Pioneer Public Properties II AS Group

IFRS

(International Financial Reporting Standard)

31 December 2014

Consolidated Financial Statements

The board of directors report 2014 for Pioneer Public Properties II AS Group.

Operations and location

The Pioneer Public Properties II group is located in Oslo. The groups operations consist of investments in real estate projects and other real estate related projects.

Going concern

In accordance with the Accounting Act § 3-3, we confirm that the financial statements have been prepared under the assumption of going concern.

Comments the financial statements

The annual report gives an accurate overview of the group's financial development throughout the year.

There have been no major events after the end of the fiscal year 2014, which have had an impact on the annual report.

Research and development

The group is not involved in any R & D activities.

Work environment, equal opportunities and discrimination

There are no employees in the Pioneer Public Properties II AS Group as of 31. December. The Board of Directors consists of 4 men.

External environment

The company's operations do not result in pollution or spillage harmful to the external environment.

Total comprehensive income

The Board of Directors proposes the following allocation of the net income of NOK 14 307 502:

- Transfer to retained earnings: 14 307 502 NOK
- Total: 14 307 502 NOK

Oslo, 16.03.15

Kristian Arne Adolfsen
Chairman

Even Carlsen
Board member

Roger Adolfsen
Board member

Bernt Harald Eidissen
Board member

Runar Rønningen
CEO

Amounts in NOK

	Notes	2014	2013
Income from rent	15	26 513 880	26 879 388
Other revenue	16	56 645	636 534
Total income		**26 570 525**	**27 515 922**
Expenses related to property		485 188	436 368
Other operating expenses	17	3 042 398	2 736 268
Total expenses		**3 527 586**	**3 172 636**
Operating profit before fair value adjustments on investment properties		**23 042 939**	**24 343 286**
Fair value adjustments on investment properties	7	15 900 000	5 334 862
Operating profit		**38 942 939**	**29 678 148**
Interest income	18	1 633 985	554 167
Interest expenses	18	-20 397 893	-19 901 751
Other finance expenses			
Finance costs - net		**-18 763 908**	**-19 347 584**
Profit before income tax		20 179 031	10 330 564
Income tax expense	19	-5 871 529	-2 718 621
Profit		**14 307 502**	**7 611 943**
Other comprehensive income			
Other comprehensive income		**0**	**0**
Total comprehensive income		**14 307 502**	**7 611 943**

Amounts in NOK

	Notes	2014	2013
Assets			
Non-current assets			
Investment property	7	335 000 000	319 100 000
Deferred tax assets	13		
Total non-current assets		**335 000 000**	**319 100 000**
Current assets			
Other receivables	9,20	9 139 909	9 447 480
Cash and cash equivalents	10	48 981 397	54 553 038
Total current assets		**58 121 306**	**64 000 518**
Total assets		**393 121 306**	**383 100 518**

Amounts in NOK

	Notes	2014	2013
Assets			
Non-current assets			
Investment property	7	335 000 000	319 100 000
Deferred tax assets	13		
Total non-current assets		**335 000 000**	**319 100 000**
Current assets			
Other receivables	9,20	9 139 909	9 447 480
Cash and cash equivalents	10	48 981 397	54 553 038
Total current assets		**58 121 306**	**64 000 518**
Total assets		**393 121 306**	**383 100 518**

Share capital	11	66 030 000	66 030 000
Share premium			
Total paid in equity		**66 030 000**	**66 030 000**
Retainded earnings			
Retainded earnings	11	24 333 681	10 026 179
Total retainded earnings			
Total equity		**90 363 681**	**76 056 179**
Non-current liabilities			
Liabilities to financial institutions	12	191 948 935	189 642 461
Deferred tax liabilities	13	5 990 510	118 981
Long term liabilities to related parties	12	102 053 942	100 872 482
Other long term liabilities		801 384	858 024
Total non-current liabilities		**300 794 771**	**291 491 948**
Current liabilities			
Tax payable	12		
Short term liabilities to related parties			2 463 778
First year instalments	12		2 572 446
Accounts payables and other payables	14	1 962 854	10 516 167
Total current liabilities		**1 962 854**	**15 552 391**
Total liabilities		**302 757 625**	**307 044 339**
Total equity and liabilities		**393 121 306**	**383 100 518**

