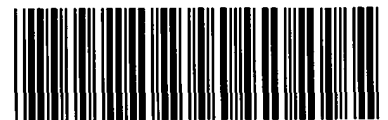

BARINGS REAL ESTATE ADVISERS EUROPE FINANCE LLP

Members' report and financial statements

for the year ended 31 December 2017

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BARINGS REAL ESTATE ADVISERS EUROPE FINANCE LLP

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BARINGS REAL ESTATE ADVISERS EUROPE FINANCE LLP

Information

| | |
|------------------------------|--|
| Members | Barings Real Estate UK Holdings Ltd Barings Real Estate Advisers (Continental Europe) Ltd |
| LLP registered number | OC307893 |
| Registered office | Southwest House 11a Regent Street London SW1Y 4LR |
| Independent auditor | KPMG LLP 15 Canada Square Canary Wharf London E14 5GL |
| Bankers | Barclays Bank 1 Churchill Place Canary Wharf London EC2V 7HN |

BARINGS REAL ESTATE ADVISERS EUROPE FINANCE LLP

Members' Report for the year ended 31 December 2017

The members present their annual report together with the audited financial statements of Barings Real Estate Advisers Europe Finance LLP ("the LLP" or "the Firm") for the year ended 31 December 2017.

RESULTS

The total comprehensive loss for the year after taxation amounted to £504,418 (2016: £479,427).

PRINCIPAL ACTIVITIES

The LLP was incorporated on 6 May 2004 and commenced trading on that date.

The principal object of the LLP is to provide real estate investment management services.

DESIGNATED MEMBERS

Barings Real Estate UK Holdings Ltd and Barings Real Estate Advisers (Continental Europe) Ltd were designated members of the LLP throughout the period.

MEMBERS' CAPITAL AND INTERESTS

Details of changes in members' capital and interests in the year ended 31 December 2017 are set out in the financial statements.

Members are permitted to make drawings in anticipation of profits which will be allocated to them. The amount of such drawings is set at the beginning of each financial year, taking into account the anticipated cash needs of the LLP. Profits are divided between the members in accordance with the members' agreement and money will only be drawn when the Firm has sufficient funds to maintain and develop the business.

EMPLOYEES

It is the LLP's policy to treat all employees and potential employees equally and to give full consideration to suitable applications for employment from disabled persons, where they have the necessary abilities and skills for the position, and wherever possible to retrain employees who become disabled, so that they can continue their employment, if necessary in another position.

OVERSEAS BRANCHES

The LLP has an overseas branch in the Netherlands which it operated during the year.

GOING CONCERN

As at 31 December 2017 the Firm has net assets of £1,382,978 (2016: £1,387,396). The members consider that the financial resources available to Barings Real Estate Advisers Europe Finance LLP are adequate to meet its operational needs for the foreseeable future. The Firm is currently subject to a group reorganization as detailed in note 15 and as part of this process it is possible that its activities will be wound down and performed instead by an affiliate entity within the organization. This process is not however envisaged to occur within the next twelve months and consequently the going concern basis has been adopted in preparing these financial statements.

DISCLOSURE UNDER PILLAR III OF THE BASEL II FRAMEWORK

Remuneration Philosophy

The Firm believes that its employees should be remunerated in a manner that rewards achievement. Remuneration should reflect the contribution towards the success of the business and the level of service and performance delivered to the LLP and clients. It is equally important that remuneration is consistent with and promotes sound and effective risk management

Remuneration oversight

The Firm's remuneration arrangements encompass fixed and discretionary elements including discretionary bonuses in accordance with agreed arrangements. The Firm has a remuneration committee (the Remuneration Committee, 'Remco') that comprises the Chairman and the Chief Administration Officer of the Firm's indirect parent, Barings LLC, (together with its subsidiaries, "the Group") which in turn reports to the MassMutual Financial Group remuneration committee.

Remco is responsible for setting and implementing the Firm's remuneration policy, reviewing this periodically and approving any changes. Remco also reviews and approves the Firm's annual promotions, compensation awards and exercises oversight over any material changes that may be proposed to the Firm's compensation structures. Remco does not represent functional business constituencies. It considers compensation proposals put forward by the heads of business departments and may challenge the proposals where appropriate. It has access to consultant research and advice from Willis Towers Watson, compensation specialists.

