

Pioneer Public Properties II AS Group

IFRS
(International Financial Reporting Standards)

31 December 2015

Consolidated Financial Statements

The board of directors report 2015 for Pioneer Public Properties II AS Group.

Operations and location

The Pioneer Public Properties II group are 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 2015, 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 III AS Group. The Board of Directors consists of 1 man.

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 propose the following allocation of the net income of 137 837 MNOK:

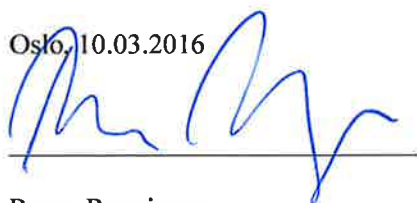
- Transfer to other reserves:	137 837 TNOK
- Total:	137 837 TNOK

Responsibility statement

The Board of Directors of Pioneer Public Properties II AS hereby confirm that:

- To the best of our knowledge, the financial statements have been prepared in accordance with applicable accounting standards, and give a true and fair view of the assets, liabilities, financial position and profit or loss of the issuer and the group taken as a whole.
- The report of the Board of Directors includes a fair review of the development and performance of the business and the position of the issuer and the group taken as a whole, together with a description of the principal risks and uncertainties that they face.

Oslo, 10.03.2016



Runar Rønningen
CEO/Chairman

Amounts in NOK

	Notes	2015	2014
Income from rent	15	30 083 681	26 513 880
Other revenue	16	56 640	56 645
Total income		30 140 321	26 570 525
Expenses related to property		752 519	485 188
Other operating expenses	17	4 718 709	3 042 398
Total expenses		5 471 228	3 527 586
Operating profit before fair value adjustments on investment properties		24 669 093	23 042 939
Fair value adjustments on investment properties	7	151 725 000	15 900 000
Operating profit		176 394 093	38 942 939
Interest income	18	3 379 693	1 633 985
Interest expenses	18	-15 723 605	-20 397 893
Other finance expenses			
Finance costs - net		-12 343 912	-18 763 908
Profit before income tax		164 050 181	20 179 031
Income tax expense	19	-26 213 274	-5 871 529
Profit		137 836 907	14 307 502
<i>Other comprehensive income</i>			
Other comprehensive income		0	0
Total comprehensive income		137 836 907	14 307 502

Amounts in NOK

	Notes	2015	2014
Assets			
<i>Non-current assets</i>			
Investment property	7	526 725 000	335 000 000
Deferred tax assets	13		
Total non-current assets		526 725 000	335 000 000
Current assets			
Other receivables	9,20	10 217 598	9 139 909
Cash and cash equivalents	10	22 234 604	48 981 397
Total current assets		32 452 203	58 121 306
Total assets		559 177 203	393 121 306


Amounts in NOK

	Notes	2015	2014
Assets			
<i>Non-current assets</i>			
Investment property	7	526 725 000	335 000 000
Deferred tax assets	13		
Total non-current assets		526 725 000	335 000 000
Current assets			
Other receivables	9,20	10 217 598	9 139 909
Cash and cash equivalents	10	22 234 604	48 981 397
Total current assets		32 452 203	58 121 306
Total assets		559 177 203	393 121 306

Amounts in NOK

	Notes	2015	2014
Equity and liabilities			
<i>Paid in equity</i>			
Share capital	11	66 030 000	66 030 000
Other contributed reserves		2 892 701	
Total paid in equity		68 922 701	66 030 000
<i>Retained earnings</i>			
Retained earnings	11	162 170 588	24 333 681
Total retained earnings			
Total equity		231 093 289	90 363 681
<i>Non-current liabilities</i>			
Liabilities to financial institutions	12	237 966 139	191 948 935
Deferred tax liabilities	13	32 203 784	5 990 510
Long term liabilities to related parties	12	32 387 277	102 053 942
Other long term liabilities			801 384
Total non-current liabilities		302 557 200	300 794 771
<i>Current liabilities</i>			
Tax payable	12		
Short term liabilities to related parties			
First year instalments	12	23 482 704	
Accounts payables and other payables	14	2 044 010	1 962 854
Total current liabilities		25 526 714	1 962 854
Total liabilities		328 083 914	302 757 625
Total equity and liabilities		559 177 203	393 121 306