Oslo, 16.03.2015

Kristian Adolfsen
chairman

Roger Adolfsen
boardmember

Even Carlsen
boardmember

Benn H. Eidissen
boardmember

Runar Rønningen
CEO

Statement of changes in equity

	Notes	Paid in equity Share capital	Retained earnings Retained earnings	Total equity
01.01.2013		**30 000**	**2 414 236**	**2 444 236**
Profit of the year			7 611 943	7 611 943
Share issue		66 000 000		66 000 000
Total comprehensive income		**66 000 000**	**7 611 943**	**73 611 943**
Other comprehensive income				
31.12.2013		**66 030 000**	**10 026 179**	**76 056 179**
Profit of the year			14 307 502	14 307 502
Other comprehensive income				
Total comprehensive income			**14 307 502**	**14 307 502**
31.12.2014		**66 030 000**	**24 333 681**	**90 363 681**

	Notes	2014	2013
Cash flow from operations			
Profit before income taxes		20 179 031	10 330 564
Adjust for:			
Depreciations	11		
Fair value adj. on investment properties	12	-15 900 000	-5 334 862
Finance income	28	-1 633 985	-510 023
Finance costs	28	20 397 893	19 812 441
Net foreign exchange			
Cashflow before change in working capital		**23 042 939**	**24 298 120**
Change in working capital			
Trade and other receivables		307 571	1 068 355
Trade and other payables		-8 553 313	9 009 439
Taxes paid			
Net cash flow from operations		**-8 245 742**	**10 077 794**
Cash flow from investments			
Purchase of investments property	10	0	-80 171 977
Sale of investment property	10	0	27 399 400
Net changes in financial receivables		0	4 653 876
Interest received	28	1 663 985	510 023
Net cash flow from investments		**1 663 985**	**-47 608 678**
Kontantstrøm fra finanseringsaktiviteter			
Proceeds from increased debt		1 181 460	200 858 024
Costs of issuance of bonds		0	-12 000 000
Repayments of loan		-5 102 864	-170 887 415
Share issue		0	66 000 000
Interest paid		-18 091 419	-18 169 980
Net cash flow from financing		**-22 012 823**	**65 800 629**
Net change in cash and cash equivalents		**-5 551 641**	**52 567 865**
Cash and cash equivalents at the beginning of the period		54 533 038	1 985 173
Cash and cash equivalents at the end of the period		**48 981 397**	**54 553 038**
Restricted funds		0	0

Note 1 General information
Pioneer Public Properties III AS is a corporation registered in Norway. Their main office is located in Oslo.

The corporations operations consist of investments in real estate projects and other real estate related projects.

The accounts were approved by the Board on 16.03.2015

2. Accounting principles

2.1 General

The accounts have been prepared in accordance with International Financial Reporting Standards (IFRS) as determined by the EU, and in accordance with amendments following the Norwegian Accounting Act.

The accounts have been prepared under the historical cost convention.

The accounts have been prepared with consistent accounting principles for similar transactions and events.

These accounts are drawn up in connection with the listing of the bonds on the Oslo Stock Exchange.

2.2 Changes in accounting principles

a) New and improved standards implemented by the group

This accounts is the first accounts submitted by the company. The accounts is submitted according to regulations following regulation on prospectuses.

b) New and improved standards not implemented by the group

Several new and improved standards have been issued by IASB with effective date later than for accounting periods starting after 1.1.14. These standards have not been used by the company in the preperation of the annual account of 2014. The most material new and improved standards are:

IFRS 9 Financial instruments

IFRS 15 Revenue form contracts with customers. Effective date: 01.01.2017

These standards will not have material effect on the group.

2.3 Consolidation

Subsidiaries

Subsidiaries are all entities over which the group has control over the financial and operational principles. Control is normally gained through ownership (direct or indirect) of more than half the voting shares of an entity.
The effect of options or other agreements that provide the group with control over the financial and operational principles are also considered.

Subsidiaries are fully consolidated from the date on which control is transferred to the group. Subsidiaries are deconsolidated from the date control ceases.

Acquisitions of subsidiaries/other entities

The group applies the acquisitions method to account for acquisition of subsidiaries or other entities. The assets and debt transferred in business combinations are recognised at their fair values at the acquisition date. Deferred tax is calculated based on the difference between fair value and the tax bases of assets and debt.

