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FB 40 ApS
Central Business Registration No 14226435

Annual report 2014

The Annual General Meeting adopted the annual report on 04.02.2015

Chairman of the General Meeting

Name: Peter Drachmann

Contents

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: 01.01.2014 - 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 has today considered and approved the annual report of FB 40 ApS for the financial year 01.01.2014 - 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 01.01.2014 - 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 FB 40 ApS

Report on the financial statements

We have audited the financial statements of FB 40 ApS for the financial year 01.01.2014 - 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 01.01.2014 - 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 hold properties, both under own auspices and through subsidiaries, and other related activities.

Development in activities and finances

The Company owns Absalongården comprising Frederiksberggade 40, Rådhuspladsen 45 and Vestergade 37 in Copenhagen and, the property Frederiksborggade 5 in Copenhagen and, indirectly, the property Købmagergade 47 through the subsidiaries KG 47 P/S and KG 47 GP ApS.

The properties consist of both retail and office leases.

During the year, extensive work has been carried out on the development of the properties to utilise the potential for increase in operating income.

Sale of the property "Absalongården" is executed effectively in 2014 and the value has been reconized as trade recievables with a total of DKK 456 million corresponding to the selling price agreed with deduction of expected selling cost.

The profit before value adjustments is DKK 15,856 thousand against a loss before value adjustments of DKK 1,630 thousand last year.

Profit before tax is DKK 131,634 thousand (2013: profit DKK 20,859 thousand) impacted by fair value adjustments on investment property and debt of DKK 115,778 thousand (2013: DKK 22,490 thousand).

Profit for the year is DKK 132,356 thousand (2012: profit DKK 20,854 thousand).

Management regards results as satisfactory.

Assets total DKK 610,895 thousand, out of which DKK 95,650 thousand comprise the investment properties recognised at fair value and DKK 52,427 thousand comprise investments in subsidiaries.

As of 31 December 2014, equity is DKK 378,252 thousand which equals a solvency ratio of 61.9%. Equity was increased by DKK 132,356 thousand regarding profit for the year.

Uncertainty relating to recognition and measurement

Valuation of investment property

The investment property are measured at fair value, DKK 95,650 thousand, against DKK 93,000 thousand last year.

Management commentary

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 4.4% for Frederiksborggade 5, against 3,45% 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 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

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.

Referring to section 110 (1) of the Danish Financial Statements Act, FB 40 ApS has omitted to prepare consolidated financial statements.

The accounting policies applied for 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.

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.

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.

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.

Accounting policies

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 plus or minus unamortised positive, or negative, goodwill and 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.

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 cash in hand and bank deposits.

Dividend
Dividend is recognised as a liability at the time of adoption at the general meeting. The proposed dividend for the financial year is disclosed as a separate item in equity.

Accounting policies

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.

Deferred income

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

Income statement for 2014

	Notes	2014 DKK	2013 DKK'000
Revenue		17.106.150	13.553
Other external expenses		(14.617.063)	(8.452)
Operating profit/loss		**2.489.087**	**5.101**
Income from investments in group enterprises		19.140.050	(2.713)
Other financial income	1	1.856	1
Other financial expenses	2	(5.775.205)	(4.019)
Profit/loss from ordinary activities before fair value adjustments and tax		**15.855.788**	**(1.630)**
Fair value adjustment of investment properties		114.082.554	28.494
Fair value adjustments of debt		1.695.573	(6.004)
Profit/loss from ordinary activities before tax		**131.633.915**	**20.860**
Tax on profit/loss from ordinary activities	3	722.498	(6)
Profit/loss for the year		**132.356.413**	**20.854**

Proposed distribution of profit/loss		
Dividend for the financial year	265.937.338	0
Reserve for net revaluation according to the equity method	16.426.689	0
Retained earnings	(150.007.614)	20.854
	132.356.413	**20.854**

Balance sheet at 31.12.2014

	Notes	2014 DKK	2013 DKK'000
Investment property		95.650.000	418.000
Property, plant and equipment	4	**95.650.000**	**418.000**
Investments in group enterprises		52.426.735	33.287
Fixed asset investments	5	**52.426.735**	**33.287**
Fixed assets		**148.076.735**	**451.287**
Trade receivables	6	456.258.857	12
Receivables from group enterprises		0	80
Other short-term receivables		1.396.621	1.299
Income tax receivable		722.498	0
Receivables		**458.377.976**	**1.391**
Cash		**4.439.825**	**13.323**
Current assets		**462.817.801**	**14.714**
Assets		**610.894.536**	**466.001**

