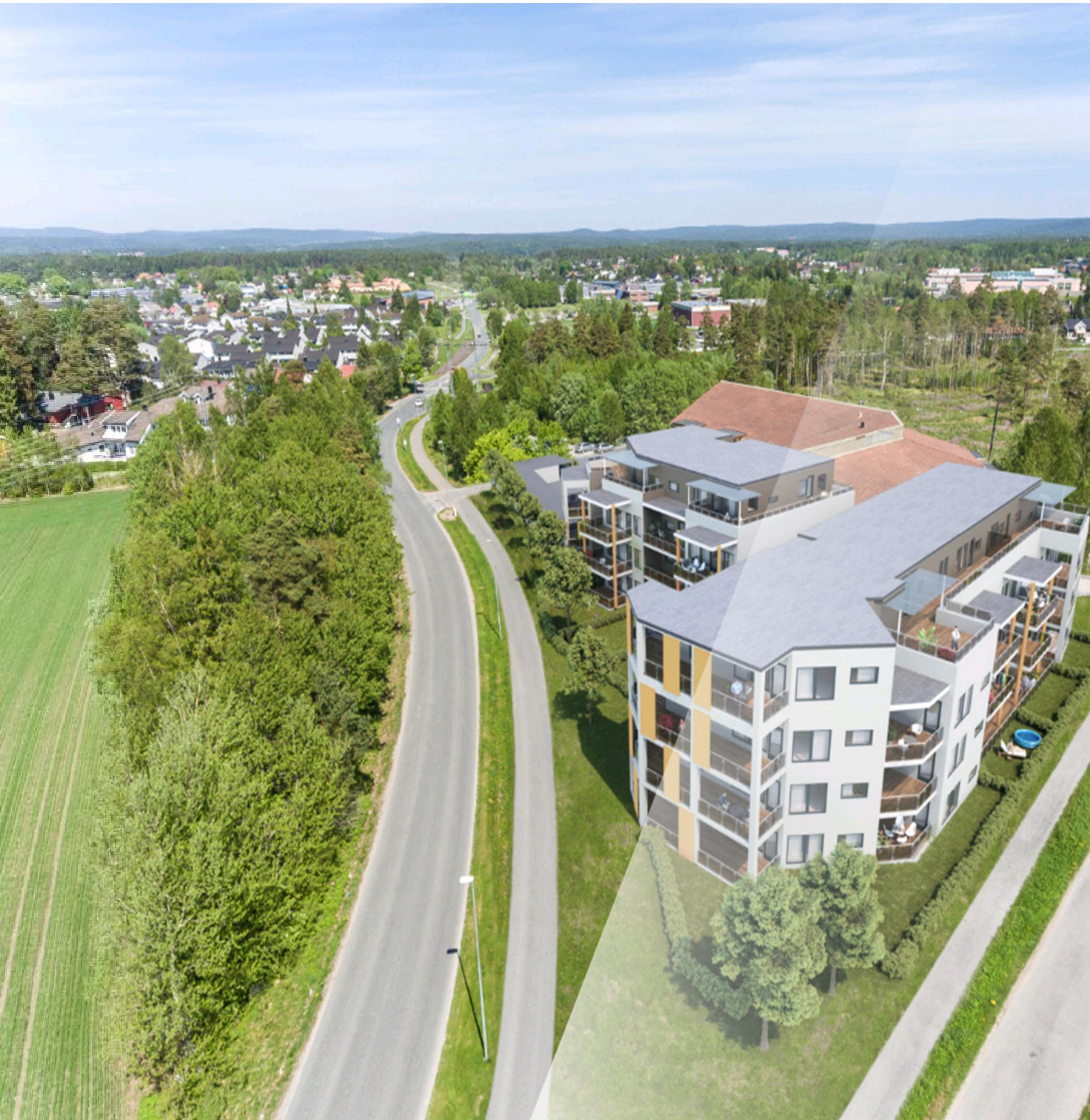
FRIGAARD PROPERTY GROUP AS

ANNUAL REPORT FOR 2019



BOARD OF DIRECTORS' REPORT

Operations and locations

Frigaard Property Group is a fast growing group within property development and construction of turnkey homes and commercial buildings. Frigaard Property Group has two business areas: Property development of turnkey homes and commercial building as a building owner and Construction of commercial buildings and projects where the Group is engaged as a contractor.

In the business area related to property development, Frigaard Property Group purchases sites and develops them into residential buildings for sale to end customers, primarily in Østfold. Property development has a long-term perspective. It takes several years from a site is purchased to the turnkey homes are handed over to the buyer.

In the second business area our construction operations are involved from the earliest phase, sometimes before the site have been purchased, to ensure that all opportunities and risks are identified. This is our largest operating segment in the group, and is operating primarily in Østlandet. These are engineering and construction projects delivered to public and private customers based on contractual agreed scope and price. These operations are all financed by our customers. Commercial buildings are mainly office building, shopping centers and apartment buildings.

The main office is located in Sarpsborg.

The Group includes, in addition to Frigaard Property Group AS, the following subsidiaries:

- Metacon AS
- Alento AS
- Frigaard Bolig AS
- Høgliveien 30 AS
- Aspelundveien 5 AS
- Fagerliveien Utvikling AS
- Moenskogen Utvikling AS
- Rugdeveien 2 AS
- Höganloft Fastigheter AB
- Ryggeveien 33 AS
- Solbyen Utvikling AS

Comments related to the financial statements

The Group's revenues increased from MNOK 654.5 last year to MNOK 1 042.8 in 2019. Increased efficiency in operations and cost effective initiatives contributed to satisfactory financial results in 2019. During 2019 47 development properties were sold, compared to 54 units last year. At year end 22 development properties are under construction.

Total cash flow from operating activities was MNOK – 44.5 in 2019, and the operating profit is MNOK 45.3. The difference mainly concerns timing differences in the payment plan in the construction projects compared to 2018. The Group's cash flow from investments during 2019 amounted to MNOK 29.8. This is mainly due to the sale of the investment property in the group which gave a positive cash effect of MNOK 65.2.

The Group's liquidity reserve as of 31.12.2019 amounted to MNOK 176.4.

The Group's short-term debt as of 31.12.2019 constituted 37 % of the Group's total debt, compared to 44 % as of 31.12.2018. This decrease is partly attributable to the increase in non-current liabilities related to the purchase of Ryggeveien 33 AS and Rabekkgata 3 AS, see note 11 for further information. The Group's financial position is sound and adequate enough to settle short-term debt as of 31.12.2019 with the Group's most liquid assets.

Total assets at year end amounted to MNOK 949.5, compared to MNOK 887.1 last year. The equity ratio was 27.8 % as of 31.12.2019, compared to 29.1 % the year before.

Market outlook

The board is pleased with the progress of our ongoing projects and the development of the Group. Results for 2019 were not as good as expected but measures are taken that will increase profitability and the results for 2020. A new CFO and project managers are recruited and will further strengthen the management team. They will be starting the first of June.

The macro environment for housing and building development in our markets outside of Oslo still gives us an optimistic outlook (long term) for the markets that Frigaard Property Group operates in. In the short term however, we will probably see a cooling of the housing market and a reduction in the start of new projects due to the Covid-19 pandemic. There will probably also be a shift towards more public projects in the short term.

The Group is still looking to expand and grow further, and work has been done on several potential acquisition targets. These will be followed as soon as society is back to normal and the external context is more predictable.

Financial risk

Overall view on objectives and strategy

The company is exposed to financial risk in different areas, especially changes in interest rate and economic conditions that affect investment in real estate. The goal is to reduce the financial risk as much as possible. The Group has minor exposure to changes in exchange rates as only a small part of purchase is done in foreign currency. There is no current strategy to include the use of financial instruments.

Market risk

Frigaard Property Group's earning are sensitive to fluctuations in macroeconomic factors that affect demand from the private market. The development and construction of turnkey homes is particularly sensitive to cyclical fluctuations, and earnings in Property developments are closely related to new project start-ups. To reduce the risk associated with unsold projects, Frigaard Property Group will not as a general principle initiate new construction of turnkey homes until a sale ratio of 50 % has been achieved.

Credit risk

Credit risk is the risk of financial losses due to the inability of a customer to fulfil their contractual obligations. The Group's credit risk is mainly related to the settlement of receivables, with the largest risk linked to the Group's trade receivables. The credit risk from trade receivables is linked to the customer's ability to pay, not the customer's willingness to pay (project risk). Credit risk is managed through the contracts with the contracting client and good credit follow-up routines.

The risk for losses on receivables is considered to be low, but can be expected to increase as a result of the market conditions. The Group has not yet experienced significant losses on receivables.

Liquidity risk

Liquidity risk is the risk that Frigaard Property Group will not be able to fulfill its payment obligations when they fall due. Good liquidity is essential to ensure profitability in Frigaard Property Group and the company's ability to invest and take risks in capital-intensive activities. Liquidity risk management is included in the objective of financial flexibility and has high priority. Management, measurement and control of liquidity are carried out from the project level and on through all the levels of the organization.

The working environment and the employees

Frigaard Property Group attaches great importance to preventing absence due to sickness. Construction workers are prone to strains through heavy physical labour. Musculoskeletal disorders are the main cause of long-term sickness absence in the Group. Leave of absence due to illness totaled 7 013 hours in 2019 (10 094 hours in 2018), which equals approximately 3.9 % (6.4 % in 2018)) of the total working hours in the Group. The Group continuously attaches importance to prevention of sickness absence and has implemented a variety of measures. HSE and procedures have been emphasized in the Group under the auspices of the Group's health service.

There has been one incidence or reporting of work related accidents resulting in significant material damage or personal injury occurred during the year, compared to 4 incidences during 2018.

The working environment is considered to be good, and efforts for improvements are made on an ongoing basis.

Equal opportunities and non-discrimination

The Group aims to be a workplace with equal opportunities and has included in its policies regulations to prevent gender discrimination regarding salary, promotion and recruiting. The Group has traditionally recruited from environments dominated by men. The company has 117 employees, of which seven are women. The share of women in leading positions is low. The reason for this is that the Group operates in an industry which has traditionally been dominated by male employees.

The Discrimination Act’s objective is to promote gender equality, ensure equal opportunities and rights, and to prevent discrimination due to ethnicity, national origin, descent, skin color, language, religion and faith. The Group is working actively, determined and systematically to encourage the act’s purpose within our business. Included in the activities are recruiting, salary and working conditions, promotion, development opportunities and protection against harassment. The Group’s aim is to be a workplace with no discrimination due to reduced functional ability and is working actively to design and implement the physical conditions in such a manner that as many as possible can utilise the various functions.