Goodwill is calculated as the excess of the consideration and the net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquire and the fair value of the minority interest in the acquire. The minority interest is valued either at fair value or by the minority share of the net assets. When investing in related companies goodwill is included in the recognised value of the investment. Goodwill is recognised at acquisition value with deduction of any accumulated devaluations. Goodwill is not depreciated but an impairment test is performed each year. Negative goodwill is recognised as income on the date of acquisition.

Acquisition of entities not viewed as acquisition of operations

Acquisition of entities that do not comprise of sufficient operations, are viewed as purchase of assets. The acquisition cost is allocated to the acquired assets, no deferred tax is calculated.

Elimination of transactions

Inter-company transactions, balances and unrealised gains and losses on transactions between group companies are eliminated. Unrealised gains on transactions with associates are eliminated with the group's share of the company.
Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred.

2.4 Investment property

Property held with the purpose of achieving rental income, increase in value or both are classified as investment property. Investment property also include property under development for future use as investment property. Investment property is initially recognised at cost included transaction costs.

Transaction costs include stamp duty, lawyer's fees and commission to bring the property to the condition that is necessary to put the property into operation. Recognised value also include replacement cost for parts of the existing investment property at the time when the cost is incurred and the terms for recognition has been met.

After initial recognition the investment property is then recognised at fair value.
Profit or loss from changes in fair value are presented in the income statement when they arise.

Subsequent costs relating to investment property are included in the carrying amount if it is probable that they will result in future economic benefits for the investment property and the costs can be measured reliably. Expenses relating to operations and maintenance of the investment property are charged to the income statement during the financial period in which they are incurred.

Investment properties are derecognised when they are sold or are permanently out of operations and no future economic benefit is expected if disposed of. All gains or losses relating to sales or disposal are presented in the income statement the same year as disposal.
Gains or losses from disposal of investment property is the difference between net selling price and the carrying amount of the asset in the previous year's financial statements.

2.5 Lease agreements

(a) When a group company is the lessee
Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments, including prepayments, made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

(b) When a group company is the lessor
Property leased on an operational lease is included in investment property on the group balance sheet. Rental income is included on a straight-line basis over the period of the lease. The group pay remuneration to consultants in negotiations of new lease agreements . Remuneration paid in relation to new lease agreements is included in the carrying amount of the investment property and is amortised over the life of the lease agreement.

Payments, free rental period or other incentives given to the lessee are accrued on a straight-line basis over the period of the lease.

2.6 Financial assets

Classification

The group classifies its financial assets in the following categories: (a) at fair value through profit or loss and (b) loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months, otherwise they are classified as non-current.

Financial assets are initially recognised at fair value, and transaction costs are expensed in the income statement. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within 'Other gains and losses' in the period in which they arise.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership.

(b) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The group's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the balance sheet.

Loans and receivables are initially recognised at fair value, transaction costs are added to the carrying amount. Loans and receivables are subsequently carried at amortised cost.

The group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership.

Other financial obligations
Other financial obligations include all obligations not classified at fair value over the income statement. They are included in non-current assets unless the investment matures or management

intends to dispose of it within 12 months of the end of the reporting period.

Financial obligations are initially recognised at fair value, and transaction costs are expensed in the income statement. Obligations are subsequently carried at amortised cost.

Financial obligations are derecognised when the obligation to rights to meet the obligation have expired. This normally happens when the group pay their obligations.

Offsetting financial assets and obligations

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.7 Trade receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

2.8 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, bank deposits, other short-term highly liquid investments with original maturities of three months or less. In the consolidated balance sheet, bank overdrafts are shown within borrowings in current liabilities.

2.9 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds. Where any group company purchases the company's equity share capital (treasury shares), the consideration paid is deducted from equity. When such ordinary shares are subsequently reissued, any consideration received, is included in equity attributable to the company's equity holders. Voting rights related to treasury shares are annulled and no dividend is allocated to treasury shares.

Minority interests are included in equity. Minority interests are initially measured at fair value of net assets at acquisition including any goodwill. The minority interest is attributed to its proportionate share of the profit of the relevant subsidiaries. Buying and selling shares from / to minority interests are accounted for as an equity transaction. The difference between proportionate share of the book value and the transaction price is charged / credited to the majority share of equity.

2.10 Trade payables and other short term payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less.
If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.11 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost using the effective interest method. The difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

2.12 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.13 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time

of the transaction affects neither accounting nor taxable profit or loss.
Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.
Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future.
Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.14 Provisions

Provisions for environmental restoration, restructuring costs and legal claims are recognised when the group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments.
Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.15 Revenue recognition

Revenue comprise of rental income, service fees and administration fees from the properties.
Rental income is recognised over the life of the lease agreement. Income from through-invoicing of costs to tenants is recognised in the period when they are rendered according to contract.

