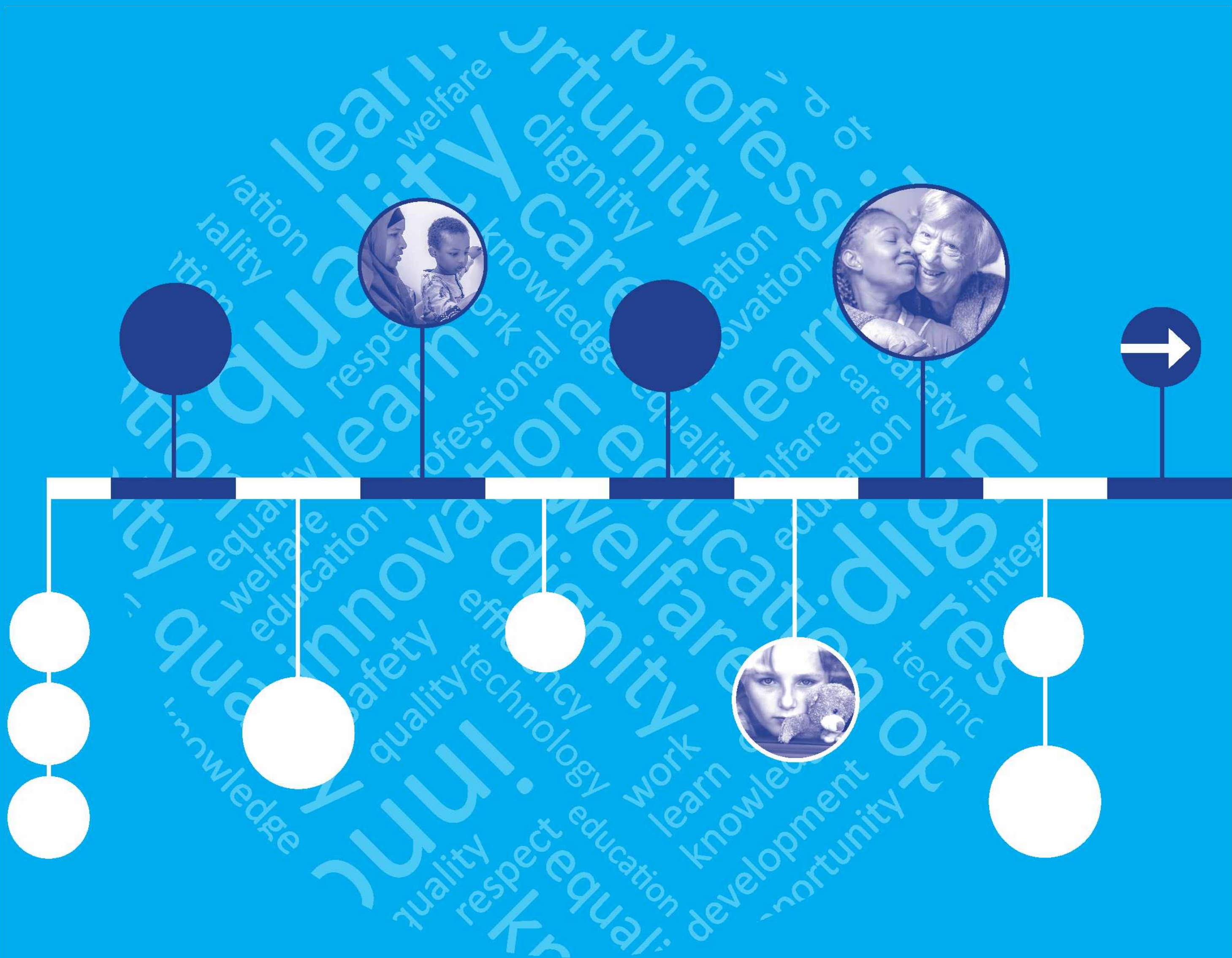
Norlandia Health & Care Group AS

Annual Report 2016



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Structured for growth

Norlandia Health & Care Group was founded to strengthen future prospects and enable synergies between companies with similar ambitions within the same ultimate ownership. All four groups of companies – Preschools, Care, Hero and Aberia – offer solutions to core needs of our societies. Quality and dignity are the hallmarks of their services.

CEO remarks

Yngvar Tov Herbjørnssønn
Norlandia Health & Care Group
CEO

I am proud to present this very first annual report from the newly created entity Norlandia Health & Care Group (NHC). NHC was created towards the end of 2016 when the ownership of Norlandia Care Group, Hero, Aberia and Kidsa was concentrated in this new corporation.

In the months since the company was created, I have worked with the management teams of each of the four operating groups to assess areas of synergies and potential operational efficiencies. We will conduct in-depth analyses and explore new territories during the year 2017.

In my conversations with the dedicated employees of all our operating groups, it has become clear that these five core values are indeed common denominators: Quality, dignity, reliability, innovation, and efficiency.

Our work has supported the notion that there is a strong industrial logic to the integration of the four broad operations that constitute NHC. The activities encompass core welfare services.

There are many synergies. Our end users tend to be in a phase of their life when they are more fragile. As such, our employees have much in common in terms of how they approach and how they communicate with users.

Hero is 30 years old, and has a proud heritage as an operator of reception centers. Back in the 90s, Hero pioneered a model for user involvement in reception center management. Now, we are ready to export this model to other European countries both on sites and through other models for distribution of expertise.

In all countries where we operate, there is ongoing debate about the role of private enterprise in the delivery of welfare services. Our message is that we and our competitors drive innovation and the adoption of new methods. Monopolies are rarely advantageous to society or to consumers, whether the monopolies are public or private. Competition brings transparency and sheds light on inefficiencies and suboptimal service delivery.

We need private enterprise to challenge the practices of the public sector to maintain a cohesive society with broad support for tax-funded welfare services. In fields such as healthcare, elderly care, education and childcare, access to services should be equal and the services should be of very good quality. On the delivery side, citizens should be concerned that their tax money is spent as efficiently as possible. In order to get the most out of the public spend, society should seek a mix of commercial, ideal and public providers.

OUTLOOK

Preschools

Our preschool operations are present in Norway, Sweden, Finland and the Netherlands. We seek differentiation from our competitors by emphasizing our desire to stimulate children to become more curious, more eager to discover and more creative.

We will supplant inefficient businesses in all markets. We seek growth through the acquisition of new properties in urban areas and we work systematically to increase occupancy at existing units.

Care

In Sweden, the tender market in the field of nursing homes continues to be very active. Own operation of elderly care units is also a market that sees significant activity in Sweden. In Norway, meanwhile, the tender market is rather slow. Instead, it seems that the home care market appears to be an attractive one. We expect the home care market to be strong over the long term strong due to

fundamental conditions. People generally have a preference to stay in their own homes into very old age. Also, there is a political desire for the same, motivated mostly by expected cost savings.

We expect one driver of care increasingly being delivered in the home rather than in institutions is the increased proliferation of sophisticated welfare technology. Greater user acceptance of self-care, tolerance of monitoring technologies, ever lower prices for sensors, processors and data storage, increased ability to process, analyze and act on data – these are all factors that will propel this evolution relentlessly forward.

While the home market today is rather fragmented and immature, we foresee a trend toward greater demands for quality systems and documented procedures. As in the nursing home market, society will come to expect evidence-based practices that are well documented in electronic journal systems.

Adequate financing for home care needs to be provided for this area to grow. Currently, the sector suffers from unpredictability and significant differences between municipalities. There are also surprising discrepancies between municipal cost levels and contributions to private operators.

Integration services - Hero
We see the potential for rapid growth within education. Across Europe, we see a large market with demand for a broad spectrum of training activities to integrate immigrants in the workforce.

We believe there is substantial potential for organic growth from the current platform in the areas of translation. In 2016, we acquired an interpreter service in Finland. Our ability to skillfully use technology to efficiently deploy the capabilities will be useful. We have translators with a mastery of a great number of languages.

We are currently in the process of establishing reception centers in Germany and look forward to contribute with our skills and experience in this very large market.

Individual & family - Aberia
We will seek growth primarily through actively bidding for local tenders. The market is expected to increase, particularly within assisted care. We expect to be able to generate organic growth at our newly acquired units. The market in which Aberia operates continues to be a rather fragmented one. We foresee a consolidation within the segment, and plan on being one of the companies driving that process. A resulting challenge will be to rapidly realize the potential for operational synergies.

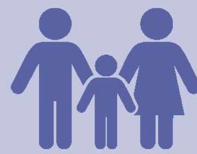
THE FUTURE

I am very optimistic about the prospects for Norlandia Health & Care Group. We serve society in areas that are complex and challenging. The forces of demography will make the wisdom of using our services ever more evident. An attitude of curiosity and a bold orientation to developing the enterprise augurs well for the aggressive employment of digital solutions to enhance customer experiences, lighten the workload and cut costs.

Fundamental to all operations of NHC is the profound appreciation of the dignity of the individual. We work diligently to train new and old employees in the thinking expressed in our value statements. The great quality experienced by our end users will be the best testament to our success.

Yngvar Tov Herbjørnssønn
CEO

Key figures

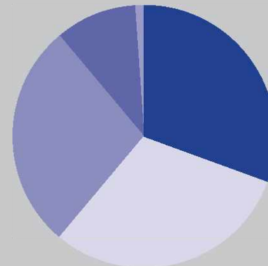


22,500
NUMBER OF USERS

Employees

8,400

Revenue per segment*



- Preschools 27%
- Care 33%
- Integration services 30%
- Individual & family 10%
- Property 0%

*Sum of percentages may deviate from 100% due to rounding

Markets

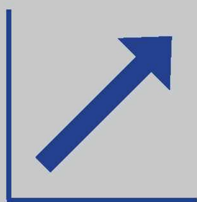
Norway

Sweden

Finland

The Netherlands

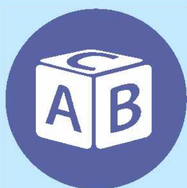
Revenues



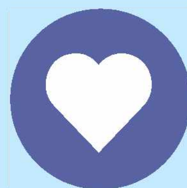
5,177
MNOK

433
UNITS

Segments

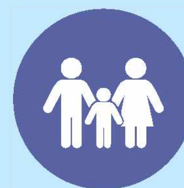


Preschools
Preschools
Schools
Out of school care



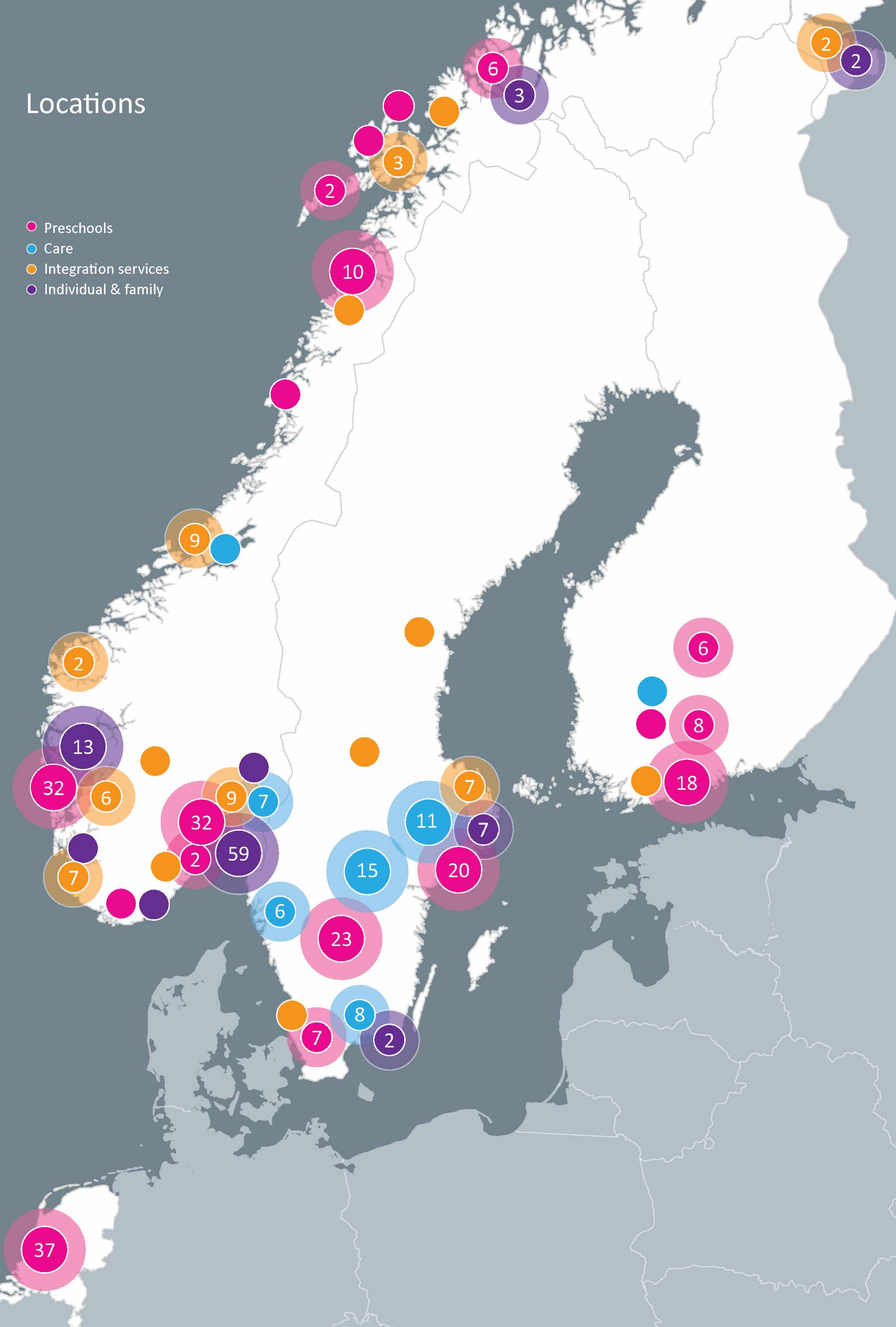
Care
Elderly care
Patient hotels
Home care

Integration services
Reception centres/ accommodation
Education
Interpretation

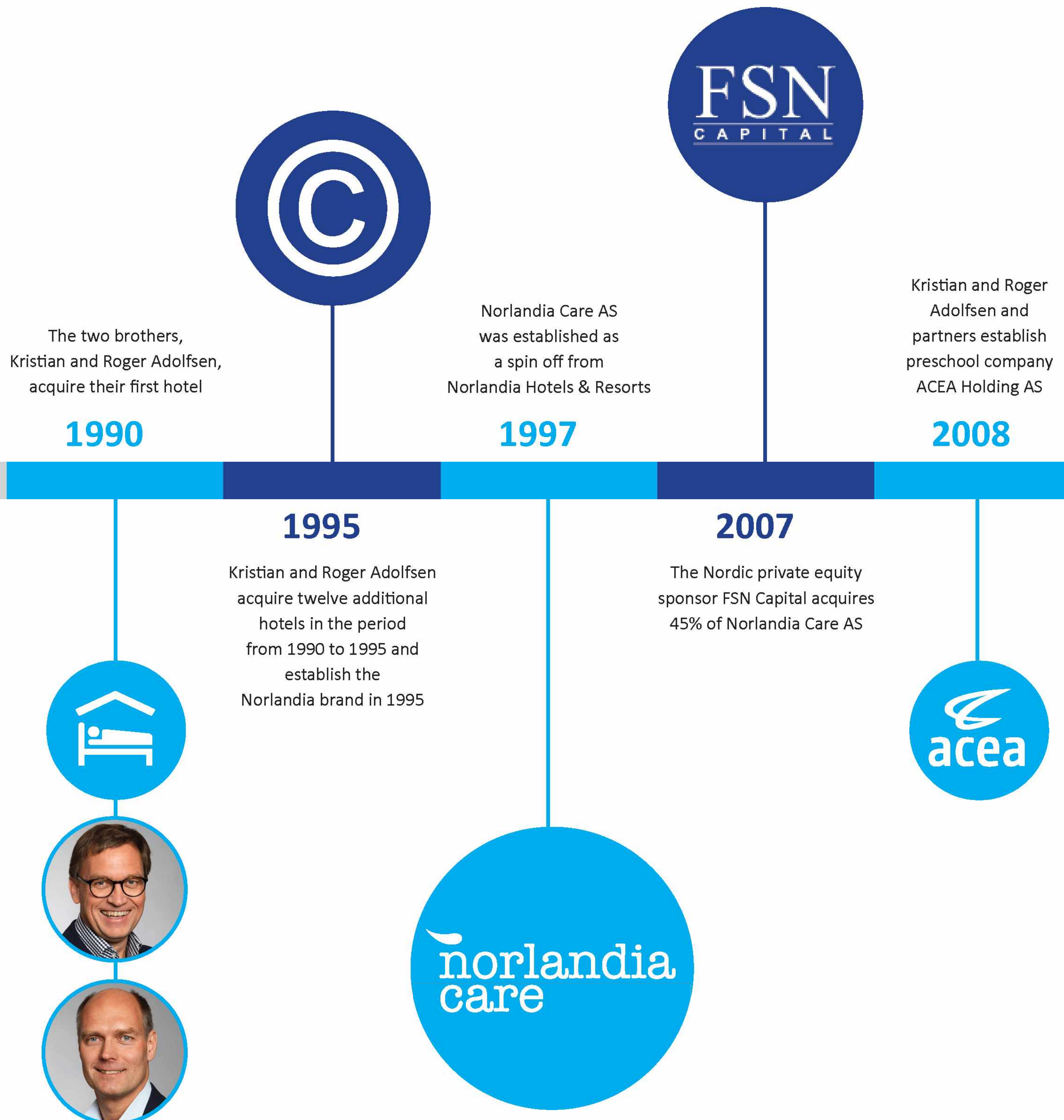


Individual & family
Child care/foster homes
Assisted living
User controlled personal assistance (BPA)
Rehabilitation

Property
Acquisition and sale of real estate
Development and sale of real estate


Locations
Preschools
Care
Integration services
Individual & family

Group history



2010

Kristian and Roger Adolfsen establish Aberia Healthcare with partners

2011

FSN Capital exits Norlandia Care AS. Norlandia Care Group AS (NCG) is created as a merger between Norlandia Care AS and ACEA Holding AS

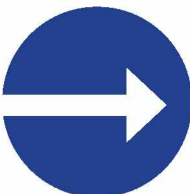
2014

Kristian and Roger Adolfsen acquire a majority stake of integration services company Hero Group from ISS

2015

NCG acquires Kosmo, a major Swedish elderly care operator

Kristian and Roger Adolfsen acquire a controlling stake in preschool company Kidsa



2016

Kristian and Roger Adolfsen acquire all minority stakes in NCG, Hero, Aberia and Kidsa and merge them to form the new Norlandia Health & Care Group AS

Preschools

Kristin Voldsnes
Norlandia Care Group
COO Preschools

Our project Knowledge & innovation has been a central part of our work through 2016. Key goals of this identity project are to get an even greater number of competent and dedicated people to want to work with us and to have more parents want their children to go to one of our preschools. We have worked with Knowledge & innovation in Norway and Sweden since 2015 and it was launched internally in both countries in 2016. We launched Knowledge & innovation externally in early 2017. Our ambition for Knowledge & innovation is that children who attend a Norlandia preschool will develop a greater level of curiosity, a stronger drive to explore, and a more intense urge to create new ideas. Our slogan is "Let the discoveries begin!"