Environmental report

Waste from our operations, including waste considered harmful to the environment, is within regulatory limitations. The Group’s operations are not regulated by licenses or impositions.

Post balance sheet events

Frigaard Property Group has been operating as relatively as normal, and the corona outbreak has so far had a limited effect. Regards to our ongoing projects, which will be finalized during first half year, we are on plan to deliver. Great precautions have been taken according to the FHI guidelines. The concern for life and health is Frigaard Property Group's first priority, and the company has implemented a number of measures to protect employees and those working at Frigaard Property

Group's projects sites, against the spread of the coronavirus. On the management side, our employees have been working from home when and where possible.

Frigaard Property Group had to lay off 10 persons for a short period of time as a result of the corona pandemic, but 4 of those have already been called back. The layoffs were related to the production and mounting of steel structures. The travel restrictions and quarantine, two weeks for employees coming from abroad, might cause some increased cost of production if measures are prolonged over a longer period of time. We are working together with our suppliers every day to make the consequences as small as possible, and have so far only experienced a few shortages of supplies or deliveries of materials. The progress on ongoing projects may be affected by the coronavirus, depended on its scope and duration, and all customers have been notified of possible “force majour” consequences.

No other events have occurred after the balance sheet date which have had a material effect on the issued accounts.

The parent company Frigaard Property Group AS

The primary task of the parent company Frigaard Property Group AS is to exercise ownership over the operative entities in the Group. There are three employees in the parent company in 2019. Frigaard Property Group AS accounts are prepared in compliance with NGAAP (Norwegian accounting rules).

Going concern

In accordance with the Accounting Act § 3-3a, we confirm that the financial statements have been prepared under the assumption of going concern. This assumption is based on profit forecasts for the year 2020 and the Group's long-term strategic forecasts. The Group's economic and financial position is sound.

Allocation of net income

The Board of Directors has proposed the net income of Frigaard Property Group AS to be attributed to:

Retained Earnings	MNOK 17.2
Net income allocated	MNOK 17.2

The proposal reflects the owners' desire to strengthen the equity position of the company.

Sarpsborg, 23 April 2020

The Board of Directors

Helge Stemshaug
Chairman

Trond Olav Frigaard
Board Member

Kristian Lindland
Board Member

Petter Bøhler
Board Member

Øyvind Moen
CEO

INCOME STATEMENT FRIGAARD PROPERTY GROUP

All amounts in NOK thousand	Note	2019	2018
Revenue from contracts with customers	3,4,9	1 032 449	619 003
Investment property, change in fair value	10	-	34 691
Other operating revenue	4	10 319	777
Total operating revenue		**1 042 768**	**654 471**
Materials, subcontractors and consumables		833 287	476 718
Salaries and personnel expense	5	110 487	75 872
Loss related to sale of investment property	10	9 185	-
Other operating expense	6,9,21	37 815	18 205
Operating profit (loss) before depreciation, amortisation and impairment losses (EBITDA)		**51 994**	**83 677**
Depreciation and amortisation expense	7,8,9	6 729	6 304
Operating profit (EBIT)		**45 265**	**77 373**
Interest income		8 571	775
Interest expense related parties	20	-	994
Interest expense		30 060	15 536
Other financial expense		-	646
Profit before income tax		**23 776**	**60 972**
Income taxes	15	6 597	13 979
Net profit for the period		**17 179**	**46 993**
Profit/(loss) is attributable to:			
Majority share of profit/(loss)		17 179	45 232
Minority share of profit/(loss)		-	1 761
Total		**17 179**	**46 993**

STATEMENT OF COMPREHENSIVE INCOME

	2 019	2 018
Other comprehensive income		
Items which may be reclassified to profit and loss in subsequent periods		
Exchange differences on translation of foreign subsidairies	9	-
Total comprehensive income for the year	**17 188**	**46 993**
Profit for the year attributable to:		
Equity holders of the parent company	**17 179**	**45 232**
Non-controlling interests	**-**	**1 761**
	17 179	**46 993**

STATEMENT OF FINANCIAL POSITION FRIGAARD PROPERTY GROUP

ASSETS	**Note**	**31.12.2019**	**31.12.2018**
All amounts in NOK thousand			
Non-current assets			
Other intangible assets	7	666	-
Goodwill	7	284 019	284 019
Buildings and land	8	4 827	618
Machinery and equipment	8	3 888	3 015
Right-of-use assets	9	18 979	20 126
Investment property	10	-	74 000
Other investments	18	35	160
Other long term receivables	12	67	59
TOTAL NON-CURRENT ASSETS		**312 481**	**381 997**
Current assets			
Inventories and development properties	11	278 288	161 460
Trade receivables	12,18	81 001	99 630
Contract assets	12,18	54 071	31 625
Other short-term receivables		47 219	2 221
Cash and cash equivalents	13,18	176 410	210 215
TOTAL CURRENT ASSETS		**636 989**	**505 151**
TOTAL ASSETS		**949 470**	**887 148**

STATEMENT OF FINANCIAL POSITION FRIGAARD PROPERTY GROUP

EQUITY AND LIABILITIES	Note	31.12.2019	31.12.2018
All amounts in NOK thousand			
Equity			
Share capital	14	543	550
Share premium reserve		216 389	228 178
Total paid-in capital		**216 932**	**228 728**
Retained earnings		46 798	29 611
Total retained earnings		**46 798**	**29 611**
TOTAL EQUITY		**263 730**	**258 339**
Non-current liabilities			
Deferred tax	15	16 167	13 971
Bond loan	16,18	295 706	292 846
Liabilitites to financial institutions	16,18	25 062	26 729
Leasing liabilities	9,16	14 406	16 014
Other non-current liabilities	11	81 259	-
TOTAL NON-CURRENT LIABILITIES		**432 600**	**349 560**
Current liabilities			
Short term financial liabilities	16,18	5 078	-
Short term construction loan	16,18	48 711	43 295
Lease liabilities	9	4 128	3 613
Trade account payables	18	120 470	89 017
Tax payable	15	-	764
Public duties payable		9 184	25 334
Contract liabilities	4,12,18	15 514	48 473
Other short-term liabilities	17,19	50 055	68 753
TOTAL CURRENT LIABILITIES		**253 140**	**279 249**
TOTAL LIABILITIES		**685 740**	**628 809**
TOTAL EQUITY AND LIABILITIES		**949 470**	**887 148**

Sarpsborg, 23 April 2020
The Board of Directors

Helge Stemshaug
Chairman

Trond Olav Frigaard
Board Member

Kristian Lindland
Board Member

Petter Bøhler
Board Member

Øyvind Moen
CEO

STATEMENT OF CHANGES IN EQUITY FRIGAARD PROPERTY GROUP

All amounts in NOK thousand

	Attributable to equity holders of the parent company				Non-controlling interests	Total equity
			Other Equity			
	Share capital	Share premium reserve	Retained earnings	Total other equity		
Equity as at 01.01 2018	**414**	**2 587**	**4 756**	**4 756**	**6 262**	**14 019**
Transaction with owners						
Capital increase by acquisitions	136	198 282				**198 418**
Capital increase		27 310				**27 310**
Group Contribution			-1 090	**-1 090**		**-1 090**
Purchase of remaining shares in Metacon			-19 287	**-19 287**	**-8 023**	**-27 310**
Comprehensive income						
Profit for the period			45 232	**45 232**	**1 761**	**46 993**
Other comprehensive income				**-**		**-**
Equity as at 31.12 2018	**550**	**228 178**	**29 611**	**29 611**	**-**	**258 339**

	Attributable to equity holders of the parent company				Non-controlling interests	Total equity
			Other Equity			
	Share capital	Share premium reserve	Retained earnings	Total other equity		
Equity as at 01.01 2019	**550**	**228 178**	**29 611**	**29 611**	**-**	**258 339**
Transaction with owners						
- Capital decrease	-7	-11 789				**-11 796**
Comprehensive income						
Profit for the period			17 179	**17 179**		**17 179**
Other comprehensive income			9	**9**		**9**
Equity as at 31.12 2019	**543**	**216 389**	**46 799**	**46 798**	**-**	**263 730**

STATEMENT OF CASHFLOW FRIGAARD PROPERTY GROUP

All amounts in NOK thousand	Note	2019	2018
Cash flow from operations			
Profit before income taxes		23 776	60 972
Taxes paid in the period	15	-782	-1 223
Gain/loss from sale of fixed assets	8,10	8 765	-673
Depreciation	8, 9	6 729	6 304
Investment property changes in fair value	10	-	-34 691
Change in inventory	11	4 646	-102 209
Change in trade receivables	12	-3 960	-72 602
Change in trade account payables		31 413	38 160
Change in other provisions		-115 101	88 833
Net cash flow from operations		**-44 514**	**-17 130**
Cash flow from investments			
Proceeds from sale of fixed assets	8	-	773
Purchase of fixed assets and investment property	8,10	-6 356	-20 313
Proceeds from disposals of investment property	10	65 235	
Purchase of subsidiaries (net of cash)		-29 234	-41 423
Proceeds from sale of other investments		125	170
Purchase of other investment		-8	-195
Net cash flow from investments		**29 762**	**-60 988**
Cash flow from financing			
Proceeds from the issuance of bonds	16	-	300 000
Issue costs paid	16	-	-8 585
Repayment of long term loans	16	-2 763	-64 261
Proceeds from long term construction loans	16	43 811	43 295
Repayment of construction loans		-43 295	-
Repayment of financial lease liabilities	9	-5 010	-3 302
Capital reduction		-11 796	-
Group contribution paid		-	-1 750
Net cash flow from financing		**-19 053**	**265 397**
Net change in cash and cash equivalents		-33 805	187 279
Cash and cash equivalents at the beginning of the period		210 215	22 936
Cash and cash equivalents at the end of the period		**176 410**	**210 215**

TABLE OF CONTENTS NOTES FRIGAARD PROPERTY GROUP

NOTE 1. ACCOUNTING POLICIES – FRIGAARD PROPERTY GROUP

General information

Frigaard Property Group AS is a Norwegian building- and construction group with its main office located in Sarpsborg. The Group is operating in Norway. The Group's activities are described in greater detail in Note 3 – Segment information.

The head office is located at Bredmyra 4, 1739 Borgenhaugen.

The consolidated accounts were approved by the Board of Directors on 23 of April 2020.