Oslo, 10 March 2016


Runar Rønningen
Chairman/CEO

Statement of changes in equity

	Notes	Paid in equity Share capital	Retained earnings Retained earnings	Total equity
01.01.2014		66 030 000	10 026 179	76 056 179
Profit of the year			14 307 502	14 307 502
Share issue				0
Total comprehensive income		0	14 307 502	14 307 502
Other comprehensive income				
31.12.2014		66 030 000	24 333 681	90 363 681
Profit of the year			137 836 907	137 836 907
Other comprehensive income				
Total comprehensive income			137 836 907	137 836 907
Other contributed reserves/ received group			2 892 701	2 892 701
31.12.2015		66 030 000	165 063 289	231 093 289

Amounts in NOK

	Notes	2015	2014
Cash flow from operations			
Profit before income taxes		164 050 181	20 179 031
Adjust for:			
Depreciations	11		
Fair value adj. on investment properties	12	-151 725 000	-15 900 000
Finance income	28	-3 379 693	-1 633 985
Finance costs	28	15 723 605	20 397 893
Net foreign exchange			
Cashflow before change in working capital		24 669 093	23 042 939
Change in working capital			
Trade and other receivables		-1 077 689	307 571
Trade and other payables		81 156	-8 553 313
Taxes paid			
Net cash flow from operations		-996 533	-8 245 742
Cash flow from investments			
Purchase of investments property	10	-40 000 000	0
Sale of investment property	10	0	0
Net changes in financial receivables		0	0
Interest received	28	3 379 693	1 663 985
Net cash flow from investments		-36 620 307	1 663 985
Cash flow from financing activities			
Proceeds from increased debt		69 499 908	1 181 460
Costs of issuance of bonds		0	0
Repayments of loan		-70 468 049	-5 102 864
Issue of share capital		2 892 701	0
Interest paid		-15 723 605	-18 091 419
Net cash flow from financing		-13 799 045	-22 012 823
Net change in cash and cash equivalents		-26 746 792	-5 551 641
Cash and cash equivalents at the beginning of the period		48 981 397	54 533 038
Cash and cash equivalents at the end of the period		22 234 605	48 981 397

Note 1 General information

Pioneer Public Properties II 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 10 March 2016

2. Accounting principles

- 2.1 General
- 2.2 Changes in accounting policies
- 2.3 Consolidation
- 2.4 Investment property
- 2.5 Lease agreements
- 2.6 Financial assets
- 2.7 Trade receivables
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- 2.9 Share capital
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- 2.11 Borrowings
- 2.12 Borrowing costs
- 2.13 Current and deferred income tax
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- 2.15 Revenue recognition
- 2.16 Real estate related costs and other costs
- 2.17 Interest income
- 2.18 Classification of assets and debt
- 2.19 Dividend distribution
- 2.20 Operating segments

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. The account cover the period from incorporation date until 31.12.2015.

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 1.1.15. These standards have not been used by the company in the preparation of the annual account of 2015.

The most material new and improved standards are:

IFRS 9 Financial instruments. Effective date: 01.01.2018

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

IFRS 16 Leases. Effective date: 01.01.2019

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 prob 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 t of the investmen 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 fairvalue 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 of the Group's current financial position does not indicate a need for fixed interest rates. The only fixed-interest agreement entered into by the end of 2015 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 2015 the result after tax would be NOK 2.6 million lower, all other conditions unchanged. If interest rates had been 1% lower the result after tax would be NOK 2.6 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.

