

Seven Dials European Property Company Limited

ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS

For the year ended

31 December 2015

Seven Dials European Property Company Limited

CONTENTS	Page
Officers and Professional Advisors	2
Directors' Report	3
Portfolio of Net Assets Attributable to Participating Redeemable Preference Shares - Unaudited	5
Investment Advisor's Report	6
Independent Auditor's Report	7
Statement of Total Return	8
Statement of Financial Position	9
Statement of Cash Flows	10
Notes to the Financial Statements	11
Notice of Annual General Meeting	20
Form of proxy for Annual General Meeting	21

(In these accounts NAV relates to Net Asset Value per participating share; EUR and € to Euros; Sterling, GBP and £ refer to British Pounds; USD, US\$ and \$ to United States Dollars.)

Seven Dials European Property Company Limited

OFFICERS AND PROFESSIONAL ADVISORS

Registered Office: 11 New Street
St Peter Port
Guernsey
GY1 2PF

Directors: Nicholas Renny - Chairman
Brett Robinson
Patricia White
Ian Burns

**Administrator, Secretary
and Registrar:** Vistra Fund Services (Guernsey) Limited (from 23 May 2016)
(formerly Orangefield Legis Fund Services Limited (until 22 May 2016))
P.O. Box 91
11 New Street
St Peter Port
Guernsey
GY1 3EG

Investment Advisor: Seven Dials Financial Limited
20 Bedford Street
England
WC2E 9HP

Custodian: Kleinwort Benson (Guernsey) Limited
Dorey Court, Admiral Park
St Peter Port
Guernsey
GY1 2HT

Auditor: Saffery Champness
PO Box 141
La Tonnelle House
St Sampson
Guernsey
GY1 3HS

Seven Dials European Property Company Limited

DIRECTORS' REPORT

For the year ended 31 December 2015

The Directors submit their Annual Report and the audited financial statements of the Company for the year ended 31 December 2015, which have been prepared properly, in accordance with United Kingdom Accounting Standards, including first time adopted Financial Reporting Standard 102 ("FRS 102"), the Financial Reporting Standard applicable in the UK and Republic of Ireland as well as applicable law and any relevant enactment for the time being in force (United Kingdom Generally Accepted Accounting Principles); and are in agreement with the accounting records which have been properly kept in accordance with section 238 of The Companies (Guernsey) Law, 2008.

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the directors have elected to prepare the financial statements in accordance with Generally Accepted Accounting Principles (United Kingdom Accounting Standards and applicable law). Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with The Companies (Guernsey) Law, 2008. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Activities and Status

Seven Dials European Property Fund Limited ("the Fund") was incorporated on 15 November 2006 and was authorised by the Guernsey Financial Services Commission as an open ended Class "B" collective investment scheme under The Protection of Investors (Bailiwick of Guernsey) Law, 1987. The Fund obtained listing on the Channel Islands Stock Exchange for Class A, B and C shares on 2 March 2007 and for Class P and R shares on 26 October 2007. The Fund's listing on the Channel Islands Stock Exchange was suspended on 5 March 2009 at the request of the Company.

Seven Dials European Property Company Limited

DIRECTORS' REPORT (continued)

For the year ended 31 December 2015

Activities and Status (continued)

On 18 March 2013, the Company changed its name to Seven Dials European Property Company Limited. On 18 April 2013, partial redemptions took place: the total values of these were €4,649,601.47, €1,139,332.73, €1,135,349.96, €312,647.94 and €196,230.96 for Class A, B, C, P and R shares respectively. The Company's shares were delisted from the Official List of the Channel Islands Securities Exchange (formerly Channel Islands Stock Exchange) on 25 April 2013. The Company's licence was surrendered on 30 April 2013 and the licence of the Manager, Seven Dials Guernsey Limited, was cancelled on 2 May 2013.

For commentary on the performance of the Company's investment see the Investment Advisor's Report.

The service provider appointments relating to the Company's authorisation as a Class B scheme were terminated (except for those services necessary on a care and maintenance basis) and the Board is now managing the Company, seeking to maximise the benefit to shareholders resulting from the investment in Nordic Aktiv Property Fund L.P.