NOTE 2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Income and cash flow statements

Frigaard Property Group has elected to present a single consolidated statement of comprehensive income and presents its expenses by nature.
The Group reports cash flows from operating activities using the indirect method. Interest received is presented within investing cash flows, and interest paid is presented within operating cash flows. The acquisitions of investment properties are disclosed as cash flows from investing activities because this most appropriately reflects the Group's business activities.

2.2. Financial reporting framework and basis of preparation of the consolidated financial statements

The 2019 consolidated financial statements for Frigaard Property Group AS' are prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations by the IFRS Interpretations Committee (IFRIC) as endorsed by the European Union (EU). There are no material differences between IFRS as issued by the IASB and as endorsed by the EU for the consolidated financial statements of the group.

The consolidated financial statements have been prepared on a historical cost basis, except for certain financial assets and liabilities that are measured at fair value.

The functional currency of the parent company is Norwegian Kroner (NOK), and this is also the presentation currency of both the parent and the group.

The preparation of financial statements in accordance with IFRS requires the use of accounting estimates which by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the group's accounting policies. Accounting estimates are areas that involves a higher degree of judgement or complexity, and of items which are more likely to be materially adjusted due to estimates and assumptions turning out to be wrong. Detailed information about each of these estimates and judgements is included in paragraph 6.

The consolidated accounts have been prepared on the basis of uniform accounting principles for equivalent transactions and events under otherwise equivalent circumstances.

The consolidated financial statements have been prepared on a going concern basis.

2.3 Consolidation principles and equity accounting

Subsidiaries

Group Companies	**Location**	**Ownership**
Frigaard Property Group AS (parent company)	Sarpsborg	100 %
Metacon AS	Rakkestad	100 %
Alento AS	Drammen	100 %
Sub-group Frigaard Bolig:		
Frigaard Bolig AS (parent company in sub-group)	Sarpsborg	100 %
Høgliveien 30 AS	Sarpsborg	100 %
Aspelundveien 5 AS	Sarpsborg	100 %
Fagerliveien Utvikling AS	Sarpsborg	100 %
Moenskogen Utviikling AS	Sarpsborg	100 %
Rugdeveien 2 AS	Sarpsborg	100 %
Höganloft Fastigheter AB	Tranås	100 %
Ryggeveien 33 AS	Sarpsborg	100 %
Solbyen Utvikling AS	Sarpsborg	100 %

Control

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases. The acquisition method of accounting is used to account for business combinations by the group.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognized in a separate reserve within equity attributable to owners of Frigaard Property Group AS.

2.3.1 Accounting for business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary that meets the definition of a business is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquire and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values as at the acquisition date. The Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquirer's identifiable net assets.

Acquisition related costs are expensed as incurred. If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date, any gains or losses arising from such remeasurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that are deemed to be an asset or liability are recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total amount of consideration transferred, non-controlling interest recognized and previously held interest measured is less than the fair value of the net assets of the business acquired in the case of a bargain purchase, the difference is recognized directly in the income statement

Accounting for asset acquisitions
For acquisition of a subsidiary not meeting the definition of a business, the Group allocates the cost between the individual identifiable assets and liabilities in the Group based on their relative fair values as at the date of acquisition. Such transactions or events do not give rise to goodwill.

Changes in ownership interests in subsidiaries without change of control
Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between the fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Disposal of subsidiaries
When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in the carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

Frigaard Property Group AS has defined its two segments as:

- Property development
- Construction

See Note 3 on segment reporting for more details. See also the detailed description under income recognition.

2.5 Property, plant and equipment

All property, plant and equipment (PPE) are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items and, where applicable, borrowing costs. Cost of an item of PPE includes its purchase price and any directly attributable costs. Cost includes the cost of replacing part of an existing PPE at the time that cost is incurred if the recognition criterias are met and excludes the costs of day-to-day servicing of an item of PPE. Subsequent costs are included in the asset's carrying amount or are recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of those parts that are replaced is derecognized.

All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred. Depreciation, based on a component approach, is calculated using the straight-line method to allocate the cost over the assets' estimated useful lives.

Estimated useful life by category is as follows:

- Buildings, 20 years
- Machinery and equipment, 3 -7 years
- Other assets, 3 -5 years

An asset's carrying amount is written down immediately to its recoverable amount if its carrying amount is greater than its estimated recoverable amount. Gain and losses on disposal are determined by comparing the transaction price to the book value of the assets.

2.6 Leasing activities

The Group has applied IFRS 16 using the modified retrospective approach, from 01.01.2017.

Significant accounting policies

Identifying a lease

At the inception of a contract, The Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To determine whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- The agreement creates enforceable rights of payment and obligations
- The identified asset is physically distinct
- It has the right to obtain substantially all of the economic benefits from use of the asset
- It has the right to direct he use of the asset
- The supplier does not have a substantive right to substitute the asset throughout the period of use

The group leases various properties, equipment and cars. Rental contracts are typically made for fixed periods of one to five years but property lease agreements may have further extension options. Lease terms are negotiated on an individual basis and contain a range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Group as a lessee

Separating components in the lease contract

For contracts that constitutes, or contains a lease, the Group separates lease components if it benefits from the use of each underlying asset either on its own or together with other resources that are readily available, and the underlying asset is neither highly dependent on, nor highly interrelated with, the other underlying assets in the contract. The Group then account's for each lease component within the contract as a lease separately from non-lease components of the contract. The Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. If an observable stand-alone price is not readily available, the Group estimates this price by maximising the use of observable information.

Recognition of leases and exemptions

At the lease commencement date, the Group recognises a lease liability and corresponding right-of-use asset for all lease agreements in which it is the lessee, except for the following exemptions applied:

- Short-term leases (defined as 12 months or less)
- Low value assets

For these leases, the Group recognises the lease payments as other operating expenses in the statement of profit or loss when they incur.

Measuring the lease liability

The lease liability is initially measured at the present value of the lease payments for the right to use the underlying asset during the lease term that are not paid at the commencement date. The lease term represents the non-cancellable period of the lease, together with periods covered by an option to extend the lease when the Group is reasonably certain to exercise this option, and periods covered by an option to terminate the lease if the Group is reasonably certain not to exercise that option.

The lease payments included in the measurement comprise of:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate at the commencement date
- Amount expected to be payable by the Group under residual value guarantees
- The exercise price of a purchase option, if the Group is reasonably certain to exercise that option
- Payments of penalties for terminating the lease, if the lease term reflects the Group exercising an option to terminate the lease.

The Group do not include variable lease payments in the lease liability arising from contracted index regulations subject to future events, such as inflation. Instead, the Group recognises these costs in profit or loss in the period in which the event or condition that triggers those payments occurs.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payments made and remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect adjustments in lease payments due to an adjustment in an index or rate.

Group presents its lease liabilities as separate line items in the statement of financial position.

Measuring the right-of-use asset

The right-of-use asset is initially measured at cost. The cost of the right-of-use asset comprise:

- The amount of the initial measurement of the lease liability
- Any lease payments made at or before the commencement date, less any lease incentives received
- Any initial direct costs incurred by the Group
- An estimate of costs to be incurred by the Group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

The right-of-use asset is subsequently measured at cost less accumulated depreciation and impairment losses. The Group applies the depreciation requirements in IAS 16 *Property, Plant and Equipment* in depreciating the right-of-use asset, except that the right-of-use asset is depreciated from the commencement date to the earlier of the lease term and the remaining useful life of the right-of-use asset. The Group has elected to not apply the revaluation model for its right of use asset for leased buildings.

The Group applies IAS 36 *Impairment of Assets* to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

Group presents it's right-of-use assets as separate line items in the consolidated statement of financial position.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the group’s incremental borrowing rate.

2.7 Investment property

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies in the consolidated Group, is classified as investment property.

Investment property is measured initially at its cost, including related transaction costs and where applicable borrowing costs. After initial recognition, investment property is carried at fair value. The changes in fair value are recognised in Net gain/(loss) from fair value adjustment of investment property. Tax compensation that is the result of purchase of investment property is recognized in the period after the acquistion in the consolidated profit and loss as Net gain/(loss) from fair value adjustment of investment property.

Fair value is based on active market prices, adjusted, if necessary, for differences in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods, such as recent prices in less active markets or discounted cash flow projections.

The fair value of investment property reflects, among other things, rental income from current leases and other assumptions market participants would make when pricing the property under current market conditions.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

Changes in fair values are recognized in the income statement. Investment properties are derecognised when they have been disposed.

Where the Group disposes of a property at fair value in an arm's length transaction, the carrying value immediately prior to the sale is adjusted to the transaction price, and the adjustment is recorded in the income statement within net gain from fair value adjustment on investment property.

Where an investment property undergoes a change in use, evidenced by commencement of development with a view to sale, the property is transferred to inventories. A property's deemed cost for subsequent accounting as inventories is its fair value at the date of change in use.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment. Its fair value at the date of reclassification becomes its cost for subsequent accounting purposes.

Investment property is valued at its fair value based on an annual valuation carried out by the independent real estate agent that has substantial experience in valuing these types of properties in the geographical areas in which the groups investment properties are located.

The fair value given by the real estate agent is combined with internal valuations in order to conclude with the best estimate of the fair value of the group's investment properties. The value is calculated by discounting yearly net rental income, with a discount rate that reflects risk in the net rental income. Contractual and expected cash flows are included in the calculations. Determination of fair value for investment properties is significantly affected by factors such as assumed market rent, future maintenance, discount rate, inflation and residual value. Inflation assumptions are based on Norges Bank's long-term inflation target of 2 percent. The fair value represents the amount at which the assets could be exchanged between a knowledgeable, willing buyer and seller in an arm's length transaction at the date of valuation.

2.8 Goodwill

Goodwill arises on the acquisition of businesses and represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured at fair value is less than the fair value of the net assets of the business acquired, in case of a bargain purchase, the difference is recognised directly in the income statement. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generating units (CGUs), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes.

Goodwill is monitored at the operating segment level. Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal.

2.9 Depreciation and amortization

Depreciation and amortization expenses are measured on a straight-line basis over the estimated useful life of the asset, commencing when the asset is ready for its intended use. Tangible and intangible assets with an indefinite useful life are not depreciated.

A component of an item of property, plant and equipment with a significantly differing useful life and a cost that is significant in relation to the item is depreciated separately. At each financial year-end the Group reviews the residual value and useful life of its assets, with any estimate changes accounted for prospectively over the remaining useful life of the asset.