Norlandia Quest is an annual event, and an integral part of Knowledge & innovation. The event unites all the preschools in Norlandia in all countries where we operate in a common project with the aim of creating commitment, enthusiasm and joy. In 2016/2017 the theme was film. The children got to explore the medium of film in different ways – they watched films, learned about making movies and also got to make films themselves. This was an exciting and creative event for both the children and our employees. Norlandia Quest also generated a great deal of publicity for us.

In 2016 we launched a program for systematic and critical reflection on own practices. The program was implemented in both Norway and Sweden. The program is meant to function as a tool for our pedagogical staff members in order to strengthen the adult role. The feedback has been positive. We believe that systematic and thorough reflection on our pedagogic work lays the foundation for good educational quality.

Norlandia's competence policy program has been an important part of our work during 2016 in Norway and this process is ongoing in Sweden in 2017. The overall goal of the policy is to emphasize that unit managers should help to mobilize and develop the competence that exists, so that the individual's competence has the possibility to develop and be used properly. This helps us ensure that we have the right person in the right place!

Our ambitions for further growth in Sweden and Norway are high. But we will grow sensibly, putting quality first. Companies acquired by Norlandia should feel well taken care of in their new family.

We will continue our work on becoming the preferred provider. We want to see a smile on each child's face when they walk through the doors to our preschools.

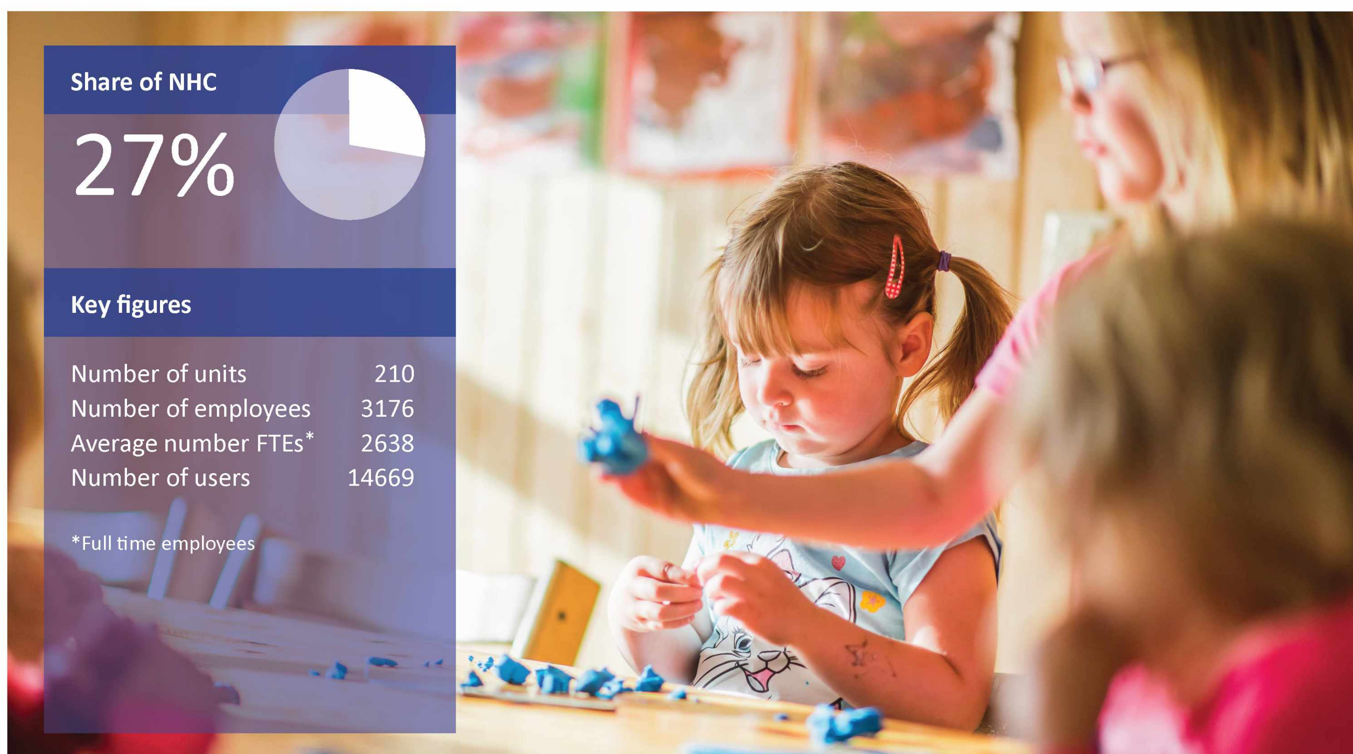
Norway

Currently we care for around 6800 children in 88 preschools in Norway, counting both Norlandia and Kidsa.

In Bergen we own Kidsa – a company that runs and develops 28 preschools. A common feature for the Kidsa preschools is that they strive to operate on children's terms. This means that the individual child's wishes, needs and resources have an impact on the development of the pedagogical work in preschools.

In 2016 Kidsa experienced some negative publicity when questions about the company's finances appeared in media. This led to Bergen municipality conducting a financial review, which concluded that there was absolutely no reason for any reactions.

In 2016 we have fully renovated Glassverket preschool in Bærum municipality. The original building is from 1894 and in this refurbishing process it has been important for us to preserve the building's



original features. The result is a modern preschool with a universal design where we have taken care of a part of our cultural heritage.

It was encouraging to see that we experienced improvement in parent surveys at preschools in Oslo that earlier have been run by the city, like Ospa, Frydenlund and Bjørnåsen.

Paradiset preschool in Nordland has shown impressive and targeted work on prevention of sick leave among employees. In 2016 Paradiset preschool had record low sickness absence. Employees state that the good working environment and the feeling of being a part of a family makes them happy at work. This is an inspiration to the rest of our organisation.

Sweden

Currently we care for a little more than 3300 children at 50 preschools in Sweden.

2016 has been an important year for our preschool operations in Sweden.
We have taken a major step in developing the organisation with the establishment of a new regional management structure. This means that we have divided the Swedish operation into three regions, each with its own region manager.
Having three regions which has the size and management capacity to develop and integrate new preschools marks the start of a new era for us in Sweden.
In addition to the organisational development we also celebrated our 50th preschool operation in Sweden and the launch of Knowledge & innovation at our operations.

We had several exciting start-ups in Sweden last year. Two of them were Eventyrsbåten and Ferdinand preschools which are both Kids2home preschools.
We have worked with integrating Kids2home since the acquisition in 2015.
The integration project has focused on how to let the concept benefit from the systems and management approaches of Norlandia. The mission of Kids2home is to "make families with small children happier by making their everyday life easier". All of our Kids2home sites have been built according to the same physical layout, which is designed for preschool operations. We pay significant attention to all matters related to food: Our food tend to be biodynamically produced and cooked on site. It is also possible for parents to purchase take-home dinners.

In Staffanstorp, Skåne, we have an operation with an interesting concept that delivered good results in 2016.
Lilla och stora Emilia is both a preschool and a school. All learning at this site is based on the interaction between the children, the environment and the teachers. Own experiences and the children's own curiosity form the basis for learning.

Care

Hulda Gunnlaugsdottir
Norlandia Care Group
COO Care

Since merging all our elderly care divisions in Norway and Sweden and patient hotels into one in the fall of 2015, we have been working on exploiting all the synergies between these business areas and countries. In 2016 we started our journey on developing from being a traditional health and care provider to an innovative, forward-looking division. Welfare technology, extended home care and meeting the need for several health care workers will dominate our future operations within Care.

We are proud of our work with the Patient Safety Program throughout 2016. The program will be implemented at all of our nursing homes in Norway and Sweden. We are also working on including this program in our home care services.

Enabling elderly people to live at home as long as possible is something municipalities in Norway, Sweden and Finland are prioritizing. Home care services will be a major focus for us in 2017, and in the years to come, in all three countries. In Norway we are already well established in this area.

Elderly care Norway

In Norway, the government continues the development of the Coordination Reform (samhandlingsreformen). As a consequence, Norlandia Care has expanded its core business from being only a provider of instution-based elderly care to more broadly relieving the public sector. With our innovative thinking and practical orientation, we can assist public health and care services to implement changes that society needs fast.

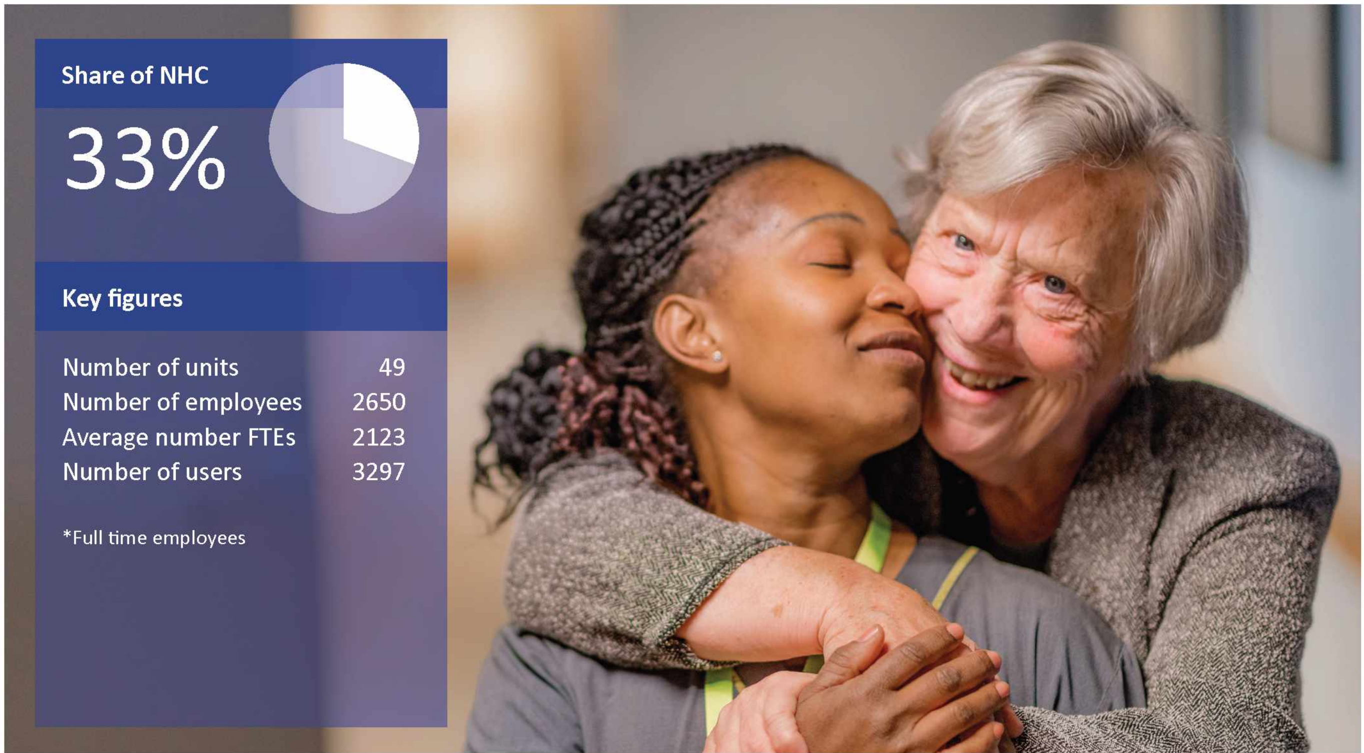
A major priority for us is to implement the Patient Safety Program in all of our nursing homes in order to increase patient safety and satisfaction. We have continued to cooperate with the Norwegian Directorate of Health Services regarding this program through 2016. Oppsalhjemmet was the first nursing home in Norway to adopt this program. Stephan Ore, the head physician at Oppsalhjemmet has presented our work with the program at several conferences abroad. One major conference was the National Forum on Quality Improvement in Health Care in Orlando, Florida held by the Institute for Healthcare Improvement (IHI). Oppsalhjemmet will participate in the program's key priority area for 2017, emphasizing nutrition.

In 2016 we continued implementing *Five wishes for dignity*, a Norlandia concept developed at Oppsalhjemmet. Five wishes is a so-called living will, which enables residents and their families to make distinct choices about treatment, care provision and end of life support. We are now cooperating with Lovisenberg hospits on developing the concept so that we can make it available at several nursing homes. Developing multicultural dialogue tools is part of this work.

In accoradance with Oslo municipality's new policy of running their own nursing homes, Madserudhjemmet was reverted to the city of Oslo in 2016 as expected.

In Oslo, there are four health houses, and we run one of them; Ullern Health House. The health houses are a consequence of legislation pushing responsibilities for certain patient groups from the hospitals over to the municipalities. The health houses have patients who need short-time treatment or rehabilitation. In 2017, we moved into a new, modern and environmentally efficient nursing home. For the coming year we will work on incorporating welfare technology at Ullern Health House and finding the right synergies between the health house, nursing homes and our home care services.

One of our new areas of activity within welfare technology is safety alarms. We participated in a tender competition on providing safety alarm services in Asker and Bærum municipalities, and we are proud of becoming number two in that competition.



Getting established with solid technological collaboration partners has been important to us in order to enter this segement.

We acquired 100% of Oslo Helse og Omsorg in 2016, and as of January 1, 2017 the operation was included as a part of Norlandia and rebranded to Norlandia Home Care. This acquisition makes us one of the largest home care providers in Norway. Early in 2017 we got a concession for operating in three municipalities in Nedre Romerike and in Bergen. A major effort was made in late 2016 and early 2017 to document quality procedures in Oslo Helse and Omsorg consistently with the rest of Norlandia. As a result, we are proud of being one of the very few providers of home care services to become ISO certified in Norway.

We have acquired Oseberg Medical Clinic in Tønsberg in collaboration with the well-known patient and caregiver organization LHL (Landsforeningen for hjerte- og lungesyke). This acquisition gives us an entry into specialist health service.

Recruiting qualified employees is a priority to us. We contribute extensively to education in the care field in Norway. With over 100 students from various fields of study, including medicine, in training at our operations we contribute to recruit and ensure competence for the future.

Elderly care Sweden

It is a tough and competitive market in Sweden, characterized by a large number of tenders and challenging expectations. Limiting profits or dividends in the elderly care sector is still a part of the political debate. The Reepalu commission suggested severe limitations for private provision of elderly care services.

We have decided to pursue building our own nursing homes in Sweden. For 2017 our aim is to initiate three building projects. In February 2017 we signed the first contract with a contractor which will build our first operation. This will be a building containing a nursing centre and a kindergarten, which is part of our "Welfare in a box" concept.

The Kosmolandia project was completed in 2016. This project was about integrating Kosmo into Norlandia and has involved a great number of people. It has resulted in Norlandiasättet, where the best parts from Kosmo and the existing Norlandia concept have been brought together.

Patient hotels

Our patient hotels at St. Olav in Trondheim, Årstaviken in Stockholm and Tampere in Finland have had a stable year through 2016. Development and innovation was the headline of our patient hotel conference which was held in 2016. Employees from Norway, Sweden and Finland participated with the aim to come up with ways of developing the concept of patient hotels further. We will continue this work in 2017.

As of March 2017 we are participating in two new tenders in Finland, in Turku and Tampere. And we are looking into several possible operations in Norway, Finland and the UK.

Integration services

Tor Brekke
Hero
CEO

In 2017, we celebrate our 30th anniversary. We look back at our eventful and unique history within our field with pride, where quality always has been a major priority. We opened our first reception centre in 1987 in Ytre Arna in Bergen, to accommodate refugees arriving from Chile. Today we are the largest operator of reception centres in Scandinavia and one of the largest in the world. We offer services aimed towards asylum seekers, refugees and immigrants. We are proud to be the only company in Norway that can offer a continuum of services for these groups. From the time when they first arrive in Norway, continuing with their stay at a reception centre, and further on to integration in society through employment and education.

Over the years we have developed a ground-breaking method where we let the residents get involved in operating the reception centres; this approach has greatly influenced the development of the Norwegian reception system. In the year 2002 resident participation was implemented as a government requirement at all Norwegian reception centres. Believing in empowerment and regarding our residents as valuable resources continue to be an important part of our mindset and approach. Because of our commitment to resident involvement we are also considered a trusted partner for the Norwegian Directorate of Immigration (UDI).