2.16 Real estate related costs and other costs

Costs directly related to the operation of existing properties are recognised as real estate related costs, other costs are included as administration costs.
Costs are recognised as they are accrued.

2.17 Interest income

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument Interest income on impaired loan and receivables is recognised using the original effective interest rate.

2.18 Classification of assets and debt

Current assets and short term debt expected to be settled within 12 months, and other items that are included in the company's normal operating cycle are classified as current. Strategic investments are classified as fixed assets. The short term share of the long-term debt is classified as short term.

2.19 Dividend distribution

Dividend distribution to the company's shareholders is recognised as a liability in the group's financial statements in the period in which the dividends are approved by the company's shareholders.

2.20 Opertaing Segments

The Group's only business is to own and rent out properties kindergarten. All properties have the same tenant and are in the same business segment. All properties are in Norway.

Note 3 **Financial risk management**

The group's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk.
The group's overall risk management programme seeks to minimise potential adverse effects on the group's financial performance.

The risk management is performed by the management

Market risk
Market risk is the risk that future cash flows in the form of interest payments change as a result of changes in market interest rates. Management and the Board agree on acceptable level in relation to interest rate exposure,these are then monitored continuously. The level of interest rate exposure is determined based on an assessment of existing cash flows, financial condition and liquidity available.

Interest rate risk
Since the group's interest-bearing assets do not generate significant amount of interest, changes in market interest not have a material impact on the group's interest income.

The Group's exposures to interest rate risk is mainly related to long-term financing.
Loans with floating interest rates mean that the Group is exposed to fluctuations in future cash flows form of current interest payments.

Exposure to interest rate risk is assessed continuously. The need for a fixed rate is under constant review in relation to the Group's ability to withstand adverse fluctuations in earnings due to higher interest costs. Management's assessment is that the Group's current financial position does not indicate a need for fixed interest rates. The only fixed-interest agreements entered into by the end of 2014 has been established as a result of demands from the lender in relation to the financing of individual projects.

If interest rates had been 1% higher in 2014 the result after tax would be NOK 2.0 million lower, all other conditions unchanged. If interest rates had been 1% lower the result after tax would be NOK 2.0 million higher, all other conditions unchanged.

The average effective interest rate of the Group's interest-bearing financial instruments at year end was as follows.

	2014	2013
Bonds	5,97 %	5,97 %

Credit risk
Credit risk is the risk of loss when a party is unable to redeem their obligations to the group. The risk is mainly linked to trade receivables and other receivables. The risk is managed by doing thorough evaluations of the credit quality of the customer when new lease agreements are signed, demand deposits or guarantees, and perform regular monitoring of the credit quality of significant customers. The maximum exposure to credit risk at year end is equal to the recognised value of financial assets.

Exposure on credit risk at the end of the period:

	2014	2013
Receivable related party	0	0
Accounts receivable	0	0
Other short term receivable	9 139 909	9 447 480
Cash balances	48 981 397	54 553 038
Total exposure	58 121 306	64 000 518

In relation to outstanding with related parties and banks evaluated credit risk as very low.

Total exposure	58 121 306	64 000 518
- outstanding with related parties		0
-bank deposits	48 981 397	54 553 038
Total exposure by related parties and bank deposits	**9 139 909**	**9 447 480**

	2013	2012
Total exposure by related parties after bank deposits	9 139 909	9 447 480
Share of overdue claims	0	0
Fresh claims	9 139 909	9 447 480

Exposure to credit risk is considered low at the end of the financial year.

Liquidity risk
Liquidity risk is the risk that the group will not be able to meet their obligations at maturity, and the risk that the group will not be able to meet their liquidity obligations without a significant increase in cost. At a broader perspective, liquidity risk also include the risk that the group is not able to finance necessary investments in the properties.

Liquidity risk is reduced by having a sufficient liquidity reserve, and by ensuring that the debt maturities are distributed over the time.

The table below illustrates the maturity structure of liabilities.

An overview of the maturity dates of the Group's assets and liabilities are presented below. This is used by management in connection with the liquidation ity management in the Group. The amounts below are the contractual undiscounted payments.