Results and Dividends

The results of the Company for the year are as stated on page 8.

Directors

The Directors of the Company during the year and to the date of this report are as stated on page 2.

Disclosure of information to the auditor

The Directors who held office at the date of the approval of the financial statements confirm that, so far as they are each aware:

There is no relevant audit information of which the Company's auditor is unaware; and each Director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

A resolution to re-appoint Saffery Champness will be put to the members at the annual general meeting.

Approved by the Board of Directors at a Meeting held on 27 July 2016 and signed on its behalf by:

Director

Director

Seven Dials European Property Company Limited

PORTFOLIO OF NET ASSETS ATTRIBUTABLE TO PARTICIPATING REDEEMABLE PREFERENCE SHARES - Unaudited

As at 31 December 2015

	Nominal	Cost €	Market Value €	Participating Redeemable Preference Shareholders' Interest %
Investments				
Funds				
Euro				
Nordic Aktiv Property Fund	100	10,343,103	372,989	69.73
Total value of investments		<u>10,343,103</u>	<u>372,989</u>	<u>69.73</u>
Cash at bank and on deposit			175,989	32.90
Other net liabilities			(14,084)	(2.63)
Net Assets Attributable to Participating Redeemable Preference Shares			<u>534,894</u>	<u>100.00</u>

As at 31 December 2014

	Nominal	Cost €	Market Value €	Participating Redeemable Preference Shareholders' Interest %
Investments				
Funds				
Euro				
Nordic Aktiv Property Fund	100	10,343,103	398,545	54.38
Total value of investments		<u>10,343,103</u>	<u>398,545</u>	<u>54.38</u>
Cash held in Money Market Fund			358,225	48.88
Cash at bank and on deposit			11,149	1.52
Other net liabilities			(35,048)	(4.78)
Net Assets Attributable to Participating Redeemable Preference Shares			<u>732,871</u>	<u>100.00</u>

This statement does not form part of the audited financial statements.

Seven Dials European Property Company Limited

Investment Advisor's Report

For the year ended 31 December 2015

Property in the Eurozone delivered a total return of 10.0% in local currency terms in 2015 and 12.4% in € terms, as measured by the IPD Pan-European Annual Property Index. The average total return across the four Scandinavian countries was 11.9% in local currency and 11.0% in Euros.

The Seven Dials European Property Company ("the Company") has only one investment, a holding in the Nordic Aktiv Property Fund ('NAPF'). The property portfolio of this fund was valued at 31 December 2015 at €164.9m by JLL. The reduction since last year reflects the ongoing sales programme; during 2015 assets with a value of €73.3m were sold and €62.8m of debt was repaid. Overall, the fund had an LTV of 82.7% as at the end of 2015.

The net asset value of NAPF decreased from €20.6m to €19.3m over the year. The eventual recovery of any value from NAPF depends primarily on the success of the asset sales programme. Whilst this programme is broadly on track for completion by the end of this year some overrun into 2017 is considered likely as the last assets to be sold will be some of the more difficult ones to sell.

The economic and investment environment in the Nordic region varies considerably across regions. Sweden continues to see the strongest growth and Finland the weakest. Property investment markets saw reasonable levels of activity in 2015 and the level of foreign investors in the region is increasing, with Sweden the favourite market.

The Investment Advisor remains hopeful that some value from NAPF will eventually be recovered for the benefit of the Company's shareholders although given the high level of debt the range of possible outcomes is wide.

The Company's net asset value decreased on the year; this was primarily a function of the reduction of the cash balance held to cover running costs.

The Company is next due to report to shareholders in twelve months' time though investors will be informed should any significant news emerge before then.

Seven Dials Financial Limited

July 2016

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SEVEN DIALS EUROPEAN PROPERTY COMPANY LIMITED

We have audited the financial statements of Seven Dials European Property Company Limited, for the year ended 31 December 2015, which comprise the Statement of Income and Retained Earnings, Statement of Financial Position, Statement of Cash Flows and related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (Generally Accepted Accounting Principles).