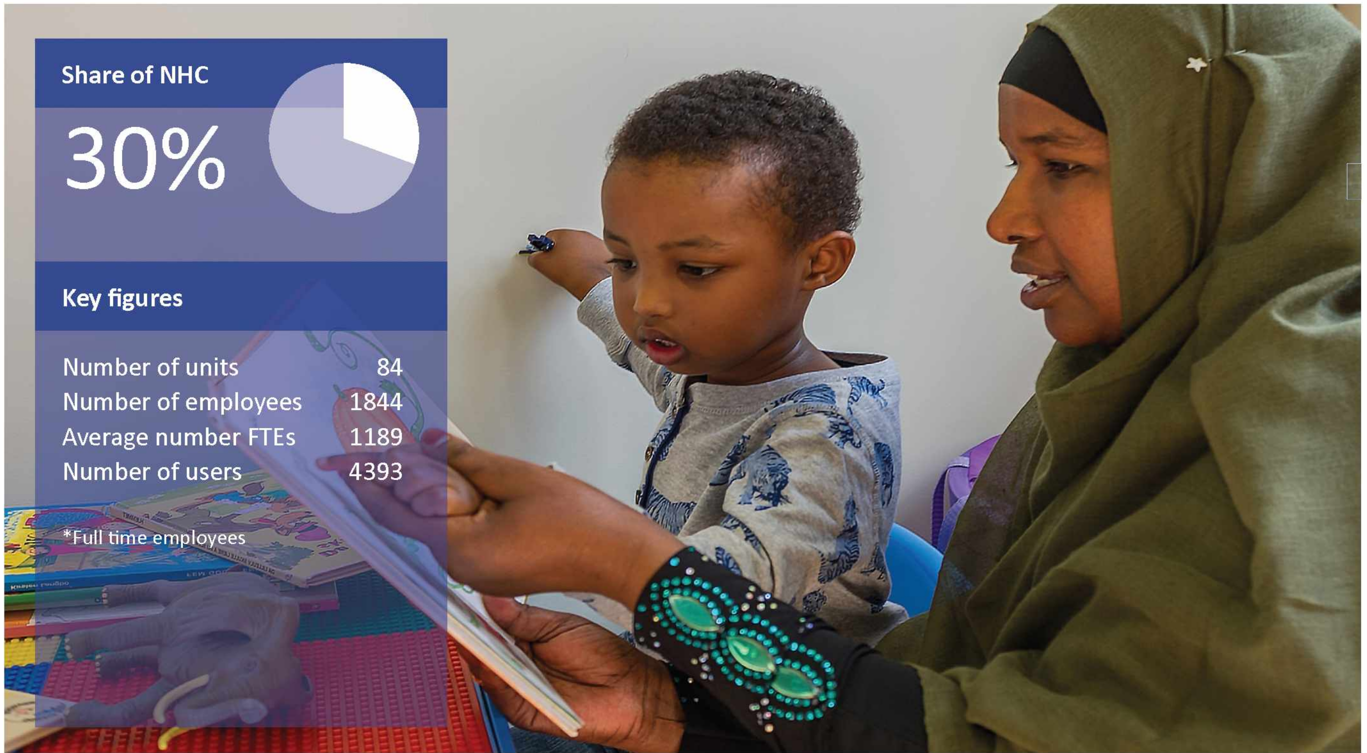
In 2011, we developed a concept named Sammen for sikkerhet (Together for safety). The core element of the concept is that we as part of our commitment to resident participation talk with refugees and asylum seekers about Norwegian gender roles in dialogue groups. Initially the purpose of this project was to prevent sexual assault and rape. The main idea behind the concept is to engage participants in an effort for safety. The dialogue groups are now well incorporated in information work in the reception centres. Meeting people with respect and empowering people through knowledge and responsibility is an important part of our philosophy. We experience great results with Sammen for sikkerhet.
The concept is also well known outside Norway. After the mass sexual assault scandal in Köln in 2015 we had a large number of media requests from around the world. They all wanted to learn more about our concept.

In Hero, we experience a willingness to contribute, great employee engagement and a special ability to mobilize our forces when needed. These strong features are all a part of the legacy left by our former leader, Ahmed Bozgil, who passed away in 2013. Bozgil himself was a refugee; he came to Norway as a political refugee from Turkey in 1986. He had a clear idea and vision about how a reception centre should be run.

Since the change of ownership in 2014, when we became part of the company Hospitality Invest, we have experienced continued growth in Norway and the establishment of Hero Sweden the same year.

In addition to our reception centres, our core business also consists of language services and education centres in Norway and Sweden. Hero Tolk was established in 2005, offering interpretation services. In 2006 we established Hero Kompetanse, where we support the development of competence throughout the process from being a job seeker to becoming a wanted resource in the workplace.

In 2016 Hero Tolk and Hero Kompetanse were established as separate corporations, and both companies had very good activity and revenue levels in their first year as separate corporations.



Helsingin Tulkkipalvelut Oy, a company offering interpretation services, was acquired in 2016 and rebranded as Hero Tolk Oy. This acquisition gave us important access to the Finnish market for interpreting services.

The major European refugee crisis in 2015 contributed to the establishment of several thousand new spots at Hero reception centres in Norway and Sweden. This increase continued into the first half of 2016. Then, in the second half of 2016, several of our reception centres were closed down as the number of arrivals dropped to the lowest levels in many years. We established the last reception centres in June and received the first contract terminations in August. The tremendous change of course was very demanding for the organization. Close cooperation with health and safety representatives and employee representatives was given high priority during this process.

Throughout 2016 the number of asylum seekers in Norwegian reception centres has been halved. In late January of 2016, almost 29,000 residents were housed in centres in Norway. In January of 2017, the figure was just below 13,000.

In 2017 we plan to continue our growth in Sweden and Finland. We are also excited about expanding to Germany. In the beginning of 2017 we recieved confirmation that we had won three contracts to operate reception centres in Germany.

Our core business deals with some of the most urgent social tasks that modern democracies face: Migration, integration and employment. Our model of successful integration through resident participation and cooperating closely with different public agencies has been proven to function well. We will continue to seek to export our model so that our best practices are spread and developed in more countries in Europe.

Individual & family

Nina Torp Høisæter
Aberia Healthcare
CEO

Since the foundation in 2010 Aberia's philosophy has been to assist people with needs for support to live their lives with dignity. All our services are provided within the Scandinavian welfare model. This includes children, youth and adults. Our core service offering is divided into two main categories. One area is focused on child welfare, family homes, foster care and minor refugees in Norway and in Sweden. The other main area is care services and respite care services, which we offer nationwide in Norway.

The child welfare sector in Norway is complex. 54.000 children and youths between 0 and 22 years are in need of some level of care services. 40 % is taken care of outside of their homes, either in foster care or in institutions, whereas 60% is taken care of by their own families with assistance from service providers.

The Norwegian state and the municipality of Oslo are responsible for all childcare in institutions in Norway. They are operating through their own services and through tenders. This market has three types of providers: Private, non-profit and governmental. The private part of the market is driven by four major players: Aleris, Humana, Team Oliva and Aberia Healthcare.

We are able to provide a sustainable quality due to predictability and stability for the children in our care. We achieve this because of loyal and highly competent staff with predictable working schedules. Our devotion to quality also shows in the results of external supervisions from different external authorities. In 2016 we had no deviations in any of our child welfare institutions.

There are almost 63.000 people who need care around the clock in Norway. 22.000 are taken care of in their own homes and 41.000 are cared for in institutions. These numbers are expected to increase for all age groups. There is also an increasing demand for respite care, throughout the country.

Within care services and respite care services we operate as a private enterprise in the public sector. We have approximately 20 tender processes going on at all times. We provide services for people who have special needs or who are unable to take care of themselves and are dependent on practical or personal assistance in order to undertake everyday tasks. We have flexible working schedules enabling efficient operations and at the same time maintaining high quality services.

We are dedicated to proper employee performance in the broadest sense, with high quality and dignity for everyone involved. We strive to be good role models in leadership at all levels. An expressed ambition is to strengthen the job enrichment for our personnel; we expect to improve the service to those we provide care for as a result. We are continuously working on quality improvement. We recognize employee satisfaction as an essential part of our quality work, because there is a lot of research which shows that job enrichment and quality correlate. Permanent employment and our commitment to having the majority of our employees in full-time positions are important elements in creating dedicated and satisfied employees.

In 2016 we have conducted surveys on employee satisfaction and customer satisfaction, both with satisfying results. Average score on both surveys were around 85 % satisfaction.

We dedicate significant effort towards improvement in treatment practices, providing meaningful activities and the right care for those we are responsible for. It is rewarding to see that our work provides great benefits to individuals and to society.

Aberia in Norway

We experienced a great breakthrough in

Norway in 2016 after years of entrepreneurship. Several events gave us great results in quality, personal satisfaction and financially. We won a large tender with The Norwegian Directorate for Children, Youth and Family Affairs. The contract was signed in November and will probably run for six years. In addition to this large contract, we also won several municipal tenders around the country.

We also made several acquisitions in 2016 and we are pleased to see that we continue to expand. Stenimed AS was acquired in April, a company providing nationwide living and care services for people with special needs. In September we bought Jentespranget AS, a child welfare institution located in Stord. This is a small company with a solid reputation and an exciting concept targeting girls only, with the aim to make them independent and capable of taking care of themselves.

At the start of 2016 there were 736 minor refugees in care centres all over the country, of which 85 % in private care. Aberia made a huge contribution to help these minor refugees. We worked closely with the municipalities to help a significant part of this group finding safe homes in communities throughout Norway. At the end of the year we just had a few children left in our care. Our important work for these vulnerable children led to a new framework agreement with the state.

We have great expectations for the coming year. Two large tenders from the Health and Welfare Agency in the municipality of Oslo are scheduled for 2017. Under the terms of this contract it is left up to the users to make their own choice of care provider. This means we have to work differently and with higher intensity on marketing our services, in addition to our continuous work on improving user satisfaction.

Our achievements and new acquisitions during 2016 have brought us to a point where we are ready to expand all of our services nationwide in Norway in 2017.

Aberia in Sweden

Aberia has operated in Sweden for several years, mainly within child welfare. Aberia is now ready for growth in our core segments. We are well prepared for growth within child welfare services and family homes for 2017. Establishing sheltered housing and respite care services are also included in our scheduled plans for operations in Sweden.

In both Norway and Sweden Aberia make important contributions to create and preserve a sustainable welfare state.
We are creative and innovative, and we experience that our way of working is perceived as an inspiration to the public sector. We benefit society through adoption and spreading of innovative methods and use of new technologies at our institutions. We eagerly seek digital solutions throughout our operations. Aberia has a solid reputation and we are proud to have leaders and owners who put quality and dignity first.

New and developing preschool markets

Key figures* – The Netherlands

Number of units	37
Number of employees	475
Average number FTEs**	221
Number of users	2710

Mark Peschier
Country manager

*Figures included in Preschool presentation on page 11
**Full time employees

The Netherlands
Ahead of the general election in March, there was a slightly hesitant attitude in the market about how a possible new government would organize childcare in the future. This has influenced some initiatives in our growth strategy. The final composition of the new government coalition will also influence and possibly give some new directions to our strategy in the Netherlands.

Nevertheless, we are pleased to see that our operations have experienced significant growth also in 2016 and according to our plans. We are proud of successfully passing the ISO certification in 2016. Our kindergartens in the Dutch market are a solid and robust part of Norlandia and they continue to have a strong financial foundation.

When acquiring new entities, it has been important for us to find companies that are a good match with us. This may entail that they have operations which quickly and efficiently can become an integrated part of Norlandia, thus taking advantage of our systems. Alternatively, the acquisition targets may be more mature companies that we can exchange knowledge with.

Early in 2016, Kindex was rebranded to Norlandia; name and brand were changed, and a concept in line with that of Norlandia is being established through divisional exchange of knowledge.

Quickly understanding customer behaviour and predicting their needs is important, particularly as we operate in a tougher market in the Netherlands than in Norway or Sweden. We continue to deliver on quality and operational excellence. The systematic work with quality in the Netherlands still impresses us, and has spread throughout the Norlandia system.

There are many similarities between Norway, Scandinavia, and the Netherlands, especially in terms of employee attitudes

and culture at the workplace. Sharing competencies among employees and transferring valuable practices from one place to another is something we have made sure to benefit from in 2016.

Urban areas in the Nordic countries are likely to be influenced by European solutions in more densely populated areas. The knowhow of combining Nordic welfare solutions - securing good quality independently of social and economic status – with effective central European service models, provides a growth model we believe is needed both in our core markets of the Nordics and in our new and developing markets.

Good cooperation and a mutual understanding between the Nordic countries and the Netherlands forms part of our rather ambitious growth strategy for the future.

Finland

In 2016 the Finnish economy showed signs of recovery. This has a significant effect on the market. In politics, the municipalities and the national administration has continued to search for new solutions in order to speed up the recovery and reverse the descending economy.

The service voucher system has continued to grow in 2016. This changes the dynamics of the sector and gives a larger part of the population the possibility to afford private care.

It is evident to us that private kindergartens are more cost effective than the public kindergartens in Finland and at the same time they also provide great quality and customer experience. We continued work in 2016 to prepare for ISO certification for our Finnish operations.

We have rebranded our Tenava operations in Finland to Norlandia at the beginning of 2017. The process has been successful and well received by the employees.

The introduction of our employee survey Great place to work was well received. The results were positive and they gave us some good indications for future development.

Overall, Finland shows strengthened revenue and profit due to an impressive turnaround initiative of our Finnish management. For new acquisitions in Finland our strategy has not changed. We are especially looking at well-run businesses with long traditions which are under pressure to deliver on increasing expectations. Through 2016 we have also focused on establishing relationships and key partnerships that will enable us to grow further through our own new building program. We see that there is great potential for further growth and that we are on the right track. We are thinking long-term, building solid operations with good quality for both children and parents in the least mature private childcare market of the Nordics.

The board of directors

Kristian Adolfsen Founder and Chairman of the Board of Directors
Kristian has an MBA from the University of Wisconsin and a Master of Science in Business Administration from the Norwegian Business School, BI (siviløkonom). He has more than 30 years of business experience. He has founded a number of companies within the Adolfsen Group and holds several directorships.

Roger Adolfsen Founder and Member of the Board of Directors
Roger has an MBA from the University of Wisconsin and a Master of Science in Business Administration from the Norwegian Business School, BI (siviløkonom). He has 30 years of extensive experience in business and real estate development, including 27 years in his own business. He has founded a number of companies within the Adolfsen Group.

Åge Danielsen Member of the Board of Directors
Åge Danielsen was the Chairman of Norlandia Care Groups Board of Directors and has held the same position in ACEA since 2008. Åge has a degree in Economics and is a partner in the Consultancy Partnership Rådgiverne LOS / A20 Partners AS. He formerly held the positon of Managing Director of the Norwegian Rikshospitalet from 1997 to 2008. He was the CEO of Nordland Regional College, CEO of Nordland County Administration, Secretary General for the Norwegian Ministry of Defence and Managing Director of Statskonsult. In addition, he has had, and continues to hold, a number of directorships in public and private enterprises.

Ingvild Myhre Member of the Board of Directors
Ingvild qualified as a Chartered Electro- Engineer at the Norwegian University of Science and Technology (NTNU). She was formerly the Managing Director of Alcatel Telecom, Telenor Mobile and Network Norway. Ingvild is currently self-employed. She has had, and continues to hold, a number of directorships in public and private enterprises.

The board of directors' report 2016

Reorganization and refinancing
Over the last years, we have observed a positive development across all the care segments in which we are operating, and at the same time, all companies have entered into new geographical areas. We strongly believe that the core segments in which we operate will continue to experience a positive trend in the Nordic and European countries in the years to come. In order to arrange for the continued growth within the care segments, Hospitality Invest (ultimate mother company of the ownership sphere) went through a major restructuring process in 2016 involving consolidation of all holdings within the preschools, care, individual & family and integration services segments under a fully-owned and newly incorporated subsidiary named Norlandia Health & Care Group AS ("NHC").

As part of the reorganization, NHC acquired all outstanding minority shareholdings in Norlandia Care Group AS, Aberia Healthcare AS, Hero Group AS and Kidsa Drift AS, resulting in a clean corporate structure with fully owned subsidiaries under NHC. The new group will become a leading player in the Nordic private care market with more than eight thousand employees and revenues of more than NOK 5 billion. As part of the restructuring, outstanding bank- and bond debt in the four operating companies, amounting to NOK 844 million was refinanced, including the NOK 650 million bond loan issued by Norlandia Care Group AS (OSE: NCG01).

The transactions were financed through the issuance of a new bond loan consisting of a NOK-tranche of NOK 750 million at a rate of NIBOR + 450 basis points and a SEK-tranche of SEK 1 100 million at a rate of STIBOR + 450 basis points. The loan is a senior secured callable bond with maturity in 2021 and a maximum loan amount of NOK 2 500 million. A listing process for the bond loan has been initiated and is expected to be concluded with a listing on Oslo Stock Exchange within end of 1H 2017.

The restructuring and refinancing has created a major player within the Nordic care service sector, which will be even stronger and more robust than before. The new bond loan offers additional liquidity and creates a stable platform for further growth, both organically and through new acquisitions. The Group will strive to utilize synergies between the various operating groups, improving the quality of the Group's services further and at the same time continue to be an efficient and reliable service provider to our contract counterparts.

Operations
Norlandia Health & Care Group AS is a provider of healthcare services in Northern Europe. During 2016, the Group had operations in four countries; Norway, Sweden, Finland and the Netherlands. About 80% of the operations is located in Norway and Sweden, and the headquarter is located in Oslo. The Group operates under four different brands; Norlandia, Kidsa, Aberia and Hero, and delivers services within the four segments; Preschools, Care, Integration Services and Individual & Family.

Preschools
The Preschools segment includes the preschool activities within Norlandia Preschools AS and Kidsa Barnehager AS. The segment includes over 210 preschool units in Norway, Sweden, Finland and the Netherlands, with close to 15,000 kids and 3,200 employees. The segment has experienced solid growth over the past years, both through acquisitions and through establishing new units.

Care
The Care segment provides individually focused care and has grown to become one of the largest Nordic providers

with close to 50 units, more than 3,300 residents and over 2,650 employees. 40 of the units are located in Sweden, 7 in Norway and 1 in Finland. The segment experienced a challenging year in 2016 with loss of certain contracts in both Sweden and Norway. In addition, increased focus on price in recent tender processes, in combination with a high level of competition, is putting pressure on operating margins.

