

K/S London Southwark Bridge
Fruebjergvej 3, 2100 København Ø

Annual report

2016

Company reg. no. 30 24 74 69

The annual report have been submitted and approved by the general meeting on the 18 May 2017.

Christina Cederholm
Chairman of the meeting

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Notes to users of the English version of this document:

- To ensure the greatest possible applicability of this document, British English terminology has been used.
- Please note that decimal points remain unchanged from the Danish version of the document. This means that for instance DKK 146.940 is the same as the English amount of DKK 146,940, and that 23,5 % is the same as the English 23.5 %.

Management's report

The management have today presented the annual report of K/S London Southwark Bridge for the financial year 1 January to 31 December 2016.

The annual report has been presented in accordance with the Danish Financial Statements Act.

We consider the accounting policies used appropriate, and in our opinion the annual accounts provide a true and fair view of the company's assets and liabilities and its financial position as on 31 December 2016 and of the company's results of its activities in the financial year 1 January to 31 December 2016.

We are of the opinion that the management's review includes a fair description of the issues dealt with.

The annual report is recommended for approval by the general meeting.

København Ø, 17 May 2017

Board of directors

Lars Jørgensen

Henrik Frisch

Mikael Brøgger Christensen

General partner

ApS London Southwark Bridge
Komplementar

Independent auditor's report

To the limited partners of K/S London Southwark Bridge

Opinion

We have audited the annual accounts of K/S London Southwark Bridge for the financial year 1 January to 31 December 2016, which comprise accounting policies used, profit and loss account, balance sheet and notes. The annual accounts are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the annual accounts give a true and fair view of the company's assets, liabilities and financial position at 31 December 2016 and of the results of the company's operations for the financial year 1 January to 31 December 2016 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with international standards on auditing and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the below section "Auditor's responsibilities for the audit of the annual accounts". We are independent of the company in accordance with international ethics standards for accountants (IESBA's Code of Ethics) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these standards and requirements. We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our opinion.

The management's responsibilities for the annual accounts

The management is responsible for the preparation of annual accounts that give a true and fair view in accordance with the Danish Financial Statements Act. The management is also responsible for such internal control as the management determines is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts, the management is responsible for evaluating the company's ability to continue as a going concern, and, when relevant, disclosing matters related to going concern and using the going concern basis of accounting when preparing the annual accounts, unless the management either intends to liquidate the company or to cease operations, or if it has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the annual accounts

Our objectives are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report including an opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with international standards on auditing and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements may arise due to fraud or error and may be considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions made by users on the basis of the annual accounts

Independent auditor's report

As part of an audit conducted in accordance with international standards on auditing and the additional requirements applicable in Denmark, we exercise professional evaluations and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the annual accounts, whether due to fraud or error, design and perform audit procedures in response 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 the risk of not detecting a misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the 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 company's internal control.
- Evaluate the appropriateness of accounting policies used by the management and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's preparation of the annual accounts being based the going concern principle and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may raise significant doubt about the company'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 annual accounts 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 company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the annual accounts, including the disclosures in the notes, and whether the annual accounts reflect 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 the internal control that we identify during our audit.

Statement on the management's review

The management is responsible for the management's review.

Our opinion on the annual accounts does not cover the management's review, and we do not express any kind of assurance opinion on the management's review.

Independent auditor's report

In connection with our audit of the annual accounts, our responsibility is to read the management's review and in that connection consider whether the management's review is materially inconsistent with the annual accounts or our knowledge obtained during the audit, or whether it otherwise appears to contain material misstatement.

Furthermore, it is our responsibility to consider whether the management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we believe that the management's review is in accordance with the annual accounts and that it has been prepared in accordance with the requirements of the Danish Financial Statement Acts. We did not find any material misstatement in the management's review.

Copenhagen, 17 May 2017

Martinsen

State Authorised Public Accountants
Company reg. no. 32 28 52 01

Leif Tomasson

State Authorised Public Accountant

Company data

The company

K/S London Southwark Bridge
Fruebjergvej 3
2100 København Ø

Company reg. no. 30 24 74 69

Established: 8 February 2007

Domicile:

Financial year: 1 January 2016 - 31 December 2016
10th financial year

Board of directors

Lars Jørgensen
Henrik Frisch
Mikael Brøgger Christensen

General partner

ApS London Southwark Bridge Komplementar

Auditors

Martinsen
Statsautoriseret Revisionspartnerselskab
Øster Allé 42
2100 København Ø
Phone +45 35 38 48 88
www.martinsen.dk

Management's review

The principal activities of the enterprise

The principal activities of the enterprise is the lease of the property located 53-61 Southwark Bridge Road, London SE1 9 HH, England. The property was acquired by agreement of 21.12.2007 with takeover at 29.02.2008.