	2015	2014
Bonds	6,13 %	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:

	2015	2014
Receivable related party	0	0
Accounts receivable	0	0
Other short term receivable	10 217 598	9 139 909
Cash balances	22 234 604	48 981 397
Total exposure	32 452 203	58 121 306

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

Total exposure	32 452 203	58 121 306
- outstanding with related parties		0
- bank deposits	22 234 604	48 981 397

Total exposure by related parties and bank deposits	10 217 598	9 139 909
	2015	2014
Total exposure by related parties after bank deposits	10 217 598	9 139 909
Share of overdue claims	0	0
Fresh claims	10 217 598	9 139 909

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 liquidity management in the Group. The amounts below are the contractual undiscounted

	Booked	Expected cashflow				
		1-3 months	3-12 months	Year 1-2	Year 3-5	After Year 5
Assets						
Other receivables	10 217 598	10 217 598				
Cash and bank deposits	22 234 604	22 234 604				
Payments	32 452 203	32 452 203	0	0	0	0
Liabilities						
Borrowings (bank)	237 966 139	0	20 000 000	186 965 408	10 448 112	20 552 619
Long term liabilities to related parties	32 387 277				16 193 639	16 193 639
Other long term liabilities	0					0
Short term liabilities to related parties	0	0				
First year instalments	23 482 704	870 676	22 612 028			
Accounts payables and other payables	2 044 010	2 044 010				
Payouts	295 880 130	2 914 686	42 612 028	186 965 408	26 641 751	36 746 258

31.12.2014

	Booked amount	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	9 139 909	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	164 668 935	
Long term liabilities to related parties	102 053 942	1 827 672	5 483 017	7 310 689	21 932 067	65 500 497
Other long term liabilities	801 384					801 384
Tax payable						
Short term liabilities to related parties						
First year instalments						
Accounts payables and other payables	1 962 854	1 962 854				
Payouts	296 767 115	3 790 526	5 483 017	7 310 689	21 932 067	66 301 881

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 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 assessment of the financial condition of the business and future prospects in both the short and long 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 2015 has been to maintain an acceptable debt-ratio.

	2015	2014
Total interest-bearing debt	293 836 120	294 002 877
Cash and liquid investment	22 234 604	48 981 397
Net interest-bearing debt	271 601 516	245 021 480
Total equity	231 093 289	90 363 681
Total capital	502 694 805	335 385 161
Debt-ratio	54,0 %	73,1 %

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
<i>Subsidiary</i>		
Idunsvei 8 Eiendom DA	Oslo	100 %
Oslo Barnehager Eiendom AS	Oslo	100 %
Vifo Romerike Eiendom AS	Oslo	100 %
Bergen Barnehager Eiendom AS	Oslo	100 %

Note 7 Investment properties

Overview of account movements 2015

	Properties
Fair value in the beginning of the year	335 000 000
Addition:	
-Investment in properties	40 000 000
-Addition to properties	0
-Investment in subsidiaries	0
Sale	0
Fair value adjustments on investment properties	151 725 000
Fair value in the end of the year	526 725 000
Net change in unrealized gain	151 725 000

Overview of account movements 2014

	Properties	2014
Fair value in the beginning of the year	319 100 000	
Addition:		
-Investment in properties		
-Addition to properties		
-Investment in subsidiaries		
Fair value adjustments on investment properties	15 900 000	
Fair value in the end of the year	335 000 000	
Net change in unrealized gain	15 900 000	

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	2015	2014
Rental income from investment properties	30 083 681	26 513 880
Expenses related to the leased properties	752 519	485 188
Expenses related to the not leased properties	0	0

Note 7 Investment property continues

The Group rent out the investment properties on long term triple net contracts, with an exception on the properties leased to Espira. On average there are 17 years remaining on the lease agreements. All agreements are CPI adjusted annually. The Group does not have any future capital expenditure on properties as all maintenance is carried by the tenant.

The properties are located in the greater Oslo area, Bergen, Stavanger, Bodø and Tromsø. See the Company's web site for a full list and map of all the properties.

The investment properties are valued in accordance with the fair value method and all have been valued in accordance with valuation Level 3.

The yield level of the properties has been determined on the basis of their unique risk and transactions made at the respective location according to the location price method.

At the end of 2015, the Company has valued its portfolio based upon a gross average 6% yield - however an external cash-flow valuation for all the individual properties, to support the Company's valuation approach, was also carried out

Valuation

The Group uses yield valuation according to the cash flow method for external and internal valuations. The same valuation method has been used for all of the Group's properties. From the outcome in the cash flow model, the fair value of the property is calculated before deduction for selling expenses.