Property, plant and equipment and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, in accordance with IAS 36 Impairment of Assets. Intangible assets with indefinite useful life are tested for impairment at least annually.

2.10 Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered impairment, are reviewed for possible reversal of the impairment at each reporting date. Impairment losses on goodwill are not reversed.

2.11 Financial assets and financial liabilities

Classification

The Group classifies its financial assets in two categories; those to be measured subsequently at fair value (either through OCI or through profit or loss) and those to be measured at amortized cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI). The Group reclassifies debt investments when and only when its business model for managing those assets changes.

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on the trade date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains (losses) together with foreign exchange gains and losses. Impairment losses are presented as a separate line item in the consolidated statement of profit or loss.

FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses, which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains (losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains (losses) and impairment expenses are presented as a separate line item in the consolidated statement of profit or loss.

FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and is presented net within other gains (losses) in the period in which it arises.

Financial assets represent a contractual right by the Group to receive cash or another financial asset in the future. Financial assets include financial derivatives, receivables and equity interests. Financial assets are derecognized when the rights to receive cash from the asset have expired or when the Group has transferred its rights to receive cash flows and has either transferred substantially all of the risks and rewards of the asset or has transferred control of the asset.

Cash and cash equivalents

Cash and cash equivalents in the balance sheet includes cash, bank deposits and all other monetary instruments with a maturity of less than three months from the date of acquisition, and are measured at nominal value.

Trade receivable

Trade receivable are initially recognized at fair value, subsequently accounted for at amortized cost and are reviewed for impairment on an ongoing basis. Individual accounts are assessed for impairment taking into consideration indicators of financial difficulty and management assessment. Discounting generally does not have a material effect on accounts receivable, however, in special cases discounting may be applied.

Financial liabilities

Financial liabilities represent a contractual obligation by the Group to deliver cash in the future, and are classified as either short or long-term. The Group recognises a financial liability when it first becomes a party to the contractual rights and obligations in the contract.

All financial liabilities are initially recognised at fair value, minus (in the case of a financial liability that is not at FVPL) transaction costs that are directly attributable to issuing the financial liability. Financial liabilities are measured at amortised cost, unless the Group opted to measure a liability at FVPL.
A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

All loans and borrowings are initially recognized initially at fair value less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Financial liabilities included in trade and other payables are recognised initially at fair value and subsequently at amortised cost. The fair value of a non-interest bearing liability is its discounted repayment amount. If the due date of the liability is less than one year, discounting is omitted.

Impairment of financial assets

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired, and the assessment is forward-looking based on the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Group's financial assets are subject to the expected credit loss model.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

The expected loss rates are based on the payment profiles of sales over a period of 36 months before 31 December 2018 or 1 January 2018, respectively, and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the liability of the customers to settle the receivable. Such forward-looking information would include:

- changes in economic, regulatory, technological and environmental factors, (such as industry outlook, GDP, employment and politics)
- external market indicators and
- tenant and customer base.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, among others, the probability of insolvency or significant financial difficulties of the debtor. Impaired debts are derecognised when they are assessed as uncollectible.

Debt investment and other instruments are considered to be low credit risk when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.
The impairment charge for debt investments at FVOCI is recognised in profit or loss and reduces the fair value loss otherwise recognised in OCI.

2.12 Income taxes, current and deferred

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

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

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. According to the exception in IAS 12, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognized only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

2.13 Employee benefits and post-employment benefits

Payments to employees, such as wages, salaries, social security contributions, paid annual leave, as well as bonus agreements are accrued in the period in which the associated services are rendered by the employee.

Contributions to the Groups defined contribution plan is recognized in the income statement in the period in which they accrue.

2.14 Provisions

Provisions for legal claims are recognised when:

- the Group has a present legal or constructive obligation as a result of past events;
- it is probable that an outflow of resources will be required to settle the obligation; and
- the amount can be reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as finance cost. Where the Group, as lessee, is contractually required to restore a leased property to an agreed condition prior to release by a lessor, provision is made for such costs as they are identified.

2.15 Share capital and dividends

Shares are classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

The amount of dividends recognised as distributions to owners during the period and the related amount per share are presented either in the consolidated statement of changes in equity or in the notes. Dividends will not be displayed in the consolidated statement of comprehensive income or income statement.

2.16 Borrowing costs

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

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in profit or loss in the period in which they are incurred. Frigaard Property Group capitalises borrowing costs on qualifying inventories.

2.17 Revenue recognition

Revenue includes rental income, sale of developed properties and revenue from contracting projects.

Property development

The Group develops land and property for the purpose of selling residential properties (turnkey homes). Revenue is recognised when control over the property has been transferred to the customer. The properties have generally no alternative use for the Group due to contractual restrictions. However, an enforceable right to payment does not arise until legal title has passed to the customer. Therefore, revenue is recognised at the point in time when the legal title has passed to the customer. The revenue is measured at the transaction price agreed under the contract. In most cases, the consideration is due when legal title has been transferred. While deferred payment terms may be agreed in rare circumstances, the deferral never exceeds twelve months. The transaction price is therefore not adjusted for the effects of a significant financing component.

Rental income
Rental income from investment properties is recognized on a straight-line basis over the lease term. When the Group provides incentives to its tenants, the cost of the incentives is recognized over the lease term, on a straight-line basis, as a reduction of rental income.

Construction
The largest operating segment in the Group relates construction projects. These are engineering and construction projects delivered to public and private customers based on contractual agreed scope and price. These arrangements are characterized by the fact that the customers finance the projects.

Revenue from engineering and construction projects is recognized over the lifetime for the project as these customer contracts qualify as performance obligations satisfied over time. According to IFRS 15, the revenue from contracting projects is to be recognized over time (percentage-of-completion) in connection with a gradual transition of control. Application of the percentage-of-completion method entails income recognition in pace with the degree of completion of the project. To determine the amount of income worked up at a specific point in time, the following components are required:

- Project revenue – Revenues related to the customer contract. The revenues must be of such a character that the recipient can credit them to income in the form of actual payment received or another form of payment.
- Project cost – Costs attributable to the construction assignment, which correspond to project revenues.
- Completion rate (worked-up rate): recognized costs in relation to estimated total assignment costs, which reflects how the control is transferred to the purchaser.

As a consequence of income recognition based on the percentage-of-completion method, the trend of earnings of ongoing projects is reflected immediately in the financial statements. Percentage-of-completion income recognition is subject to a component of uncertainty. Due to unforeseen events, the final profit of the projects may occasionally be higher or lower than expected. It is particularly difficult to anticipate profit at the beginning of the project period and for technically complex projects or projects that extend over a long period.

Provisions for potential losses are recognized against income for the relevant year, and provisions for losses are recognized as soon as they become known. Contract modifications covering alterations and supplementary works, compensation for shortcomings in tender specifications and similar items are recognized when the modifications are enforceable; meaning when there is a legal right to payment for them.

2.18 Interest income and expense

Interest income and expense are recognised within finance income and finance costs in profit or loss using the effective interest rate method, except for borrowing costs relating to qualifying assets, which are capitalised as part of the cost of that asset. The Group has chosen to capitalise borrowing costs on all qualifying assets irrespective of whether they are measured at fair value or not.

2.19 New standards and interpretations not yet adopted

New and amended IFRS Standards adopted by the Group

The following standards and amendments have been adopted by FPG Group for the first time for the financial year beginning on 1 January 2019:

The Annual Improvements to IFRS Standards 2015-2017 Cycle with effective date 1 January 2019, of which relevant for the Group in periods presented:

IFRS 3 Business Combinations – clarified that obtaining control of a business that is a joint operation is a business combination achieved in stages.

IFRS 11 Joint Arrangements – clarified that the party obtaining joint control of a business that is a joint operation should not remeasure its previously held interest in the joint operation.

IFRS 12 Disclosure of Interests in Other Entities – clarified that the income tax consequences of dividends on financial instruments classified as equity should be recognized according to where the past transactions or events that generated distributable profits were recognized.

IAS 23 Borrowing Costs – clarified that, if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of general borrowings.

Interpretation 23 Uncertainty over Income Tax Treatments - explains how to recognize, and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment.

Other standards and interpretations not yet adopted

The following standards and interpretations have been issued but are not mandatory for annual reporting periods ending on 31 December 2019. Standards and interpretations not affecting the Group have not been disclosed.

Definition of a Business – Amendments to IFRS 3

The amended definition of a business requires an acquisition to include an input and a substantive process that together significantly contribute to the ability to create outputs. The definition of the term 'outputs' is amended to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits. The amendments will likely result in more acquisitions being accounted for as asset acquisitions.

Definition of Material – Amendments to IAS 1 and IAS 8

The IASB has made amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors which use a consistent definition of materiality throughout International Financial Reporting Standards and the Conceptual Framework for Financial Reporting, clarify when information is material and incorporate some of the guidance in IAS 1 about immaterial information. In particular, the amendments clarify:

- that the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information, and that an entity assesses materiality in the context of the financial statements as a whole, and
- the meaning of ‘primary users of general-purpose financial statements’ to whom those financial statements are directed, by defining them as ‘existing and potential investors, lenders and other creditors’ that must rely on general purpose financial statements for much of the financial information they need.

There are no other IFRS standards or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

2.20. Financial risk management

2.20.1. Financial risk factors

Through its business operations in the market for property development and construction projects, the Group is, aside from business risk, exposed to various financial risks.

These financial risks are defined as market risk (including interest rate risk and other price risk), credit risk and liquidity risk. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits.

Risk management is carried out by Group management.

Market risk

Market risk can be defined as the risk that the group's income and expenses, future cash flows or fair value of financial instruments will vary as a result of changes in market prices. The market price includes three types of risks: exchange risks, interest risks and price risks.

Foreign exchange risk

The Group operates primarily in the Norwegian market and is therefore subject to limited foreign exchange risk. No hedge accounting in accordance with IFRS 9 is applied.

Price risk

Frigaard Property Group has no significant exposure to price risk as it does not hold any equity securities or commodities. The Group is not exposed to price risk other than in respect of financial instruments, such as property price risk including property rentals risk.

The demand for residential and commercial properties is subject to a large number of risk factors, including economic downturns, interest levels, urbanization trends and demographic changes. Shifts in demand is closely monitored, and reflected in commercial plans and budgets. No residential building projects are approved by the board of directors before a minimum of 60 % of the value of a property project has been sold, thus limiting the price risk to the remaining 40 % of the project value.

See paragraph 6 for further information regarding Critical accounting estimates and assumptions.