Unusual matters

There have not been recorded unusual conditions in the financial year.

However, the fall rate of GBP from 31/12 2015 to 31/12 2016, led to a currency loss in the value of the property converted into DKK, of 64.4 mio DKK and at currency gain at debt of 50.7 mio DKK, total net losses of 13.7 mio. DKK, as a result of the change in the exchange rate, which is offset by a value adjustment of the property.

Uncertainties as to recognition or measurement

The property is leased to the Novotel Milton Leynes & London City South Ltd. on a non-cancellable lease applicable to the 24.12.2028.

The market value of the property is in the annual accounts valued at 59,000 T.GBP converted to 512.315 T.DKK per 31.12.2016

The yield-based fair value calculation is based on the rental income as a starting point in accordance with the concluded lease capitalised with an fixed market-based rate of return requirements. As a result of the economic conditions in general and the financial crisis in particular, it is estimated that the market for trading in UK commercial property is currently marked by few trades. Therefore the fair value is recorded to the calculated net present value after the method DCF (Discounted Cash Flow).

The capital value of the property is calculated on the basis of the principle that the portion of the lease payment that covers services on the senior loan shall be discounted by the market rates at the balance sheet date, and the excess cash flow are stated at calculated present value, calculated with an interest rate that takes into account the higher risk associated with this.

Net rental income corresponds to the rent income. The tenant must reimburse the costs for maintenance and insurance of the property.

Valuation of mortgage debt

The company's mortgage debt consists of 2 mortgages loans recorded in GBP.

The Senior loan in GBP, has a fixed interest rate of 6.09% p.a. with maturity in 2028. The debt is recognised on the balance-sheet date to the nominal value of the outstanding debt.

The juniur loans is a in Danish financial institution in GBP are recorded with a floating intent rate, and iis recognised on the balance sheet date to the nominal amount of the balance outstanding.

Management's review

Development in activities and financial matters

The net turnover for the year is DKK 24.238.000 against DKK 24.422.000 last year. The results from ordinary activities after tax are DKK 33.638.000 against DKK 22.430.000 last year. Of this, the exchange rate adjustment of investment property and loans debt represents a loss of 13.711 T.DKK. The management consider the results satisfactory.

Accounting policies used

The annual report for K/S London Southwark Bridge is presented in accordance with those regulations of the Danish Financial Statements Act concerning companies identified as class B enterprises.

The accounting policies used are unchanged compared to last year, and the annual accounts are presented in Danish kroner (DKK).

Recognition and measurement in general

Income is recognised in the profit and loss account concurrently with its realisation, including the recognition of value adjustments of financial assets and liabilities. Likewise, all costs, these including depreciation, amortisation, writedown, provisions, and reversals which are due to changes in estimated amounts previously recognised in the profit and loss account are recognised in the profit and loss account.

Assets are recognised in the balance sheet when the company is liable to achieve future, financial benefits and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the company is liable to lose future, financial benefits and the value of the liability can be measured reliably.

At the first recognition, assets and liabilities are measured at cost. Later, assets and liabilities are measured as described below for each individual accounting item.

At recognition and measurement, such predictable losses and risks are taken into consideration, which may appear before the annual report is presented, and which concerns matters existing on the balance sheet date.

Translation of foreign currency

Transactions in foreign currency are translated by using the exchange rate prevailing at the date of the transaction. Differences in the rate of exchange arising between the rate at the date of transaction and the rate at the date of payment are recognised in the profit and loss account as an item under net financials.

Debtors, creditors, and other monetary items in foreign currency are translated by using the closing rate. The difference between the closing rate and the rate at the time of the occurrence or the recognition in the latest annual accounts of the amount owed or the liability is recognised in the profit and loss account under financial income and expenses.

Fixed assets and other non-monetary assets acquired in foreign currency and which are not considered to be investment assets purchased in foreign currencies are measured at the exchange rate on the transaction date.

Accounting policies used

The profit and loss account

Rental income from investment property

Rental income comprises income from the lease of property and from charged joint costs, and it is recognised in the profit and loss account for the period relating to the lease payment.

Other external costs

Other external costs comprise costs for administration etc.

Value adjustment of investment property

Value adjustment of investment property comprises value adjustments of properties at fair value and gain or loss from disposal of properties.

Net financials

Net financials comprise interest, realised and unrealised capital gains and losses concerning financial assets and liabilities, amortisation of financial assets and liabilities, additions and reimbursements under the Danish tax prepayment scheme, etc. Financial income and expenses are recognised in the profit and loss account with the amounts that concerns the financial year.

Interest and other costs concerning loans for financing the production of intangible and tangible fixed assets and concerning the production period are not recognised in the cost of the fixed asset.

