

# KLOSTERSTRÆDE 1 ApS

Holbergsgade 14, 2 tv  
1057 København K

Annual report  
1 August 2016 - 31 July 2017

**The annual report has been presented and  
approved on the company's general meeting the**

**30/11/2017**

**Jacob Schou Midtgaard**  
**Chairman of general meeting**

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# Company information

**Reporting company** KLOSTERSTRÆDE 1 ApS  
Holbergsgade 14, 2 tv  
1057 København K

CVR-nr: 36392703  
Reporting period: 01/08/2016 - 31/07/2017

**Auditor** ERNST & YOUNG GODKENDT REVISIONSPARTNERSELSKAB  
Osvald Helmuths Vej 4  
2000 Frederiksberg  
DK Denmark

# Statement by Management

The Executive Board have today considered and approved the annual report of Klosterstræde 1 ApS for the financial year 01.08.2016 - 31.07.2017.

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 31.07.2017 and of the results of its operations for the financial year 01.08.2016 - 31.07.2017.

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.

Copenhagen, the 20/11/2017

## Management

Jakob Schou Midtgaard

Peter John Baxter

# The independent auditor's report on financial statements

To the shareholders of KLOSTERSTRÆDE 1 ApS

## Opinion

We have audited the financial statements of KLOSTERSTRÆDE 1 ApS for the financial year 01.08.2016 - 31.07.2017, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's financial position at 31.07.2017 and of the results of the Company's operations for the financial year 01.08.2016 - 31.07.2017 in accordance with the Danish Financial Statements Act.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Responsibilities of management for the financial statements

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

In preparing the Financial Statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the Financial Statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

## Auditor's responsibility

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

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusion is 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 Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

### **Statement on the management's review**

Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financial Statements Act.

Based on our procedures, we conclude that Management's Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act.

We did not identify any material misstatement of the Management's Review.

Copenhagen, 20/11/2017

Henrik Reedtz  
State Authorised Public Accountant

ERNST & YOUNG GODKENDT REVISIONSPARTNERSELSKAB  
CVR: 30700228

# Management's Review

## **Primary activities**

The Company's main activity is to own and manage real estate and related services.

## **Development in activities and finances**

The result of the year is a profit of 586 TDKK. Fair value adjustment for the year 124 TDKK, which is due to recognition of lease smoothing for the financial year. A positive result is expected for the financial year 2017/18.



# Accounting Policies

The annual report has been prepared in accordance with the regulation applying to Reporting class B.

## 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.

Effective 1. August 2016, the Company has adopted act nr. 738 of 1 June 2015. With the exception of the new and changed presentation and disclosure requirements, which follow from act no. 738 of 1 June 2015, the accounting policies are consistent with those of last year.

This annual report's comparative financial year period is 10 months, and differs from this year's period length, which is 12 months.

## 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.

## Income statement

### Gross profit or loss

Gross profit or loss comprises revenue, property costs and external expenses.

### Revenue

Revenue comprises rental income and tenant's contribution to overhead costs and is recognized in the income statement. Rental income is accrued to cover the period up to the end of the financial year.

### Other external expenses

Other external expenses comprise costs for administration.

### Other financial expenses

Other financial expenses comprise interest expenses and amortisation of loan cost.

**Tax on profit/loss for the year**

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries in equity.

The Company participates in a Danish joint taxation arrangement in which Vimmelskftet 30 Holding ApS serves as the administration company. 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 at fair value which represents the amount at which the individual property may be sold to an independent buyer. The investment property has been valued based on an external estate agent's valuation using the Direct Capitalisation approach. 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 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.

**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. Mortgage debt is subsequently measured at amortised cost. This means that the difference between the proceeds at the time of borrowing and the nominal repayable amount of the loan is recognised in the income statement as a financial expense over the term of the loan applying the effective interest method.

**Other financial liabilities**

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

**Income tax receivable or payable**

Current tax payable or receivable is recognised in the balance sheet as a receivable from or payable to group enterprises, stated as tax calculated on this year's taxable income, adjusted for prepaid tax.

**Deferred income**

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

# Income statement 1 Aug 2016 - 31 Jul 2017

	Disclosure	2016/17 kr.	2015/16 kr.
<b>Gross Result .....</b>		<b>991,000</b>	<b>-103,000</b>
<b>Profit (loss) from ordinary operating activities .....</b>		<b>991,000</b>	<b>-103,000</b>
Income from other investments and receivables that are fixed assets .....		-124,000	500,000
Other finance expenses .....		-156,000	-60,000
<b>Profit (loss) from ordinary activities before tax .....</b>		<b>711,000</b>	<b>337,000</b>
Tax expense .....	1	-125,000	-74,000
<b>Profit (loss) .....</b>		<b>586,000</b>	<b>263,000</b>
<b>Proposed distribution of results</b>			
Proposed dividend recognised in equity .....		700,000	8,865,000
Retained earnings .....		-114,000	-8,602,000
<b>Proposed distribution of profit (loss) .....</b>		<b>586,000</b>	<b>263,000</b>