Link between pay and performance

Each employee has clear individual objectives set. As part of the annual Performance Management Review ('PMR') process, an assessment of performance is made based on a combination of assessment against individual objectives (these may be financial), managerial competencies, personal competencies and corporate citizenship, as well as an assessment against the job description.

The Firm's compensation structures are designed to support and further the Group's business strategy, objectives, values and long-term interests. Compensation packages aim to facilitate the retention of existing employees and attract high caliber new employees in order to achieve the best results for the Group and its clients.

Compensation arrangements for the Firm's employees comprise some or all of the following components:

1. Fixed salary
2. Short term incentive scheme ("STI")
3. Long term incentive scheme ("LTI")

The Firm's remuneration arrangements are designed to align the interests of staff with the Group's profits and with the performance of the assets that the Firm manages for its clients. The key principle of STI and LTI is that they are linked to the performance of the individual and to the Group. Individual performance is assessed by reference to personal objectives set in the previous year (including both financial and non-financial criteria), the views of line and senior management and compliance behaviour. The total amount of variable remuneration available for STI and LTI in any given performance year is based on the profits of the Group.

Investment managers are assessed upon investment performance (which is over one and three years) and also on areas such as regulatory, corporate citizenship and client service. Typically, a fund manager would have 50% to 75% of their year-end assessment linked to investment performance. The balance is assessed qualitatively by observing the three elements above. Senior management, sales and client service staff and staff in control functions are also assessed on areas such as regulatory, corporate citizenship and client service.

The Firm is committed to the principles of Treating Customers Fairly ('TCF') and this is embedded in the culture of the Firm and its PMR process.

BARINGS REAL ESTATE ADVISERS EUROPE FINANCE LLP

Members' Report for the year ended 31 December 2017

AGGREGATE REMUNERATION OF CODE STAFF EMPLOYED BY THE FIRM

The total remuneration in 2017 of the senior management either directly employed by the Firm or engaged to work for the Firm through service contracts with affiliate entities and whose actions have a material impact on the risk profile of the Firm was £3,319,500 (2016: £3,126,750). The total remuneration in 2017 of other members of staff whose actions have a material impact on the risk profile of the Firm was £1,179,905 (2016: £900,121).

The LLP does not apply the requirement to disclose the ratios between fixed and variable remuneration set in accordance with BIPRU 11.5.18 (7) (a) under the proportionality principle.

AUDITOR

The members who held office at the date of approval of this members' report confirm that, so far as they are each aware, there is no relevant audit information of which the Firm's auditor is unaware; and each member has taken all the steps that he/she ought to have taken as a member to make himself/herself aware of any relevant audit information and to establish that the Firm's auditor is aware of that information.

Pursuant to Section 487 of the Companies Act 2006, as applied to the Firm by the Limited Liability Partnerships (Accounts and Audit) Application of Companies Act Regulations 2008 the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

This report was approved by the members on 23 April 2018 and signed on their behalf by:



Julian Timothy Swayne
Director, Barings Real Estate UK Holdings Ltd (Designated member)
Registered Number: 7076171

BARINGS REAL ESTATE ADVISERS EUROPE FINANCE LLP

Members' Responsibilities Statement for the Year Ended 31 December 2017

The members are responsible for preparing the Members' Report and the financial statements in accordance with applicable law and regulations.

The Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 require the members to prepare financial statements for each financial year. Under that law the members have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

Under Regulation 8 of the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 the members 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 LLP and of its loss for that period. In preparing these financial statements, the members are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the LLP's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the LLP or to cease operations, or have no realistic alternative but to do so.

Under Regulation 6 of the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008, the members are responsible for keeping adequate accounting records that are sufficient to show and explain the LLP's transactions and disclose with reasonable accuracy at any time the financial position of the LLP and enable them to ensure that its financial statements comply with those regulations. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the LLP and to prevent and detect fraud and other irregularities.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
BARINGS REAL ESTATE ADVISERS EUROPE FINANCE LLP**

Opinion

We have audited the financial statements of Barings Real Estate Advisors Europe Finance LLP ("the LLP") for the year ended 31 December 2017 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Members' Interests and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view, of the state of affairs of the LLP as at 31 December 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- have been prepared in accordance with the requirements of the Companies Act 2006 as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the LLP in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Other information

The members are responsible for the other information, which comprises the members' report. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work, we have not identified material misstatements in the other information.