This report is made solely to the company's members, as a body, in accordance with Section 262 of The Companies (Guernsey) Law, 2008. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the United Kingdom Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report.

Opinion on financial statements

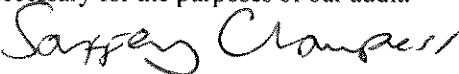
In our opinion the financial statements:

- give a true and fair view;
- are in accordance with Generally Accepted Accounting Principles; and
- comply with The Companies (Guernsey) Law, 2008.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where The Companies (Guernsey) Law, 2008 requires us to report to you if, in our opinion:

- proper accounting records have not been kept by the company;
- the financial statements are not in agreement with the accounting records; or
- we have failed to obtain all the information and explanations, which, to the best of our knowledge and belief, are necessary for the purposes of our audit.


Saffery Champness
Chartered Accountants
Guernsey

19 August 2016

Seven Dials European Property Company Limited

STATEMENT OF INCOME AND RETAINED EARNINGS

For the year ended 31 December 2015

	Note	2015 €	2014 €
Bank interest received		-	317
Fx refund received		137	-
Expenses	4	(172,569)	(175,300)
Operating loss		<u>(172,432)</u>	<u>(174,983)</u>
Realised gain on investments for the year		11	-
Unrealised (loss) / gain on investments for the year	3	(25,556)	238,176
Total (loss) / gain for the year		<u><u>(197,977)</u></u>	<u><u>63,193</u></u>
Net assets attributable to Participating Redeemable Preference Shareholders brought forward		<u>732,871</u>	<u>669,678</u>
Net assets attributable to Participating Redeemable Preference Shareholders carried forward		<u><u>534,894</u></u>	<u><u>732,871</u></u>

The above results relate to the continuing operations of the Company.

The Company has no recognised gains or losses other than those included in the Statement of Income and Retained Earnings.

The accompanying notes form part of these financial statements.

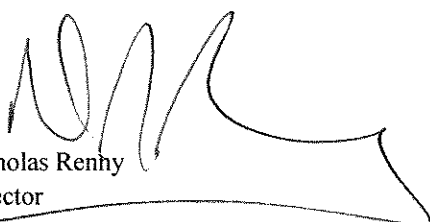
Seven Dials European Property Company Limited

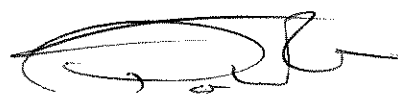
STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	Note	2015 €	2014 €
Assets			
Non Current Assets			
Investment at fair value through profit or loss	3	372,989	398,545
Current Assets			
Directors' and Officers' Insurance Prepaid		11,842	-
Cash held in Money Market Fund		-	358,225
Cash and bank balances		175,989	11,149
		<u>187,831</u>	<u>369,374</u>
Creditors: amounts falling due within one year			
Investment Advisor's fees	6	(12,500)	(12,500)
Other creditors	10	(13,426)	(22,548)
		<u>(25,926)</u>	<u>(35,048)</u>
Net assets attributable to holders of Participating Redeemable Preference Shares	12	<u>534,894</u>	<u>732,871</u>
NAV per Participating Redeemable Preference Share			
	11,12		
Class A		1.20	1.64
Class B		1.24	1.70
Class C		1.26	1.74
Class P		1.19	1.63
Class R		1.14	1.56

The Financial Statements on pages 8 to 21 were approved by the Board of Directors and authorised for issue on 27 July 2016 and signed on its behalf by:


 Nicholas Renhy
 Director


 Patricia White
 Director

The accompanying notes form part of these financial statements.