Government regulations and zoning restriction risks

Changes in property regulations, legislation and zoning restrictions from the relevant public authorities can affect both the progress and implementation of the various property development projects of Frigaard Property Group, and can thus potentially limit the opportunities for further development of properties. This can in turn lead to delays and cost increases.

Interest rate risk

The group's interest rate risk is mainly related to bonds and bank loans where the interest rate is not fixed. See note 18 Interest-bearing liabilities for an overview of such loans and bonds. An increase in floating rates would lead to an increase in interest costs and reduce net income and cash flow. No interest rate swap agreements has been entered into.

Customer credit risk - risk in trade accounts receivable

Credit risk refers to the risk that a counter-party will default on its contractual obligations resulting in financial loss to the group. Customer credit risk is managed through Frigaard Property Group's common procedures for identifying and managing risk, including tender approval procedure and ongoing operational risk assessments of varying sizes and types with the different customer categories in the markets of operation.

Frigaard Property Group's credit risk refers the risk to the group's trade receivables and investment in liquid assets. As the for business for housing development a large part is based on customer prepayments before the hand over of the property, the group's credit risk is considered reasonably low. For building and engineering contracts, the customer is normally subject to arrangements ensuring bank guarantees and prepayments throughout the project.

The Group's operations related to construction projects extends customer credit related to account receivables and recognized work-in-project receivables. Historic customer credit losses has been limited, and projects are invoiced in advance as much as possible. In other operations, the extension of credit is limited to customary invoicing periods.

The customer credit risk related to commercial customers are therefore considered medium. In the case where construction projects customers are public sector clients, state or municipal owned enterprises, the customer credit risk is considered to be low. There have been no losses during 2019, and there is no provision for losses at 31.12.2019.

Liquidity and refinancing risk

Liquidity and refinancing risk is defined as the risk of Frigaard Property Group not being able to meet its payment obligations due to lack of liquidity or due to difficulties in obtaining or rolling over external loans and bonds. Constraints regarding financing opportunities will negatively affect cash flows from planned projects. The Group uses liquidity forecasting as a means of managing the fluctuations in short-term liquidity. Surplus liquidity is, if possible, is primarily used to repay the principal on loan liabilities and redemption right regarding issued bonds.

Funding

The Group's principal financial liabilities, besides derivative financial liabilities, comprise of various bonds, bank loans, trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations. Frigaard Property Group has borrowing arrangement through both committed bank credit facilities and market funding programs. In addition to building- and development loans in various banks, Frigaard Property Group has a bond loan of NOK 300 million maturing in June 2021.

The bond loan is defined as a senior secured bond with a security pledged in the shares in the subsidiaries. The bond loan limit is NOK 600 million, where Frigaard Property Group as of the balance sheet date has drawn up NOK 300 million. There are no covenants related to the the bond loan, but further borrowing can only be made if net debt / EBITDA <3.0 and ICR> 3.0. The bond loan was listed on the Oslo Stock Exchange in the second quarter of 2019.

The Group can at its own discretion redeem the total bond liability at a price equal to 102 percent of the outstanding bound amount before December 2020, and 101 percent of the outstanding bound amount after December 2020.

These arrangements provide good preparedness for temporary fluctuations in the Group's short-term liquidity requirements and ensure long-term funding for property development projects.

All decisions relating to external long term financing in the Group's subsidiaries are made by the management of the parent company, i.e no subsidiary has a mandate to take out loans themselves or establish overdraft facilities. The Group companies can issue ordinary project guarantees to its customers.

Frigaard Property Group has no official credit rating.

Capital management

The Group's main goal is to maximize shareholder value while ensuring the Group's ability to continue operations.The group has an overall target to maintain a capital structure that gives the group an optimal capital binding given the current market situation. The group makes the necessary changes to their capital structure based on an ongoing assessment of the business' financial situation and future prospects in the short and medium term.

2.21 Critical accounting estimates and judgements

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

Estimates and judgements are continually evaluated, and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

Management makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates, assumptions and management judgments that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

Investment properties

The fair value of investment properties is determined by using valuation techniques.

Property projects under construction

The Group commenced construction of several investment properties and commercial building projects during the year, where the customer contracts qualify for revenue recognition over time based on the percentage-of-completion method. A consequence of income recognition based on the percentage-of-completion method, the trend of earnings of ongoing projects is reflected immediately in the financial statements. Percentage-of-completion income recognition is subject to a component of uncertainty. Due to unforeseen events, the final profit of the projects may occasionally be higher or lower than expected. It is particularly difficult to anticipate profit at the beginning of the project period and for technically complex projects or projects that extend over a long period.

Goodwill

Goodwill on acquisitions of subsidiaries is not amortized but is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

The two operating segments are considered to be different cash generating units (CGU) against which goodwill is tested. The recoverable amount from the CGU is calculated by taking the historical cash flows for the CGU, taken into account expectations for moderate growth in the market segments. Calculation of the fair value less costs of disposal is classified as Level 3 in the fair value hierarchy.

Non- GAAP measures

The group reports its financial results in accordance with accounting principles IFRS as issued by the IASB and as endorsed by the EU. However, management believes that certain non-GAAP financial measures provide management and other users with additional meaningful financial information that should be considered when assessing the group’s ongoing performance. Management, the board of directors and the long term lenders regularly uses supplemental non-GAAP financial measures to understand, manage and evaluate the business and its operations. These non-GAAP measures are among the factors used in planning for and forecasting future periods.

Non-GAAP financial measures reflect adjustments based on the following items:

EBITDA

EBITDA is a measure of earnings before deducting interest expense, taxes and depreciation charges. Please see reconciliation to profit or loss before tax in the income statement.

EBIT

EBIT is a measure of earnings before interest and taxes is an indicator of a company's profitability. Please see reconciliation to profit or loss before tax in the income statement.

NOTE 3. SEGMENT INFORMATION

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

Frigaard Property Group AS has defined its two segments as:

- Property development
- Construction

All amounts in NOK thousand	2019	2018
Income statement		
Property development	110 462	6 596
Construction	1 007 648	611 532
Other	4 416	36 342
Eliminations	-79 758	-
Total operating revenue	**1 042 768**	**654 471**
Property development	11 155	-2 317
Construction	55 478	50 190
Other	-14 640	35 803
Eliminations		
EBITDA	**51 994**	**83 677**
Property development	10 822	-2 317
Construction	49 223	43 886
Other	-14 780	35 803
Eliminations		
EBIT	**45 265**	**77 373**

Segment assets and liabilities is not reported to the chief operating decision maker on a regularly basis.

The group "other" consists of the change in fair value on investment property, rental income and other operating expense for the investment property and the holding company FPG AS, see also note 10.

Eliminations is intra group sales, where Property development is the contracting customer and Construction is the builder. Revenue from Property development from project for own account is recognised upon handover as regulated in IFRS 15, see note 2.17.

NOTE 4. OPERATING AND OTHER INCOME

Contract revenue from Construction is recognized over the lifetime for the project, as these customer contracts qualify as performance obligations satisfied over time. Revenue from sale of development property is recognised when control over the property has been transferred to the customer.

All amounts in NOK thousand

	Segment	2019	2018
Revenue from contracts with customers			
Contract revenues from Construction	Construction	927 820	610 755
Sale of development property	Development property	98 624	5 311
Rental income from Property development	Development property	2 489	1 285
Rental income from Other	Other	3 516	1 651
Total revenue from contracts with customers		**1 032 449**	**619 003**
Investment property - change fair value	Other	-	**34 691**
Other operating income			
Gain from sale of fixed assets	Construction	-	673
Other income from Construction	Construction	70	104
Other income from Other	Other	900	-
Sale of shares Property development	Development property	9 349	-
Total other operating income		**10 319**	**777**
Totalt operating revenue		**1 042 768**	**654 471**

For property development, the group has entered into contracts with customers totaling MNOK 82.3 that will be delivered and recognized as revenue during the next 12 months. Some of the contracts in the construction segment has a duration of less than 12 months and are not disclosed. As of 31.12.19 transaction price allocated to partly or fully unsatisfied performance obligations on contracts with an original duration of more than 12 months was MNOK 646.2.

NOTE 5. PERSONNEL EXPENSES

All amounts in NOK thousand

	2019	2018
Salaries and holiday pay	93 186	62 704
Social security	13 660	9 097
Pension costs defined contribution plans	2 737	2 094
Other personnel costs	904	1 977
Total salaries and personnel expense	**110 487**	**75 872**

The number of employees in Frigaard Property Group at 31 of December 2019 was 117 persons (2018: 116 persons).

	2019	2018
Norway	110 487	75 872
Total	**110 487**	**75 872**

Management remuneration

There are 3 employees in the parent company. The Group Management consist of the Board of Directors, in addition to the General Managers in the largest subsidiaries. There has been no Board remuneration in 2019.

No loans or guarantees have been given to any members of the Group Management, the Board of directors or other related parties.

Pension cost and pension obligations

In Norway, the Group is required by law (Act relating to mandatory service pensions) to have a pension plan. The programs in the Norwegian companies meet the requirements of the law.

	Board remuneration	Salaries	Bonuses	Pension cost	Value of options granted	Total remuneration	Shares
Management							
Øyvind Moen, CEO		**1 578**		**10**		**1 588**	
Members of the Board							
Helge Stemshaug, Chairman	-	-					-
Kristian Lindland, member of the board	-	-					19 192
Petter Bøhler, member of the board	-	-					12 418
Trond Frigaard, member of the board	-	-					200 000
Total remuneration	**-**	**1 578**	**-**	**10**	**-**	**1 588**	**231 610**

The CEO has a conditional agreement to purchase shares in the group at a fixed price

NOTE 6. OTHER OPERATING EXPENSES

All amounts in NOK thousand

	2019	2018
Energy costs	**910**	**1 404**
Advertising	**373**	**223**
Repair and maintenance costs	**1 151**	**1 486**
Short term and low value leasing	**1 673**	**355**
Travel costs	**4 313**	**510**
Consultancy fees and external personnel	**6 810**	**2 380**
Insurance	**1 516**	**453**
Other operating costs	**21 069**	**11 395**
Total operating expenses	**37 815**	**18 205**

Specification auditor's fee	**2019**	**2018**
Statutory audit	**669**	**390**
Other assurance services	**701**	**664**
Total	**1 370**	**1 054**

VAT is not included in the fees specified above.