	Booked	Expected cashflow 1-3 months	3-12 months	Year 1-2	Year 3-5	After Year 5
Assets						
Other receivables	9 139 909	9 139 909				
Cash and bank deposits	48 981 397	48 981 397				
Payments	58 121 306	58 121 306	0	0	0	0
Liabilities						
Borrowings (bank)	191 948 935	3 410 000	10 230 000	13 640 000	237 448 620	
Long term liabilities to related parti	102 053 942	1 827 672	5 483 017	7 310 689	21 932 067	155 257 527
Other long term liabilities	801 384					801 384
Short term liabilities to related parti	0	0				
First year instalments	0	0				
Accounts payables and other payables	1 962 854	1 962 854				
Payouts	296 767 115	7 200 526	15 713 017	20 950 689	259 380 687	156 058 911

31.12.2013

	Booked amout	Expected cashflow 1-3 months	4-12 months	Year 1-2	Year 3-5	After Year 5
Assets						
Loan to affiliated company	0	0				
Other receivables	9 447 480	9 447 480				
Cash and bank deposits	54 553 038	54 553 038				
Payments	64 000 518	64 000 518	0	0	0	0
Liabilities						
Long term liabilities to related parti	100 872 482	3 590 468	10 771 404	14 361 872	57 579 291	280 827 036
Tax payable	0	0				
Short term liabilities to related parti	2 463 778	2 463 778				
First year instalments	2 572 446	2 572 446				
Accounts payables and other payabl	10 516 167	10 516 167				
Payouts	116 424 873	19 142 859	10 771 404	14 361 872	57 579 291	280 827 036

Note 4 Capital structure and capital management

The main purpose of the group's capital structure is to ensure that the group maintains adequate capital base for the business of the group, and to provide returns to shareholders and other stakeholders. The capital balance is critical to ensure that the Group maintains a satisfactory credit rating and satisfactory loan terms.

The Group manages its capital structure and makes necessary changes to it based on an ongoing assesment of the financial condition of the business and future prospects in both the short and medium term. Management of capital structure is adjusting dividends, capital reduction or issuing new shares.

The group monitors capital management based on the ratio of net debt and total assets. Net debt is defined as interest bearing debt (short and long), minus cash and liquid investments. Total capital is calculated as the sum of equity and net interest-bearing debt.

The objective for 2014 has been to maintain a debt ratio between 60% and 80%.

	2014	2013
Total interest-bearing debt	294 002 877	293 087 389
Cash and liquid investment	54 553 038	54 553 038
Net interest-bearing debt	239 449 839	238 534 351
Total equity	90 363 681	76 056 179
Total capital	329 813 520	314 590 530
Debt-ratio	72,6 %	75,8 %

Note 5 Accounting estimates

When preparing the financial accounts according to IFRS the group, management have used estimates based on their best judgement and realistic assumptions. Some situations or changes in the market situation may lead to changes in estimates and influence the group assets, debt, equity and profits.

The managements esimates have the greatest significance with the following conditions:

a) Valuation of investment property. Investment property is valued using valuation methods, and independent experts. Matters relating to the valuation of investment property is discussed in note 7.

b) The distinction between improvements and maintenance on investment properties. Improvements are capitalized as part of the cost of the investment property, while maintenance are expensed. Maintenance are presented in the income statement as expenses related to the building, but capitalized improvements affects the size of the fair value adjustments on investment properties. Classifications between improvements and maintenance in some cases involve the exercise of judgment by management.

Note 6 Subsidiary

Company name	Location	Percent of stock
Subsidiary		
Andungen Eiendom AS	Oslo	100 %
Acea Eiendom Nydalen AS	Oslo	100 %
Acea Eiendom Viken AS	Oslo	100 %
Capella Eiendom AS	Oslo	100 %
Idunsvei 8 Eiendom DA	Oslo	100 %
Kløvermarka Eiendom AS	Oslo	100 %
Sjøstjerna Eiendom AS	Oslo	100 %
Småstrilane AS	Oslo	100 %
Vifo Romerike Eiendom AS	Oslo	100 %
Vifo Røa AS	Oslo	100 %

Note 7 Investment properties

Overiew of account movements 2014

	Properties
Fair value in the beginning of the year	319 100 000
Addition:	
-Investment in properties	0
-Addition to properties	0
-Investment in subsidiaries	0
Sale	0
Fair value adjustments on investment properies	15 900 000
Fair value in the end of the year	335 000 000
Net change in unrealized gain	15 900 000