Seven Dials European Property Company Limited

STATEMENT OF CASHFLOWS

For the year ended 31 December 2015

	2015	2014
	€	€
TOTAL (LOSS) / GAIN FOR THE YEAR	(197,977)	63,193
Loss / (gain) on revaluation of investments	25,556	(238,176)
Increase in debtors	(11,842)	-
Decrease in creditors	(9,122)	(41,537)
NET CASH FLOW FROM OPERATING ACTIVITIES	<u>(193,385)</u>	<u>(216,520)</u>
INVESTING ACTIVITIES		
Sale of investments in Money Market Fund	358,225	190,003
CASH FLOW FROM INVESTING ACTIVITIES	<u>358,225</u>	<u>190,003</u>
NET INCREASE / (DECREASE) IN CASH FOR THE YEAR	164,840	(26,517)
NET CASH AT THE BEGINNING OF THE YEAR	11,149	37,666
NET CASH AT THE END OF THE YEAR	<u><u>175,989</u></u>	<u><u>11,149</u></u>

The accompanying notes form part of these financial statements.

Seven Dials European Property Company Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

General

Seven Dials European Property Fund Limited ("the Fund") was incorporated in Guernsey on 15 November 2006 and was authorised by the Guernsey Financial Services Commission as an open ended Class "B" collective investment scheme under The Protection of Investors (Bailiwick of Guernsey) Law, 1987. The Fund obtained listing on the Channel Islands Stock Exchange for Class A, B and C shares on 2 March 2007 and for Class P and R shares on 26 October 2007. The Fund's listing on the Channel Islands Stock Exchange was suspended on 5 March 2009 at the request of the Company. On 18 March 2013, the Fund changed its name to Seven Dials European Property Company Limited ("the Company") and the Fund's licence was surrendered on 30 April 2013. The licence of the Manager, Seven Dials Guernsey Limited, was cancelled on 2 May 2013. On 25 April 2013, the Company's Shares were de-listed from the Official List of the Channel Islands Securities Exchange (formerly the Channel Islands Stock Exchange).

The Company is now an investment company and its objective is to maximise the benefit to shareholders resulting from the investment in Nordic Aktiv Property Fund L.P. ("Nordic Aktiv Property Fund").

Statement of Compliance

The financial statements have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102 ("FRS 102") "The Financial Reporting Standard applicable in the United Kingdom and

1. Accounting Policies

Accounting convention

The Financial Statements have been prepared in accordance with United Kingdom Accounting Standards, including first time adopted Financial Reporting Standard 102 ("FRS 102"), the Financial Reporting Standard applicable in the UK and Republic of Ireland, The Companies (Guernsey) Law, 2008 and under the historical cost convention as modified by the revaluation of investments. The accounts show a true and fair view. The specific accounting policies are described below. Details of the transition to FRS 102 are disclosed in note 17.

a) Foreign currencies

Foreign currency monetary assets and liabilities are translated into Euro at the rates of exchange ruling at the year end.

Transactions in foreign currencies are translated at the rate of exchange ruling at the date of each transaction. Foreign exchange gains and losses are included in the Statement of Income and Retained Earnings.

Items included in the Company's financial statements are measured using the currency of the primary economic environment in which it operates - the functional currency - which is the Euro. The Company has also adopted the Euro as its presentational currency.

b) Investments

The fair value of the investment made by the Company in the Nordic Aktiv Property Fund is based on the audited net asset value per share or unit quoted as at the close of business on the valuation day, 31 December 2015. Where the net asset value is quoted on a bid or offer basis, then the investment, held long, is valued at the bid price.

Additionally, a liquidity discount is applied where this is considered appropriate. Changes in unrealised gains and losses on the revaluation of the Company's investments are accounted for in the Statement of Income and Retained Earnings. Realised gains and losses on part sales of investments are arrived at by deducting the average costs of such investments from their sale proceeds and are recognised in the Statement of Income and Retained Earnings.

The Company recognises purchases and sales of investments on their trade date.

The fair value of investments at the Statement of Financial Position date is shown in the Portfolio of Net Assets Attributable to Participating Redeemable Preference Shares on page 5.

The Company derecognises investments when the contractual rights to the cash flows from them expire or transfer to another party.