Integration Services
The integration services are offered through Hero Group AS. Hero Norge was established in 1987 and has grown to become the largest private provider of care services related to forced migrants, refugees and asylum seekers in the Nordics. The group has extensive competence and experience acquired through 30 years of operations. The service offering includes;
• Reception centers for asylum seekers
• Interpretation services
• Training and education services

The group had more than 60 centers in Norway and Sweden per year-end 2016 with a total capacity for offering services to approximately 10,000 people.

The Integration services segment has been through a turbulent year with record high influx of asylum seekers in the beginning of 2016 and record low number of arrivals at the end of the year. The dramatic changes in the market conditions has been a massive challenge for the organization, however, the group has managed their tasks well and remains an important partner to the immigration authorities in both Norway and Sweden.

Individual & family
The services within the Individual & family segment are provided by Aberia Healthcare AS - a Nordic provider of health-, welfare- and care services for children and young as well as people with physical and mental disabilities.

The group was established in 2010 and has grown to become a significant player in the Nordic market. The group has over 700 employees and offers services to more than 180 individuals. The services are divided in three main segments: Aberia #UNG offering services related to childcare institutions and foster homes; Aberia #PROFF focusing on care services for people within all age groups with physical and mental disabilities; and Aberia Samson offering respite care and personal assistance. Most of the contracts in the group are with the government, municipalities or city district authorities. The company has a growth strategy and is actively seeking growth through tender processes and acquisitions.

Real estate
The Real estate operations have so far been operated as an integrated part of the respective segments, but was recently established as a separate operating segment. All existing real estate within the group are planned sold or transferred to the newly established company named Care Properties AS. All future initiatives related to purchase, development and sale of real estate will be handled by this segment.

Comments to the consolidated financial statements
The Group's revenues increased from NOK 3,940.4 million in 2015 to NOK 5,177.5 million in 2016. The figures are not directly comparable, as the 2015 financial statement did not include full year operations for Aberia Healthcare. Moreover, the segment Integration Services experienced a significant growth compared to 2015. Net profit decreased from NOK 277.3 million in 2015 to NOK 194.9 million in 2016. Last year's profit included a gain of NOK 149.9 million relating to the sale of shares in PPP III.

Staff costs increased from NOK 2,557.7 million in 2015 to NOK 3,352.9 million in 2016, implying a 0.1 percentage point decrease in staff cost, measured as percent of revenues. The EBITDA margin for the year 2016 ended at 7.4 % compared to 6.2 % in 2015.

Cash flow from operating activities decreased from NOK 262.6 million in 2015 to NOK 249.3 million in 2016. Net cash used in investing activities declined from NOK -183.6 million in 2015 to NOK -33.3 million in 2016. Net cash received from financing activities amounted to NOK 512.1 million, primarily relating to the issuance of a new bond loan.

The Group's liquidity reserve as of 31.12.2016 amounted to NOK 1,060.2 million. The Group also has additional reserves through tap issue possibilities on the bond loan.

The Group's long-term debt amounted to NOK 2,058.7 million, of which NOK 2,272.0 million is bond loans in Norlandia Health & Care Group.

Total assets of the Group increased from NOK 3,277.5 million in 2015 to NOK 4,239.3 million in 2016. The equity ratio decreased from 38.1% in 2015 to 11.4% in 2016. The significant decrease in equity ratio relates to the restructuring of the Group completed in December 2016. For a detailed description, please see note 11 in the Financial statement.

The Group's financial position is sound and adequate to settle short-term obligations with the Group's liquid assets.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by EU. There were no material changes in accounting policies during the year affecting the Group's consolidated financial statements.

Use of Alternative Performance Measures
Alternative Performance Measures (APM) is understood as a financial measure of historical or future financial performance, financial position, or cash flows, other than a financial measure defined or specified in the applicable financial reporting framework. Norlandia Health & Care Group reports certain alternative performance measures in its financial reports as a supplement to the financial statements reported in accordance with IFRS. The APMs are used consistently over time and accompanied by comparatives for the corresponding previous periods.

Definitions:
EBITDA: Earnings Before Interest, Tax, Depreciation and Amortization
EBIT: Earnings Before Interest and Tax
Total Net Debt: As used in the incurrence test; total interest bearing debt, less back-to-back loans towards Pioneer Property Group, less cash and cash equivalents

Going concern
In accordance with the Norwegian Accounting Act §3-3a, we confirm that the financial statements have been prepared under the assumption of a going concern. This assumption is based on profit forecasts for 2017 and the Group's long-term strategic forecasts. The Group's economic and financial position is sound.

Future challenges and market outlook
We expect to see fairly stable development of the operations during 2017. The Preschools segment is expected to continue a stable growth through the launch own projects as well as acquisition of new units. Continuous focus on improving quality and efficiency is expected to support a stable margin development going forward.

The Care segment is expected to have a more challenging year. We expect a flat development of revenues as some existing contracts are phased out and replaced by new tenders won. Continued pressure on margins may lead to a temporary decline in the segments overall margin level. Growth initiatives within own projects and health care technology may contribute on the positive side. The long term underlying drivers within the segment continue to remain very solid.

The Integration services segment is expected to see a solid drop in revenues within Reception Centers, whereas Interpretation and Education are expected to continue their solid growth path, replacing part of the shortfall within Reception Centers. The Group has just established a presence in Germany and within a short period won three Reception Center contracts. Market intelligence indicates that there will be high tender activity in the German market in 2017, which may lead to further contract wins. We expect limited contribution from these activities in 2017 as the entry into a new market will require some investments, however, it may lead to a positive contribution in 2018 and onwards.

The Individual & Family segment is expected to get a soft start to the year on the back of a challenging environment within childcare services in Norway and Sweden. However, the Company has won a large contract in the childcare segment which is expected to increase the group's market share in second half of 2017. We continue to see strong demand for assisted living services and expect to see continued growth within the segment. We expect the ongoing market consolidation to continue and will seek to be an active participant in the process.

The Real Estate segment is expected to develop as planned in 2017. Several properties are planned sold during 2017, which will generate profits. The Group is also building up an organization which will handle management, development and sale of properties in the future.

An identified risk within this segment is the proposed changes in the Swedish tax regime, which may have a negative effect on future profits within this segment, if implemented.

There are no other known events expected to have significant effect on the Group's performance in 2017.

Financial risk
Overall view on objectives and strategy
The Group is exposed to financial risk in different areas, including exchange rate risk. The goal is to reduce the financial risk as much as possible. The Group's current strategy does not include the use of financial instruments to hedge exchange rate risk; however, each company in the Group is continuously assessing this.

Market risk
The Group's business, results of operations and financial conditions depend on conditions prevailing for childcare and care services in the Nordic region, in particular, public policies and the political climate. The demand for the Group's services will be dependent on inter alia the birth rates and the longevity in the regions where the group operates. Integration services will in addition to political decisions be affected by geopolitical situations, which may lead to reduced number of immigrants and asylum seekers. Demand for private care services may decrease depending on a number of demographic and economic factors.

Exchange rate risk
The Group has operations in Norway, Sweden, Finland and the Netherlands, and is expected to enter new geographies in the future. Currency fluctuations may have a negative effect on the Group's financial conditions and results of operations. The Group is predominantly

exposed to the SEKNOK exchange rate as the financial statements are presented in NOK and around 40% of revenues are generated in SEK. However, the Group has a corresponding share of costs in SEK and about 58% of its bond debt is denominated in SEK, both representing natural hedges to the operations. The Group as a small but growing exposure to the EURNOK exchange rate as operations in the Netherlands and Finland are growing. The Group is monitoring the exposure and will consider to hedge this exposure in the future. The Group is further exposed to changes in interest rates as most long-term debt in the Group is subject to floating interest rates. The Group has not established any interest rate hedging mechanisms.

Credit risk
The risk of losses on receivables is considered very low in the Group as a considerable part of revenues is towards governmental entities and municipalities. The Group has not yet experienced significant losses on receivables.

Liquidity risk
The Group's liquidity is good, enabling each Group company to handle both short-term and long-term debt, as well as finance further growth.

The working environment and the employees
Average number of employees (FTE) in the Group amounted to 6,459 in 2016. The working environment is considered to be good and efforts for improvements are made on an ongoing basis. The Group aims to be a workplace with equal opportunities and seeks to prevent gender discrimination in all aspects of our operations. Leave of absence is an important performance indicator and is measured throughout the Group's operational entities, but not on a consolidated basis. There has been no significant leave of absence in the parent company during 2016.

Environmental report
The Group's operations are not harmful to the environment and are not regulated by any licenses related to waste handling.

Allocation of income in the parent company
Norlandia Health & Care Group AS' (parent) had a net result in 2016 of NOK -18,708,991. The Board of Directors has proposed the net loss of Norlandia Health & Care Group AS to be allocated as follows:
Loss transferred from Other equity:
NOK 18,708,991

Important events after the balance sheet date
On 18 January 2017 Norlandia Care Group settled the Senior Secured Bond Issue 2013/2018 repaying NOK 507 million to the bond holders. The transaction had a material effect on the Group's total balance by decreasing cash and debt on both sides of the balance sheet.

Statement from the Board of Directors. The financial statements are, to the best of our knowledge and based on our best opinion, presented in accordance with International Financial Reporting Standards and the information provided in the financial statements give a true and fair view of the Company's and Group's assets, liabilities, financial position and result for the period. The financial report provides an accurate view of the development, performance and financial position of the Company and the Group, and includes a description of the key risks and uncertainties the Group is facing.

Oslo, 20 April 2017

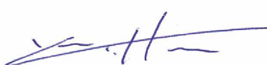
Board of Directors of Norlandia Health & Care Group AS

Kristian A. Adolfsen
Chairman of the Board

Roger Adolfsen
Member of the Board

Åge Danielsen
Member of the Board

Ingvild Myhre
Member of the Board


Yngvar Tov Herbjørnssønn
CEO

Consolidated Statement of Comprehensive Income

Norlandia Health & Care Group — for the year ended 31 December 2016
(Amounts in NOK thousand)

	Note	2016	2015
Revenue	4	5 062 726	3 895 165
Other operating income	4	114 794	45 249
Net operating revenue		**5 177 521**	**3 940 414**
Raw materials and consumables used		226 791	228 707
Staff costs	5	3 352 905	2 557 711
Depreciation and amortisation expense	8,9	95 424	74 920
Other operating expenses		1 217 039	909 968
Total operating expenses		**4 892 159**	**3 771 307**
Profit from operations		**285 362**	**169 107**
Finance income	6	37 034	28 677
Finance expense	6	-113 554	-61 097
Share of post-tax profits of associates	11	23 003	167 260
Net finance		**-53 517**	**134 840**
Profit before tax		**231 845**	**303 947**
Tax expense	7	-36 908	-26 598
Profit		**194 937**	**277 349**
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Remeasurements of post employment benefit obligations	19	-8 835	46 073
Deferred tax on remeasurement of post employment benefit obligation	16	2 209	-12 440
Items that may be subsequently reclassified to profit or loss			
Currency translation differences		-23 495	15 226
Total other comprehensive income		**-30 121**	**48 859**
Total comprehensive income		**164 816**	**326 208**
Profit controlling interests		95 142	160 814
Profit non-controlling interests		99 795	116 535
		194 937	277 349
Total comprehensive income controlling interests		75 907	191 625
Total comprehensive income non-controlling interests		88 910	134 583
		164 816	326 208

Consolidated statement of financial position

Norlandia Health & Care Group — for the year ended 31 December 2016
(Amounts in NOK thousand)

ASSETS

	Note	2016	2015	01.01.2015*
Non-current assets				
Property, plant and equipment	8	425 297	356 564	324 642
Deferred tax asset	16	27 691	15 324	24 741
Intangible assets	9	2 121 421	1 683 458	1 415 610
Investement in associated companies	11	38 589	403 898	196 739
Other investments	3	15 104	-	110
Other receivables	13,21	100 494	132 850	241 008
Total non-current assets		**2 728 595**	**2 592 094**	**2 202 849**
Current assets				
Inventories		4 287	6 504	2 989
Trade and other receivables	13,21	446 132	333 117	207 017
Cash and cash equivalents	22	1 060 241	345 749	325 025
Total current assets		**1 510 659**	**685 370**	**535 031**
Total assets		**4 239 254**	**3 277 464**	**2 737 880**

*Refers to note 11

Consolidated statement of financial position

Norlandia Health & Care Group — for the year ended 31 December 2016
(Amounts in NOK thousand)

EQUITY AND LIABILITIES

	Note	2016	2015	01.01.2015*
Equity attributable to owners of the parent				
Share capital	14	300 000	-	-
Other equity		181 389	796 400	637 059
Total equity attributable to owners of the parent		**481 389**	**796 400**	**637 059**
Non-controlling interest		458	453 110	360 504
Total equity		**481 847**	**1 249 511**	**997 563**
Non-current liabilities				
Pension liabilities	19	97 146	64 224	107 797
Loans and borrowings	15	2 058 739	1 020 280	961 669
Derivative financial liabilities	12	1 379	2 115	3 147
Deferred tax liability	16	191 003	178 253	159 919
Provisions		2 360	4 829	-
Total non-current liabilities		**2 350 626**	**1 269 701**	**1 232 531**
Current liabilities				
Trade and other payables	16,17	854 769	739 818	495 244
Loans and borrowings	15	507 553	5 826	4 517
Taxes payable	16	44 460	12 609	8 025
Total current liabilities		**1 406 781**	**758 253**	**507 786**
Total liabilities		**3 757 407**	**2 027 953**	**1 740 318**
Total equity and liabilities		**4 239 254**	**3 277 464**	**2 737 880**

*Refers to note 11

Oslo, 20 April 2017

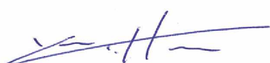
Board of Directors of Norlandia Health & Care Group AS

Kristian A. Adolfsen
Chairman of the Board

Roger Adolfsen
Member of the Board

Åge Danielsen
Member of the Board

Ingvild Myhre
Member of the Board



Yngvar Tov Herbjørnssønn
CEO

Consolidated statement of changes in equity

Norlandia Health & Care Group — for the year ended 31 December 2016
(Amounts in NOK thousand)

	Share capital	Share premium	Retained earnings	Translation differences	Non-controlling interests	Total equity
31 December 2014	**-**	**-**	**636 364**	**695**	**360 504**	**997 563**
Comprehensive Income for the year						
Profit	-	-	174 821	-	102 528	277 349
Other comprehensive Income	-	-	15 585	15 226	18 048	48 859
Total comprehensive Income for the year	**-**	**-**	**190 407**	**15 226**	**120 576**	**326 208**
Contributions by and distributions to owners						
Distribution to owners	-	-	-16 604	-	-9 396	-26 000
Acquisition of shares from non-controlling interests	-	-	-10 921	-	-18 573	-29 493
Acquisition of subsidiary from controlling shareholder	-	-	-18 767	-	-	-18 767
Total contributions by and distributions to owners	**-**	**-**	**-46 291**	**-**	**-27 969**	**-74 260**
31 December 2015	**-**	**-**	**780 480**	**15 921**	**453 110**	**1 249 511**
Comprehensive Income for the year						
Profit	-	-	95 142	-	99 795	194 937
Other comprehensive Income	-	-	-4 298	-15 239	-10 585	-30 121
Total comprehensive Income for the year	**-**	**-**	**90 844**	**-15 239**	**89 211**	**164 817**
Contributions by and distributions to owners						
Incorporation	30	-	-	-	-	30
Capital increase	3	366 270	-295 746	-	-	70 527
Capitalization issue	299 967	-299 967	-	-	-	-
Increased non-controlling interest from business combinations (Note 20)	-	-	-5 950	-	50 333	44 383
Acqusition of non-controlling interest Hospitality invest	-	-	20 294	-	-20 294	-
Distribution to owners	-	-	-55 760	-	-32 824	-88 583
Acquisition of shares from non-controlling interest (note 11)	-	-	-88 437	-	-539 079	-627 516
Consideration for shares in subsidiaries (Note 11)	-	-	-331 321	-	-	-331 321
Total contributions by and distributions to owners	**300 000**	**66 303**	**-756 919**	**-**	**-541 864**	**-932 480**
31 December 2016	**300 000**	**66 303**	**114 405**	**682**	**457**	**481 847**

Consolidated statement of cash flows

Norlandia Health & Care Group — for the year ended 31 December 2016
(Amounts in NOK thousand)

	Note	2016	2015
Cash flows from operating activities			
Profit for the year		194 937	277 349
Adjustments for:			
Depreciation of property, plant and equipment	8	58 837	63 747
Gain on sale of assets	4	-50 857	-26 003
Amortisation of intangible fixed assets	9	36 587	11 174
Share of post-tax profits of associates	11	-23 003	-167 260
Changes in fair value of financial instruments	12	-737	-974
Interest income/interest expense and financial items		76 519	39 031
Income tax expense	7	36 908	31 904
Changes in working capital			
Changes in accounts receivable and payables		-71 678	-57 740
Increase in inventories		2 547	-1 968
Increase in trade and other payables		5 107	118 358
Increase in provisions and employee benefits		-3 303	2 014
Cash generated from operations		**261 864**	**289 632**
Income taxes paid		-12 609	-27 025
Net cash flows from operating activities		**249 256**	**262 607**
Investing activities			
Cash received from sale of assets		136 900	72 014
Purchases of property, plant and equipment	8	-118 941	-136 915
Net investment in shares in associates	11	130 342	-39 899
Net investment in shares in subsidiaries	20	-190 001	-200 588
Net changes in financial receivables	21	3 887	110 401
Interest received	6	4 536	11 371
Net cash used in investing activities		**-33 277**	**-183 615**
Financing activities			
Payments of long-term loan to finance institutions	15	-219 405	-10 311
Changes in short-term loan to finance institutions	15	488 327	-10 505
Proceeds from long-term borrowings from finance institutions	15	1 058 047	64 914
Interest paid	6	-63 928	-48 642
Payment to non-controlling interest		-627 516	-29 493
Distribution to owners	11	-88 583	-26 000
Purchase of shares from non-controlling interests	11	-34 826	
Net cash (used in)/from financing activities		**546 941**	**-60 038**
Net increase in cash and cash equivalents		762 919	18 954
Cash and cash equivalents at beginning of year	14	345 749	325 025
Exchange (losses)/gains on cash and cash equivalents		-13 602	1 771
Cash and cash equivalents at end of year		**1 060 241**	**345 749**

Notes to the consolidated statements

1 ACCOUNTING POLICIES

Basis of preparation
The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated. The consolidated financial statements have been prepared under the historical cost convention, as modified by valuing financial derivative instruments at fair value through profit or loss.

These financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively IFRSs) issued by the International Accounting Standards Board (IASB) as adopted by the European Union ("adopted IFRSs").

Norlandia Health & Care Group AS was established in December 2016. This was done by transferring the shares in Norlandia Care Group AS, Hero Group AS, Aberia Healthcare AS and Kidsa Barnehager AS, from Hospitality Invest to a newly incorporated and 100% owned subsidiary.

The transfer to the newly incorporated subsidiary is considered to be a common control transaction outside the scope of IFRS 3 Business Combinations. IFRS 3 Business Combinations does not provide specific guidance on how to account for common control transactions. Norlandia Health & Care Group has established policies to account for these transactions in order to present historical figures as if the Group had prepared separate financial statements in the past. Book values have been used to account for all restructuring transactions as if the reorganisation occurred at the beginning of the first period presented. For more detail on the reorganisation see note 11.

The preparation of financial statements in compliance with adopted IFRS requires the use of certain critical accounting estimates. It also requires Group management to exercise judgment in applying the Group's accounting policies. The areas where significant judgements and estimates have been made in preparing the financial statements and their effect are disclosed in note 2.

Changes in accounting policies

a) New standards, interpretations and amendments effective from 1 January 2016

- Clarification of acceptable methods of depreciation and amortisation - Amendments to IAS 16 and IAS 38
- Annual improvements to IFRSs 2012 - 2014 cycle
- Disclosure initiative - amendments to IAS 1.

The adoption of these amendments did not have any impact on the current period or any prior period and is not likely to affect future periods.

b) New standards, interpretations and amendments not yet effective

There are several new and amended standard issued by the IASB that are not yet effective. The most significant of these are as follows:
- IFRS 9, 'Financial instruments' - 1 January 2018
- IFRS 15, 'Revenue recognition' - 1 January 2018
- IFRS 16, 'Leases' - 1 January 2019

With the exception of IFRS 16 these standards and amendments are not expected to have material impact on the financial statements. There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

More on IFRS 16 Leases
IFRS 16 contains a single lessee accounting model, which eliminates the distinction between operating and finance leases from the perspective of the lessee. All contracts that meet the definition of a lease, other than short term leases and leases of low value items for which a lessee has the option not to apply the measurement and presentation requirements of IFRS 16, will be recorded in the statement of financial position with a "right of use" asset and a corresponding liability. The asset is subsequently accounted for as property, plant and equipment or investment property and the liability is unwound using the interest rate inherent in the lease. IFRS 16 has an effective date of 1 January 2019, with early application permitted only if IFRS 15 has also been adopted.

The Group has significant leases commitment relating to current leases, detailed in note 18. At initial application the Group will have to recognize a significant lease liability and a significant right of use asset. The implementation is expected to have a negative impact on equity since the unwinding of the lease liability would not be linear. In the income statement lease payment currently presented in other operating expenses will be replaced by increased depriciations and increased intrest expenses, which would have a significant effect on earnings before interest, tax, deprication and amortization.

The Group has not yet completed the analysis of the impact of IFRS 16.

Applied principles

Revenue recognition
Revenue is measured at the fair value of the consideration received or receivable, net of returns and discounts. The Group recognizes revenue from the sale of products or the rendering of services when the following conditions are met:

- The amount of revenue and related costs can be measured reliably;
- The significant risks and rewards of ownership have been transferred to customers and there is no continuing management involvement with the goods; and
- The recovery of the consideration is probable.

Basis of consolidation
Where the company has the power, either directly or indirectly, to govern the financial and operating policies of another entity or business so as to obtain benefits from its activities, it is classified as a subsidiary. The consolidated financial statements present the results of the company and its subsidiaries ("the Group") as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date control ceases.

Non-controlling interests
The Group initially recognise any non-controlling interest in the acquiree at fair value.

Goodwill
Goodwill represents the excess of the cost of a business combination over, the Group's interest in the fair value of identifiable assets, liabilities and contingent liabilities acquired and, the total acquisition date fair value of the identifiable assets, liabilities and contingent liabilities acquired.

The cost of a business combination comprises the fair value of assets given, liabilities assumed and equity instruments issued, plus the amount of any non-controlling interests in the acquiree plus, if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree.

Contingent consideration is included in cost at its acquisition date fair value and, in the case of contingent consideration classified as a financial liability, remeasured subsequently through profit or loss. Direct costs of acquisition are recognised immediately as an expense.

Goodwill is capitalised as an intangible asset with any impairment in carrying value being charged to the consolidated statement of comprehensive income. Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is credited in full to the consolidated statement of comprehensive income on the acquisition date.

Impairment of non-financial assets (excluding inventories and deferred tax assets)
Impairment tests on goodwill and other intangible assets with indefinite useful economic lives are undertaken annually at the financial year end. Other non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount (i.e. the higher of value in use and fair value less costs to sell), the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the smallest Group of assets to which it belongs for which there are separately identifiable cash flows; its cash generating units ('CGUs'). Goodwill is allocated on initial recognition to each of the Group's CGUs that are expected to benefit from the synergies of the combination giving rise to the goodwill.

Impairment charges are included in profit or loss, except to the extent they reverse gains previously recognised in other comprehensive income. An impairment loss recognised for goodwill is not reversed.

Foreign currency
Transactions entered into by Group entities in a currency other than the currency of the primary economic environment in which they operate (their "functional currency") are recorded at the rates ruling when the transactions occur. The functional currency of the parent company and all subsidiaries is NOK. Foreign currency monetary assets and liabilities are translated at the rates ruling at the reporting date.

Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in profit or loss. Exchange gains and losses arising on the retranslation of monetary available for sale financial assets are treated as a separate component of the change in fair value and recognised in profit or loss. Exchange gains and losses on non-monetary available for sale financial assets form part of the overall gain or loss recognised in respect of that financial instrument.

Financial assets
The Group classifies its financial assets into one of the categories discussed below, depending on the purpose for which the asset was acquired. The Group has not designated any of its financial assets as hedging instruments or held to maturity.

The Group's accounting policy for each category of financial assets is as follows:

Fair value through profit or loss
This category comprises only in-the-money derivatives (see "Financial liabilities" section for out-of-money derivatives). They are carried in the statement of financial position at fair value with changes in fair value recognised in the consolidated statement of comprehensive income in the finance income or expense line. The Group does not have any assets held for trading nor does it voluntarily classify any financial assets as being at fair value through profit or loss.

Loans and receivables
These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Group will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the consolidated statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

The Group's loans and receivables comprise trade and other receivables and cash and cash equivalents in the consolidated statement of financial position.

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and - for the purpose of the statement of cash flows - bank overdrafts. Bank overdrafts are shown within loans and borrowings in current liabilities on the consolidated statement of financial position.

Financial liabilities
The Group classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was acquired. None of the Group's financial liabilities are designated as hedging instruments.

Other than financial liabilities in a qualifying hedging relationship (see below), the Group's accounting policy for each category is as follows:

The Group's accounting policy for each category of financial liabilities is as follows:

Fair value through profit or loss
This category comprises only out-of-the-money derivatives (see "Financial assets" for in the money derivatives). They are carried in the consolidated statement of financial position at fair value with changes in fair value recognised in the consolidated statement of comprehensive income. The Group does not hold or issue derivative instruments for speculative purposes, but for hedging purposes. Other than these derivative financial instruments, the Group does not have any liabilities held for trading nor has it designated any financial liabilities as being at fair value through profit or loss.

Other financial liabilities
Other financial liabilities include the following items:

Borrowings are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the consolidated statement of financial position. Interest expense in this context includes initial transaction costs and premia payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

Trade payables and other short-term monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

IFRS 13 fair value measurement hierarchy
IFRS 13 requires certain disclosures which require the classification of financial assets and financial liabilities measured at fair value using a fair value hierarchy that reflects the significance of the inputs used in making the fair value measurement. The fair value hierarchy has the following levels:
- quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs)(Level 3).

The level in the fair value hierarchy within which the financial asset or financial liability is categorised is determined on the basis of the lowest level input that is significant to the fair value measurement. Financial assets and financial liabilities are classified in their entirety into only one of the three levels.

Share capital
Financial instruments issued by the Group are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset.

The Group's ordinary shares are classified as equity instruments.

Borrowing costs
Interest incurred on bank loan used to fund the assets under construction with a construction period exceeding 12 months is being capitalised as part of its cost, net of interest received on cash drawn down yet to be expended. The Group does not incur any other interest costs that qualify for capitalisation.

Retirement benefits: Defined contribution schemes
Contributions to defined contribution pension schemes are charged to the consolidated statement of comprehensive income in the year to which they relate.

Retirement benefits: Defined benefit schemes
Defined benefit scheme surpluses and deficits are measured at:

"the fair value of plan assets at the reporting date; less
plan liabilities calculated using the projected unit credit method discounted to its present value using yields available on high quality corporate bonds that have maturity dates approximating to the terms of the liabilities; plus unrecognised past service cost

Actuarial gains and losses are recognized in other comprehensive income as they arise.

Past service costs are recognised directly in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time. In this case, the past service costs are amortised on a straight line basis over the vesting period.

Leased assets
Where substantially all of the risks and rewards incidental to ownership of a leased asset have been transferred to the Group (a "finance lease"), the asset is treated as if it had been purchased outright. The amount initially recognised as an asset is the lower of the fair value of the leased property and the present value of the minimum lease payments payable over the term of the lease. The corresponding lease commitment is shown as a liability. Lease payments are analysed between capital and interest. The interest element is charged to the consolidated statement of comprehensive income over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

Where substantially all of the risks and rewards incidental to ownership are not transferred to the Group (an "operating lease"), the total rentals payable under the lease are charged to the consolidated statement of comprehensive income on a straight-line basis over the lease term. The aggregate benefit of lease incentives is recognised as a reduction of the rental expense over the lease term on a straight-line basis.

Externally acquired intangible assets
Externally acquired intangible assets are initially recognised at cost and subsequently amortised on a straight-line basis over their useful economic lives.

Intangible assets are recognised on business combinations if they are separable from the acquired entity or give rise to other contractual/legal rights. The amounts ascribed to such intangibles are arrived at by using appropriate valuation techniques (see section related to critical estimates and judgements below).

Internally generated intangible assets (development costs)
Expenditure on internally developed products is capitalised if it can be demonstrated that:

- it is technically feasible to develop the product for it to be sold;
- adequate resources are available to complete the development;
- there is an intention to complete and sell the product;
- the Group is able to sell the product;
- sale of the product will generate future economic benefits; and
- expenditure on the project can be measured reliably.

Capitalised development costs are amortised over the periods the Group expects to benefit from selling the products developed. The amortisation expense is included within the depreciation and amortisation expense line in the consolidated statement of comprehensive income.

Development expenditure not satisfying the above criteria and expenditure on the research phase of internal projects are recognised in the statement of comprehensive income as incurred.

Deferred taxation
Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the consolidated statement of financial position differs from its tax base, except for differences arising on:

- the initial recognition of goodwill;
- the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit; and
- investments in subsidiaries and jointly controlled entities where the Group is able to control the timing" of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised.

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the deferred tax liabilities/(assets) are settled/(recovered).

Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority on either:

- the same taxable group company; or
- different group entities which intend either to settle current tax assets and liabilities on a net basis, or" to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

Dividends
Dividends are recognised when they become legally payable.

Property, plant and equipment
Items of property, plant and equipment are initially recognised at cost. As well as the purchase price, cost includes directly attributable costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognised within provisions.

Freehold land is not depreciated. Depreciation on assets under construction does not commence until they are complete and available for use. Depreciation is provided on all other items of property, plant and equipment so as to write off their carrying value over their expected useful economic lives. Expected useful economic is as follows:

Land and buildings	10-40 years
Furniture, fixtures and equipment	3-30 years

Inventories
Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Weighted average cost is used to determine the cost of ordinarily interchangeable items.

Non-current assets held for sale and disposal groups
Non-current assets and disposal groups are classified as held for sale when:

- they are available for immediate sale;
- management is committed to a plan to sell;
- it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn;
- an active programme to locate a buyer has been initiated;
- the asset or disposal group is being marketed at a reasonable price in relation to its fair value; and a sale is expected to complete within 12 months from the date of classification.

Non-current assets and disposal groups classified as held for sale are measured at the lower of:

- their carrying amount immediately prior to being classified as held for sale in accordance with the Group's accounting policy; and fair value less costs to sell.

Following their classification as held for sale, non-current assets (including those in a disposal group) are not depreciated.

The results of operations disposed during the year are included in the consolidated statement of comprehensive income up to the date of disposal.

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale, that has been disposed of, has been abandoned or that meets the criteria to be classified as held for sale.

Discontinued operations are presented in the consolidated statement of comprehensive income as a single line which comprises the post-tax profit or loss of the discontinued operation along with the post-tax gain or loss recognised on the re-measurement to fair value less costs to sell or on disposal of the assets or disposal groups constituting discontinued operations.

Government grants
Grants for revenue expenditure are presented as income the Group. Where retention of a government grant is dependent on the Group satisfying certain criteria, it is initially recognised as deferred income. When the criteria for retention have been satisfied, the deferred income balance is released to the consolidated statement of comprehensive income.

Provisions
The Group has recognised provisions for liabilities of uncertain timing or amount including those for onerous leases, warranty claims, leasehold dilapidations and legal disputes. The provision is measured at the best estimate of the expenditure required to settle the obligation at the reporting date, discounted at a pre-tax rate, reflecting current market assessments at the time of the remaining lease term, value of money and risks specific to the liability. In the case of leasehold dilapidations, the provision takes into account the potential that the properties in question may be sublet for some or all of the remaining lease term.

Cash flow statement
The cash flow statement is derived using the indirect method.

Cash flows from investing and financing activities are presented separatly. Operating activities comprise both monetary and non-monetary items. Interest income and interest expenses are presented as part of operating activities with the exception of interest paid and received which is separated and presented as financial activities.

Cash and cash eqvivalents comprise of bank deposits.

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Judgements and estimates

(a) Impairment of goodwill
The Group is required to test, on an annual basis, whether goodwill has suffered any impairment. The recoverable amount is determined based on value in use calculations. The use of this method requires the estimation of future cash flows and the choice of a discount rate in order to calculate the present value of the cash flows. More information including carrying values is included in note 10. Any significant modification of market conditions could translate into an inability to recover the carrying amounts of non-financial assets; and resolt in an impairment charge in the income statement

(b) Useful lives of property, plant and equipment and intangible assets
Measurement of property, plant and equipment and intangible assets with finite useful lives requires estimates for determining the asset's expected useful lives and residual values. Management judgement is required to determine the components and the depreciation.

(c) Income taxes
The Group is subject to income tax in only one jurisdiction. Significant judgement is required in determining the provision for income taxes. During the ordinary course of business, there are transactions and calculations for which the ultimate tax determination is uncertain. As a result, the Group recognises tax liabilities based on estimates of whether additional taxes and interest will be due. These tax liabilities are recognised when, despite the Group's belief that its tax return positions are supportable, the Group believes that certain positions are likely to be challenged and may not be fully sustained upon review by tax authorities. The Group believes that its accruals for tax liabilities are adequate for all open audit years based on its assessment of many factors including past experience and interpretations of tax law. This assessment relies on estimates and assumptions and may involve a series of complex judgements about future events. To the extent that the final tax outcome of these matters is different than the amounts recorded, such differences will impact income tax expense in the period in which such determination is made.

Deferred tax assets are recognized when it is considered probable that deductible temporary differences will be recovered in the foreseeable future. To the extent that future taxable income and the application of existing tax laws in each jurisdiction differ significantly from the Group's estimate, the ability of the Group to realize the deferred tax assets could be impacted.

Such judgements and estimates are based on the facts and information available to the management of the Group. Changes in facts and circumstances may require the revision of previous estimates, and actual results could differ from these estimates.

3. FINANCIAL INSTRUMENTS - RISK MANAGEMENT

The Group is exposed through its operations to the following financial risks:
- Credit risk
- Fair value or cash flow interest rate risk
- Foreign exchange risk
- Other market price risk
- Liquidity risk

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

Principal financial instruments
The principal financial instruments used by the Group, from which financial instrument risk arises, are as follows:
- Trade receivables
- Cash and cash equivalents
- Trade and other payables
- Bank overdrafts
- Floating-rate bank loans
- Interest rate swaps
- Cross currency interest rate swaps

A summary of the financial instruments held by category is provided below:

Financial assets

	Financial assets at fair value through profit or loss		Loans and receivables	
	2016	**2015**	**2016**	**2015**
Cash and cash equivalents	-	-	1 060 241	345 749
Trade and other receivables	-	-	446 132	333 117
Other long term receivables/investments	15 104	-	100 494	132 850
Total financial assets	**15 104**	**-**	**1 606 866**	**811 716**

Financial liabilities

	Financial liabilities at fair value through profit or loss		Financial liabilities at amortised cost	
	2016	**2015**	**2016**	**2015**
Trade and other payables	-	-	854 769	739 818
Loans and borrowings	-	-	2 566 292	1 026 106
Derivative	1 379	2 115	-	-
Total financial liabilities	**1 379**	**2 115**	**3 421 061**	**1 765 924**

Financial instruments measured at fair value

Fair value measurements at 31 December using

	Level 1		Level 2	
	2016	**2015**	**2016**	**2015**
Financial assets				
Derivative financial assets - FVTPL	-	-	-	-
Total financial assets	**-**	**-**	**-**	**-**
Financial liabilities				
Derivative financial liabilities - FVTPL	-	-	1 379	2 115
Total financial liabilities	**-**	**-**	**1 379**	**2 115**

General objectives, policies and processes

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's finance function. The Board receives monthly reports from the Group Financial Controller through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility. Further details regarding these policies are set out below:

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group is mainly exposed to credit risk from credit sales. It is Group policy, implemented locally, to assess the credit risk of new customers before entering contracts. Such credit ratings are taken into account by local business practices.

