

**Vimmelskiftet 32-34 K/S
Central Business Registration No
36538856
C/O Deloitte, Weidekampsgade 6
2300 København S**

Annual report 2015/2016

The Annual General Meeting adopted the annual report on 29.12.2016

Chairman of the General Meeting

Name: Peter Baxter

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Entity details

Entity

Vimmelskftet 32-34 K/S
C/O Deloitte, Weidekampsgade 6
2300 København S

Central Business Registration No: 36538856

Registered in: København

Financial year: 11.02.2015 - 31.07.2016

Executive Board in the general partner M&G European Property GP 1 S.a r.l.

Peter Baxter

Brownyn Salvat-Winther

Auditors

ERNST & YOUNG Godkendt Revisionspartnerselskab

Osvald Helmuths Vej 4

Postboks 250

2000 Frederiksberg

Statement by Management on the annual report

The Executive Board have today considered and approved the annual report of Vimmelskftet 32-34 K/S for the financial year 11.02.2015 - 31.07.2016.

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 31.07.2016 and of the results of its operations for the financial year 11.02.2015 - 31.07.2016.

We recommend the annual report for adoption at the Annual General Meeting.

København, 29.12.2016

Executive Board in the general partner M&G European Property GP 1 S.a r.l.

Peter Baxter

Brownyn Salvat-Winther

Independent auditor's report

To the owner of Vimmelskftet 32-34 K/S

Report on the financial statements

We have audited the financial statements of Vimmelskftet 32-34 K/S for the financial year 11.02.2015 - 31.07.2016, 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 31.07.2016 and of the results of its operations for the financial year 11.02.2015 - 31.07.2016 in accordance with the Danish Financial Statements Act.

København, 29.12.2016

ERNST & YOUNG

Godkendt Revisionspartnerselskab

Henrik Reedtz

State Authorised Public Accountant

CVR-nr. 30700228

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class B enterprises with addition of certain provisions for reporting class C.

This annual report is the entity's first year and comprised a financial period of 17 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, other operating income, property costs and external expenses.

Revenue

Revenue comprise 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.

Accounting policies

Fair value adjustment of investment properties

Fair value adjustment of investment properties comprises adjustments for the financial year of the Entity's investment properties at fair value.

Other external expenses

Other external expenses comprise costs for administration.

Property costs

Property costs include costs incurred to operate the Entity's properties in the financial year, including repair and maintenance costs, property tax and electricity, water and heating, which are not charged directly from the lessee.

Other financial expenses

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

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.

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.

Accounting policies

Other financial liabilities

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

Deferred income

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

Income statement for 2015/2016**11.02.2015 -
31.07.2016****DKK****Notes****17 months****Gross profit****11.245.292**

Other financial expenses

(2.559.122)**Profit/loss from ordinary activities before fair value adjustments****8.686.170**

Fair value adjustment of investment properties

19.989.712**Profit/loss for the year****28.675.882****Proposed distribution of profit/loss**

Retained earnings

28.675.882**28.675.882**

Balance sheet at 31.07.2016

	<u>Notes</u>	<u>31.07.2016 DKK</u>
Investment property		<u>276.000.000</u>
Property, plant and equipment	1	<u>276.000.000</u>
 Fixed assets		 <u>276.000.000</u>
 Other short-term receivables		<u>425.837</u>
Receivables		<u>425.837</u>
 Cash		 <u>12.453.990</u>
 Current assets		 <u>12.879.827</u>
 Assets		 <u><u>288.879.827</u></u>

Balance sheet at 31.07.2016

	<u>Notes</u>	<u>31.07.2016 DKK</u>
Contributed capital		135.250.000
Distributions		(4.270.385)
Retained earnings		28.675.882
Equity		<u>159.655.497</u>
Mortgage debts		124.352.234
Deposits		1.166.362
Non-current liabilities other than provisions	2	<u>125.518.596</u>
Trade payables		880.121
Debt to group enterprises		1.334.302
Other payables		1.106.503
Deferred income		384.808
Current liabilities other than provisions		<u>3.705.734</u>
Liabilities other than provisions		<u>129.224.330</u>
Equity and liabilities		<u>288.879.827</u>
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Statement of changes in equity for 2015/2016

	Contributed capital DKK	Distributi- ons DKK	Retained earnings DKK	Total DKK
Contribution concerning formation of entity	132.500.000	0	0	132.500.000
Increase of capital	2.750.000	0	0	2.750.000
Other adjustments	0	(4.270.385)	0	(4.270.385)
Profit/loss for the year	0	0	28.675.882	28.675.882
Equity end of year	135.250.000	(4.270.385)	28.675.882	159.655.497

The entire contributed capital is paid in.

Notes

	Investment property DKK
1. Property, plant and equipment	
Additions	256.010.288
Cost end of year	256.010.288
Fair value adjustments for the year	19.989.712
Fair value adjustments end of year	19.989.712
Carrying amount end of year	276.000.000

The investment property has been valued based on an external estate agent's valuation using the Direct Capitalisation approach. The estate agent has set the required rate of return at 3.68 %. 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 276.000k.

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

Value at a rate of return of 3.43% (3.68% less 0.25%)	DKK 296.000k
Value at a rate of return of 3.93% (3.68% plus 0.25%)	DKK 258.500k

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 2016.

	Outstanding after 5 years 2015/2016 DKK
2. Long-term liabilities other than provisions	
Mortgage debts	124.352.234
Deposits	1.166.362
	125.518.596

Notes

3. Assets charged and collateral

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

4. Related parties with control

- The company's general partner is M&G European Property GP 1 S.Á.R.L., Luxembourg.
- The company is 100 % owned by Vimmelskftet S.á.r.l.
- Vimmelskftet 32-34 K/S is included in the consolidated financial statements of M&G European Property Fund SICAV-FIS at the lowest and highest level.

5. Main activity

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