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# JPS Aros A/S

Thyrasgade 4
8260 Viby J
Central Business Registration No
32146082

# Annual report 2016/17

The Annual General Meeting adopted the annual report on 27.06.2017

**Chairman of the General Meeting**

Name: Peter Nørgaard Andersen

# Contents

# Entity details

**Entity**
JPS Aros A/S
Thyrasgade 4
8260 Viby J

Central Business Registration No: 32146082
Registered in: Aarhus
Financial year: 01.05.2016 - 30.04.2017

**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 01.05.2016 - 30.04.2017.

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 30.04.2017 and of the results of its operations for the financial year 01.05.2016 - 30.04.2017.

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.

Aarhus, 27.06.2017

**Executive Board**

Jan Rasmussen

**Board of Directors**

| | | |
|---|---|---|
| Peter Nørgaard Andersen<br>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 01.05.2016 - 30.04.2017, 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 Entity’s financial position at 30.04.2017 and of the results of its operations for the financial year 01.05.2016 - 30.04.2017 in accordance with the Danish Financial Statements Act.

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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, 27.06.2017

**Deloitte**
Statsautoriseret Revisionspartnerselskab
Central Business Registration No: 33963556

Jakob Boutrup Ditlevsen
State-Authorised Public Accountant

# 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 14,503k for the financial year. Management considers profit for the year satisfactory.

A profit is also expected for 2017/18.

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.

The Company has lost more than half of its share capital. This year, the Company has generated a profit of DKK 11m, which is taken to equity. The Company expects to be able to reestablish the share capital over the coming years through own earnings.

**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 2016/17

| | Notes | 2016/17 DKK | 2015/16 DKK |
|---|---|---|---|
| **Gross profit** | | **24,621,450** | **24,306,902** |
| Staff costs | 1 | (4,118,201) | (4,031,132) |
| Depreciation, amortisation and impairment losses | | (68,368) | (68,368) |
| **Operating profit/loss** | | **20,434,881** | **20,207,402** |
| Other financial income | | 12,717 | 17,227 |
| Other financial expenses | | (5,944,787) | (6,254,138) |
| **Profit/loss before tax** | | **14,502,811** | **13,970,491** |
| Tax on profit/loss for the year | | (3,190,683) | (6,598,388) |
| **Profit/loss for the year** | | **11,312,128** | **7,372,103** |
| **Proposed distribution of profit/loss** | | | |
| Retained earnings | | 11,312,128 | 7,372,103 |
| | | **11,312,128** | **7,372,103** |

# Balance sheet at 30.04.2017

| | Notes | 2016/17 DKK | 2015/16 DKK |
|---|---|---|---|
| Investment property | | 399,887,201 | 399,887,201 |
| Other fixtures and fittings, tools and equipment | | 44,167 | 112,535 |
| **Property, plant and equipment** | 2 | **399,931,368** | **399,999,736** |
| **Fixed assets** | | **399,931,368** | **399,999,736** |
| Trade receivables | | 1,127,672 | 839,836 |
| Receivables from group enterprises | | 1,452,859 | 1,694,362 |
| Other receivables | | 46,658 | 40,203 |
| Income tax receivable | | 316,374 | 1,856,238 |
| **Receivables** | | **2,943,563** | **4,430,639** |
| **Cash** | | **4,375,672** | **5,061,477** |
| **Current assets** | | **7,319,235** | **9,492,116** |
| **Assets** | | **407,250,603** | **409,491,852** |

# Balance sheet at 30.04.2017

| | Notes | 2016/17 DKK | 2015/16 DKK |
|---|---|---|---|
| Contributed capital | | 15,000,000 | 15,000,000 |
| Retained earnings | | (10,152,894) | (21,465,018) |
| **Equity** | | **4,847,106** | **(6,465,018)** |
| Deferred tax | | 9,235,000 | 7,422,000 |
| **Provisions** | | **9,235,000** | **7,422,000** |
| Mortgage debts | | 362,800,000 | 379,800,000 |
| Income tax payable | | 1,377,683 | 0 |
| **Non-current liabilities other than provisions** | 3 | **364,177,683** | **379,800,000** |
| Current portion of long-term liabilities other than provisions | 3 | 15,000,000 | 13,100,000 |
| Deposits | | 9,204,719 | 8,833,246 |
| Prepayments received from customers | | 1,882,752 | 1,494,662 |
| Trade payables | | 544,427 | 630,076 |
| Payables to group enterprises | | 72,500 | 1,102,345 |
| Income tax payable | | 0 | 1,091,626 |
| Other payables | | 2,286,416 | 2,482,915 |
| **Current liabilities other than provisions** | | **28,990,814** | **28,734,870** |
| **Liabilities other than provisions** | | **393,168,497** | **408,534,870** |
| **Equity and liabilities** | | **407,250,603** | **409,491,852** |
| Contingent liabilities | 4 | | |
| Mortgages and securities | 5 | | |