NOTE 7. INTANGIBLE ASSETS

Goodwill

All amounts in NOK thousand

	2019	2018
Accumulated cost 1 of Januar	284 019	7 635
Carrying amount at 1 January	284 019	7 635
Additions	-	276 384
Carrying value 31 of December	**284 019**	**284 019**
Per 31 december		
Acquisition cost	284 019	284 947
Accumulated cost 31 of December	**284 019**	**284 019**

Goodwill specified per business combination:	
Goodwill arising from the acquisition of Metacon AS at 1 December 2015	7 635
Goodwill arising from the acquisition of Alento AS at 30 June 2018	276 385
	284 019

Each goodwill item is allocated to a cash-generating unit (CGU). A cash-generating unit is the lowest level at which independent cash flows can be measured. When an acquired business continues to be operated as an independent unit, this business is designated the cash-generating unit. Units with significant synergy effects and which carry out similar activities, are together considered as a single cash-generating unit. This is the case when acquired operations are integrated with an existing Frigaard Property Group company. In these cases, the combined business is the cash-generating unit for which goodwill is measured and followed-up.

Management monitor the goodwill at the operating segment level. The recoverable amount from the CGU is calculated by taking the historical cash flows for the CGU, taken into account expectations for moderate growth in the market segments. Calculation of the fair value less costs of disposal is classified as Level 3 in the fair value hierarchy.

Goodwill is not amortised, but is tested for impairment in the fourth quarter each year. The recoverable amount for the cash-generating units was determined by calculating the value in use by discounting future cash flows. The calculations were based on the company's budget approved by the Group management for 2020, and prognosticated cash flows covering a five years period. The growth presented in the budget is based on the management's expectation to the development and performance in the market segments, which Frigaard Property Group is active. Based on available information and knowledge about the market, management is expecting some increase in the growth for the next years. Management's expectation is based on the historical development in trends and public sector analysis. Assumed annual growth used in the cash flows for the years in the impairment test is based on a nominal figure of 1.8% growth, which is in line with the expected growth in the Norwegian economy.

Expected future cash flows according to these assessments form the basis for the estimates. Changes in working capital and investments needs were also taken into account. The present value of the forcast cash flow was calculated using a discount rate of 10.1 percent after tax. This is based on a risk free interest rate of 1.47 %, plus a risk premium of 5 %. The risk premium is based on observations of similar companies listed at Oslo Stock Exchange.

Impairment testing was conducted in conjunction with the annual accounts on 31 December 2019 and was addressed by the company's Board. No impairment requirement was indicated.

A change in the discount rate to 11.1 percent after tax would not result in any impairment requirement of the Group's recognized goodwill. Even without any growth in our cash flows, no requirements for impairment have been identified. The calculation assumes a terminal value after five years based on the Gordon model. The discount rate is based on the weighted average cost of capital (WACC) method. The discount rate is reflecting the current market rate of return in the industry where the cash generating unit is being compared. The cost of equity has been calculated with the basis in the capital asset pricing model (CAPM).

Other intangible assets

Other intangible assets include renting rights in the business area Property development. The renting rights are depreciated on a straight line basis over three years.

All amounts in NOK thousand

	2019	2018
Carrying amount at 1 January	-	-
Additions	1 000	-
Amortisation	-333	-
Carrying value 31 of December	**666**	**-**
Per 31 december		
Acquisition cost	1 000	-
Accumulated amortisation	-333	-
Accumulated cost 31 of December	**666**	-

NOTE 8. PROPERTY, PLANT AND EQUIPMENT

All amounts in NOK thousand	Buildings and land	Machinery and equipment	Total
Carrying amount 01.01	129	3 078	**3 207**
Additions	537	1 267	**1 804**
Additions through acquisitions	-	310	**310**
Disposals	-	-100	**-100**
Depreciations	-44	-1 296	**-1 340**
Depreciations in acquired companies	-	-244	**-244**
Exchange differences	-3	-	**-3**
Carrying value 31 of December 2018	**619**	**3 015**	**3 634**
Per 31. December 2018			
Acquisition cost	2 196	13 893	**16 089**
Accumulated depreciation and write downs	-1 577	-10 878	**-12 455**
Accumulated cost 1 of Januar 2019	**619**	**3 015**	**3 634**
Carrying amount 01.01	619	3 015	**3 634**
Additions	4 773	2 115	**6 888**
Reclassifications	-512		**-513**
Disposals	-	-357	**-357**
Depreciations	-31	-1 242	**-1 272**
Accumulated depreciation on disposals for the year		357	**357**
Exchange differences	**-22**	0	**-22**
Carrying value 31 of December 2019	**4 827**	**3 888**	**8 715**
Per 31. December 2019			
Acquisition cost	6 435	15 651	22 085
Accumulated depreciation and write downs	-1 608	-11 763	-13 370
Carrying value	**4 827**	**3 888**	**8 715**

NOTE 9. LEASES, RIGHT OF USE ASSETS AND LEASE LIABILITIES

Frigaard Property Group uses leases mainly in cases where leases provide operational benefits or flexibility compared with owning the assets. Rent of buildings is used for offices, and for temporary needs. The Group also leases cars, printers and forklifts.

The Group does not have significant residual value guarantees related to its leases to disclose.

Right of use assets

Right-of-use assets	Buildings	Machinery and equipment	Vehicles	Total
Acquisition cost 1 January 2018	**16 292**	**63**	**12 614**	**28 969**
Addition of right-of-use assets	516		1 730	**2 246**
Disposals				**-**
Transfers and reclassifications			-172	**-172**
Currency exchange differences				**-**
Acquisition cost 31 December 2018	**16 808**	**63**	**14 173**	**31 044**
Accumulated depreciation and impairment 1 January 2018	**-1 084**	**-20**	**-4 980**	**-6 084**
Depreciation	-2 695	-20	-2 289	**-5 005**
Transfers and reclassifications			172	**172**
Accumulated depreciation and impairment 31 December 2018	**-3 780**	**-41**	**-7 097**	**-10 917**
Carrying amount of right-of-use assets 31 December 2018	**13 028**	**22**	**7 076**	**20 126**
Lower of remaining lease term or economic life	2-7 years	3 years	3-5 years	
Depreciation method	Linear	Linear	Linear	

Right-of-use assets	Buildings	Machinery and equipment	Vehicles	Total
Acquisition cost 1 January 2019	**16 808**	**63**	**14 173**	**31 044**
Addition of right-of-use assets	2 943	0	1 291	**4 234**
Disposals				**-**
Transfers and reclassifications			-1 330	**-1 330**
Currency exchange differences				**-**
Acquisition cost 31 December 2019	**19 751**	**63**	**14 134**	**33 948**
Accumulated depreciation and impairment 1 January 2019	**-3 780**	**-41**	**-7 097**	**-10 917**
Depreciation	-2 937	-20	-2 167	**-5 124**
Transfers and reclassifications			1 073	**1 073**
Currency exchange differences				**-**
Accumulated depreciation and impairment 31 December 2019	**-6 717**	**-61**	**-8 191**	**-14 968**
Carrying amount of right-of-use assets 31 December 2019	**13 034**	**2**	**5 943**	**18 979**
Lower of remaining lease term or economic life	2-7 years	3 years	3-5 years	
Depreciation method	Linear	Linear	Linear	

Practical expedients applied

The Group also leases IT equipment and machinery with contract terms of 1 to 3 years. The Group has elected to apply the practical expedient of low value assets and does not recognise lease liabilities or right-of-use assets. The leases are instead expensed when they incur. The Group has also applied the practical expedient to not recognise lease liabilities and right-of-use assets for short-term leases, presented in the table below.

Extension options

The Group lease of buildings have lease terms that vary from 2 years to 7 years, and several agreements involve a right of renewal which may be exercised during the last period of the lease terms. The Group assesses at the commencement whether it is reasonably certain to exercise the renewal right.

Purchase options

The Group leases machinery and equipment and vehicles with lease terms of 3 to 5 years. Some of these contracts includes a right to purchase the assets at the end of the contract term. The Group assesses at the commencement whether it is reasonably certain to exercise the renewal right, and this assessment is updated when there are circumstances indicating renewed operational plans pertaining to the leased assets.

Lease Liabilities

Undiscounted lease liabilities and maturity of cash outflows	**Total**
Less than 1 year	**4 128**
1-2 years	**5 950**
2-5 years	**8 120**
More than 5 years	**336**
Total undiscounted lease liabilities at 31 December 2019	**18 534**

Summary of the lease liabilities in the financial statements	**Statement of:**	**Total**
At 01.01.2019		**19 627**
New lease liabilities recognised in the year		**3 917**
Cash payments for the principal portion of the lease liability	Cash flows	**-5 010**
Cash payments for the interest portion of the lease liability	Cash flows	**-592**
Interest expense on lease liabilities	Profit and loss	**592**
Reassessment of the discount rate on previous lease liabilities	Profit and loss	**-**
Currency exchange differences	Profit and loss and Other	**-**
Total lease liabilities at 31 December 2019		**18 534**
Current lease liabilities	Financial position	**4 128**
Non-current lease liabilities	Financial position	**14 406**
Total cash outflows for leases	Cash flows	**-5 010**

The Group as a lessor

Operating leases

The Group leases out its owned properties to third parties with contracted non-cancellable lease terms between 1 and 10 years. The Group has classified all of these leases as operating because they do not transfer substantially all the risks and rewards incidental to ownership of the properties the counterparties. For the Group's property leases the rental income is largely fixed under the contracts, however, subject to an annual price adjustment based on inflation.

Frigaard Property Group's income from lease of properties:

All amounts in NOK thousand	2019	2018
Rental income this year	**5 950**	2 936
Rental income next year	**2 628**	5 517
Total rental income next 2-5 years	**1 872**	22 368
Total rental income after 5 years		23 898

The decrease in income from last years note is related to the sale of the investment property in the Group, see note 10 for more information.

The Group as a lessee – operating leases

The group has entered into different operating leases for machinery, offices and other facilities. These are agreements related low value assets, or short-term asset.

The lease costs to these asset were as follows:

	2019	2018
Ordinary lease payments	**1 673**	883
	1 673	**883**

NOTE 10. INVESTMENT PROPERTY

All amounts in NOK thousand

	2019	2018
Opening balance as at 1 January	74 000	20 800
Additions from acquisitions		-
Aqusitions		-
Capitalised subsequent expenditures	420	18 509
Accumulated fair value, sold investment property	-65 235	
Net gain/loss on changes in fair value	-9 185	34 691
As at 31 December	**-**	**74 000**

The investment property in Frigaard Property Group was sold in December 2019 for MNOK 65.2.

