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# KG 45 ApS
# Central Business Registration No 25292642

# Annual report 2013/14

The Annual General Meeting adopted the annual report on 04.02.2015

**Chairman of the General Meeting**

Name: Peter Drachmann

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# Entity details

## Entity

KG 45 ApS
Strandvej 58 2
2900 Hellerup

Central Business Registration No: 25292642
Registered in: Gentofte
Financial year: 03.12.2013 - 31.12.2014

## Executive Board

Peter Drachmann
Michael John Fitzgerald
Jacob Smed

## Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
0900 København C

# Statement by Management on the annual report

The Executive Board have today considered and approved the annual report of KG 45 ApS for the financial year 03.12.2013 - 31.12.2014.

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 31.12.2014 and of the results of its operations for the financial year 03.12.2013 - 31.12.2014.

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, 04.02.2015

## Executive Board

| | | |
|---|---|---|
| Peter Drachmann | Michael John Fitzgerald | Jacob Smed |

# Independent auditor's reports

## To the owners of KG 45 ApS

## Report on the financial statements

We have audited the financial statements of KG 45 ApS for the financial year 03.12.2013 - 31.12.2014, 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 31.12.2014 and of the results of its operations for the financial year 03.12.2013 - 31.12.2014 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, 04.02.2015

## Deloitte

Statsautoriseret Revisionspartnerselskab

Lars Andersen
State Authorised Public Accountant

# Management commentary

## Primary activities

The object of the Company is to own real estate and capital shares in companies that invest in real estate and other business associated herewith.

## Development in activities and finances

During the first financial year, the Company has invested in the property Købmagergade 45 in Copenhagen.

The property consists of commercial leases.

The profit before value adjustments is DKK 833 thousand.

Profit for the year is DKK 4,829 thousand impacted by positive fair value adjustments of investment property and debt of DKK 5,386 thousand.

Management regards results as satisfactory although, considering the expected startup expenses, transaction costs and temporary fair value adjustments on financial liabilities.

Assets total DKK 133,053 thousand out of which DKK 129,000 thousand comprise the investment property recognised at fair value.

As of 31 December 2014, equity is DKK 56,329 thousand which equals a solvency ratio of 42.4%. Equity consists of share capital DKK 10.000 thousand following capital increases and retained earnings of DKK 4,829 thousand.

## Uncertainty relating to recognition and measurement

The investment property is measured at fair value, DKK 129,000 thousand.

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 then 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 leases. The yield for 2014 has been determined to 4.6%.

# Management commentary

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 market evaluation 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 operating income.

## Events after the balance sheet date

In January 2015 the investment property has been transferred to FB 40 ApS. The transfer is carried out as an increase in FB 40 ApS' capital by means of a non-cash contribution. Other than this 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.

This is the Entity's first financial year and therefore no comparative information has 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.

## 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.

# Accounting policies

**Fair value adjustment of investment properties and related financial liabilities**

Fair value adjustment of investment properties and related financial liabilities comprises adjustments for the financial year of the Entity's investment properties and related financial liabilities such as debt to mortgage credit institutions and bank debt 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.

**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.

**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 enterprises. 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 valuar 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

# Accounting policies

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.

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

**Cash**
Cash comprises cash in hand and 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.

**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. Subsequent to initial recognition, mortgage debt is measured at fair value with recognition through profit or loss, similarly to measurement of investment property.

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

**Income tax receivable or payable**
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.

# Income statement for 2013/14

| | Notes | 2013/14<br>DKK |
|---|---|---|
| Revenue | | 5.882.193 |
| Other external expenses | | (3.804.777) |
| **Operating profit/loss** | | **2.077.416** |
| Other financial income | 1 | 1.293 |
| Other financial expenses | 2 | (1.246.167) |
| **Profit/loss from ordinary activities before fair value adjustments and tax** | | **832.542** |
| Fair value adjustment of investment properties | | 6.150.357 |
| Fair value adjustments of debt | | (764.812) |
| **Profit/loss from ordinary activities before tax** | | **6.218.087** |
| Tax on profit/loss from ordinary activities | 3 | (1.388.792) |
| **Profit/loss for the year** | | **4.829.295** |
| **Proposed distribution of profit/loss** | | |
| Retained earnings | | 4.829.295 |
| | | **4.829.295** |