Matters on which we are required to report by exception

Under the Companies Act 2006 as applied to limited liability partnerships we are required to report to you if, in our opinion:

- *adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or*
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit

We have nothing to report in these respects.

Members' responsibilities

As explained more fully in their statement set out on page 5, the members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the LLP's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the LLP or to cease operations, or have no realistic alternative but to do so.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
BARINGS REAL ESTATE ADVISERS EUROPE FINANCE LLP**

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at
www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the members of the LLP, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006, as required by Regulation 39 of the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008. Our audit work has been undertaken so that we might state to the LLP'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 LLP and the LLP's members, as a body, for our audit work, for this report, or for the opinions we have formed.



Paul McKechnie (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
E14 5GL

Date: 25 April 2018

BARINGS REAL ESTATE ADVISERS EUROPE FINANCE LLP

Statement of Comprehensive Income for the Year Ended 31 December 2017

| | | 2017 | As Restated 2016 |
|---|------|------------------|------------------------|
| | Note | £ | £ |
| Turnover | 1.5 | 1,635,960 | 2,430,547 |
| Cost of sales | | (145,180) | (860,705) |
| Gross Profit | | 1,490,780 | 1,569,842 |
| Administrative expenses | | (1,888,196) | (2,043,583) |
| Operating loss | 2 | (397,416) | (473,741) |
| Interest receivable and similar income | | 1,951 | 33,851 |
| Investment gains/(losses), including impairment | 7 | (45,301) | 133,960 |
| Unrealised foreign exchange losses | | (63,652) | (173,497) |
| Loss on ordinary activities for the financial year before and after taxation | | (504,418) | (479,427) |
| Total comprehensive loss for the year | | (504,418) | (479,427) |

In arriving at the loss for the year, all the amounts above relate to continuing operations.

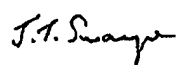
The notes on pages 11 to 20 form part of these financial statements.

BARINGS REAL ESTATE ADVISERS EUROPE FINANCE LLP

Balance Sheet As At 31 December 2017

| | | 2017 | As Restated 2016 |
|--|------|--------------------|------------------------|
| | Note | £ | £ |
| Fixed assets | | | |
| Tangible assets | 5 | 2,322 | 3,179 |
| Investments | 6 | 53,673 | 42,988 |
| | | <u>55,995</u> | <u>46,167</u> |
| Current assets | | | |
| Investments | 7 | 361,472 | 406,773 |
| Debtors | 8 | 1,569,247 | 2,328,777 |
| Cash at bank and in hand | | 1,018,639 | 102,136 |
| | | <u>2,949,358</u> | <u>2,837,686</u> |
| Creditors: Amounts due within one year | 9 | <u>(1,024,936)</u> | <u>(697,597)</u> |
| Net current assets | | <u>1,924,422</u> | <u>2,140,089</u> |
| Total assets less current liabilities | | <u>1,980,417</u> | <u>2,186,256</u> |
| Creditors: Amounts due after more than one year | 10 | <u>(597,439)</u> | <u>(798,860)</u> |
| Net assets attributable to members | | <u>1,382,978</u> | <u>1,387,396</u> |
| Represented by: | | | |
| Members' other interests | | | |
| Members Capital | | 2,793,328 | 2,293,328 |
| Other Reserves | | <u>(1,410,350)</u> | <u>(905,932)</u> |
| | | <u>1,382,978</u> | <u>1,387,396</u> |
| Total members' interests | | <u>1,382,978</u> | <u>1,387,396</u> |

The financial statements were approved and authorised for issue by the members and were signed on their behalf on 23 April 2018.



Julian Timothy Swayne
Director, Barings Real Estate UK Holdings Ltd (Designated member)
Registered Number: 7076171

The notes on pages 11 to 20 form part of these financial statements.

BARINGS REAL ESTATE ADVISERS EUROPE FINANCE LLP

Statement of Changes in Members Interests As at 31 December 2017

| | | As Restated | As Restated |
|---|---|------------------------------------|-------------------------------|
| | Members capital (Classified as equity) £ | Retained earnings £ | Total equity £ |
| Members' interests: balance at 1 January 2016 | 2,293,328 | (426,505) | 1,866,823 |
| Total Comprehensive Loss available for discretionary division among members | - | (479,427) | (479,427) |
| Members' interests after loss for the year | 2,293,328 | (905,932) | 1,387,396 |
| Capital amounts introduced by members | - | - | - |
| Members' interests: balance at 31 December 2016 | 2,293,328 | (905,932) | 1,387,396 |