Seven Dials European Property Company Limited

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2015 (continued)

1. Accounting Policies (continued)

Accounting convention (continued)

b) Investments (continued)

The Company derecognises investments when the contractual rights to the cash flows from them expire or transfer to another party.

c) Income and expense

All income and expenses are recognised on an accruals basis. Performance fees will be recognised on an accruals basis.

d) Distributions and equalisation

Interim distributions are recognised in the Statement of Income and Retained Earnings at the date they are paid, any final dividends are approved by shareholders at general meetings and are recognised in the Statement of Income and Retained Earnings at that date.

On the first distribution following the issue of Participating Redeemable Preference Shares the shareholders would receive as part of that distribution, a capital sum representing that part of the subscription price which represents the value of accrued income at the time of purchase.

e) Revenue recognition

Revenue comprises bank interest which is accounted for on an accruals basis.

f) Financial assets and liabilities

All financial assets are initially measured at cost, except for those financial assets classified as at fair value through profit and loss, which are initially measured at fair value (which is normally cost as at the transaction date).

Debtors and prepayments, as well as cash at bank and in hand, that are receivable within one year are measured at the undiscounted amount receivable. There are no debtors or prepayments due in more than one year. Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

All financial liabilities are due within 1 year at recognition and measured at the undiscounted amount payable. These include creditors and accrued expenses. Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

g) Participating Redeemable Preference Shares

Participating Redeemable Preference Shares are classified as a liability on the Statement of Financial Position and represent the residual net assets due to the participating shareholders at the Statement of Financial Position date.

h) Significant management judgements

In the application of the Company's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects both current and future periods. The most significant estimates and judgements made in preparing these financial statements are as follows:

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2015 (continued)

1. Accounting Policies (continued)

Accounting convention (continued)

h) Significant management judgements (continued)

Recoverability of investment in Nordic Aktiv Property Fund

The Directors have considered the recoverability of the investment held in Nordic Aktiv Property Fund and consider the investment to currently be held at fair value less a liquidity discount set at 40%. The discount applied reflects the potential discount that would be needed to be offered in order to sell the holding prior to final distribution. The directors believe it is prudent to hold the investment at discounted fair value to reflect the true level of return that could be expected to be received by the company.

Consideration of going concern

The Directors have a reasonable expectation that the Company has adequate resources available to continue in operational existence for the foreseeable future.

Currently, the investment held by the Company is held at fair value with a liquidity discount which reflects the possible realisable value the company could expect, if it were to sell the investment in the short term. As such the value of the investment could potentially be higher if it were held for the longer term, until the fund is ready to liquidate and return capital to the Company.

The Company has also suspended redemptions from shareholders and as such no cash flows are expected in relation to this within the next 12 months.

It is expected that the Nordic Aktiv fund will be wound up during the first half of 2017. The exact timing of this depends on the completion of the sales programme which is subject to a high degree of uncertainty owing to the illiquid nature of some of the assets. Once this process is complete the Company will then be wound up and any residual cash returned to shareholders. The timing and amount of any payment is highly uncertain but it is not expected to amount in aggregate to more than a few hundred thousand Euros and may be zero.

As such, the directors believe that it is appropriate to adopt the going concern basis of accounting in preparing these financial statements.

2. Guernsey Tax Exempt Status

The Company resides for taxation purposes in Guernsey where it pays an annual tax exemption fee of £1,200 (2014: £600) subject to the provisions of the Income Tax (Exempt Bodies) (Guernsey) Ordinance 1989.

3. Investment at Fair Value Through Profit or Loss

Under FRS 102, the Company has adopted to measure financial instruments in the Statement of Financial Position at fair value. This requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

Seven Dials European Property Company Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015 (continued)

3. Investment at Fair Value Through Profit or Loss (continued)

The above carrying value at 31 December 2015 includes a liquidity discount for the Nordic Aktiv Property Fund investment. The liquidity discount represents an estimate of the potential discounts that would be needed to be applied to the market value of the investments if the Fund decided to sell it. The performance of the European property market has been monitored by the Investment Advisor on a continuing basis. The Directors have taken the decision to include a liquidity discount of 40% (2014: 40%) for the Nordic Aktiv Property Fund in this year's financial statements, having considered the current status of the investment.