Sensitivity analysis

A property analysis is an estimate of the value that an investor is willing to pay for the property at a given time. The valuation is made on the basis of generally accepted models and certain assumptions on different parameters. The market value of the properties can only reliably be established in a transaction between two independent parties. An uncertainty interval is stated in the property values and is between +/- 5 per cent in a normal market. A changed property value of +/- 5 per cent affects the Group's property value by +/- NOK 26,3 million.

The table shows how different parameters affect the property value. The different parameters are each affected by different assumptions and do not normally interact in the same direction.

Note 8 Financial instruments

31.12.2015	2015				Total
	Financial derivatives at fair value through profit	Stocks available for sale	Loans and other receivables	Financial liabilities recognised at amortised cost	
Assets					
Trade and other receivables			10 217 598		10 217 598
Cash and cash equivalents			22 234 604		22 234 604
Total Financial assets	0	0	32 452 203	0	32 452 203
Liabilities					0
Liabilities to financial institutions				237 966 139	237 966 139
Long term liabilities to related parties				32 387 277	32 387 277
First year instalments				23 482 704	23 482 704
Accounts payable and other current liabilities				2 044 010	2 044 010
Total Financial liabilities	0	0	0	295 880 130	295 880 130

31.12.2014	2014				Total
	Financial derivatives at fair value through profit	Stocks available for sale	Loans and other receivables	Financial liabilities recognised at amortised cost	
Assets					
Loans to affiliated company			0		0
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					
Long term liabilities to related parties				102 053 942	102 053 942
Liabilities to financial institutions				192 750 319	192 750 319
Short term liabilities to related parties				0	0
First year instalments				0	0
Account payable and other current liabilities				1 962 854	1 962 854
Total Financial liabilities	0	0	0	296 767 115	296 767 115

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

	2015	2014
Trade receivables		
Other current receivables	10 217 598	9 139 909
Total receivables	10 217 598	9 139 909

	2015	2014
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
2015	10 217 598	10 217 598			
2014	9 139 909	9 139 909			

Note 10 Cash and cash equivalents

	<u>2015</u>	<u>2014</u>
Cash and cash equivalents	22 234 604	48 981 397
Restricted funds	0	0
Total	<u>22 234 604</u>	<u>48 981 397</u>

Note 11 Paid in equity, shareholders and retained earnings

	2015	2014
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 Public Properties AS	66 030 000	100,00 %	100,00 %
	66 030 000	100,00 %	100,00 %

Dividend and group contribution

The company has not paid any dividend in 2015. Based on the 2015 financial statements a dividend will not be proposed.

Note 12 Interest-bearing debt

	2015	2014
Total interest-bearing debt, nominal value	299 411 013	302 053 942
- of which to related parties (fixed interest rate)	32 387 277	102 053 942
Hedging Ratio	10,82 %	33,79 %

Average interest rate, including margin (%)

Total interest-bearing debt, nominal value	299 411 013	302 053 942
Capitalized borrowing costs	-5 574 893	-8 051 065
<u>Total book value interest-bearing debt</u>	<u>293 836 120</u>	<u>294 002 877</u>
<u>First year instalments of debt (short-term)</u>	<u>23 482 704</u>	<u>0</u>
<u>Long-term interest-bearing debt excluding first year instalments</u>	<u>270 353 416</u>	<u>294 002 877</u>

Maturity on long-term debt

Maturity in 2016	43 482 704	2 572 446
Maturity in 2017 - 2019	190 448 112	7 717 338
Maturity in 2020 or later	65 480 197	291 764 158
Total	<u>299 411 013</u>	<u>302 053 942</u>

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

	2015	2014
Investment property	526 725 000	335 000 000
<u>Total pledged assets</u>	<u>526 725 000</u>	<u>335 000 000</u>
<u>Borrowings secured with pledged assets</u>	<u>200 000 000</u>	<u>200 000 000</u>

Note 13 Deferred tax

Change in deferred tax assets	Financial derivative instruments	Loss carried forward	Provisions	Total
01.01.2014		1 849 164	443 465	2 292 629
Deferred tax on purchase and sale of company				0
Recognized deferred tax				0
Transactions directly in equity				0
Currency changes				
31.12.2014		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				
31.12.2015		1 849 164	443 465	2 292 629

