

JPS Aros A/S

Thyrasgade 4

8260 Viby J

Central Business Registration No

32146082

Annual report 2017/18

The Annual General Meeting adopted the annual report on 20.06.2018

Chairman of the General Meeting

Name: Peter Nørgaard Andersen

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Entity details

Entity

JPS Aros A/S
Thyrasgade 4
8260 Viby J

Central Business Registration No: 32146082

Registered in: Aarhus

Financial year: 01.05.2017 - 30.04.2018

Board of Directors

Peter Nørgaard Andersen, Chairman
Jan Rasmussen
Søren Christian Madsen

Executive Board

Jan Rasmussen

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
City Tower, Værkmestergade 2
8000 Aarhus C

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of JPS Aros A/S for the financial year 01.05.2017 - 30.04.2018.

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 30.04.2018 and of the results of its operations for the financial year 01.05.2017 - 30.04.2018.

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.

Aarhus, 20.06.2018

Executive Board

Jan Rasmussen

Board of Directors

Peter Nørgaard Andersen
Chairman

Jan Rasmussen

Søren Christian Madsen

Independent auditor's report

To the shareholders of JPS Aros A/S

Opinion

We have audited the financial statements of JPS Aros A/S for the financial year 01.05.2017 - 30.04.2018, 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 Entity's financial position at 30.04.2018 and of the results of its operations for the financial year 01.05.2017 - 30.04.2018 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board of 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 requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibilities 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 Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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 scepticism throughout the audit. We also:

Independent auditor's report

- 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 Entity'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 Entity'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 conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, 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 commentary

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, 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 the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Independent auditor's report

Based on the work we have performed, we conclude that the management commentary is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management commentary.

Aarhus, 20.06.2018

Deloitte

Statsautoriseret Revisionspartnerselskab

Central Business Registration No: 33963556

Jakob Boutrup Ditlevsen

State Authorised Public Accountant

Identification number (MNE) mne27725

Management commentary

Primary activities

The Company owns and leases out rental properties. The properties are mainly situated in Thisted, Hobro, Randers, Vejle and Odense.

The Company's properties comprise 553 dwelling leases and 33 commercial leases.

Development in activities and finances

The Company realised a profit before tax of DKK 81,236k for the financial year. Management considers profit for the year satisfactory.

The operation and rental situation of the Company's properties is satisfactory. In the coming years, Management will attempt to ensure continued stable operations in the Company.

In the next financial year, Management expects to continue the maintenance level of the Company's properties.

Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

Income statement for 2017/18

	<u>Notes</u>	<u>2017/18</u> <u>DKK</u>	<u>2016/17</u> <u>DKK</u>
Gross profit		24.196.632	24.621.450
Fair value adjustments of investment property		80.640.805	0
Staff costs	1	(4.432.870)	(4.118.201)
Depreciation, amortisation and impairment losses		<u>(44.167)</u>	<u>(68.368)</u>
Operating profit/loss		100.360.400	20.434.881
Other financial income		765.643	12.717
Other financial expenses		<u>(19.889.857)</u>	<u>(5.944.787)</u>
Profit/loss before tax		81.236.186	14.502.811
Tax on profit/loss for the year		<u>(17.871.808)</u>	<u>(3.190.683)</u>
Profit/loss for the year		<u>63.364.378</u>	<u>11.312.128</u>
Proposed distribution of profit/loss			
Retained earnings		<u>63.364.378</u>	<u>11.312.128</u>
		<u>63.364.378</u>	<u>11.312.128</u>

Balance sheet at 30.04.2018

	<u>Notes</u>	<u>2017/18</u> <u>DKK</u>	<u>2016/17</u> <u>DKK</u>
Investment property		480.528.006	399.887.201
Other fixtures and fittings, tools and equipment		0	44.167
Property, plant and equipment	2	<u>480.528.006</u>	<u>399.931.368</u>
Fixed assets		<u>480.528.006</u>	<u>399.931.368</u>
Trade receivables		994.103	1.114.118
Receivables from group enterprises		3.555.639	1.452.859
Other receivables		186.703	60.211
Joint taxation contribution receivable		1.618.192	316.374
Receivables		<u>6.354.637</u>	<u>2.943.562</u>
Cash		<u>108.972</u>	<u>4.375.672</u>
Current assets		<u>6.463.609</u>	<u>7.319.234</u>
Assets		<u>486.991.615</u>	<u>407.250.602</u>