| | Members capital (Classified as equity) £ | Retained earnings £ | Total equity £ |
|---|---|------------------------------------|-------------------------------|
| Members' interests: balance at 1 January 2017 | 2,293,328 | (905,932) | 1,387,396 |
| Total Comprehensive Loss available for discretionary division among members | - | (504,418) | (504,418) |
| Members' interests after loss for the year | 2,293,328 | (1,410,350) | 882,978 |
| Capital amounts introduced by members | 500,000 | - | 500,000 |
| Members' interests: balance at 31 December 2017 | 2,793,328 | (1,410,350) | 1,382,978 |

The notes on pages 11 to 20 form part of these financial statements.

1. ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements

The financial statements were prepared under the historical cost convention and in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102" or "the Standard") as applied to the Firm by the Limited Liability Partnerships (Accounts and Audit) Application of Companies Act Regulations 2008 and the Companies Act 2006 and the requirements of the Statement of Recommended Practice "Accounting by Limited Liability Partnerships". The Financial Reporting Standard The presentation currency of these financial statements is sterling.

The Partnership is itself a subsidiary Partnership and is exempt from the requirement to prepare group accounts by virtue of section 401 of the Companies Act 2006. These financial statements therefore present information about the Partnership as an individual undertaking and not about its group, details of which are provided in note 13.

The preparation of financial statements in compliance with Financial Reporting Standard 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the entity's accounting policies (see note 14).

The following principal accounting policies have been applied:

1.2 Going concern

As at 31 December 2017 the Firm has net assets of £1,382,978 (2016: £1,387,396). The members consider that the financial resources available to Barings Real Estate Advisers Europe Finance LLP are adequate to meet its operational needs for the foreseeable future. The Firm is currently subject to a group reorganization as detailed in note 15 and as part of this process it is possible that its activities will be wound down and performed instead by an affiliate entity within the organization. This process is not however envisaged to occur within the next twelve months and consequently the going concern basis has been adopted in preparing these financial statements.

1.3 Cash flow

The LLP, being a subsidiary undertaking where 90% or more of the voting rights are controlled within the group whose consolidated financial statements are publicly available, is exempt from the requirement to draw up a cash flow statement in accordance with section 1.12 of the Financial Reporting Standard FRS 102.

1.4 Prior Year Restatements

During the year, the LLP identified that the accounting treatment used for recognising amounts awarded under its long term incentive plan did not appropriately reflect the terms of the plan. Historically the LLP fully expensed long term incentive amounts in the year they were awarded, but due to the plan having a substantive stay period, it is necessary to recognise the costs over the vesting period applicable, with the obligation at the end of each period measured at the present value of the obligation at the reporting date. Accordingly, the LLP has amended the accounting treatment, and in accordance with the requirements of FRS 102 Sn 10.23, the Firm has retrospectively adjusted the comparative information shown in these financial statements. The financial impact of the change can be summarised as follows:

BARINGS REAL ESTATE ADVISERS EUROPE FINANCE LLP

Notes to the Financial Statements For the Period Ended 31 December 2017

| | Restated (£) | As Previously Reported (£) | Impact of Adjustment (£) |
|---|--------------|----------------------------|--------------------------|
| 2016 | | | |
| Administrative expenses | 2,043,583 | 1,887,594 | 155,989 |
| Creditors: Amounts due after more than one year | (798,860) | (946,618) | 147,758 |
| Creditors: Amounts due within one year | (697,597) | (670,066) | 27,531 |
| Brought forward reserves | (426,505) | (703,146) | 276,641 |
| Carried forward reserves | (905,932) | (1,026,583) | 120,651 |

Full details of the policies applied to account for long term incentive schemes is provided in note 1.17.

In addition to the above, in prior years, both the unrealised gains and losses on the revaluation of investments, impairments and impairment reversals on subsidiaries, and the foreign exchange differences arising from the translation of monetary assets or liabilities across the business have been incorrectly taken to other comprehensive income. In accordance with the requirements FRS 102 Sn 10.23, the LLP has therefore retrospectively adjusted the comparative information shown in these financial statements to present these items in the profit and loss account. The financial impact of the change is summarised as follows:

| | Restated (£) | As Previously Reported (£) | Impact of LTI Adjustment (£) | Reclassification out of OCI (£) |
|--|--------------|----------------------------|------------------------------|---------------------------------|
| 2016 | | | | |
| Loss on ordinary activities for the financial year before and after taxation | (479,427) | (283,901) | (155,989) | (39,537) |
| Losses within Other Comprehensive Income | - | (39,537) | - | 39,537 |

The changes above have no effect on the accounts as the LLP is tax transparent.