The fair value hierarchy of financial instruments recognised in the Statement of Financial Position by level, fair value measurement hierarchy) is as follows:

31 December 2015	Level 1	Level 2	Level 3	Total
	€	€	€	€
Financial assets at fair value through Statement of Income and Retained Earnings:	<u>-</u>	<u>-</u>	<u>372,989</u>	<u>372,989</u>

31 December 2014	Level 1	Level 2	Level 3	Total
	€	€	€	€
Financial assets at fair value through Statement of Income and Retained Earnings:	<u>-</u>	<u>-</u>	<u>398,545</u>	<u>398,545</u>

The following table shows a reconciliation from the beginning balance to the ending balances for fair value measurements in Level 3 of the fair value hierarchy:

	2015	2014
	€	€
Opening balance	398,545	160,369
(Loss) / Gain on investment for the year	(25,556)	238,176
	<u>372,989</u>	<u>398,545</u>

For further information on the valuation of the underlying investments please refer to the Investment Advisor's report on page 6.

4. Expenses

	2015	2014
	€	€
Investment Advisor's fees (note 6)	50,000	50,000
Administration fees (note 8)	52,772	53,885
D&O insurance	19,675	14,607
Audit fee	10,968	9,563
Custodian fees (note 9)	6,991	6,550
Directors' fees (note 7)	29,250	29,250
Legal and professional fees	-	8,270
Sundry expenses	2,913	3,175
Total expenses	<u>172,569</u>	<u>175,300</u>

Seven Dials European Property Company Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015 (continued)

5. Distributions and Equalisation

Distributions may be made following the period-end of 30 June and the year-end of 31 December. The Shareholders may receive, as part of the distribution, a capital sum ('equalisation'). This equalisation relates to that part of the subscription price of any shares, issued since the prior distribution, representing the value of the accrued income at the date of purchase. There was no distribution made during the year (2014: Nil).

6. Investment Advisor's Fees

From 3 May 2013, the Company appointed Seven Dials Financial Limited as the Investment Advisor for the Company. The Investment Advisor is entitled to an annual fee of €50,000 payable quarterly in arrears and to be reimbursed in respect of reasonable out-of-pocket expenses. The agreement is due to expire on 31 December 2016. Mr Robinson is a director of the Investment Advisor and owns 50% of Seven Dials Fund Management (formerly Seven Dials Consulting Limited), the Investment Advisor's parent company.

7. Directors' Fees

The Directors receive a fee of €9,000 per annum, except for the Chairman (Nicholas Renny), who receives a fee of €11,250 per annum, and Brett Robinson, who has waived his fee. There were no fees outstanding at year end (2014: €2,268).

All Directors are entitled to receive reimbursement of travel and other costs incurred in connection with their duties.

8. Administration Fees

The Administrator's fee is fixed to €30,000 per annum, payable quarterly in arrears. Additionally, the Administrator receives an annual responsibility fee for secretarial services, including two Board meetings, of €5,000. Extra Board meetings are chargeable at €2,500 per meeting. Ms White is a director of the Administrator, Vistra Fund Services (Guernsey) Limited (formerly Orangefield Legis Fund Services Limited).

The Administrator is also entitled to transaction fee of €2,750 for each dividend and capital repayment event and €100 for each redemption and transfer.

9. Custodian Fees

The Custodian is entitled to a fee of €5,000 per annum, payable quarterly in arrears.

The Custodian is also entitled to a transaction fee, charged on a time cost basis up to a maximum amount of €1,000 for processing the sale or transfer of the Company's holding in Nordic Aktiv Property Fund.

10. Other Creditors

	2015	2014
	€	€
Custodian fees	3,390	1,609
Directors' fees	-	2,268
Audit fee	9,992	9,014
Administration fees	-	9,657
Sundry creditors	44	-
	<u>13,426</u>	<u>22,548</u>

Seven Dials European Property Company Limited

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2015 (continued)

11. Share Capital

The principal rights attaching to the classes of shares are as follows:

Participating Redeemable Preference Shares

At general meetings, every holder who (being an individual) is present in person is entitled to one vote and, on a poll, every holder present in person or by a proxy or by a duly authorised representative shall have one vote for every Participating Redeemable Preference Share held.