Overiew of account movements 2013

	Properties	2013
Fair value in the beginning of the year		260 992 561
Addition:		
-Investment in properties		
-Addition to properties		
-Investment in subsidiaries		52 772 577
Fair value adjustments on investment properies		5 334 862
Fair value in the end of the year		319 100 000
Net change in unrealized gain		5 334 862

Investment property classified as held for sale	0	0
Investment property held under finance leases	0	0

Profit and Loss Accounts associated to investment properties	2014	2013
Rental income from investment properties	26 513 880	26 879 388
Expenses related to the leased properties	485 188	436 368
Expenses related to the not leased properties	0	0

Note 7 Investment Property continues

Overview input to valuations 2014

	Properties
Valuation level	3
Valuation model	DCF
Value 31.12.2014	335 000 000
Actual rent income	27 176 727
Residual maturity leases (average)	18
Expectet inflation to 2017	1,7%-2,6%
Expected inflation after 2017	2,5 %
Discount rate (average)	8,8%

Overview input to valuations 2013

	Properties
Valuation level	3
Valuation model	DCF
Value 31.12.2014	319 100 000
Actual rent income	25 867 200
Residual maturity leases (average)	19
Expectet inflation to 2017	1,7%-2,6%
Expected inflation after 2017	2,5 %
Discount rate (average)	9,9%

Note 7 Investment property continues

Fair value of investment properties

Investment properties are estimated at fair value based on calculations of value provided by DTZ. The properties are mainly valued based on the discounting of future cash flows – both contractually obligated cash flows as well as estimated cash flows.
Key factors include the continuing income and expenses at the property, market rents, discount rates, and inflation.
Key factors used to determine the value include location of the property, the popularity of the area in which the property is located, the property's standard, the general real estate and credit market, the tenant's solidity, as well as the lease agreement and its specific terms.

All of the daycare properties are valued based on the discounting of future cash flows (the DCF model). This model utilizes a number of non-observable parameters, which include the following:

Future rental income:
These are estimated based on the actual location, the type of property, and the condition which the property is in. The estimate is confirmed by existing lease agreements as well as recently signed lease agreements for similar properties in the area.

Discount rate:
The discount rate is determined by the existing marked rate, adjusted for the estimated uncertainty of the size of and the time in which the future cash flows will be received.

Value at the end of the lease agreement:
The value at the end of the lease agreement is based on the estimated construction costs at that time.

Note 8 Financial instruments

31.12.2014	2014				
	Financial derivatives at fair value through profit and loss	Stocks avialable for sale	Loans and other receivables	Financial liabilities recognised at amortised cost	**Total**
Assets					
Trade and other receivables			9 139 909		**9 139 909**
Cash and cash equivalents			48 981 397		**48 981 397**
Total Financial assets	**0**	**0**	**58 121 306**	**0**	**58 121 306**
Liabilities					**0**
Liabilities to financial institutions				192 750 319	**192 750 319**
Long term liabilities to related parties				102 053 942	
Interest-bearing current debt				0	**0**
Accounts payable and other current liabilities				1 962 854	**1 962 854**
Total Financial liabilities	**0**	**0**	**0**	**296 767 115**	**194 713 173**

31.12.2014	2014				
	Financial derivatives at fair value through profit and loss	Stocks avialable for sale	Loans and other receivables	Financial liabilities recognised at amortised cost	**Total**
Assets					
Loans to affiliated company			0		**0**
Trade and other receivables			9 447 480		**9 447 480**
Cash and cash equivalents			54 553 038		**54 553 038**
Total Financial assets	**0**	**0**	**64 000 518**	**0**	**64 000 518**
Liabilities					
Long term liabilities to related parties				100 872 482	**100 872 482**
Tax payable				0	**0**
Short term liabilities to related parties				2 463 778	**2 463 778**
First year instalments				2 572 446	**2 572 446**
Account payable and other current liabilities				10 516 167	**10 516 167**
Total Financial liabilities	**0**	**0**	**0**	**116 424 873**	**116 424 873**

Fair value of financial instruments recognized at amortized cost.
Short-term receivables and payables are assumed to have a fair value that corresponds to the carrying amount due to the short maturity and low credit risk.

The fair value of long-term receivables and payables are assumed not differ significantly from the carrying value as the interest rate is largely liquid.