1.5 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Firm and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

1. ACCOUNTING POLICIES (continued)

- the amount of revenue can be measured reliably;
- it is probable that the Firm will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably, and;
- the costs incurred and the costs to complete the contract can be measured reliably.

1.6 Investments

Fixed asset investments are recorded at cost less provision for impairment. Under the transition arrangements of FRS 102, these investments were initially recorded at deemed cost, being the carrying amount of the assets at the date of transition as determined under the LLP's previous GAAP. Investments which are not expected to be held for continuing use in the business are classified as current assets and valued at fair value. Movements in fair value are recognized in the Statement of Comprehensive Income.

1.7 Tangible fixed assets and depreciation

Tangible fixed assets are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Firm adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the LLP. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives. The estimated useful life for computer equipment is three years.

1.8 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised interest using the effective interest method, less any impairment.

1.9 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months or less from the date of acquisition and that are readily convertible to known amounts of cash

1.10 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

1.11 Operating leases

Rentals under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

1. ACCOUNTING POLICIES (continued)

1.12 Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date.

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction.

Exchange gains and losses are recognised in the Statement of Comprehensive Income.

1.13 Pensions

Defined contribution pension plan

The LLP operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the LLP pays fixed contributions into a separate entity. Once the contributions have been paid the LLP has no further payments obligations. The contributions are recognised as an expense when they fall due. Amounts not paid are shown in accruals in the Balance Sheet. The assets of the plan are held separately from the Firm in independently administered funds.

1.14 Interest Income

Interest income is recognised in the Statement of Comprehensive Income using the effective interest method.

1.15 Tax system

Taxation payable on profits earned during the year is the liability of the members.

The LLP's overseas branch is subject to local corporation tax on its profits for the year. This is then offset against the individual tax liabilities of the members.

1.16 Financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the LLP after deducting all of its liabilities.

1.17 Long Term Incentive Schemes

The Firm operates a long term, deferred remuneration scheme and accrues for amounts payable under this scheme over their applicable vesting periods. In accordance with the requirements of FRS 102, Sn 28.30, the Firm records these accrued liabilities at their present value at the balance sheet date and records the changes in these liabilities in the statement of comprehensive income.

BARINGS REAL ESTATE ADVISERS EUROPE FINANCE LLP

Notes to the Financial Statements For the Period Ended 31 December 2017

2. OPERATING LOSS

The operating loss is stated after charging:

| | 2017 | 2016 |
|--|---------------|---------------|
| | £ | £ |
| Fees payable to the auditor for the audit of the annual accounts | 24,300 | 25,290 |
| Fees payable to the auditor for other services: tax compliance | 7,800 | 7,500 |
| Depreciation | 857 | 696 |
| | <u>32,957</u> | <u>33,486</u> |

3. EMPLOYEES

| | 2017 | 2016 |
|--------------------|------------------|------------------|
| | £ | £ |
| Wages and salaries | 1,307,101 | 1,272,159 |
| Social security | 40,873 | 36,507 |
| Pension costs | 141,745 | 145,508 |
| Other benefits | 8,291 | 7,426 |
| Total | <u>1,498,009</u> | <u>1,461,600</u> |

The average number of employees during the year was:

| | 2017 | 2016 |
|----------------|-------------|-------------|
| Administration | 1 | 1 |
| Professional | 3 | 3 |
| Total | <u>4</u> | <u>4</u> |

4. INFORMATION IN RELATION TO MEMBERS

| | 2017 | 2016 |
|---|-------------|-------------|
| The average number of members during the year was | <u>2</u> | <u>2</u> |

BARINGS REAL ESTATE ADVISERS EUROPE FINANCE LLP

Notes to the Financial Statements For the Period Ended 31 December 2017

5. TANGIBLE FIXED ASSETS

| | Computer equipment |
|--|-------------------------------|
| Cost | £ |
| At 1 January 2017 and 31 December 2017 | 15,785 |
| Depreciation | |
| At 1 January 2017 | 12,606 |
| Charge owned for the period | 857 |
| At 31 December 2017 | <u>13,463</u> |
| Net book value | |
| At 31 December 2017 | <u>2,322</u> |
| At 31 December 2016 | <u>3,179</u> |