Balance sheet at 30.04.2018

	<u>Notes</u>	<u>2017/18</u> <u>DKK</u>	<u>2016/17</u> <u>DKK</u>
Contributed capital		45.000.000	15.000.000
Retained earnings		53.211.484	(10.152.894)
Equity		<u>98.211.484</u>	<u>4.847.106</u>
Deferred tax		28.725.000	9.235.000
Provisions		<u>28.725.000</u>	<u>9.235.000</u>
Mortgage debts		313.900.980	362.800.000
Joint taxation contribution payable		0	1.377.683
Non-current liabilities other than provisions	3	<u>313.900.980</u>	<u>364.177.683</u>
Current portion of long-term liabilities other than provisions	3	5.467.020	15.000.000
Bank loans		23.739.507	0
Deposits		9.173.477	9.204.719
Prepayments received from customers		2.096.936	1.882.752
Trade payables		1.634.962	544.426
Payables to group enterprises		862.467	72.500
Joint taxation contribution payable		1.377.683	0
Other payables		1.802.099	2.286.416
Current liabilities other than provisions		<u>46.154.151</u>	<u>28.990.813</u>
Liabilities other than provisions		<u>360.055.131</u>	<u>393.168.496</u>
Equity and liabilities		<u>486.991.615</u>	<u>407.250.602</u>
Contingent liabilities	4		
Mortgages and securities	5		

Statement of changes in equity for 2017/18

	Contributed capital DKK	Retained earnings DKK	Total DKK
Equity beginning of year	15.000.000	(10.152.894)	4.847.106
Increase of capital	30.000.000	0	30.000.000
Profit/loss for the year	0	63.364.378	63.364.378
Equity end of year	45.000.000	53.211.484	98.211.484

Notes

	2017/18	2016/17
	DKK	DKK
1. Staff costs		
Wages and salaries	4.308.805	3.957.575
Pension costs	47.663	96.774
Other social security costs	49.057	54.998
Other staff costs	27.345	8.854
	4.432.870	4.118.201
Average number of employees	8	7
	Investment	Other
	property	fixtures and
	DKK	fittings, tools
		and
		equipment
		DKK
2. Property, plant and equipment		
Cost beginning of year	440.158.046	478.575
Cost end of year	440.158.046	478.575
Depreciation and impairment losses beginning of the year	0	(434.408)
Depreciation for the year	0	(44.167)
Depreciation and impairment losses end of the year	0	(478.575)
Fair value adjustments beginning of year	(40.270.845)	0
Fair value adjustments for the year	80.640.805	0
Fair value adjustments end of year	40.369.960	0
Carrying amount end of year	480.528.006	0

As described under accounting policies, investment property is measured at fair value using the return-based model. The average required rate of return on the Company's properties amounts to 6.23% at 30.04.2018 (6.53% at 30.04.2017). An increase in the required rate of return of an average of 0.5 percentage points will reduce the total fair value by DKK 46 million.

The following significant assumptions of calculating the fair value have been determined:

- Residential and commercial properties in Northern and Western Jutland 7.69% (30.04.2017: 6.63%)
 - 15,165 m² of residential space, 2,419 m² of commercial space and an average rent per m² of DKK 674.

Notes

- Residential properties in Odense 5.18 % (30.04.2017: 6.33%)
 - 8,698 m² of residential space and an average rent per m² of DKK 989.
- Residential and commercial properties in Vejle 5.50% (30.04.2017: 6.04%)
 - 3,450 m² of residential space, 789 m² of commercial space and an average rent per m² of DKK 857.
- Residential and commercial properties in Randers 6.28% (30.04.2017: 6.01%)
 - 13,744 m² of residential space, 7.802 m² of commercial space and an average rent per m² of DKK 694.

The valuation of the properties as of 30.04.2018 is to some extent based on the mortgage loan assessments received in March 2018 in connection with the refinancing of the portfolio and the transition to maximum mortgaging. These assessments show a total value of the properties in March 2018 of DKK 479m – besides that no external valuation expert has been used to determine the fair value.