# Statement of changes in equity for 2016/17

| | Contributed capital DKK | Retained earnings DKK | Total DKK |
|---|---|---|---|
| Equity beginning of year | 15,000,000 | (21,465,018) | (6,465,018) |
| Profit/loss for the year | 0 | 11,312,124 | 11,312,124 |
| **Equity end of year** | **15,000,000** | **(10,152,894)** | **4,847,106** |

# Notes

| | 2016/17<br>DKK | 2015/16<br>DKK |
|---|---|---|
| **1. Staff costs** | | |
| Wages and salaries | 3,957,575 | 3,863,050 |
| Pension costs | 96,774 | 83,018 |
| Other social security costs | 54,998 | 67,788 |
| Other staff costs | 8,854 | 17,276 |
| | **4,118,201** | **4,031,132** |
| | | |
| Average number of employees | **7** | **8** |

| | Investment property<br>DKK | Other fixtures and fittings, tools and equipment<br>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 | (366,040) |
| Depreciation for the year | 0 | (68,368) |
| **Depreciation and impairment losses end of the year** | **0** | **(434,408)** |
| | | |
| Fair value adjustments beginning of year | (40,270,845) | 0 |
| **Fair value adjustments end of year** | **(40,270,845)** | **0** |
| | | |
| **Carrying amount end of year** | **399,887,201** | **44,167** |

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 6.53% at 30.04.2017 (6.42% at 30.04.2016). An increase in the required rate of return of an average of 0.5 percentage points will reduce the total fair value by DKK 28 million.

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

- Residential and commercial properties in Northern and Western Jutland 6.63% (30.04.2016: 6.52%)
    - 14,993 m² of residential space, 2,619 m² of commercial space and an average rent per m² of DKK 678.

# Notes

- Residential properties in Odense 6.33 % (30.04.2016: 6.15%)
  - 8,697 m² of residential space and an average rent per m² of DKK 664.

- Residential and commercial properties in Vejle 6.04% (30.04.2016: 5.75%)
  - 3,366 m² of residential space, 887 m² of commercial space and an average rent per m² of DKK 676.

- Residential and commercial properties in Randers 6.01% (30.04.2016: 5.96%)
  - 13,514 m² of residential space, 9,529 m² of commercial space and an average rent per m² of DKK 667.

No external valuation expert has been used to determine the fair value.

| | Instalments within 12 months 2016/17 DKK | Instalments within 12 months 2015/16 DKK | Instalments beyond 12 months 2016/17 DKK |
|---|---|---|---|
| **3. Liabilities other than provisions** | | | |
| Mortgage debts | 15,000,000 | 13,100,000 | 362,800,000 |
| Income tax payable | 0 | 0 | 1,377,683 |
| | **15,000,000** | **13,100,000** | **364,177,683** |

**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.

**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. The carrying amount of investment properties is DKK 399,887k.

# 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.

**Changes in accounting policies**
**Deposits and prepaid rent**
In the financial year, the Company has changed accounting policies relating to presentation of deposits and prepaid rent. Deposits and prepaid rent are now recognised according to the terms of notice of the leases. Consequently part of the item has been reclassified to current liabilities. The comparative figures have been restated in accordance with the accounting policy changes. The reclassification does not affect performance, balance sheet total or equity.

Apart from the above, the accounting policies applied to these financial statements are consistent with those applied last year, however with a few reclassifications.

**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.

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

# Accounting policies

**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.

**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 |

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.

# Accounting policies

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

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.

**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.

**Income tax receivable or payable**
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