Most of the Group's revenues are from (public) authorities. Credit risk related to these customers are minimal.

Credit risk also arises from cash and cash equivalents and deposits with banks and financial institutions. For banks and financial institutions, only independently rated parties with minimum rating "A" are accepted.

Further disclosures regarding trade and other receivables, which are neither past due nor impaired, are provided in note 13.

Market risk
Market risk arises from the Group's use of interest bearing and foreign currency financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk), foreign exchange rates (currency risk) or other market factors (other price risk).

Fair value and cash flow interest rate risk
The Group is exposed to cash flow interest rate risk from long-term borrowings at variable rate. The Group has currently no Group policy restricting the level of interest risk exposure. The level of interest risk is monitored centrally. Local operations are not permitted to borrow long-term from external sources. Although the board accepts that this policy neither protects the Group entirely from the risk of paying rates in excess of current market rates nor eliminates fully cash flow risk associated with variability in interest payments, it considers that it achieves an appropriate balance of exposure to these risks.

During 2016 and 2015, the Group's borrowings at variable interest rate were denominated in NOK and SEK.

Based on the various scenarios the Group has the possibility to manage its cash-flow interest rate risk by using floating-to-fixed interest rate swaps (quantitative disclosures are given in note 12). The Group has not pursued an active strategy in order to mitigate any interest rate risk. Normally the Group has raised long-term borrowings at floating rates and only to a minor extent swapped them into fixed.

The ratio of floating interest bearing debt and interest rate swaps was as follows:

	2016	**2015**
Floating interest bearing borrowings	2 566 292	1 026 106
Face value interest rate swaps	39 564	34 944
Ratio	1.5 %	3.4 %
Net exposure interest rate risk	**2 526 728**	**991 162**

Sensitivity
A change in the interest rate curve will result in a changed interest cost for the net exposure, in addition the change in fair value for the interest rate swaps will have a significant impact on the Group financial statements. The effect on interest payments for a 0.5% change is presented below

	Interest expense	Effect on P&L	Effect on Equity
Effect of a 0.5% increase	12 829	9 622	9 622
Effect of a 0.5% decrease	-12 829	-9 622	-9 622

Foreign exchange risk
The Group has operations in Norway, Sweden, Finland and the Netherlands. Currency fluctuations may have a negative effect on the Group's financial conditions and results of operations. The Group is predominantly exposed to the SEK/NOK exchange rate as the financial statements are presented in NOK and around 40% of revenues are generated in SEK. However, the Group has a corresponding share of costs in SEK and about 58% of its bond debt is denominated in SEK, both representing natural hedges to the operations. The Group has a small but growing exposure to the EURNOK exchange rate as operations in the Netherlands and Finland are growing. The Group is monitoring the exposure and will consider hedging this exposure in the future.

Other market price risk
There are no other significant marked risk exposure on financial instruments.

Liquidity risk
Liquidity risk arises from the Group's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due.

The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. To achieve this aim, it seeks to maintain cash balances (or agreed facilities) to meet expected requirements for a period of at least 45 days. The Group also seeks to reduce liquidity risk by fixing interest rates (and hence cash flows) on a portion of its long-term borrowings, this is further discussed in the 'interest rate risk' section above.

The Board receives rolling 12-month cash flow projections on a monthly basis as well as information regarding cash balances. At the end of the financial year, these projections indicated that the Group expected to have sufficient liquid resources to meet its obligations under all reasonably expected circumstances.

The liquidity risk of each Group entity is managed centrally by the Group treasury function. A major focus for the treasury function is to ensure that there are sufficient liquidity for downpayment on non current borrowings when they are due. In 2015 non-current borrowings were restructured. Shareholder loan was settled and future payment plan on borrowings was adjusted. The Group treasury assesses the terms for borrowings on a ongoing basis, when needed the necessary adjustments are put into place.

The following table sets out the contractual maturities of financial liabilities:

	Between 1 and 12 months	Between 1 and 2 year	Between 2 and 3 year	Between 3 and 5 years	Over 5 years
At 31 December 2016					
Trade and other payables	854 769	-	-	-	-
Loans and borrowings	507 107	-	-	1 771 991	286 747
Total	**1 361 876**	**-**	**-**	**1 771 991**	**286 747**

Capital Disclosures

The Group monitors "adjusted capital" which comprises all components of equity (i.e. share capital, share premium, non-controlling interest, retained earnings, and revaluation reserve) other than amounts in the cash flow hedging reserve.

The Group's objectives when maintaining capital are:

"to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk."

The Group sets the amount of capital it requires in proportion to risk. The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the debt to adjusted capital ratio. This ratio is calculated as net debt adjusted capital as defined above. Net debt is calculated as total debt (as shown in the consolidated statement of financial position) less cash and cash equivalents.

Due to recent market uncertainty, the Group's strategy is to preserve a strong cash base and achieve a equity to total capital ratio of approximately 15-25%. The objective of this strategy is to secure access to finance at reasonable cost by maintaining a high credit rating. The debt-to-total-capital ratios at 31 December 2016 and at 31 December 2015 were as follows:

	2016	2015
Loans and borrowings	2 566 292	1 026 106
Less: cash and cash equivalents	1 060 241	345 749
Net interest bearing debt	**1 506 051**	**680 357**
Total equity	**481 847**	**1 249 511**
Total capital (excluding working capital)	4 239 254	3 277 464
Debt to equity ratio	3.1	0.5
Equity ratio (%)	11.4%	38.1%

4. SEGMENT INFORMATION, REVENUE AND OTHER OPERATING INCOME

The Group has four reportable segments in accordance with the reporting requirements i IFRS 8. The reportable segments are:

- Preschools
- Care
- Integration services
- Individual & family

2016	Preschools	Care	Integration services	Individual & Family	Other / Eliminations	Total
Operating revenues	1 355 648	1 650 675	1 534 882	509 479	12 042	5 062 726
Other revenues	58 786	70 704	314	2 229	-17 239	114 794
Total operating revenues	**1 414 434**	**1 721 379**	**1 535 196**	**511 708**	**-5 196**	**5 177 521**
Raw materials and consumables used	36 077	33 301	127 214	30 056	142	226 791
Staff costs	929 723	1 323 982	714 646	348 443	36 110	3 352 905
Depreciation and amortisation expense	33 425	25 959	26 856	7 555	1 628	95 424
Other operating expense	322 266	271 092	572 205	92 141	-40 664	1 217 039
Total operating expenses	**1 321 491**	**1 654 334**	**1 440 922**	**478 195**	**-2 784**	**4 892 159**
Profit from operations	**92 943**	**67 045**	**94 274**	**33 513**	**-2 413**	**285 362**
Finance income	1 817	6 341	1 014	13 806	14 056	37 034
Finance expense	-21 144	-19 064	-7 031	-7 481	-58 834	-113 554
Share of post-tax profits from associates	-	23 003	-	-	-	23 003
Net finance	**-19 328**	**10 280**	**-6 016**	**6 325**	**-44 778**	**-53 517**
Profit before tax	**73 615**	**77 324**	**88 258**	**39 838**	**-47 190**	**231 845**

2015	Preschools	Care	Integration services	Individual & Family	Other / Eliminations	Total
Operating revenues	1 161 012	1 709 237	956 590	-	68 326	3 895 165
Other revenues	13 231	25 116	-	-	6 902	45 249
Total operating revenues	**1 174 244**	**1 734 352**	**956 590**	**-**	**75 228**	**3 940 414**
Raw materials and consumables used	30 999	42 100	180 665	-	-25 056	228 707
Staff costs	813 484	1 321 704	370 945	-	51 577	2 557 711
Depreciation and amortisation expense	30 251	26 125	16 646	-	1 898	74 920
Other operating expense	262 822	310 606	330 200	-	6 340	909 968
Total operating expenses	**1 137 556**	**1 700 535**	**898 456**	**-**	**34 759**	**3 771 307**
Profit from operations	**36 687**	**33 817**	**58 134**	**-**	**40 469**	**169 107**
Finance income	36 037	6 116	861	-	-14 337	28 677
Finance expense	-17 562	-346	-8 554	-	-34 635	-61 097
Share of post-tax profits from associates	-	-	-	-	167 260	167 260
Net finance	**18 475**	**5 770**	**-7 693**	**-**	**118 288**	**134 840**
Profit before tax	**55 162**	**39 587**	**50 441**	**-**	**158 757**	**303 947**

Revenues by major customers

Most of the revenues stems from public authorities.

Other operating income

	2016	2015
Gain on sale of assets	50 857	25 116
Other	63 937	20 133
Total other operating income	**114 794**	**45 249**

Sale leaseback transactions with Pioneer Property Group ASA

Gain on sale of assets in 2016 and 2015 relates to a sale leaseback transaction with the related party Pioneer Property Group ASA. The assets subject to the transaction were buildings used in the preschool- and care operation. In connection with the transaction, a lease contract was entered into. The lease term is between 15 and 20 years, with an option for an extention of 10 more years.

Sales price	136 900	71 925
Booked value of assets	93 399	46 810
Gain	**43 501**	**25 116**

The gain of NOK 7 356 351 relates to a divestment of back-office function.

5. STAFF COSTS

	2016	2015
Staff costs (including directors) comprise:		
Wages and salaries	2 673 254	1 990 609
Defined contribution pension cost	128 184	94 351
Defined benefit pension cost (note 19)	36 623	46 884
Other benefits	40 911	25 662
Social security contributions and similar taxes	473 932	400 206
Remuneration to Board of Directors	-	-
Total payroll and related costs	**3 352 905**	**2 557 711**
Average number of employees	6 118	4 989

	2016	2015
CEO compensation		
Salary and bonus	667	-
Total compensation CEO	**667**	**-**

CEO was appointed during 2016 in Norlandia Care Group AS. Remuneration represents salary and bonus for 4 months in 2016. As the Group was established in December 2016, no key management group has been identified for years 2016 and 2015.

Audit fees

The following amounts have been recognised as audit fees and related services during the period

	2016	2015
Audit	7 043	3 535
Tax services	-	19
Attestation services	1 586	75
Other services	1 621	2 214
Total	**10 250**	**5 842**

6. FINANCE INCOME AND EXPENSE

Recognised in profit or loss	2016	2015
Finance income		
Interest received on bank deposits and receivables	4 536	12 232
Other finance income	27 479	15 413
Gain on derivatives classified as held for trading	-	1 032
Foreign exchange gain	5 019	-
Total finance income	**37 034**	**28 677**

Finance expense	2016	2015
Loss on derivatives classified as held for trading	1 486	-
Interest expense on financial liabilities measured at amortised cost	63 928	50 402
Other financial expenses	5 032	10 695
Foreign exchange loss	43 108	-
Total finance expense	**113 554**	**61 097**
Net finance income recognised in profit or loss	**-76 519**	**-32 420**

The above financial income and expense include the following in respect of assets (liabilities) not at fair value through profit or loss:

	2016	2015
Total interest income on financial assets	4 536	12 232
Total interest expense on financial liabilities	63 928	50 402

7. TAX EXPENSE

	2016	2015
Current tax expense		
Current tax on profits for the year	50 384	19 215
Adjustment for under provision in prior periods	-	-
Total current tax expense	**50 384**	**19 215**
Deferred tax expense		
Origination and reversal of temporary differences (Note 16)	-127	45 130
Changes not recognised in profit and loss	-13 859	-36 029
Unrecognised deferred tax assets	511	-1 718
Total deferred tax expense	**-13 476**	**7 383**
Income tax expense	**36 908**	**26 598**

The reasons for the difference between the actual tax charge for the year and the standard rate of corporation tax in Norway applied to profits for the year are as follows:

	2016	2015
Profit for the year	194 937	277 349
Income tax expense	-36 908	-26 598
Profit before income taxes	**231 845**	**303 947**
Expected tax charge based on the standard rate of Norwegian corporation tax at the domestic rate of 25/27 %	57 961	82 066
Gains not taxable/ Equity accounted associated companies	-15 590	-52 435
Change in tax rate for deferred tax	-6 517	-539
Expenses not deductible for tax purposes	749	2 257
Effect of different tax rates foreign subisdiaries	-206	-524
Effect of unrecognised deferred tax assets in an asset acquistion	511	-4 226
Total tax expense	**36 908**	**26 598**

8. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Work in progress	Furniture, fixtures and equipment	Total
Accumulated cost				
Balance at 1 January 2015	**258 676**	**2 621**	**159 584**	**420 881**
Additions	41 698	4 808	70 152	116 657
Disposals	-43 017	-	-19 863	-62 881
Acquired through business combinations	22 790	-	-	22 790
Balance at 31 December 2015	**280 147**	**7 429**	**209 873**	**497 448**
Balance at 1 January 2016	280 147	7 429	209 873	497 448
Additions	61 067	12 055	45 818	118 941
Acquired through business combinations	51 175	-	21 769	72 944
Disposals	-65 605	-129	-17 527	-83 261
Balance at 31 December 2016	**326 785**	**19 355**	**259 933**	**606 072**
Accumulated depreciation				
Balance at 1 January 2015	**-16 987**	**-**	**-78 807**	**-95 795**
Depreciation charge for the year	-13 993	-	-31 097	-45 090
Disposals	-	-	-	-
Balance at 31 December 2015	**-30 980**	**-**	**-109 905**	**-140 885**
Balance at 1 January 2016	-30 980	-	-109 905	-140 885
Depreciation charge for the year	-17 802	-	-35 681	-53 483
Impairment of fixed assets	-	-	-5 354	-5 354
Disposals	12 081	-	6 866	18 946
Balance at 31 December 2016	**-36 701**	**-**	**-144 074**	**-180 775**
Net book value				
At 31 December 2015	**249 167**	**7 429**	**99 968**	**356 564**
At 31 December 2016	**290 084**	**19 355**	**115 858**	**425 297**

Interest capitalised during the year amounted to tNOK nil (2015: tNOK nil).

Property, plant and equipment pledged as security for liabilities.

	2016	**2015**
Land and buildings, including work in progress	309 439	256 596
furniture, fixtures and equipment	-	-
Other investments	-	-
Trade and other receivables	-	-
Inventories	-	-
Bank deposits	-	-
	309 439	**235 147**

9. INTANGIBLE ASSETS

	Goodwill	Other intangible assets	Total
Accumulated cost			
Balance at 1 January 2015	**818 237**	**613 842**	**1 432 079**
Acquired through business combinations	210 502	73 385	283 887
Translation differences	14 179	3 451	17 630
Disposals	-	-	-
Balance at 31 December 2015	**1 042 918**	**690 678**	**1 733 596**
Balance at 1 January 2016	1 042 918	690 678	1 733 596
Acquired through business combinations	431 887	81 105	512 992
Translation differences	-22 718	-10 347	-33 066
Disposals	-5 377	-	-5 377
Balance at 31 December 2016	**1 446 711**	**761 435**	**2 208 146**
Accumulated amortisation and impairment			
Balance at 1 January 2015	**-**	**-20 308**	**-20 308**
Amortisation charge for the year	-	-29 830	-29 830
Balance at 31 December 2015	**-**	**-50 138**	**-50 138**
Balance at 1 January 2016	-	-50 138	-50 138
Amortisation charge for the year	-	-36 587	-36 587
Balance at 31 December 2016	**-**	**-86 726**	**-86 726**
Net book value			
At 31 December 2015	**1 042 918**	**640 539**	**1 683 458**
At 31 December 2016	**1 446 711**	**674 710**	**2 121 421**

The Group has no contractual commitments for development costs.

Current estimates of useful economic life of intangible assets are as follows:

Goodwill	Indefinite
Other intangible asset	5 - 20 years

10. GOODWILL AND IMPAIRMENT

Impairment testing for cash-generating units (CGU) containing goodwill

The material amount of goodwill is allocated as follows beetween four CGU's:

	2016
Preschools	1 062 000
Care	704 259
Integration services	143 943
Individual & family	211 219
Total goodwill & intangible assets	**2 121 421**

IMPAIRMENT TEST FOR THE PRESCHOOL CGU

Cash flow projections and assumptions

For the Preschool CGU the model was based on a 5 year forecast of discounted cash flow plus a terminal value (calculated by Gordon's model). The net discounted cash flows were calculated before tax.

The NPV-model included the following assumptions:

The estimated cash flows included in the impairment test include a five year projection based on the long term business plan. Estimated cash flow projections beyond the period covered by the most recent long term business plan are derived by extrapolating the projections based on the forecasts using a growth rate of 2 % for subsequent years.

Discount rate assumptions
The required rate of return was calculated by use of the WACC methodology. The input data of the WACC was chosen by individual assessment of each parameter. Information from representative sources, peer groups etc. was used to determine the best estimate. The WACC was calculated to 9.7 % pre tax. The following parameteres were applied:
- Risk free rate: 1.4 %. Based on market rate for covered bonds.
- Beta: 1.17 - based on unlevered beta for industry peer group.
- Market Risk Premium: 5 % (post tax). Based on market sources
- Cost of debt: 5.9 % Based on risk free rate plus risk component (4.5 %)
- Capital structure: equity ratio of 60 %.

Sensitivity analysis
The following sensitivity analysis were carried out to test wheter changes in relevant parameters would influence the conclusion:

1. Changes in cash flows:
The analysis showed that a decline in free cash flow in excess of 33% was necessary to change the conclusion. The result indicated that there had to be a significant decline in the market situation to trigger impairment.

2. Changes in discount rates:
The analysis showed that an increase in discount rate to 12.5 % was needed to change the conclusion. The result indicated that the test was robust in terms of the level of discount rate.

Impairment - test result and conclusion
Value in use for the CGU's exceeds carrying amount. The impairment test indicated no requirement to write down.

IMPAIRMENT TEST FOR THE CARE CGU

Cash flow projections and assumptions
For the Care CGU the model was based on a 5 year forecast of discounted cash flow plus a terminal value (calculated by Gordon's model). The net discounted cash flows were calculated before tax. The NPV-model included the following assumptions:

The estimated cash flows included in the impairment test includes a five year projection based on the long term business plan. Estimated cash flow projections beyond the period covered by the most recent long term business plan are derived by extrapolating the projections based on the forecasts using a growth rate of 2 % for subsequent years.