The investment property was rented out in 2019, and generated a rental income of MNOK 3.5.

NOTE 11. DEVELOPMENT PROPERTIES

All amounts in NOK thousand		
	2019	**2018**
Projects under construction	258 325	161 460
Unsold completed residential units	18 857	-
Total development properties	**277 182**	**161 460**
Non residential projects	1 106	
As at 31 December	**278 288**	**161 460**

Units under construction	22	61
Unsold, or sold but not handed over at year end, completed units	7	-

Interest costs related to projects under construction, is capitalized on an ongoing basis and is included in the acquisition cost from the time of construction start up to settlement for the residential units. In 2019 MNOK 10.6 have been capitalized, MNOK 1.0 in 2018.

Development projects involve construction of turnkey homes and commercial buildings for sale on Frigaard Property Group's own account. Cost incurred in respect of sites for development and units under construction are recognized under this item. Most of the projects run for longer than 12 months, and assets may therefore not be realized and settled until after more than 12 months have passed. In terms of accounting, sites and projects are presented as inventory.

In terms of accounting, sold units under construction are part of Frigaard Property Group's inventory. This means that no revenue or profit is recognized in the income statement until the property is handed over to the buyer. By the time a residential project is initiated, there is normally only limited uncertainty regarding financial outcome of the project. At this point of time the main risk is related to whether the remaining units under construction will be sold. There is a limited risk regarding construction costs, as most of the main purchases have been agreed upon at an early stage in the construction phase.

During 2019 the following sites have been purchased:

Project	**Ownership share**	**Purchase price NOK mill.**	**No. of units**
Ryggeveien 33 AS	100 %	98.0	175
Solbyen Utvikling AS	100 %	10.3	22

The acquisitions are regarded as acquisitions of net assets, and not business acquisitions. The total purchase price is MNOK 108.3. MNOK 104.4 of the purchase price is allocated to development properties. Number of units in the table above refers to the expected number of apartments to be built.

The MNOK 81.2 booked as other non-current liabilities, is related to the purchase price of the two acquisitions this year. The remaining amount of will be paid within 31.12.2022, given that some specific milestones are met.

NOTE 12. TRADE RECEIVABLES AND CONTRACT BALANCES

All amounts in NOK thousand

	31.12.2019	31.12.2018
Trade receivables		
Receivables related to revenue from contracts with customers - external	**82 234**	110 499
Provision for bad debts	**-1 233**	-10 869
Total trade receivables	**81 001**	**99 630**

Trade receivables are non-interest bearing.

Maturity structure of invoiced trade receivables at 31 December:

	31.12.2019	31.12.2018
Receivables not due for payment	**17 481**	54 657
Less that 30 days since due date	**46 030**	14 451
30-60 days since due date	**4 749**	2 591
60-180 days since due date	**7 303**	3 221
More than 180 days since due date	**5 438**	24 710
Total	**81 001**	**99 630**

Receivables that are overdue by more than 180 days in 2018 were mainly related to one dispute, which had to be resolved in a court of law. The provision for bad debt in 2018 were related to the same legal dispute.

Contract balances

Contract asset

Whereas trade receivable are invoiced receivables, contract assets represent a conditional right to receive payment. Contract assets are recognised for performance obligations satisfied over time mainly from engineering and construction projects where progress of work done is measured over the lifetime of the project. When the consideration becomes unconditional the contracts assets are reclassified to accounts receivables. This normally occurs when an invoice is issued.

	31.12.2019	31.12.2018
Contract assets		
As of 1 January	**31 625**	6 503
Work done, but not invoiced	**54 071**	31 625
Reclassifications to accounts recievables	**-31 625**	-6 503
Impairment losses and allowances recognised in the period	**-**	-
Total contract assets	**54 071**	**31 625**

Contract liabilities

For construction project fixed payment plans are generally use, and if the payment exceeds the work that has been done, the difference is classified as a contract liability in the statement of financial position.

In the property development operations, advance payments are received for sold units that are classified as contract liabilities. On the balance sheet day, all projects are reviewed, and for each project either a net asset or a net liability to the customer is entered. The advanced payment amount 10 % of the sale price of the apartment. At year end there was sold and received advanced payment for 20 units. The advanced payment is secured by a warranty, according to Bustadsoppføringslova §47.

	31.12.2019	31.12.2018
Contract liabilities		
As of 1 January	**48 473**	12 668
Advances received in 2019	**15 514**	48 473
Recognised as income during the year	**-48 473**	-12 668
Total contract liabilities	**15 514**	**48 473**

NOTE 13. CASH AND CASH EQUIVALENTS

All amounts in NOK thousand

	2019	2018
Cash and bank deposits	**176 410**	210 215
Of which restricted funds	14 236	37 669

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following at 31 December:

	2019	2018
Cash at banks and on hand	**176 410**	210 215
Overdraft facility	**10 000**	10 000

The Group had unused credit facilities of MNOK 10 as at 31 December 2019 (2018: MNOK 10). There are no restrictions on the use of these funds.

NOTE 14. NUMBER OF SHARES, SHAREHOLDERS ETC.

The shareholders at 31.12.19 are:

	Number of shares:	Ownership interest:
Frigaardgruppen AS	200 000	73,66 %
Opulentia Invest AS	6 800	2,50 %
Metacon Holding AS	8 260	3,04 %
Heti Holding AS	19 192	7,07 %
G.S Invest AS	12 418	4,57 %
Eiker Utvikling AS	12 418	4,57 %
Bøhler AS	12 418	4,57 %
Total	**271 506**	**100,00 %**

All issued shares have equal voting rights and the right to receive dividend.

Soland Invest AS owns Frigaardgruppen AS, which is 100% owned by Trond Olav Frigaard.

NOTE 15. INCOME TAX EXPENSE AND DEFERRED TAX

All amounts in NOK thousand

Income tax expense:

	2019	2018
Current tax:		
Tax payable	-	-764
Deferred tax		
Changes in deferred tax	-2 207	-14 967
Changes in tax rate	0	140
Total deferred tax	**-2 207**	**-14 827**
Acquisition of Alento / other	**-4 390**	1 612
Tax expense	**-6 597**	**-13 979**

	2019	2018
Income taxes calculated at 22% (23%)	**-5 231**	-14 197
Non deductible expenses	**-2 768**	-174
Non-taxable income	**192**	-
Effect of other tax rates in subsidiaries	-	-
Effect of change in tax rate*	-	-144
Other	**1 210**	536
Tax expense	**-6 597**	**-13 979**

Deferred tax and deferred tax assets:

	2 019	2 018
Deferred tax assets		
Pensions		
Tax losses carried forward	**-7 295**	-
Current items	**-1 443**	-2 323
Deferred tax assets - gross	**-8 738**	**-2 323**
Deferred tax liabilities		
Property, plant and equipment	**91**	13
Investment property	-	4 844
Non-completed construction contracts	**24 726**	11 326
Right-of-use-assets	**98**	110
Other	-	-
Deferred tax liabilities - gross	**24 915**	**16 293**
Net recognised deferred tax liabilities	**16 178**	**13 971**

NOTE 16. NON CURRENT LIABILITIES

All amounts in NOK thousand

	2019	2018
Bonds	**295 706**	292 846
Loans from credit institutions	**25 062**	26 729
	320 768	**319 575**

In 2018 FPG AS issued bonds at face value MNOK 300. Transactions cost related to the bonds amounted to MNOK 7.2 and are included in amortized cost calculations. The bonds mature in June 2021. Fair value of the bonds as of 31.12.19 are estimated to be MNOK 298.9. This valuation is based on bond prices made public by "Verdipapirforetakenes forbund". Their valuation reflects price information from leading investment companies, and will be defined as level 2 based on the IFRS 13 valuation hierarchy.

Repayment profile of loans from credit institutions	**Bonds**	**Construction loans**	**Loans from credit institutions**	**Total contractual cashflow**
Less than 1 year	24 500	50 122	6 289	**53 789**
Year 2 -4	307 706		25 266	**332 972**
More than 5 years			2 796	**2 157**
Total	**332 206**	**50 122**	**34 351**	**388 918**

The table above is including repayment of interest.

Constructions loans mature as projects are completed and delivered. The interest on the constructions loans and loans from credit institutions have floating interest rates. The current range is from 4.54% on the construction loans, to a rate of 8.3% on the issued bonds.

Secured debts

Debt secured by collateral

	2019	2018
Bonds	**295 706**	292 846
Construction loans (development projects) - current	**48 711**	43 295
Loans from credit institutions - non-current and current	**30 140**	26 729
	374 557	**362 870**

Booked value of assets used as collateral

	2019	2018
Development properties	**277 182**	**161 460**

Shares in subsidiaries Metacon AS and Alento AS is also used as collateral per 31.12.2019.

Reconciliation of liabilities arising from financing activities

	Bond loan	Liabilitites to financial institutions	Construction loan	Lease liabilities	Total
Liabilities 01.01.2018	**-**	**91 555**	**-**	**22 175**	**113 730**
Issue of bonds	300 000				300 000
Issue costs paid	-8 585				-8 585
Proceeds from construction loans			43 295		43 295
Repayment of loans		-64 261			-64 261
Repayment of lease liabilities				-3 302	-3 302
Total transactions with cash settlements:	**291 415**	**-64 261**	**43 295**	**-3 302**	**267 147**
Other transactions without cash settelments	1 431	-565		754	1 620
Total transactions without cash settlement	**1 431**	**-565**	**-**	**754**	**1 620**
Liabilities 31.12.2018	**292 846**	**26 729**	**43 295**	**19 627**	**382 497**
Interest bearing liabilities - non current	292 846	26 729	-	16 014	335 589
Interest bearing liabilities -current	-	-	43 295	3 613	46 908
Liabilities 01.01.2019	**292 846**	**26 729**	**43 295**	**19 627**	**382 497**
					-
Proceeds from construction loans			43 811		43 811
Repayment of loans	-	-2 763	-43 295		-46 058
Repayment of lease liabilities				-5 010	-5 010
Total transactions with cash settlements:	**-**	**-2 763**	**516**	**-5 010**	**-7 257**
Other transactions without cash settelments	2 860	6 174	4 900	3 917	17 851
Total transactions without cash settlement	**2 860**	**6 174**	**4 900**	**3 917**	**17 851**
Liabilities 31.12.2019	**295 706**	**30 140**	**48 711**	**18 534**	**393 091**
Interest bearing liabilities - non current	295 706	25 062	-	14 406	335 174
Interest bearing liabilities -current	-	5 078	48 711	4 128	57 917