Balance sheet at 31.12.2014

	Notes	2014 DKK	2013 DKK'000
Contributed capital	7	1.200.000	1.200
Reserve for net revaluation according to the equity method		16.426.689	0
Retained earnings		94.687.700	244.695
Proposed dividend		265.937.338	0
Equity		**378.251.727**	**245.895**
Mortgage debts		40.759.419	186.455
Bank loans		0	8.845
Deposits		3.593.454	3.939
Payables to group enterprises		0	9.976
Non-current liabilities other than provisions	8	**44.352.873**	**209.215**
Current portion of long-term liabilities other than provisions	8	0	3.000
Mortgage debts		143.000.000	0
Bank loans		19.244.882	0
Trade payables		5.530.839	2.450
Debt to group enterprises		10.531.731	0
Income tax payable		0	6
Other payables		9.545.254	4.999
Deferred income		437.230	436
Current liabilities other than provisions		**188.289.936**	**10.891**
Liabilities other than provisions		**232.642.809**	**220.106**
Equity and liabilities		**610.894.536**	**466.001**
Contingent liabilities	9		
Assets charged and collateral	10		
Related parties with control	11		

Statement of changes in equity for 2014

	Contributed capital DKK	Reserve for net revalua-tion accor-ding to the equity me-thod DKK	Retained earnings DKK	Proposed dividend DKK	Total DKK
Equity beginning of year	1.200.000	0	244.695.314	0	245.895.314
Profit/loss for the year	0	16.426.689	(150.007.614)	265.937.338	132.356.413
Equity end of year	**1.200.000**	**16.426.689**	**94.687.700**	**265.937.338**	**378.251.727**

Notes

	2014 DKK	2013 DKK'000
1. Other financial income		
Interest income	1.856	1
	1.856	**1**

	2014 DKK	2013 DKK'000
2. Other financial expenses		
Financial expenses from group enterprises	550.402	271
Interest expenses	5.224.803	3.601
Other financial expenses	0	147
	5.775.205	**4.019**

	2014 DKK	2013 DKK'000
3. Tax on ordinary profit/loss for the year		
Current tax	(722.498)	6
	(722.498)	**6**

Deductible temporary differences and unused tax losses for which no deferred tax assets have been recognised amount to DKK 18.6 million (tax value 22%).

Notes

4. Property, plant and equipment

	Investment property DKK
Cost beginning of year	641.572.186
Additions	21.470.717
Disposals	(568.075.380)
Cost end of year	**94.967.523**
Fair value adjustments beginning of year	(223.572.185)
Fair value adjustments for the year	112.438.139
Reversal regarding disposals	111.816.523
Fair value adjustments end of year	**682.477**
Carrying amount end of year	**95.650.000**

The investment property are valued by an external assessor, applying a return requirement of 4.4 %.

5. Fixed asset investments

	Investments in group enterprises DKK
Cost beginning of year	36.000.046
Cost end of year	**36.000.046**
Other adjustments	16.426.689
Revaluations end of year	**16.426.689**
Impairment losses beginning of year	(2.713.361)
Share of profit/loss after tax	19.140.050
Other adjustments	(16.426.689)
Impairment losses end of year	**0**
Carrying amount end of year	**52.426.735**

	Registered in	Corporate form	Equity interest %	Equity DKK	Profit/loss DKK
Subsidiaries:					
KG 47 P/S	Gentofte	P/S	99,00	52.601.144	19.298.098
KG 47 GP ApS	Gentofte	ApS	100,00	351.603	34.933

Notes

6. Short-term trade receivables

Trade receivables include the sale of the property ”Absalongården” with a total of DKK 456 million corresponding to the selling price agreed with deduction of expected selling cost.

7. Contributed capital

	Number	Par value DKK	Nominal value DKK
Share capital	1.200	1.000,00	1.200.000
	1.200		**1.200.000**

	2014 DKK	2013 DKK	2012 DKK	2011 DKK	2010 DKK
Changes in contributed capital					
Contributed capital beginning of year	1.200.000	800.000	300.000	300.000	300.000
Increase of capital	0	400.000	500.000	0	0
Contributed capital end of year	**1.200.000**	**1.200.000**	**800.000**	**300.000**	**300.000**

8. Long-term liabilities other than provisions

	Outstanding after 5 years 2014 DKK
Mortgage debts	35.822.200
	35.822.200

9. 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.

Notes

10. Assets charged and collateral

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

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 104,100,000 and liabilities of DKK 48,094,067 secured by way of mortgage on the property.

11. Related parties with control

At the date of signature, FREP Holdings 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.