Discount rate assumptions
The required rate of return was calculated by use of the WACC methodology. The input data of the WACC was chosen by individual assessment of each parameter. Information from representative sources, peer groups etc. was used to determine the best estimate. The WACC was calculated to 9.7 % pre tax. The following parameteres were applied:
- Risk free rate: 1.4 %. Based on market rate for covered bonds.
- Beta: 1.17 - based on unlevered beta for industry peer group.
- Market Risk Premium: 5 % (post tax). Based on market sources
- Cost of debt: 5.9 % Based on risk free rate plus risk component (4.5 %)
- Capital structure: equity ratio of 60 %.

Sensitivity analysis
The following sensitivity analysis were carried out to test wheter changes in relevant parameters would influence the conclusion:

1. Changes in cash flows:
The analysis showed that a decline in free cash flow in excess of 11 % was necessary to change the conclusion.
The result indicated that there had to be a moderate decline in the market situation to trigger impairment.

2. Changes in discount rates:
The analysis showed that an increase in discount rate to 10.65 % was needed to change the conclusion. The result indicated that the test was to some extent robust in terms of the level of discount rate.

Impairment - test result and conclusion
Value in use for the CGU's exceeds carrying amount. The impairment test indicated no requirement to write down.

IMPAIRMENT TEST FOR THE INTEGRATION SERVICES CGU

Cash flow projections and assumptions
For the Integration Services CGU the model was based on a 5 year forecast of discounted cash flow plus a terminal value (calculated by Gordon's model). The net discounted cash flows were calculated before tax. The NPV-model included the following assumptions:

The estimated cash flows included in the impairment test includes a five years projection based on the long term business plan. Estimated cash flow projections beyond the period covered by the most recent long term business plan are derived by extrapolating the projections based on the forecasts using a growth rate of 2 % for subsequent years.

Discount rate assumptions
The required rate of return was calculated by use of the WACC methodology. The input data of the WACC was chosen by individual assessment of each parameter. Information from representative sources, peer groups etc. was used to determine the best estimate. The WACC was calculated to 9.7 % pre tax. The following parameteres were applied:
- Risk free rate: 1.4 %. Based on market rate for covered bonds.
- Beta: 1.75 - based on unlevered beta for industry peer group.
- Market Risk Premium: 5 % (post tax). Based on market sources
- Cost of debt: 5.9 % Based on risk free rate plus risk component (4.5 %)
- Capital structure: equity ratio of 40 %.

Sensitivity analysis
The following sensitivity analysis were carried out to test wheter changes in relevant parameters would influence the conclusion:

1. Changes in cash flows:
The analysis showed that a decline in free cash flow in excess of 65 % was necessary to change the conclusion.
The result indicated that there had to be a significantly decline in the market situation to trigger impairment.

2. Changes in discount rates:
The analysis showed that an increase in discount rate to 27.1 % was needed to change the conclusion. The result indicated that the test was robust in terms of the level of discount rate.

Impairment - test result and conclusion
Value in use for the CGU's exceeds carrying amount. The impairment test indicated no requirement to write down.

IMPAIRMENT TEST FOR THE INDIVIDUAL & FAMILY CGU

Cash flow projections and assumptions
For the Iindividual & Family CGU the model was based on a 5 year forecast of discounted cash flow plus a terminal value (calculated by Gordon's model). The net discounted cash flows were calculated before tax. The NPV-model included the following assumptions:

The estimated cash flows included in the impairment test includes a five years projection based on the long term business plan. Estimated cash flow projections beyond the period covered by the most recent long term business plan are derived by extrapolating the projections based on the forecasts using a growth rate of 2 % for subsequent years.

Discount rate assumptions

The required rate of return was calculated by use of the WACC methodology. The imput data of the WACC was chosen by individual assessment of each parameter. Information from representative sources, peer groups etc. was used to determine the best estimate. The WACC was calculated to 9.7 % pre tax. The following parameteres were applied:

- Risk free rate: 1.4 %. Based on market rate for covered bonds.
- Beta: 1.33 - based on unlevered beta for industry peer group.
- Market Risk Premium: 5 % (post tax). Based on market sources
- Cost of debt: 5.9 % Based on risk free rate plus risk component (4.5 %)
- Capital structure: equity ratio of 40 %.

Sensitivity analysis

The following sensitivity analysis were carried out to test wheter changes in relevant parameters would influence the conclusion:

1. Changes in cash flows:
The analysis showed that a decline in free cash flow in excess of 25 % was necessary to change the conclusion. The result indicated that there had to be a significantly decline in the market situation to trigger impairment.

2. Changes in discount rates:
The analysis showed that an increase in discount rate to 15.0 % was needed to change the conclusion. The result indicated that the test was robust in terms of the level of discount rate.

Impairment - test result and conclusion

Value in use for the CGU's exceeds carrying amount. The impairment test indicated no requirement to write down.

11. SUBSIDIARIES AND ASSOCIATES

The reorganisation

Norlandia Health & Care Group AS was established in December 2016. This was done by transferring the shares in Norlandia Care Group AS, Hero Group AS, Aberia Healthcare AS and Kidsa AS, from Hospitality Invest to a newly incorporated 100% owned subsidiary (Norlandia Health & Care Group AS).

The reorganisation included the following transactions

Norlandia Care Group AS

49.76 % of the shares in Norlandia Care Group AS was recieved as a contribution in kind from Hospitality Invest AS. 14.11 % of the shares in Norlandia Care Group AS was purchased from Hospitality Invest AS for NOK 200 332 028. The consideration to the parent is presented as a reduction in equity in 2016. The remaining shares were aquired from the non-controlling shareholders for NOK 513 406 872. Hospitality Invest AS had a controlling interest in Norlandia Care Group AS at 01.01.2015. The 2015 figures include Norlandia Care Group from 01.01.2015.

Hero Group AS

57.54 % of the shares in Hero Group AS was purchased from Hospitality Invest AS for NOK 89 212 744. The consideration to the parent is presented as a reduction in equity in 2016. The remaining shares were aquired from the non-controlling shareholders for NOK 65 271 689. Hospitality Invest AS had a controlling interest in Hero Group AS at 01.01.2015. The 2015 figures include Hero Group from 01.01.2015.

Aberia Healthcare AS

23.21 % of the shares in Aberia Healthcare AS were purchased from Hospitality Invest AS for NOK 41 776 308. The consideration to the parent is presented as a reduction in equity in 2016. The remaining shares were aquired from the non-controlling shareholders for NOK 48 271 698. Hospitality Invest AS aquired a controlling interest in Aberia Healthcare in January 2016 (see note 20). Aberia Healthcare is included in the financial figures from January 2016. The net carrying amount of assets and liabilities of NOK 112 000 000 is presented as a reduction of the negative equity effect of the share purchase in December.

Kidsa Barnehager AS

100 % of the shares in Hero Group AS was purchased from Hospitality Invest AS/Kidprop AS for NOK 67 000 000. The considera-tion to the parent is off set by the net carrying value of assets and liabilities acquired. presented a reduction direclty in equity in 2016. Hospitality Invest AS/Norlandia Health & Care AS acquiered a controlling interest in Kidsa AS Decembert 2016 (see note 20). Kidsa AS is included in the financial figures from December 2016.

Sale of shares in Pioneer Property Group AS

As part of the reorganisation Norlandia Care Group AS sold their shares in Pioneer Property Group AS (PPG) for NOK 200 332 006 to Hospitality Invest. The transaction resulted in a loss of NOK 2 322 000 included in the income statement.

Sale of shares in Scandia Healthcare AS/Personalhuset AS

As part of the reorganisation Norlandia Care Group AS sold their shares in Scandia Healtcare AS and Personalhuset AS for NOK 49 567 679 to Hospitality Invest. The transaction resulted in a gain of NOK 22 694 151 included in the income statement.

The transactions with Hospitality Invest AS were settled on a net basis.
The subsidiaries of Norlandia Health & Care Group AS, all of which have been included in these consolidated financial statements are as follows:

Name	Country of incorporation	Place of office	Ownership interest	
			2016	**2015**
Norlandia Care Group AS	Norway	Oslo	100 %	63.6 %
Kidsa Drift AS	Norway	Bergen	100 %	16.0%
Hero Group AS	Norway	Stavanger	100 %	57.5%
Material operating companies				
Norlandia Barnehagene AS	Norway	Gardermoen	100 %	100 %
Norlandia Barnehagene II AS	Norway	Gardermoen	100 %	100 %
Norlandia Förskolor AB	Sweden	Stockholm	100 %	100 %
Tenava Holding OY	Finland	Helsinki	100 %	100 %
Kindex B.V.	Netherlands	Voorschoten	100 %	100 %
Aberia Healthcare AS	Norway	Oslo	100 %	50.0 %
Norlandia Care Norge AS	Norway	Gardermoen	100 %	100 %
Norlandia Care OY	Finland	Tampere	100 %	100 %
Norlandia Care AB	Sweden	Stockholm	100 %	100 %
Kosmo AB	Sweden	Stockholm	100 %	100 %
Hero Norge AS	Norway	Stavanger	100 %	100 %
Hero Sverige AB	Sweden	Stockholm	100 %	100 %
Steni-Holding AS	Norway	Moss	100 %	0 %

Investment in associated companies

	2016	2015
Investment in associates as of 01.01	**403 898**	**196 739**
Share of post-tax profits of associates	20 611	167 260
Gain on transfers to subsidiaries	2 392	-
New investment in associates	6 705	39 899
Transfer to subsidiaries	-57 969	-
Other changes	-	-
Disposal of investment in associates	- 337 047	-
Investment in associates as of 31.12	**38 589**	**403 898**

The majority of the shares in PPG have been realised during 2016 and the remaing portion have been reclassified to other investments.
The majority of share of post-tax profits from associates mainly relates to the disposal of Personalhuset AS.
The shares inn PPP III AS were sold in 2015 to a gain of NOK 149,920,250.
The shares in PPG were acquired in May 2015. The statement of comprehensive income includes only a 20.05 % portion of the result for the last seven months of the year.

12. DERIVATIVE FINANCIAL INSTRUMENTS

	2016	2015
Derivative financial assets		
Derivatives not designated as hedging instruments:	-	-
- Interest rate swaps	-	-
Total derivatives not designated as hedging instruments	**-**	**-**
Total derivative financial assets	-	-
Less non-current portion		
- Interest rate swaps	-	-
Current portion	**-**	**-**

The fair value of a derivative financial instrument is split between current and non-current depending on the remaining maturity of the derivative contract.

The maximum exposure to credit risk at the reporting date is the fair value of the derivative assets in the consolidated statement of financial position.

	2016	2015
Derivative financial liabilities		
Derivatives not designated as hedging instruments:		
- Interest rate swaps	1 379	2 115
Total derivatives not designated as hedging instruments	**1 379**	**2 115**
Total derivative financial liabilities	1 379	2 115
Less non-current portion	-	-
- Interest rate swaps	-938	-2 115
Current portion	**441**	**-**

List of contracts	**Expiry**	**Nominal**	**Currency amount**	**2016 Fair value**	**2015 Fair value**
DNB				NOK	NOK
Interest rate swap	03.04.2017	3 214	NOK	-57	-192
Interest rate swap	01.10.2018	4 063	NOK	-284	-489
Interest rate swap	01.02.2017	4 194	NOK	-294	-480
Interest rate swap	01.10.2018	10 041	NOK	-91	-490
Interest rate swap	02.01.2017	10 016	NOK	-89	-465
Interest rate swap	01.10.2018	4 294	NOK	-301	-
Interest rate swap	01.10.2018	3 742	NOK	-261	-
Adjustment					
Total DnB		**39 564**		**-1 379**	**-2 115**
TOTAL		**39 564**		**-1 379**	**-2 115**

13. TRADE AND OTHER RECEIVABLES

		2016	2015
Trade receivables		285 890	190 040
Less: provision for impairment of trade receivables		-3 507	-883
Trade receivables - net		282 383	189 158
Other receivables		264 243	276 809
Total financial receivables classified as loans and receivables		**546 626**	**465 967**
Prepayments			
Other receivables	Note		
Total trade and other receivables		546 626	465 967
Less: non-current portion - Loan to related parties	21	88 244	103 683
Less: non-current portion - Other receivables		12 250	29 167
Current portion		**446 132**	**333 117**

The fair values of trade and other receivables classified as loans and receivables are not materially different to their carrying values.

The Group does not hold any collateral as security.

Movements on the Group provision for impairment of trade receivables are as follows:

	2016	2015
At 1 January	883	912
Provided during the year	2 122	236
Receivable written off during the year as uncollectible	-203	-912
Reversal of provisions prior years	704	647
At 31 December	**3 507**	**883**

The movement on the provision for impaired receivables has been included in the cost of sales line in the consolidated statement of comprehensive income.

Other classes of financial assets included within trade and other receivables do not contain impaired assets.

Aging analysis on trade receivables

	Total	**Not due (less** than 30 days)	30-60 days	60-90 days	**more than** 90 days
2016	**282 383**	250 027	24 234	645	7 477
2015	**189 158**	173 160	11 314	734	3 950

14. SHARE CAPITAL, SHAREHOLDERS, DIVIDENDS AND RESEVES

Share capital

(Amounts in NOK)	**2016** Number	**2016** NOK	**2015** Number	**2015** NOK
Ordinary shares of NOK 10 each	30 000 000	300 000 000	0	0
Total	**30 000 000**	**300 000 000**	**0**	**0**

Shareholders

All shares are owned by Hospitality Invest AS as listed below.

Hospitality Invest AS	30 000 000	100,00 %
Total	30 000 000	100,00 %

Kristian A. Adolfsen holds, directly and indirectly, 45.03 % of the shares in Hospitality Invest AS
Roger Adolfsen holds, directly and indirectly, 44.68% of the shares in Hospitality Invest AS

The following describes the nature and purpose of each reserve within equity:

Reserve	Description and purpose
Share premium	Amount subscribed for share capital in excess of nominal value.
Retained earnings	All other net gains and losses and transactions with owners (e.g. dividends) not recognised elsewhere.

15. LOANS AND BORROWINGS

The book value and fair value of loans and borrowings are as follows:	Book value 2016	Fair value 2016	Book value 2015	Fair value 2015
Non-Current				
Interest bearings loans	2 565 846	2 565 846	1 023 358	1 023 358
Total non current	**2 565 846**	**2 565 846**	**1 023 358**	**1 023 358**

The currency profile of the Group's loans and borrowings is as follows:
(Currency in NOK)

	2016	**2015**
NOK	1 515 526	1 023 358
SEK	1 050 320	0
Total	**2 565 846**	**1 023 358**

Borrowings as of 31.12.2016	Interest	Amount	Due date
Debt to Husbanken	1.510%-2.869%	151 030	2030-2043
Bond issued 2013/2014	3 mnd NIBOR + 5.0%	507 107	10.04.2018*
Bond issued 2016/2021	NIBOR +4.5%	1 771 992	2021
Other property debt		102 859	
Other long term debt		32 858	
Total		**2 565 846**	

* The bond has been called and repayed in January 2017 in connection with a succesfull placement of a new bond.

16. DEFERRED TAX

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 24 %.
The movement on the deferred tax account is as shown below:

	2016	**2015**
At 1 January	-162 929	-125 148
Recognised in profit and loss	-	-
Tax expense	13 476	-1 752
Recognition of previously unrecognised deferred tax assets	-	-
Recognised in other comprehensive income	-1 859	-12 440
	-151 312	**-139 339**
Arising on business combination	-12 000	-23 589
At 31 December	**-163 312**	**-162 929**

Deferred tax assets have been recognised in respect of all tax losses and other temporary differences giving rise to deferred tax assets where the directors believe it is probable that these assets will be recovered.

The movements in deferred tax assets and liabilities (prior to the offsetting of balances within the same jurisdiction as permitted by IAS 12) during the period are shown below.

Details of the deferred tax liability, amounts recognised in profit or loss and amounts recognised in other comprehensive income are as follows:

	Asset	Liability	Net	(Charged)/ credited to profit or loss	(Charged)/ credited to equity
	2016	**2016**	**2016**	**2016**	**2016**
Fixed assets	1 808	-169 272	-167 464	11 065	-15 745
Accounts receivable	701	-	701	309	147
Inventory	-	-	-	-	-
Pensions	20 616	-73	20 543	-2 436	7 051
Financial instruments	331	-	331	913	-
Profit and loss account	-	-4 281	-4 281	94	-3 600
Provisions	-	-18 083	-18 083	-1 809	-1 713
Tax loss carried forward	7 168	-	7 168	5 851	-
Tax asset/(liabilities)	**30 625**	**-191 709**	**-161 084**	**13 987**	**-13 859**
Set off of tax	-706	706	-	-	
Unrecognised deferred tax asset	-2 228	-	-2 228	-511	
Net tax assets/(liabilities)	**27 691**	**-191 003**	**-163 312**	**13 476**	

	2015	**2015**	**2015**	**2015**	**2015**
Fixed assets	-	-162 784	-162 784	6 838	-16 742
Accounts receivable	246	-	246	-4	-
Inventory	-	-	-	-	-
Pensions	15 928	-	15 928	-736	-12 440
Financial instruments	529	-1 111	-582	243	-
Profit and loss account	-	-776	-776	22	-
Provisions	1	-14 562	-14 561	-7 715	-6 847
Tax loss carried forward	1 318	-	1 318	1 318	-
Tax asset/(liabilities)	**18 021**	**-179 232**	**-161 211**	**-35**	**-36 029**
Set off of tax	-979	979	-	-	-
Unrecognised deferred tax asset	-1 718	-	-1 718	-1 718	-
Net tax assets/(liabilities)	**15 324**	**-178 253**	**-162 929**	**-1 752**	

The unused tax losses and deductible temporary differences can be carried forward indefinitely.

	2016
Taxes payable in consolidated Statement of Comprehensive Income	50 384
Prepaid tax	5 925
Taxes payable in Statement of Financial Position	**44 460**

Taxes payable for the year 2016 will be eliminated through the use of group-contribution to the ultimate parent.