The balance sheet

Investment property

At the first recognition, investment property is measured at cost, comprising the cost of the property and directly attached costs, if any.

Hereafter, investment are measured individually on the basis of a return-based cash flow model based on expected future net cash flow over a period of 10 years. The required rate of return is determined by an external assessor. Fair value measurement is made on the basis of estimated rental income and expected operating costs, including scheduled maintenance. Compared to the latest financial year, the methods of measurement used have not been changed.

Costs which add new or improved qualities to an investment property compared to its condition at the time of acquisition and which thereby improves the future return on the property are added to the cost as an improvement. Costs which do not add new or improved qualities to an investment property are recognised in the profit and loss account in the item "Costs concerning investment property".

Like other material fixed assets, except from land, investment property has a limited life financial life. The impairment taking place concurrently with the aging of the investment property is reflected in the current measuring of the investment property at fair value.

Accounting policies used

Value adjustments are recognised in the profit and loss account in the item "Value adjustments of property".

Debtors

Debtors are measured at amortised cost which usually corresponds to face value. In order to meet expected losses, writedown takes place at the net realisable value.

Deferred tax

K/S London Southwark Bridge is not a tax subject and therefore there is not included tax in the annual report. The limited partners are taxed on their share of the results before tax.

Liabilities

Liabilities relating to investment properties are measured at amortised cost.

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

Accrued expenses and deferred income

Received payments concerning income during the following years are recognised under accrued expenses and deferred income.

Profit and loss account 1 January - 31 December

All amounts in DKK.

<u>Note</u>	<u>2016</u>	<u>2015</u>
Rental income	24.237.969	24.422.247
Other external costs	-79.773.843	-835.267
2 Value adjustment of investment property	<u>108.886.132</u>	<u>20.461.969</u>
Gross results	53.350.258	44.048.949
3 Other financial income	440.370	468.065
4 Other financial costs	<u>-20.152.767</u>	<u>-22.086.637</u>
Results before tax	33.637.861	22.430.377
 Results for the year	 <u>33.637.861</u>	 <u>22.430.377</u>
 Proposed distribution of the results:		
Allocated to results brought forward	<u>33.637.861</u>	<u>22.430.377</u>
Distribution in total	<u>33.637.861</u>	<u>22.430.377</u>

Balance sheet 31 December

All amounts in DKK.

Assets	<u>2016</u>	<u>2015</u>
<u>Note</u>		
Fixed assets		
5 Investment property	512.315.100	454.158.000
Tangible fixed assets in total	<u>512.315.100</u>	<u>454.158.000</u>
Fixed assets in total	<u>512.315.100</u>	<u>454.158.000</u>
Current assets		
Other debtors	<u>254.880</u>	<u>5.761</u>
Debtors in total	<u>254.880</u>	<u>5.761</u>
Available funds	<u>6.443.149</u>	<u>8.545.000</u>
Current assets in total	<u>6.698.029</u>	<u>8.550.761</u>
Assets in total	<u>519.013.129</u>	<u>462.708.761</u>

Balance sheet 31 December

All amounts in DKK.

Equity and liabilities			
<u>Note</u>		<u>2016</u>	<u>2015</u>
Equity			
6	Share capital	225.000.000	225.000.000
7	Not paid share capital	-140.743.650	-140.743.650
8	Results brought forward	44.242.103	10.604.242
	Equity in total	<u>128.498.453</u>	<u>94.860.592</u>
Liabilities			
	Mortgage debt	299.367.736	352.486.379
	Debt to group enterprises	158.062	154.349
	Long-term liabilities in total	<u>299.525.798</u>	<u>352.640.728</u>
9	Liabilities	3.312.000	3.631.000
	Bank debts	128.399	1.356
	Trade creditors	95.250	25.000
	Other debts	82.362.654	5.621.928
	Accrued expenses and deferred income	5.090.575	5.928.157
	Short-term liabilities in total	<u>90.988.878</u>	<u>15.207.441</u>
	Liabilities in total	<u>390.514.676</u>	<u>367.848.169</u>
	Equity and liabilities in total	<u>519.013.129</u>	<u>462.708.761</u>

1 Uncertainties concerning recognition and measurement**10 Contingencies**

Notes

All amounts in DKK.

1. Uncertainties concerning recognition and measurement

The property is leased to the Novotel Milton Leynes & London City South Ltd. on a non-cancellable lease applicable to the 24.12.2028.

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The capital value of the property is calculated on the basis of the principle that the portion of the lease payment that covers services on senior loan shall be discounted by the market rates at the balance sheet date, and the excess cash flow are stated at calculated present value, calculated with an interest rate that takes into account the higher risk associated with this.