6. FIXED ASSET INVESTMENTS

| | Investments in subsidiary companies | Unlisted investments | Total |
|---------------------------|--|---------------------------------|---------------|
| | £ | £ | £ |
| Valuations | | | |
| At 1 January 2017 | 42,988 | - | 42,988 |
| Additions during the year | 10,685 | - | 10,685 |
| At 31 December 2017 | <u>53,673</u> | <u>-</u> | <u>53,673</u> |
| Net book value | | | |
| At 31 December 2017 | <u>53,673</u> | <u>-</u> | <u>53,673</u> |
| At 31 December 2016 | <u>42,988</u> | <u>-</u> | <u>42,988</u> |

BARINGS REAL ESTATE ADVISERS EUROPE FINANCE LLP

Notes to the Financial Statements For the Period Ended 31 December 2017

6. FIXED ASSET INVESTMENTS (continued)

Investments in subsidiary companies comprise investments in management companies and general partners of collective investment schemes managed by the Firm. Unlisted investments comprise equity participations in the Cornerstone German Retail Fund and Nordic Retail Fund which are two of the collective investments schemes the Firm has established.

Both these funds are due to be wound down within the next twelve months and accordingly these investments have been re-classified as current assets together with the associated subsidiary investments in the management companies and general partners that manage these funds as indicated in the table below.

The following were subsidiary undertakings of the LLP as at 31 December 2017:

| Name | Class of shares | Holding | Registered Address | Status |
|---|------------------------|----------------|---|---------------|
| Protego Real Estate Investors GP Ltd | Ordinary | 100% | 11A Southwest House, Regent Street, London, SW1Y 4LR | Dormant |
| PREIF Holdings Limited Partnership | Ordinary | 100% | Blue Square House, 272 Bath Street, Glasgow, Scotland, G2 4JR | Dormant |
| Cornerstone German Retail Fund General Partner BV | Ordinary | 90% | Beursplein 37, 3011 AA Rotterdam, The Netherlands | Active |
| Munster Borkstrasse General Partner BV | Ordinary | 100% | Beursplein 37, 3011 AA Rotterdam, The Netherlands | Active |
| Lanario General Partner BV | Ordinary | 100% | Beursplein 37, 3011 AA Rotterdam, The Netherlands | Active |
| Zafferano General Partner BV | Ordinary | 100% | Beursplein 37, 3011 AA Rotterdam, The Netherlands | Active |
| Triguero General Partner BV | Ordinary | 100% | Beursplein 37, 3011 AA Rotterdam, The Netherlands | Active |
| Bremerhaven General Partner GbmH | Ordinary | 100% | Mareisring 14, 83620 Feldkirchen-Westerham, Germany | Active |
| N.R.F. Management Firm S.à.r.l. | Ordinary | 100% | 2-8 Avenue Charles de Gaulle, L1653 Luxembourg | Active |
| Barings Core Fund GP Sarl | Ordinary | 100% | 6 Rue Eugène Ruppert, L-2453 Luxembourg | Active |
| Barings Core Fund LP Sarl | Ordinary | 100% | 6 Rue Eugène Ruppert, L-2453 Luxembourg | Active |
| Barings Value Add GP S.a.r.l | Ordinary | 100% | 6 Rue Eugène Ruppert, L-2453 Luxembourg | Active |
| Barings Value Add LP S.a.r.l. | Ordinary | 100% | 6 Rue Eugène Ruppert, L-2453 Luxembourg | Active |
| Barings Core Fund Feeder 1 GP SARL | Ordinary | 100% | 6 Rue Eugène Ruppert, L-2453 Luxembourg | Active |

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Notes to the Financial Statements For the Period Ended 31 December 2017

7. CURRENT ASSET INVESTMENTS

| | Investments in subsidiary companies £ | Unlisted investments £ | Total £ |
|---|--|------------------------------|----------------|
| Valuations | | | |
| Investments reclassified from fixed assets at cost | 220,167 | 186,606 | 406,773 |
| Revaluation of investments | - | (23,149) | (23,149) |
| Impairment losses | (22,152) | - | (22,152) |
| At 31 December 2017 | <u>198,015</u> | <u>163,457</u> | <u>361,472</u> |

Reclassifications from fixed asset investments represent investments in collective investment schedules and their management companies due to be wound down within the next twelve months as explained in more detail in note 6. They have been recorded at their net asset value at year end as a best estimate of their fair value."