Note 9 Trade and other receivables

	2014	2013
Trade receivables		
Other current receivables	9 139 909	9 447 480
Total receivables	**9 139 909**	**9 447 480**

	2014	2013
Provision for impairment of trade receivables at 1.1	0	0
This years provision for receivables impairment	0	0
Loss on receivables	0	0
Reversal of prior years provision	0	0
Provision for impairment of trade receivables at 31.12	0	0

Ageing of trade receivables

	Total	Not due and within < 30 days	30-60d	60-90d	>90d
2014	9 139 909	9 139 909			
2013	9 447 480	9 447 480			

Note 10 Cash and cash equivalents

	2014	2013
Cash and cash equivalents	48 981 397	54 553 038
Restricted funds	0	0
Total	**48 981 397**	**54 553 038**

Note 11 Paid in equity, shareholders and retained earnings

	2014	2013
Ordinary shares, nominal value NOK 1	66 030 000	66 030 000
Total number of ordinary shares	66 030 000	66 030 000

Shares 01.01	66 030 000	66 030 000
Increase of capital	0	0
Shares 31.12.	66 030 000	66 030 000

All shares give the same right to vote and same right to dividend.

	Number of shares	Share %	Voting share
Pioneer Capital Partners AS	1 320 598	2,00 %	2,00 %
Eidissen Consult AS	11 692 989	17,71 %	17,71 %
Grafo AS	11 692 989	17,71 %	17,71 %
Klevenstern AS	11 692 989	17,71 %	17,71 %
Mecca Invest AS	11 692 989	17,71 %	17,71 %
Hospitality Invest AS	17 937 446	27,17 %	27,17 %
	66 030 000	100,00 %	100,00 %

Dividend and group contribution

The company has not paid any dividend in 2014. Based on the 2014 financial statements a dividend will not be proposed.

Note 12 Interest-bearing debt

	2014	2013
Total interest-bearing debt, nominal value	302 053 941	303 444 928
- of which to related parties (fixed interest rate)	102 053 942	103 444 928
Hedging Ratio	33,79 %	34,09 %
Average interest rate, including margin (%)		
Total interest-bearing debt, nominal value	302 053 941	303 444 928
Capitalized borrowing costs	-8 051 064	-10 357 539
Total book value interest-bearing debt	294 002 877	293 087 389
First year instalments of debt (short-term)	0	2 572 446
Long-term interest-bearing debt excluding first year instalments	294 002 877	290 514 943

Maturity on long-term debt

Maturity in 2014	2 572 446	2 220 475
Maturity in 2015 - 2017	7 717 337	28 167 566
Maturity in 2018 or later	291 764 158	273 056 887
Total	302 053 941	303 444 928

The recognised value of the assets pledged as security for liabilities as per 31.12

	2014	2013
Investment property	335 000 000	319 100 000
Total pledged assets	335 000 000	319 100 000
Borrowings secured with pledged assets	200 000 000	200 000 000

Note 13 Deferred tax

Change in deferred tax assets	Fiancial derivative instruments	Loss carried forward	Provisions	Total
01.01.2013		2 048 565	380 663	**2 429 228**
Deferred tax on purchase and sale of company			170 412	**170 412**
Recognized deferred tax		-126 238	-107 610	**-233 848**
Transactions directly in equity		-73 163	0	**-73 163**
Currency changes				
31.12.2013		1 849 164	443 465	**2 292 629**
Deferred tax on purchase and sale of company				**0**
Recognized deferred tax			0	**0**
Effect on changed tax rate			0	**0**
Transactions directly in equity				
31.12.2014		1 849 164	443 465	**2 292 629**

Change in deferred tax liabilities	Investment property	Other items	Total
01.01.2013	35 568 589	0	**35 568 589**
Deferred tax on purchase and sale of company	8 713 761		**8 713 761**
Recognized deferred tax	2 386 938	24 672	**2 411 610**
Effect on changed tax rate	1 270 307		**1 270 307**
Currency changes			
31.12.2013	47 939 595	24 672	**47 964 267**
Deferred tax on purchase and sale of company			
Recognized deferred tax		5 871 529	
Effect on changed tax rate			
Currency changes			
31.12.2014	47 939 595	5 896 201	**53 835 796**

Temporary differences not included in the calculation of deferred tax

	2014	2013
01.01.	45 552 657	35 568 589
Change related to new acquisitions		8 713 761
Change related to sales		
Effect of changed tax rate		1 270 307
31.12.	45 552 657	45 552 657

Net recognised deferred tax liabilities	5 990 510	118 981

Current income tax liabilities	2014	2013
Current income tax	0	0
Change in prior years	0	0
Total current income tax liabilities	**0**	0

Loss carried forward

Loss carried forward as of 31. December 2014 is due at the following time:

	2014	2013
Indefinite	0	6 848 486
Total loss carried forward	0	6 848 486

Deffered tax recognised in comprehensive income

	2014	2013
Total	0	0

Share dividends to shareholders in the parent company does not effect either payable tax or deferred tax.