Net rental income corresponds to the rent income. The tenant must reimburse the costs for maintenance and insurance of the property.

Valuation of mortgage debt

The company's mortgage debt consists of 2 mortgages recorded in GBP.

The senior loan in GBP, has a fixed interest rate of 6.09% p.a. with maturity in 2028. Debt is recognised on the balance-sheet date to the nominal value of the outstanding debt.

The junior loans in a Danish financial institution in GBP are recorded with a variable rate, and are recognised on the balance sheet date to the nominal amount of the balance outstanding.

	<u>2016</u>	<u>2015</u>
2. Value adjustment of investment property		
Currency adjustment of the property	-64.441.000	40.758.624
Value adjustment of the debt	50.729.032	-20.296.655
Value adjustment of the property	<u>122.598.100</u>	<u>0</u>
	<u>108.886.132</u>	<u>20.461.969</u>

Notes

All amounts in DKK.

	<u>2016</u>	<u>2015</u>
3. Other financial income		
Interest, banks	748	2.547
Exchange differences	<u>439.622</u>	<u>465.518</u>
	<u>440.370</u>	<u>468.065</u>
4. Other financial costs		
Financial costs, ApS London Southwark Bridge Komplementar	11.463	10.769
Other financial costs	<u>20.141.304</u>	<u>22.075.868</u>
	<u>20.152.767</u>	<u>22.086.637</u>

Notes

All amounts in DKK.

5. Investment property

Cost 1 January	441.986.650	441.986.650
Cost 1 January	441.986.650	441.986.650
Fair value adjustment 1 January	12.171.350	-28.587.274
Adjust of the year to fair value	58.157.100	40.758.624
Fair value adjustment 31 December	70.328.450	12.171.350
Book value 31 December	512.315.100	454.158.000

The yield-based fair value calculation is based on the rental income as a starting point in accordance with the concluded lease capitalised with an fixed market-based rate of return requirements. As a result of the economic conditions in General and the financial crisis in particular, it is estimated that the market for trading in UK commercial property is currently marked by few trades. Therefore the fair value is recorded to the calculated net present value after the method DCF (Discounted Cash Flow).

The capital value of the property is calculated on the basis of the principle that the portion of the lease payment that covers services on the senior loan shall be discounted by the market rates at the balance sheet date, and the excess cash flow are stated at calculated present value, calculated with an interest rate that takes into account the higher risk associated with this.

The fixing of the market value (book value) is based on the following rates of return:

Cash flows covering senior loan, discounted at	6,47%
Excess cash flow, discounted at	9%

Sensitivity analysis

Changes in the rates of return have a material effect on the measuring of investment property. An increase in rate of return could mean a decrease of market value. The market development may result in changed requirements to the return on real property.

An increase in the discount rate on cash flows covering the senior loan with 0.5% -point would mean that the value of the investment properties will be reduced by 12.000 T.DKK. Share capital will be reduced from the current 84.049 T.DKK to 72.049 T.DKK.

Notes

All amounts in DKK.

	<u>31/12 2016</u>	<u>31/12 2015</u>
6. Share capital		
Share capital 1 January	<u>225.000.000</u>	<u>225.000.000</u>
	<u>225.000.000</u>	<u>225.000.000</u>

In January 2017, the share capital was decreased by 140.763.650 DKK from 225.000.000 DKK to 84.256.350 DKK and afterwards reduced by annulment of the K/S' own shares to 58.979.445 DKK.

7. Not paid share capital		
Not paid share capital 1 January	<u>-140.743.650</u>	<u>-140.743.650</u>
	<u>-140.743.650</u>	<u>-140.743.650</u>

8. Results brought forward		
Results brought forward 1 January	10.604.242	-11.826.135
Profit or loss for the year brought forward	<u>33.637.861</u>	<u>22.430.377</u>
	<u>44.242.103</u>	<u>10.604.242</u>

9. Liabilities	<u>Instalments first year</u>	<u>Outstanding debt after 5 years</u>	<u>Debt in total 31 Dec 2016</u>	<u>Debt in total 31 Dec 2015</u>
Mortgage debt	<u>3.312.000</u>	<u>232.470.650</u>	<u>302.679.736</u>	<u>356.117.379</u>
	<u>3.312.000</u>	<u>232.470.650</u>	<u>302.679.736</u>	<u>356.117.379</u>

Notes

All amounts in DKK.

10. Contingencies

Contingent liabilities

The company has provided guarantees for the mortgage, by deposit security in the property.

Limited partners' residual liability is transported as security for the lender.

As a security for the mortgage loans, the bank deposits are pledged.

Book value of pledged property and equipment: 389.717 T.DKK

Outstanding debt on the mortgages: 302.679 T.DKK