The shares confer the right to dividends.

Surplus assets remaining after payment of all liabilities will be distributed to the holders of the Participating Redeemable Preference Shares in accordance with the rights of each class of Participating Redeemable Preference Shares to share in the net assets of the Company, being pro rata to their respective shares of the Net Asset Value as at the Valuation Day immediately preceding the date of liquidation.

Authorised Share Capital

Shares in issue

Participating Redeemable Preference Shares:

	No. of shares	
	2015	2014
- In issue A	275,696	275,696
- In issue B	67,629	67,629
- In issue C	66,633	66,633
- In issue P	18,996	18,996
- In issue R	11,966	11,966
	<u>440,920</u>	<u>440,920</u>

12. Share Premium

Class	2015	2014
	€	€
In respect of Participating Redeemable Preference Shares:		
At 1 January and 31 December	<u>18,432,420</u>	<u>18,432,420</u>
	2015	2014
	€	€
Share Premium	18,432,420	18,432,420
Reserves per 31 December NAV valuation	(17,891,166)	(17,680,626)
Net assets attributable to holders of Participating Redeemable Preference Shares per 31 December NAV valuation	<u>541,254</u>	<u>751,794</u>
Difference due to adjustment of investment's NAV per audited financial statements	(6,360)	(18,923)
Net assets attributable to holders of Participating Redeemable Preference Shares per financial statements	<u>534,894</u>	<u>732,871</u>

Seven Dials European Property Company Limited

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2015 (continued)

12. Share Premium (continued)

	Class-specific NAV		No. of shares		NAV per share	
	2015	2014	2015	2014	2015	2014
	€	€	€	€	€	€
- In issue A	330,932	452,544	275,696	275,696	1.200351	1.641460
- In issue B	84,087	114,987	67,629	67,629	1.243357	1.700262
- In issue C	83,642	115,792	66,633	66,633	1.255264	1.737758
- In issue P	22,587	30,888	18,996	18,996	1.189040	1.626027
- In issue R	13,646	18,660	11,966	11,966	1.140398	1.559418
	<u>534,894</u>	<u>732,871</u>	<u>440,920</u>	<u>440,920</u>		

13. Financial Risk Management

The main risks arising from the Company's financial instruments are interest rate, market price, credit / counterparty risk, liquidity and foreign currency risks.

a) Interest Rate Risk

The Company is exposed to risk associated with the effects of fluctuations in the prevailing levels of market interest rates on its cash positions.

The interest rate profile of the financial assets is as follows:

	Non-interest bearing financial assets	Floating rate financial assets	Fixed rate financial assets	Total
	€	€	€	€
31 December 2015	<u>372,989</u>	<u>175,989</u>	-	<u>548,978</u>
31 December 2014	<u>756,770</u>	<u>11,149</u>	-	<u>767,919</u>

The above analysis excludes short-term receivables and payables attributable to holders of Participating Redeemable Preference Shares which are non-interest bearing. The floating rate financial assets and liabilities comprise bank balances, which receive interest based on Kleinwort Benson's base rate.

Given the low interest rates which the Company receives, interest is no longer deemed a material income to the Company and as such no further disclosure is deemed necessary.

b) Market Price Risk

The investment held by the Company is subject to normal market fluctuations and the risks inherent in property market investments, thus there can be no assurance that appreciation will occur. The value of the investment and any income derived therefrom may fall as well as rise and investors may not recoup the original amount invested in the Company. The Directors monitor the market value of the investment on an ongoing basis.

Seven Dials European Property Company Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015 (continued)

13. Financial Risk Management (continued)

a) Interest Rate Risk (continued)

The above analysis excludes short-term receivables and payables attributable to holders of Participating Redeemable Preference Shares which are non-interest bearing. The floating rate financial assets and liabilities comprise bank balances, which receive interest based on Kleinwort Benson's base rate.