Based on the assessments from the lender, Management has adjusted the risk premiums and the required rate of return on the properties in the portfolio. This has resulted in a positive value adjustment in the year of DKK 80m (equal to 20% of the property value at year-end). Management finds this adjustment well-founded considering the new long-term financing without special contract terms as well as the market development in general.

	Instalments within 12 months 2017/18 DKK	Instalments within 12 months 2016/17 DKK	Instalments beyond 12 months 2017/18 DKK	Outstanding after 5 years DKK
3. Liabilities other than provisions				
Mortgage debts	<u>5.467.020</u>	<u>15.000.000</u>	<u>313.900.980</u>	<u>294.864.721</u>
	<u>5.467.020</u>	<u>15.000.000</u>	<u>313.900.980</u>	<u>294.864.721</u>

4. Contingent liabilities

At 12 October 2016 and onwards, the Company is jointly taxed with JPS Marselis ApS (administration company). According to the joint taxation provisions of the Danish Companies Act, the Company is therefore liable from 12 October 2016 for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed companies and from 12 October 2016 subject to joint and several liability for income taxes that may be incumbent on the jointly taxed companies. Until 11 October 2016, the Company was jointly taxed with JPS Administration A/S as administration company.

Notes

5. Mortgages and securities

As security for debt to a financial institution, the Company has pledged mortgages registered to the mortgagor on the Company's investment properties for a nominal value of DKK 683,368k. Furthermore, an all monies mortgage of DKK 3,000k and mortgages registered to the mortgagor of a total of DKK 154,511k have been registered as of 30.04.2018. The carrying amount of investment properties is DKK 480,520 as of 30.04.2018.

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.

The accounting policies applied for these financial statements are consistent with those applied last year.

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.

Income statement

Gross profit or loss

Gross profit or loss comprises revenue and external expenses.

Revenue

Revenue consists of rental income from rental and other income from investment properties. Rental income is recognised in the income statement according to the maturity principle.

Fair value adjustments of investment property

Fair value adjustment of investment property comprises adjustments for the financial year of the Entity's investment properties measured at fair value at the balance sheet date.

Other external expenses

Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for office supplies and administration, etc.

Property costs

Property costs include costs incurred to operate the Entity's properties in the financial year, including repair and maintenance costs, property tax, etc.

Accounting policies

Staff costs

Staff costs comprise salaries and wages as well as social security contributions, pension contributions, etc for entity staff.

Depreciation, amortisation and impairment losses

Amortisation, depreciation and impairment losses relating to property, plant and equipment comprise amortisation, depreciation and impairment losses for the financial year, calculated on the basis of the residual values and useful lives of the individual assets and impairment testing as well as gains and losses from the sale of property, plant and equipment.

Other financial income

Other financial income comprises dividends etc interest income, including interest income on receivables from group enterprises.

Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises.

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 directly in equity.

Balance sheet

Property, plant and equipment

Other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Other fixtures and fittings, tools and equipment	7 years
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Estimated useful lives and residual values are reassessed annually.

Items of property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Investment property

On initial recognition, investment properties are measured at cost consisting of the acquisition price of the properties plus directly related acquisition costs.

Accounting policies

Subsequent to initial recognition, investment properties are measured at fair value which is equivalent to the amount at which the individual property may be sold to an independent buyer at the balance sheet date. Fair value is determined by applying the return-based model as the calculated value in use of expected cash flows from each property. The calculation is based on budgeted net earnings for the next year that have been adjusted to normal earnings, and using a required rate of return that reflects current market required rates of return for similar properties. The value is adjusted for factors not reflected in normal earnings, for example, actual vacancy rate, major refurbishments etc.

The financial year's adjustments of the properties' fair value are recognised in the income statement.

Receivables

Receivables are measured at amortised cost, usually equalling nominal value less writedowns for bad and doubtful debts.

Income tax payable or receivable

Current tax payable or receivable is recognised in the balance sheet, stated as tax computed on this year's taxable income, adjusted for prepaid tax.

Cash

Cash comprises bank deposits.

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.

Other financial liabilities

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

Prepayments received from customers

Prepayments received from customers comprise amounts received from customers prior to delivery of the goods agreed or completion of the service agreed.