# Balance sheet at 31.12.2014

| | Notes | 2013/14<br>DKK |
|---|---|---|
| Investment property | | 129.000.000 |
| **Property, plant and equipment** | 4 | **129.000.000** |
| **Fixed assets** | | **129.000.000** |
| Trade receivables | | 15.813 |
| Other short-term receivables | | 187.985 |
| **Receivables** | | **203.798** |
| **Cash** | | **3.849.069** |
| **Current assets** | | **4.052.867** |
| **Assets** | | **133.052.867** |

# Balance sheet at 31.12.2014

| | Notes | 2013/14<br>DKK |
|---|---|---|
| Contributed capital | 5 | 10.000.000 |
| Retained earnings | | 46.329.295 |
| **Equity** | | **56.329.295** |
| Provisions for deferred tax | | 1.184.820 |
| **Provisions** | | **1.184.820** |
| Mortgage debts | | 74.106.019 |
| **Non-current liabilities other than provisions** | 6 | **74.106.019** |
| Trade payables | | 38.938 |
| Income tax payable | | 203.972 |
| Other payables | | 1.189.823 |
| **Current liabilities other than provisions** | | **1.432.733** |
| **Liabilities other than provisions** | | **75.538.752** |
| **Equity and liabilities** | | **133.052.867** |
| Contingent liabilities | 7 | |
| Assets charged and collateral | 8 | |
| Related parties with control | 9 | |

# Statement of changes in equity for 2013/14

| | Contributed capital DKK | Retained earnings DKK | Total DKK |
|---|---|---|---|
| Increase of capital | 10.000.000 | 41.500.000 | 51.500.000 |
| Profit/loss for the year | 0 | 4.829.295 | 4.829.295 |
| **Equity end of year** | **10.000.000** | **46.329.295** | **56.329.295** |

# Notes

| | 2013/14<br>DKK |
|---|---|
| **1. Other financial income** | |
| Interest income | 1.293 |
| | **1.293** |

| | 2013/14<br>DKK |
|---|---|
| **2. Other financial expenses** | |
| Interest expenses | 1.245.421 |
| Other financial expenses | 746 |
| | **1.246.167** |

| | 2013/14<br>DKK |
|---|---|
| **3. Tax on ordinary profit/loss for the year** | |
| Current tax | 203.972 |
| Change in deferred tax for the year | 1.382.543 |
| Effect of changed tax rates | (197.723) |
| | **1.388.792** |

| | Investment property<br>DKK |
|---|---|
| **4. Property, plant and equipment** | |
| Additions | 122.849.643 |
| **Cost end of year** | **122.849.643** |
| | |
| Revaluations for the year | 6.150.357 |
| **Revaluations end of year** | **6.150.357** |
| | |
| **Carrying amount end of year** | **129.000.000** |

The investment property is valued by an external valuar, applying a return requirement of 4.6 %.

# Notes

| | Number | Par value DKK | Nominal value DKK |
|---|---|---|---|
| **5. Contributed capital** | | | |
| Share capital | 10.000.000 | 1,00 | 10.000.000 |
| | **10.000.000** | | **10.000.000** |

| | 2013/14 DKK |
|---|---|
| **Changes in contributed capital** | |
| Increase of capital | 10.000.000 |
| **Contributed capital end of year** | **10.000.000** |

| | Outstanding after 5 years 2013/14 DKK |
|---|---|
| **6. Long-term liabilities other than provisions** | |
| Mortgage debts | 60.812.791 |
| | **60.812.791** |

## 7. Contingent liabilities

The Company participates in a Danish joint taxation arrangement in which FB 40 ApS serves as the administration company. 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 for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed companies.

## 8. Assets charged and collateral

Mortgage debt is secured by way of mortgage on properties. The mortgage also comprises the plant and machinery deemed part of the property.

## 9. Related parties with control

FREP Holdings Canada I LP, Canada wholly owns the shares of the Company and thus has control over the Company.