,40% as of 31 December 2015. Thus leading to a valuation on 384.200.000 DKK as of 31 December 2016, (265.200.000 as of 31 December 2015).

A change in the equivalent yield on + 0,5% would change the market value of the property to 335.500.000 DKK, where a change on -0,5% would change the market value to 448.300.000 DKK.

	Investments in group enterprises DKK'000
5. Fixed asset investments	
Cost beginning of year	36.000
Cost end of year	36.000
Revaluations beginning of year	36.150
Share of profit/loss for the year	12.285
Revaluations end of year	48.435
Carrying amount end of year	84.435

Notes

	<u>Registered in</u>	<u>Corpo- rate form</u>	<u>Equity inte- rest %</u>
Investments in group enterprises comprise:			
KG 47 P/S	Gentofte	P/S	99,0
KG 47 GP ApS	Gentofte	ApS	100,0

	<u>Number</u>	<u>Par value DKK'000</u>	<u>Nominal value DKK'000</u>
6. Contributed capital			
Share capital	1.777.283	1	1.777
	1.777.283		1.777

	<u>Instalments within 12 months 2016 DKK'000</u>	<u>Instalments beyond 12 months 2016 DKK'000</u>	<u>Outstanding after 5 years DKK'000</u>
7. Liabilities other than provisions			
Mortgage debts	4.028	108.225	93.628
Deposits	0	2.659	0
	4.028	110.884	93.628

8. Contingent liabilities

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

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

Notes

9. Mortgages and securities

Mortgage debt is secured by way of mortgage on properties.

Collateral security provided for subsidiaries and other group enterprises

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

The subsidiary in question, KG 47 P/S, has a booked value of investment property of DKK 150.000.000 and liabilities of DKK 52.643.559 secured by way of mortgage on the property.

10. Related parties with controlling interest

At the date of signature, FREP Holdings Canada 1 LP, Canada owns 100% of the shares of the Entity and thus has control over the Entity.

11. Group relations

Name and registered office of the Parent preparing consolidated financial statements for the smallest group:
FREP Holdings Canada 1 LP, Canada

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

Consolidated financial statements

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

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

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

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 intra-group profits or losses.

Accounting policies

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.

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.

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.

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 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 return-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 rate of return that reflects current market required rates of return 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.

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 value plus or minus unamortised goodwill and plus or minus unrealised intra-group profits or losses.

Group enterprises with negative equity value are measured at DKK 0. Any receivables from these enterprises are written down to net realisable value based on a specific assessment. If the Parent has a legal or constructive obligation to cover the liabilities of the relevant enterprise, and it is probable that such obligation is imminent, a provision is recognised that is measured at present value of the costs deemed necessary to incur to settle the obligation.

Accounting policies

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.

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 writedowns for bad and doubtful debts.

Income tax payable or receivable

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

Cash

Cash comprises bank deposits.

Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amount and tax-based value of assets and liabilities, for which the tax-based value of assets is calculated based on the planned use of each asset.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

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