Change in deferred tax liabilities	Investment property	Other items	Total
01.01.2014	47 939 595	24 672	47 964 267
Deferred tax on purchase and sale of company			0
Recognized deferred tax		5 871 529	5 871 529
Effect on changed tax rate			0
Currency changes			
31.12.2014	47 939 595	5 896 201	53 835 796
Deferred tax on purchase and sale of company			
Recognized deferred tax	27 124 055	-910 781	26 213 274
Effect on changed tax rate			
Currency changes			
31.12.2015	75 063 650	4 985 420	80 049 070

Temporary differences not included in the calculation of deferred tax

	2015	2014
01.01.	45 552 657	45 552 657
Change related to new acquisitions		
Change related to sales		
Effect of changed tax rate		
31.12.	45 552 657	45 552 657

Net recognised deferred tax liabilities	32 203 784	5 990 510
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Current income tax liabilities	2015	2014
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:

	2015	2014
Indefinite	0	0
Total loss carried forward	0	0

Deferred tax recognised in comprehensive income

	2015	2014
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	191 007	34 271
Other short term payables	1 853 003	1 928 583
Total	2 044 010	1 962 854

Note 15 Income from rent

<i>Recognised income from rent</i>	2015	2014
Recognised minimum rent from minimum payer	30 083 681	26 513 880
Recognised variable rent	0	
Total income from rent	30 083 681	26 513 880

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

	2015	2014
Within 1 year	30 685 355	27 176 727
2 to 5 years	122 741 418	108 706 908
After 5 years	398 909 610	353 297 451
Total	552 336 383	489 181 086

Note 16 Other income

	2015	2014
Profit from sale of assets		
Other income	56 640	56 645
Total	56 640	56 645

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 paren or subsidiaries.

	Group 2015
Audit fees	
Statutory audit (including technical assistance with reporting)	553 619
Other certification services	0
Tax advice (including technical assistance with tax papers)	0
Other services	0
Total	553 619

Note 18 Financial income and cost**Finance income**

	2015	2014
Interest income	3 379 693	1 566 188
Other finance income	0	67 797
Total finance income	3 379 693	1 633 985

Finance costs

	2015	2014
Interest expense on borrowings measured at amortised cost	15 723 605	20 379 556
Other finance costs		18 337
Total finance costs	15 723 605	20 397 893

Interest expense

	2015	2014
Interest expense on borrowings	13 247 433	18 737 095
Discounting on provisions	2 476 172	2 306 474
Total interest expense using the effective interest method	15 723 605	21 043 569

Note 19 Income tax

	<u>2015</u>	<u>2014</u>
Tax payable		0
Change in deferred tax	-26 213 274	-5 871 529
Income tax expense	-26 213 274	-5 871 529
Profit before income tax	164 050 181	20 179 031
Income tax expense calculated at 27 %	44 293 549	5 448 338
Effect of changed tax rate		
Effect of capitalizing benefit related to loss		
Change in deferred tax	26 213 274	
Application of loss carried forward		
Non-deductible expenses	-37 931 250	
Others	-371 789	542 172
Income tax expense	32 203 784	5 990 510
	32 203 784	5 990 510
	0	0

Note 20 Transactions with related parties***Related parties******Relation to the group***

Norlandia Care Group AS

Indirect shareholder 20,05%

	2015	2014
Liabilities to related parties		
Norlandia Care Group AS (and subsidiaries)		69 463 764
Norlandia Care Group AS (and subsidiaries) sales credit		32 590 178
Norlandia Care Group AS (and subsidiaries)	1 114 805	
Total liabilities to related parties	1 114 805	102 053 942
Interest paid on liabilities to related parties		
Norlandia Care Group AS (and subsidiaries)	0	2 502 710
Purchase of buildings		
Purchase of buildings from Norlandia Care AS	0	0
Rent of properties from related parties		
Rent of properties from Pioneer Public Properties II AS	30 083 681	26 513 880

Note 21 Events after the reporting period

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