Investment gains and losses, including impairments amount to a loss of £45,301 in the current year. This comprises impairments of £22,152 and investment revaluations of £23,149. In the prior year the gain of £133,960 comprised reversal of impairment losses of £101,072 and revaluation gains of £32,888.

8. DEBTORS

| | 2017 £ | 2016 £ |
|------------------------------------|------------------|------------------|
| Trade debtors | - | 409,194 |
| Amounts owed to group undertakings | 1,115,877 | 1,332,745 |
| Other taxation and social security | 160,902 | 128,006 |
| Other debtors | 292,468 | 458,832 |
| | <u>1,569,247</u> | <u>2,328,777</u> |

Amounts owed by group undertakings are interest free and payable on demand.

9. CREDITORS:

Amounts falling due within one year

| | 2017 £ | As Restated 2016 £ |
|------------------------------------|------------------|--------------------------|
| Trade creditors | - | 22,126 |
| Other taxation and social security | 163,521 | 137,874 |
| Other creditors and accruals | 861,415 | 537,597 |
| | <u>1,024,936</u> | <u>697,597</u> |

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Notes to the Financial Statements For the Period Ended 31 December 2017

10. CREDITORS:

Amounts falling due in more than one year

| | 2017 | As Restated 2016 |
|------------------------------|---------|---------------------|
| | £ | £ |
| Other creditors and accruals | 597,439 | 798,860 |

Other creditors and accruals represent amounts payable to staff under long term incentive scheme.

11. OPERATING LEASE COMMITMENTS

At 31 December 2017 the LLP had the total of future minimum lease payments under non-cancellable operating leases for the each of the following periods as follows:

| | 2017 | 2016 |
|---|---------|---------|
| | £ | £ |
| Not later than one year | 1,072 | - |
| Later than one year and not later than five years | 182,561 | 223,245 |
| Total | 183,633 | 223,245 |

During the year £60,407 of lease payments was expensed in statement of comprehensive income (2016: £68,468).

12. RELATED PARTY TRANSACTIONS

The LLP has taken advantage of the exemption under section 1.12 of the Financial Reporting Standard FRS 102 ("Related Party Disclosures") and has not disclosed transactions with group undertakings owned 100% by Barings Europe Limited ("BEL" or "the Firm").

13. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The LLP is under the control of the members. The ultimate UK holding Firm in which the results of the LLP are consolidated is BEL.

BEL is indirectly owned and controlled by Barings LLC which is incorporated in the U.S.A. and is itself ultimately owned and controlled by Massachusetts Mutual Life Insurance Firm ("MassMutual"). Both these companies are incorporated in the U.S.A.

The largest group in which the results of the LLP are consolidated is that headed by MassMutual and can be found on their website and the smallest group in which they are consolidated is that headed by BEL

The financial statements of BEL can be obtained from the Firm's trading address and single alternative inspection location at 155 Bishopsgate, London, United Kingdom, EC2M 3XY.

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Notes to the Financial Statements For the Period Ended 31 December 2017

14. JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The members do not believe that there are any judgements or estimates that they have made in the application of these accounting policies that have a significant effect on the financial statements or have a significant risk of material adjustment in the next year.

15. GROUP REORGANISATION

On March 9 2016 MassMutual announced its intention to merge Barings LLC (formerly Babson Capital Management LLC) with three of its affiliate subsidiaries Baring Real Estate Advisors LLC (formerly Cornerstone Real Estate Advisors LLC), Baring Asset Management Limited and Wood Creek Capital Management LLC ("the Merger"). On September 12 2016 the integration completed successfully, and the unified Firm is now operating under the Barings name.

As part of the merger, BEL was established on 5 June 2017 to act as the regional holding Firm for the non-IFPU entities within the European business. Baring Asset Management Limited, the subsidiary entities of Barings (U.K) Ltd and Baring Real Estate UK Holdings Ltd were transferred to the Firm on 29 December 2017. The Firm is a subsidiary of BREUKH and as such was transferred as part of this group reorganization.

16. POST BALANCE SHEET EVENTS

No further significant events have occurred since the Balance Sheet date that require disclosure in the financial statements.