Given the low interest rates which the Company receives, interest is no longer deemed a material income to the Company and as such no further disclosure is deemed necessary.

b) Market Price Risk

The investment held by the Company is subject to normal market fluctuations and the risks inherent in property market investments, thus there can be no assurance that appreciation will occur. The value of the investment and any income derived therefrom may fall as well as rise and investors may not recoup the original amount invested in the Company. The Directors monitor the market value of the investment on an ongoing basis.

The Company's sensitivity to a 10% increase or decrease in market prices is as follows:

	Percentage change in market	Investment €	Impact on Balance Sheet €
31 December 2015	10	372,989	37,299
31 December 2014	10	398,545	39,855

c) Credit/Counterparty Risk

The Company is exposed to credit risk on the counterparties with whom it trades, that these counterparties may not perform their obligations and that settlement of transactions may not occur. It is the Directors' policy to enter into financial arrangements with a reputable counterparty and on this basis places its cash and cash equivalents with Kleinwort Benson. Among European banks, Kleinwort Benson is one of the best capitalised banks in terms of its Tier 1 ratio, which is well in excess of both internal and regulatory targets.

d) Liquidity Risk

The Company's assets consist mainly of the investment in collective investment schemes and cash. The main liability of the Company is the redemption of Participating Redeemable Preference Shares that investors wish to sell back to the company. Liquidity risk may arise from the potential inability to redeem an investment in a financial instrument without undue delay at a price close to market value. The number of shares that may be redeemed on a dealing date can be limited to 5% of the total number of Participating Redeemable Preference Shares in issue should the manager deem it necessary. The deferred amount may be carried forward to the next dealing date. The directors also have the ability to suspend dealing and took this action on 27th February 2009. Dealing of the company's shares remains suspended.

As such the Company has limited liquidity risk and has cash balances well in excess of the amount of creditors due within the next year.

e) Currency Risk

The Company's assets may be acquired in currencies other than the base currency of the Company. Investments may be acquired in a wide range of currencies, some of which may be affected by currency movements. The Net Asset Value of the Company may rise or fall due to exchange rate fluctuations. This risk is mitigated by holding the majority of net assets in the base currency. There is, therefore, no significant exposure to currency risk.

Seven Dials European Property Company Limited

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2015 (continued)

13. Financial Risk Management (continued)

e) Currency Risk (continued)

The currency exposure is as follows:

		Investments	Cash	Other net assets / (liabilities)	Total
		€	€	€	€
31 December 2015	EUR	372,989	175,989	6,198	555,176
	GBP	-	-	(20,282)	(20,282)
	Total	<u>372,989</u>	<u>175,989</u>	<u>(14,084)</u>	<u>534,894</u>
31 December 2014	EUR	398,545	11,149	343,459	753,153
	GBP	-	-	(20,282)	(20,282)
	Total	<u>398,545</u>	<u>11,149</u>	<u>323,177</u>	<u>732,871</u>

f) Capital risk management

The capital of the Company is represented by the net assets attributable to holders of participating redeemable preference shares. The amount of net assets attributable to holders of redeemable preference shares can change significantly as a result of subscriptions and redemptions. The Company's objective when managing capital is to safeguard the Company's abilities to continue as a going concern in order to provide returns.

In order to manage this risk, the Directors have the ability to suspend the production of the annual NAV and as such, both subscription and redemption of shares will also be suspended.

15. Related Parties

Mr Renny is a director of Nordic Active General Partner Limited, the General Partner of the Nordic Active Property Fund.

Ms White is a director of the Administrator, Vistra Fund Services (Guernsey) Limited (formerly Orangefield Legis Fund Services Limited).

16. Ultimate Controlling Party

There is deemed to be no Ultimate Controlling Party as defined by FRS 102.

17. Transition to FRS 102

This is the first year that the Company has presented its results under FRS 102. The last financial statements under the UK GAAP were for the year ended 31 December 2014. The date of transition to FRS 102 was 1 January 2014. Changes to accounting policies, as a consequence of adopting FRS 102, have been of a narrative nature only. There have been no changes to the recognition or measurement bases of transactions and balances and therefore there has been no changes to the results or total equity of prior periods.