17. TRADE AND OTHER PAYABLES

	2016	**2015**
Trade payables	138 667	145 373
Tax and social security payments	167 846	93 304
Other short term debt	548 255	501 141
Total financial liabilities, excluding loans and borrowings, classified as financial liabilities measured at amortised cost	**854 769**	**739 818**

Book values approximate to fair value at 31 December 2016 and 2015.

18. LEASES

Operating leases - lessee

The Group leases the majority of its offices, hotels, preschools and nursing homes. All lease agreements are classified as operating leases as the lease period does not cover most of the useful life of the assets, and the minimum lease payment does not cover most of the fair value of the assets.

The total future value of minimum lease payments is due as follows:

	2016	2015
Not later than one year	380 176	331 215
Later than one year and not later than five years	759 470	215 748
Later than five years	1 629 845	1 082 082
Total	**2 769 492**	**1 629 045**

For the financial year 2016 total operating lease amounted to NOK 507.920 thousand.

19. RETIREMENT BENEFITS

At 31.12.2016, a total of 7,137 employees in the Group are included in a defined contribution plan. The plan is in accordance with the laws and regulations concerning obligatory pension plans. The costs in conncetion with the plan are recognized in accordance with premiums paid.

The Group's defined benefit plan through 2016 includes 1,261 employees. The plan involves lifelong pension from 67 years. The pension plans are accounted for in accordance with IAS 19 Employee benefits. Defined benefit plans give rise to defined future payments. These are mainly dependent on number of years of service, salary level at retirement and the level of payments received from Social Security. The obligations are covered through an insurance company.

	2016	2015
Pension costs for defined contribution schemes	128 184	84 996

Details of the Group's defined benefit schemes are as follows:

Reconciliation to consolidated statement of financial position	2016	2015
Fair value of plan assets	193 337	188 043
Present value of funded obligations	258 388	252 267
Change in net obligation as a result of business combination	32 095	-
Net pension obligation	**97 146**	**64 224**

Reconciliation of plan assets	2016	2015
At 1 January	178 414	166 905
Expected return	3 380	2 118
Contributions by Group	39 927	37 222
Benefits paid	-2 124	-2 522
Actuarial gain/(loss)	-6 878	-13 045
Settlements	-18 644	-1 954
Administration fees	-737	-681
Change as a result of business combination	118 109	-
At 31 December	**311 446**	**188 043**

Reconciliation of plan liabilities	2016	2015
At 1 January	242 638	274 699
	-	-
Interest cost	7 032	6 455
Current service cost	38 311	42 359
Benefits paid	-2 124	-2 522
Actuarial (gain)/loss	3 112	-61 665
Social security tax	-2 813	-2 766
Settlements	-27 769	-4 293
Change as a result of business combination	150 204	-
At 31 December	**408 592**	**252 267**

	2016	2015
Actuarial gains and losses recognised in OCI	9 381	33 633

Pension cost (defined benefit plan)	2016	2015
Current service cost	30 217	40 312
Net interest cost	1 215	311
Administration costs	2 633	1 754
Accured social security tax	2 559	4 507
Net pension cost	**36 623**	**46 884**

Principal actuarial assumptions	31.12.2016	31.12.2015
Discount rate on plan liabilities	2.60 %	2.70 %
Expected increase in pensionable salary	2.50 %	2.50 %
Future G-increase	2.25 %	2.25 %
Future pension increase	1.48 %	1.48 %
Turnover	2.70 %	2.70 %
Social security tax	14.10 %	14.10 %

20. ACQUISITIONS DURING THE PERIOD AND COMPLETED PRIOR PERIODS

Acquistions during 2016

Two major acquisitions were completed during 2016, the acquisition of Aberia Healthcare AS and Steni-Holding AS. Both in the Individual & Family segment. There were also completed several minor acquistions in the Preschool business and Integration services business. The consideration transferred was allocated beetween net assets received, Goodwill and Customer contracts, resulting in an addition to intangible assets of total NOK 512,992 thousand.

Acquistion of Aberia Healthcare AS

On January 3rd 2016 the Group acquired an additional 5% of the shares in Aberia Healthcare AS, making it a controlling investment and as such re-classified from an associate to subsidiary. The company's principal activites are operating child care, foster homes and assisted living.

Details of the fair value og identified assets and liabilties acquired, purchase consideration and goodwill are as follows.

	Book value	Adjustment	Fair value
	NOK	NOK	NOK
Deferred tax asset	1 827	-	1 827
Property plant and equipment	13 091	-	13 091
Trade mark	-	25 117	25 117
Customer contracts	-	39 227	39 227
Financial assets	12 782	-	12 782
Inventories	330	-	330
Receivables	38 843	-	38 843
Cash	25 941	-	25 941
Long term debt	-51 863	-	-51 863
Payables	-65 997	-	-65 997
Deferred tax obligation	-	-14 156	-14 156
Total net assets	**-25 046**	**50 188**	**23 314**
Fair value of the consideration paid:			
Cash consideration on 5.09 % stake			5 700
Fair value on 100 % basis			112 000
Total consideration			**112 000**
Goodwill in NOK			**88 686**

The goodwill arising on the Aberia Healthcare AS acqusition is not deductable for tax purposes.

The main factor leading to the recognition of goodwill is:
- The presence of certain intangible assets, such as the assembled workforce of the aquired entity, which do not qualify for separate recognition.

Acquistion of Steni-Holding AS

On April 22nd 2016 the Group acquired 100% of the shares in Steni-Holding, a company whose principal activity is operating integration services for minor refugees. The principal reason for the acquistion was to strenghten the posistion of the Group in the Norwegian market.

Details of the fair value og identified assets and liabilties acquired, purchase consideration and goodwill are as follows.

	Book value	Adjustment	Fair value
	NOK	NOK	NOK
Deferred tax asset	-	-	-
Property plant and equipment	46 183	-	46 183
Intangible assets	99	-	99
Financial assets	2 140	-	2 140
Inventories	-	-	-
Receivables	17 836	-	17 836
Cash	16 386	-	16 386
Long term debt	-34 116	-	-34 116
Payables	-21 746	-	-21 746
Deferred tax obligation	-1 997	-	-1 997
Total net assets	**24 785**	**-**	**24 785**

Fair value of the consideration paid:

Cash consideration	80 015
Total consideration	**80 015**
Goodwill in NOK	**55 230**

The goodwill arising on the Steni-Holding AS acqusition is not deductable for tax purposes.

The main factors leading to the recognition of goodwill are:
- The presence of certain intangible assets, such as the assembled workforce of the aquired entity, which do not qualify for separate recognition.

Since the acquistion date, Steni-Holding AS has contributed MNOK 103.6 to Group revenues and MNOK 16.0 to Group profit.
If the transaction occured on January 1 2016, Steni-Holding would have contributed MNOK 167.5 to Group revenues and MNOK 24.7 to Group profit.

Acquistion of Kidsa Barnehager AS
On 20th December 2016 the Group acquired 100% of the shares in Kidsa Barnehager AS, a company whose principal activity is operating preschools. The principal reason for the acquistion was to strenghten the Group's presence in the western parts of Norway.

Details of the fair value og identified assets and liabilties acquired, purchase consideration and goodwill are as follows.

	Book value	Adjustment	Fair value
	NOK	NOK	NOK
Deferred tax asset	-	-	-
Property plant and equipment	6 451	-	6 451
Intangible assets	183 297	-183 297	-
Financial assets	9 476	-	9 476
Inventories		-	-
Receivables	15 663	-	15 663
Cash	51 144	-	51 144
Pension oblifation	-11 275	-20 821	-32 096
Long term debt	-60 445	-	-60 445
Payables	-65 631	-	-65 631
Deferred tax obligation	-1 713	5 202	3 489
Total net assets	**126 966**	**-198 916**	**-71 950**

Fair value of the consideration paid:

Cash consideration	67 000
Total consideration	**67 000**
Goodwill in NOK	**138 950**

The goodwill arising on the Kidsa Barnehager AS acqusition is not deductable for tax purposes.

The main factors leading to the recognition of goodwill are:
- The presence of certain intangible assets, such as the assembled workforce of the aquired entity, which do not qualify for separate recognition.

Since the acquistion date, Kidsa Barnehager AS has contributed MNOK 0,- to Group revenues and MNOK 0,- to Group profit.
If the transaction occured on the January 1st 2016, Kidsa Barnehager AS would have contributed MNOK 336.0 to Group revenues and MNOK 9.2 to Group profit.

Acquistions during 2015
Two major acquisitions were completed during 2015, the acquisition of Kosmo AB in Care business and K2H Førskolor AB and

K2H Skåne AB, both in the Preschools business. There were also completed several minor acquistions in the Preschool business. The consideration transferred was allocated beetween the net assets received, Goodwill and Customer relationships, resulting in an addition to goodwill and customer relationships of total NOK 281.259.478.

Acquistion of Kosmo AB

On 03.02.2015 the Group acquired 100% of the shares in Kosmo AB, a company whose principal activity is operating nursing homes. The principal reason for the acquistion was to strenght the posistion of the Group in the Swedish market. Details of the fair value og identified assets and liabilties acquired, purchase consideration and goodwill are as follows.

	Book value	Adjustment	Fair value
	SEK	SEK	SEK
Property plant and equipment	21 313	-	21 313
Customer contracts	-	72 650	72 650
Inventories	1 686	-	1 686
Receivables	97 628	-	97 628
Cash	73 961	-	73 961
Payables	-124 301	-	-124 301
Bank loan	-8 250	-	-8 250
Deferred tax liabiltity	-6 537	-15 983	-22 520
Total net assets	**55 500**	**56 667**	**112 167**
Fair value of the consideration paid:			
Cash			252 981
Total consideration	**-**	**-**	**252 981**
Goodwill (SEK)			**140 814**
Goodwill in NOK			**129 225**

The goodwill arising on the Kosmo AB acqusition is not deductable for tax purposes.

Acquistion costs of SEK 678 187 arose as a result of the transaction. These have been recognised as part of administrative expenses in the statement of comprehensive income.

The main factors leading to the recognition of goodwill are.
- The presence of certain intangible assets, such as the assembled workforce of the aquired entity, which do not qualify for separate recognition.

Since the acquistion date, Kosmo AB has contributed MNOK 779.6 to Group revenues and MNOK 30.0 to Group profit. If the transaction occured on the January 1, 2015, Kosmo AB would have contributed MNOK 850.5 to Group revenues and MNOK 32.7 to Group profit.

Acquistion of K2H (K2H Førskoler AB and Ke Skåne AB)

On 01.07.2015 the Group acquired 100% of the shares in K2H, a company whose principal activity is operating preschools. The principal reason for the acquistion was to strenght the posistion of the Group in the Swedish market.

Details of the fair value og identified assets and liabilties acquired, purchase consideration and goodwill are as follows.

	Book value	Adjustment	Fair value
	SEK	SEK	SEK
Property plant and equipment	3 417	-	3 417
Receivables	3 788	-	3 788
Cash	14 433	-	14 433
Payables	-14 194	-	-14 194
Bank loan	-1 739	-	-1 739
Deferred tax liabiltity			
Total net assets	**5 706**	**-**	**5 706**

Fair value of the consideration paid	
Cash	52 818
Total consideration	**52 818**
Goodwill in SEK	**47 113**
Goodwill in NOK	**44 555**

The goodwill arising on the Kosmo AB acqusition is not deductable for tax purposes.

Acquistion costs of SEK 629 066 arose as a result of the transaction. These have been recognised as part of administrative expenses in the statement of comprehensive income.

The main factors leaing to the recognition of goodwill are.
- The presence of certain intangible assets, such as the assembled workforce of the aquired entity, which do not qualify for separate recognition.

Since the acquistion date, K2H has contributed MNOK 56.7 to Group revenues and MNOK 0.8 to Group profit. If the transaction occured on the January 1, 2015, K2H would have contributed MNOK 104.8 to Group revenues and MNOK 3.0 to Group profit.

Total acquistions 2015
If both the acqusition of Kosmo AB and K2H had occured on the January 1, 2015 the revenue would have been MNOK 3 102 and the Group profit for 2015 would have been MNOK 243.8. In addition to the acqusitions of Kosmo and K2H a minor acquistion gave rise to an additional goodwill of NOK 17.200.000.

21. TRANSACTIONS WITH RELATED PARTIES

In addition to the transactions rescreibed in note 11, the financial statements include the following transactions with related parties.

Related party	Relation to the Group
Benn Eidissen	Shareholder of Eidissen Consult AS, board member in the Group (2015)
Even Carlsen	Owner of Grafo AS, board member in the Group (2015)
Kristian Adolfsen	Shareholder in Hospitality Invest AS, board member in the Group
Roger Adolfsen	Shareholder in Hospitality Invest AS, board member in the Group
Eidissen Consult AS	Major shareholder 18.1% (2015)
Grafo AS	Major shareholder 18.1% (2015)
Hospitality Invest AS	Major shareholder 100% in 2016 (63.8 % in 2015)
Acea Properties AS	Owned by Eidissen Consult AS, Grafo AS, Klevenstern AS and Mecca Invest AS
Pioneer Property Group ASA	Significant ownership interest from the same shareholders
Vestfjorden AS	Own by Eidissen Consult AS, Grafo AS, Klevenstern AS and Mecca Invest AS

Transaction with related parties (Amounts in NOK)	**2016**	**2015**
Receivables from related parties		
Pioneer Property Group ASA	79 769	143 527
Vestfjorden AS	-	10 257
Acea Properties AS (with subsidiaries)	-	25 022
Total receivable related parties	**79 769**	**178 806**
Interest received		
Pioneer Property Group AS	1 729	3 513
Interest received from related parties	**1 729**	**3 513**

Sale of assets to related parties	2016	2015
Sale of property to Pioneer Public Properties IV AS (see note 4)	136 900	71 925
Rent of properties from related parties		
Rent of properties from Pioneer Property Group ASA	59 380	59 567

22. CASH AND CASH EQUIVALENTS

	2016	2015
Cash related to payroll tax witholdings	66 684	58 415
Unrestricted cash	993 557	287 334
Total cash and cash equivalents	**1 060 241**	**345 749**

23. DESCRIPTION OF COVENANT

The new senior secured bond issued in December 2016 includes a financial covenant which is subject to incurrence testing. Certain actions and transactions, inter alia issuance of new debt and payment of dividends, is subject to the satisfaction of an incurrence test. The incurrence test considered satisfied provided that:

Total Net Debt / EBITDA = not greater than 3.75

The Group, at the date of the Financial Statements, has not undertaken any actions or transactions triggering an incurrence test. For further details regarding the incurrence test, we refer to the Group's Bond Loan Agreement.

24. EVENTS AFTER THE REPORTING DATE

On January 18, 2017 Norlandia Care Group settled the Senior Secured Bond Issue 2013/2018, repaying NOK 507 million to the bond holders. The transaction will have a material effect on the Group's total balance by decreasing cash and debt on both sides of the balance sheet.

23. DESCRIPTION OF COVENANT (slett calculation)

The new senior secured bond issued in December 2016 comprise of a financial covenant which is limited to incurrence testing. Thus certain actions and transactions shall be subject to an incurrence test. The incurrence based covenant is limited to the fol-lowing:

Total Net Debt / EBITDA = not greater than 3.75

The Group, at the date of the Financial Statements, has not undertaken any actions or transactions triggering an incurrence test and remains in compliance with the terms set out in the bond agreement.

BDO AS
Kniveveien 31
3036 Drammen

Independent Auditor's Report

To the General Meeting of Norlandia Health & Care Group AS

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Norlandia Health & Care Group AS. The financial statements comprise:

- The financial statements of the parent company, which comprise the balance sheet as at 31 December 2016, and the income statement and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The financial statements of the group, which comprise the balance sheet as at 31 December 2016 and income statement, statement of changes in equity, cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.
- The accompanying financial statements give a true and fair view of the financial position of the parent company as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.
- The accompanying financial statements give a true and fair view of the financial position of the group as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Description of key audit matter	How the key audit matter was addressed in the audit
Valuation of intangibles The Group's book value of intangibles in the financial statements amounts to NOK 2 121 420 581, equivalent to 50,04 % of the group's total assets. The value of the intangibles has been subject to impairment testing, which is described in note 10 to the financial statements. The amount , the complexity and the judgement involved in the valuation, has led us to identify this as a risk area in our audit.	Our audit procedures included, among others, involving our internal valuation specialists to assist us in evaluating the assumptions and methodologies used in the impairment test, in particular those relating to the discounted cash flow model and wacc calculations. We also focused on the adequacy of the Group's disclosures about those assumptions to which the outcome of the impairment tests is most sensitive, that is, those that have the most significant effect on the determination of the value of the intangibles. We have also evaluated the management's competence and independence in performing the impairment tests.
Bond Norlandia Health & Care Group AS was established in December 2016 by Hospitality Invest AS by transferring 4 subsidiaries to a newly incorporated 100% owned subsidiary. The restructuring involved business combinations under common control outside the scope of IFRS 3. The group has establish policies to account for these transactions in order to present historical figures as if the group prepared separate financial statements in the past (for details on the restructuring see note 1 and note 11). The complexity and judgment involved in the accounting of the restructuring, led us to identify this as a key audit matter.	Our audit procedures included assessing the appropriateness of policies applied on the restructuring, reviewing the historical figures presented, and reconciling them with the audited figures included in the 2015 consolidated financial statement of Hospitality Invest for 2015. We also assessed the adequacy of the Group's disclosures regarding the restructuring.

Other information

Management is responsible for the other information. The other information comprises the Board of Directors' report, statements on Corporate Governance and Corporate Social Responsibility, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (management) are responsible for the preparation and fair presentation of the financial statements of the parent company in accordance with Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for the preparation and fair presentation of the financial statements of the group in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The financial statements of the parent company use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations. The financial statements of the group use the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all

relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and statements on Corporate Governance and Corporate Social Responsibility concerning the financial statements, the going concern assumption, and the proposal for the allocation of the profit is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements *(ISAE) 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Drammen, 20 April 2017
BDO AS

Ove Bøhn
Ove Bøhn
State Authorised Public Accountant

BDO AS, a Norwegian liability company, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms. The Register of Business Enterprises: NO 993 606 650 VAT.

Norlandia Health & Care Group AS

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April 2017