Note 14 Accounts payable and other payables

	2014	2013
Accounts payables	34 271	370 533
Other short term payables	1 928 583	10 145 634
Total	**1 962 854**	**10 516 167**

Note 15 Income from rent

Recognised income from rent	2014	2013
Recognised minimum rent from minimum paymer	26 513 880	26 879 388
Recognised variable rent	0	
Total income from rent	26 513 880	26 879 388

Future minimum payments under non-cancellable leases that expire as follow:

	2014	2013
Within 1 year	27 176 727	26 513 880
2 to 5 years	108 706 908	106 055 520
After 5 years	353 297 451	344 680 440
Total	**489 181 086**	**477 249 840**

Note 16 Other income

	2014	2013
Profit from sale of assets		579 894
Other income	56 645	56 640
Total	**56 645**	**636 534**

Note 17 Other operating expences

There is no group employees.

For the group it is not paid wages or other remuneration of the chief executives or chairmen of the parent or subsidiaries.

Audit fees	**Group 2014**
Statutory audit (including technical assistance with reporting)	237 875
Other certification services	0
Tax advice (including technical assistance with tax papers)	0
Other services	324 875
Total	562 750

Note 18 Financial income and cost

Finance income	2014	2013
Interest income	1 566 188	510 023
Other finance income	67 797	44 144
Total finance income	**1 633 985**	**554 167**

Finance costs	2014	2013
Interest expense on borrowings measured at amortised co:	20 379 556	19 812 441
Other finance costs	18 337	89 310
Total finance costs	**20 397 893**	**19 901 751**

Interest expense	2014	2013
Interest expense on borrowings	18 737 095	19 812 441
Discounting on provisions	2 306 474	1 642 461
Total interest expense using the effective interest method	**21 043 569**	**21 454 902**

Note 19 Income tax

	2014	2013
Tax payable		0
Change in deferred tax	-5 871 529	-2 718 621
Income tax expence	**-5 871 529**	**-2 718 621**
Profit before income tax	20 179 031	10 330 564
Income tax expence calculated at 27 %	5 448 338	2 789 252
Effect of changed tax rate		73 163
Effect of capitalizing benefit related to loss		
Application of loss carried forward		
Non-deductible expenses		
Others	542 172	-143 794
Income tax expense	5 990 510	2 718 621

Note 20 Transactions with related parties

Related parties	*Relation to the group*
Benn Eidissen	Owner of Eidissen Consult AS, board member
Even Carlsen	Owner of Grafo AS, board member
Kristian Adolfsen	Owner of Klevenstern AS, chairman of the board
Roger Adolfsen	Owner of Mecca AS, board member
Eidissen Consult AS	Substantial shareholder 18,1%
Grafo AS	Substantial shareholder 18,1%
Klevenstern AS	Substantial shareholder 18,1%
Mecca Invest AS	Substantial shareholder 18,1%
Hospitality Invest AS	Substantial shareholder 18,1%
Norlandia Care Group AS	Controlled by the same shareholders

	2014	2013
Liabilities to related parties		
Norlandia Care Group AS (and subsidiaries)	69 463 764	72 754 752
Norlandia Care Group AS (and subsidiaries) sales credit	32 590 178	30 690 176
Norlandia Care Group AS (and subsidiaries)	0	2 463 778
Total liabilities to related parties	**102 053 942**	**105 908 706**
Interest paid on liabilities to related parties		
Norlandia Care Group AS (and subsidiaries)	2 502 710	4 941 797
Purchase of buildings		
Purchase of buildings from Norlandia Care AS	0	80 171 977
Rent of properties from related parties		
Rent of properties from Pioneer Public Properties II AS	26 513 880	26 879 388

Note 21 Events after the reporting period

There has not been any post balance sheet events that affect the financial statements.