# Balance sheet 31 July 2017

## Assets

	Disclosure	2016/17 kr.	2015/16 kr.
Land and buildings .....		14,500,000	14,500,000
<b>Property, plant and equipment .....</b>	<b>2</b>	<b>14,500,000</b>	<b>14,500,000</b>
<b>Total non-current assets .....</b>		<b>14,500,000</b>	<b>14,500,000</b>
Receivables from group enterprises .....		18,000	18,000
Tax receivables .....		0	13,000
Other receivables .....		679,000	794,000
<b>Receivables .....</b>		<b>697,000</b>	<b>825,000</b>
Cash and cash equivalents .....		1,963,000	1,567,000
<b>Current assets .....</b>		<b>2,660,000</b>	<b>2,392,000</b>
<b>Total assets .....</b>		<b>17,160,000</b>	<b>16,892,000</b>

# Balance sheet 31 July 2017

## Liabilities and equity

	Disclosure	2016/17 kr.	2015/16 kr.
Contributed capital .....		50,000	50,000
Retained earnings .....		6,752,000	6,866,000
Proposed dividend .....		700,000	0
<b>Total equity .....</b>		<b>7,502,000</b>	<b>6,916,000</b>
Mortgage debt .....		8,913,000	8,879,000
Tax payables .....		36,000	0
<b>Long-term liabilities other than provisions, gross .....</b>	<b>3</b>	<b>8,949,000</b>	<b>8,879,000</b>
Trade payables .....		21,000	173,000
Other payables, including tax payables, liabilities other than provisions .....		688,000	924,000
<b>Short-term liabilities other than provisions, gross .....</b>		<b>709,000</b>	<b>1,097,000</b>
<b>Liabilities other than provisions, gross .....</b>		<b>9,658,000</b>	<b>9,976,000</b>
<b>Liabilities and equity, gross .....</b>		<b>17,160,000</b>	<b>16,892,000</b>

# Statement of changes in equity 1 Aug 2016 - 31 Jul 2017

	Contributed capital	Retained earnings	Proposed dividend recognised in equity	Total
	kr.	kr.	kr.	kr.
Equity, beginning balance .....	50,000	6,866,000	0	6,916,000
Profit (Loss) .....	0	-114,000	700,000	586,000
Equity, ending balance .....	50,000	6,752,000	700,000	7,502,000

# Disclosures

## 1. Tax expense

	2016/17 kr.	2015/16 kr.
Current tax	49.000	0
Changes in deferred tax	107.000	74.000
Prior year adjustments	-31.000	0
	<u>125.000</u>	<u>74.000</u>

## 2. Property, plant and equipment

	<b>Investment property kr.</b>
Cost, beginning of year	15.751.000
Increase	0
Decrease	0
<b>Cost, end of year</b>	<b>15.751.000</b>
Fair value adjustment beginning of year	-1.251.000
Fair value adjustment for the year	-124.000
Straight-line revenue recognition, accrual for the year	124.000
<b>Fair value adjustment end of year</b>	<b>-1.251.000</b>
<b>Carrying ammount end of year</b>	<b>14.500.000</b>

The investment property has been valued based on an external estate agent's valuation using the Direct apitalisation approach. The estate agent has set the required rate of return at 7.28 %. The budgeted rental income has been determined based on leases entered into. The operating expenses of the property – including maintenance costs that often have an aperiodic structure – have been determined using an on-average basis. The return set for the year has been capitalised by the required rate of return defined. Based on this, the investment property has been recognised at DKK 14.500k.

The sensitivity related to the calculation can be reflected as follows:

Value at a rate of return of 7.03% (7.28% less 0.25%) DKK 15.000k

Value at a rate of return of 7.53% (7.28% plus 0.25%) DKK 14.000k

The valuation of the property is based on estimates and relies on a number of uncertain factors, including expected developments in the property market and the attractiveness of the property. The Company believes that the external estate agent's valuation is the best measure of the value of the property at 31 July 2017.

## 3. Long-term liabilities other than provisions, gross

Mortgage debt at maturity after 5 years DKK 8.913.000.

## 4. Disclosure of contingent liabilities

The Company participates in a Danish joint taxation arrangement in which Vimmelskafte 30 Holding 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 income year 2015 for income taxes etc for the jointly taxed companies and for obligations, if any, relating to the withholding of tax on interest, royalties and divi-dend for the jointly taxed companies.



## **5. Disclosure of mortgages and collaterals**

Conservative gearing in form of third party senior bank debt are secured in way of first ranking property.

## **6. Disclosure of ownership**

### **Related parties with control**

- The company is 100 % owned by Vimmelskftet 30 Holding ApS.**
- Vimmelskftet 30 ApS is included in the consolidated financial statements for M&G European Property Fund SICAV-FIS at the lowest and highest level.**