NOTE 17. OTHER SHORT TERM LIABILITIES

All amounts in NOK thousand

	2019	**2018**
Accrued salaries incl. holiday pay and social security	**16 374**	14 779
Interest expenses	**1 189**	1 131
Warrenty provision	**9 199**	7 184
Accrued expenses, property development operations	**3 000**	-
Accrued expenses	**20 293**	45 659
Total	**50 055**	68 753

NOTE 18. FINANCIAL INSTRUMENTS

The carrying value of assets and liabilities can be broken down into the following categories:

	Assets measured at amortized cost	
All amounts in NOK thousand	**2019**	**2018**
Non-Current		
Other investments	35	160
Current		
Trade receivables and other receivables	128 220	101 851
Contract assets	54 071	31 625
Cash and cash equivalents	176 410	210 215
Total financial assets	**358 736**	**343 851**

	Liabilities measured at amortized cost	
	2019	**2018**
Non-Current		
Bonds	295 706	292 846
Liabilitites to financial institutions	25 062	26 729
Current		
Liabilitites to financial institutions	5 078	-
Construction loan	48 711	43 295
Trade account payables	120 470	89 017
Contract liabilities	34 969	48 473
Total financial liabilities	**529 996**	**500 360**

Financial

The carrying value of cash and cash equivalents and liabilities to credit institutions is the same as their fair value, since these instruments have a short maturity term. Correspondingly, the carrying value of trade receivables and trade payables are the same as the fair value, as they are agreed upon under ”normal” terms. This also applies to unpaid government charges, tax payable and current liabilities. Non-current liabilities have variable interest rates and continuous interest rate adjustment and therefore the carrying value is substantially the same as the fair value.

Impairment of financial assets

The Group has trade receivables and other short term receivables subject to IFRS 9’s new expected credit loss model. The Group has to assess on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

While cash and cash equivalents also is subject to the impairment requirements of IFRS 9, the expected credit losses are immaterial. For trade receivables, the Group applies the IFRS 9 simplified approach to measuring expected credit losses, which uses a lifetime expected impairment provision for all trade receivables.

NOTE 19. WARRANTY PROVISIONS

All amounts in NOK thousand	**2019**	**2018**
Warranty provision at 1 of January	**7 184**	2 020
+ new warranty provisions (additions)	**5 386**	5 462
- reversed warranty provisions (disposals)	**1 522**	23
- actual claims expenses (consumption)	**1 849**	275
Warranty provision at 31 of December	**9 199**	**7 184**

Provision is made for guarantee work under the item other short-term liabilities in the balance sheet. The provisions are for remedy any defects or omission on completed projects. The provision is also to cover other liabilities, such as claims from subcontractors, claims from third parties etc. The provision is to cover both accrued warranty liabilities and contingent liabilities and so on. Among other things, the provisions must cover future expenses for the remedy of hidden defects, i.e. defects and omissions that have not been detected. In addition, they must also cover issues that are detected, but where there is uncertainty regarding the scope, responsibility, costs, etc. (disputes).

NOTE 20. RELATED PARTY TRANSACTION

On the 30 of June 2018 Frigaard Property Group purchased the remaining shares in Metacon. At the end of 2019 there is no non-controlling interest in Frigaard Property Group.

Acquisition of additional shares in subsidiaries:

All amounts in NOK thousand	**2019**	2018
Shares purchased from non-controlling interest	-	8 023
Payment to non-controlling interests	-	-27 310
Remaining amount is booked toward the equity holders of the parent company	**-**	**-19 287**

All amounts in NOK thousand	**2019**	2018
Capital reduction (partial liquidation) to shareholders in FPG	-11 797	-

Frigaard Property Group AS's transactions with Soland Invest group companies.

	2019	2018
Purchase of services - Soland Invest AS group	4 751	1 158
Income management services	900	-
Rental cost	438	425
Interest - Soland Invest AS group	746	994

Soland Invest AS has a 73.66% ownership in Frigaard Property Group through its ownership in Frigaardgruppen.

NOTE 21. EVENTS AFTER THE REPORTING DATE

Reference is made to the mention of the coronavirus in the board's of director's report. Frigaard Property Group has been operating more or less as normal, and the corona outbreak has so far had a limited effect on our activity level. The accounts reflect project estimates based on a normal situation of full operation and ordinary project staffing. The progress of ongoing projects may be affected, and the effects of the pandemic will depend on its scope and duration.

No other events have occurred after the balance sheet date which have had a material effect on the issued accounts.

INCOME STATEMENT FRIGAARD PROPERTY GROUP AS (PARENT)

All amounts in NOK thousand	Note	2019	2018
Other operating revenue	8	955	0
Personnel expenses	6	4 228	0
Depreciation of fixed assets	11	10	0
Other operating expenses	6	7 125	2 266
Total operating expenses		11 362	2 266
Operating profit		-10 407	-2 266
Income from investments in subsidiaries		4 005	8 164
Interest income from group companies	8	9 839	2 060
Other interest income		202	223
Interest expense to group companies	8	-	-815
Other interest expense		-24 269	-12 774
Other financial expenses		-3 059	-1 446
Profit before income tax		-23 689	-6 854
Income taxes	7	-5 138	-1 350
Net profit for the period		-18 551	-5 504
Allocation of profit			
Transferred from other equity		-18 551	-5 504
Total		-18 551	-5 504

STATEMENT OF FINANCIAL POSITION FRIGAARD PROPERTY GROUP AS

All amounts in NOK thousand	Note	2019	2018
ASSETS			
Intangible assets			
Deferred tax assets	7	3 564	0
Total intangible assets		3 564	0
Tangible assets			
Equipment, fixtures and fittings	11	4 375	0
Machinery	11	63	0
Office equipment and similiar	11	1 413	0
Total tangible assets		5 851	0
Long term financial assets			
Investments in subsidiaries	1, 10	332 568	332 568
Loan to group companies	2	137 461	107 739
Total financial fixed assets		470 029	440 307
Total fixed assets		479 445	440 307
Current assets			
Accounts receivables		94	0
Other short-term receivables	2	911	0
Group contribution receivables	7	4 005	22 445
Total receivables		5 010	22 445
Cash and cash equivalents	9	11 184	56 077
Total current assets		16 194	78 522
TOTAL ASSETS		495 639	518 829

STATEMENT OF FINANCIAL POSITION FRIGAARD PROPERTY GROUP AS

All amounts in NOK thousand	Note	2019	2018
EQUITY AND LIABILITIES			
EQUITY			
Paid-in capital			
Share capital	4	543	550
Share premium reserve		192 335	222 675
Total paid-in equity		192 878	223 225
Total equity	5	192 878	223 225
LIABILITIES			
Deferred tax	7	0	1 574
Total provisions		0	1 574
Bonds	3	295 706	292 846
Total of other long term liabilities		295 706	292 846
Current debt			
Trade account payable	2	4 596	211
Public duties payable		808	-
Other short-term liabilities		1 652	974
Total current liabilities		7 056	1 184
Total liabilities		302 761	295 604
TOTAL EQUITY AND LIABILITIES		495 639	518 829

Sarpsborg, 23 April 2020
The Board of Directors

Helge Stemshaug
Chairman

Kristian Lindland
Board Member

Petter Bøhler
Board Member

Trond Olav Frigaard
Board Member

Øyvind Moen
CEO

STATEMENT OF CASH FLOWS FRIGAARD PROPERTY GROUP AS

All amounts in NOK thousand	2019	2018
Cash flow from operations		
Profit before income taxes	-23 689	-6 854
Depreciation	10	0
Change in accounts receivable	-94	0
Change in accounts payable	4 385	160
Change in other provisions	-570	2 405
Net cash flow from operations	**-19 958**	**-4 290**
Cash flow from investments		
Purchase of fixed assets	-5 861	0
Increase in loans to group companies	-29 722	-78 557
Purchase of shares and investments in other companies	0	-100 000
Net cash flow from investments	**-35 583**	**-178 557**
Cash flow from financing		
Proceeds from the issuance of bonds	0	300 000
Issue cost paid	0	-8 585
Repayment of liabilities to group companies	0	-52 545
Group contribution received	22 445	0
Repayment from capital reduction	-11 797	0
Net cash flow from financing	**10 648**	**238 870**
Net change in cash and cash equivalents	**-44 893**	**56 023**
Cash and cash equivalents at the beginning of the period	56 077	54
Cash and cash equivalents at the end of the period	**11 184**	**56 077**
Which consists of:		
Cash	**11 184**	**56 077**

ACCOUNTING PRINCIPLES

The annual accounts have been prepared in conformity with the provisions of the Accounting Act and good accounting practice in Norway.

Foreign currency
Foreign currency transactions are translated at the exchange rate on the date of the transaction. Monetary foreign currency items are translated to NOK at the exchange rate on the balance sheet date.

Revenues
Income from the sale of goods is recognised on the date of delivery. Services are posted as income as they are delivered.

Tax
The tax charge in the income statement consists of tax payable for the period and the change in deferred tax. Deferred tax is calculated at the tax rate at 22 % on the basis of tax-reducing and tax-increasing temporary differences that exist between accounting and tax values, and the tax loss carried forward at the end of the accounting year. Tax-increasing and tax-reducing temporary differences that reverse or may reverse in the same period are set off and entered net. A net deferred tax asset is entered on the balance sheet to the extent that it is likely that it can be utilised.

Classification and valuation of fixed assets
Fixed assets consist of assets intended for long-term ownership and use. Fixed assets are valued at acquisition cost less depreciation and write-downs. Long-term liabilities are entered on the balance sheet at the nominal amount at the time of the transaction.

Classification and valuation of current assets
Current assets and short-term liabilities consist normally of items that fall due for payment within one year of the balance sheet date, as well as items related to the stock cycle. Current assets are valued at the lower of acquisition cost and fair value. Short-term liabilities are entered on the balance sheet at the nominal amount at the time of the transaction.

Subsidiaries and associated companies
Subsidiaries and associated companies are valued using the cost method in the company accounts. The investment is valued at acquisition cost for the shares unless a write-down has been necessary. A write-down to fair value is made when a fall in value is due to reasons that cannot be expected to be temporary and such write-down must be considered as necessary in accordance with good accounting practice. Write-downs are reversed when the basis for the write-down is no longer present.

Dividends, group contributions and other distributions from subsidiaries are posted to income in the same year as provided for in the distributor's accounts. To the extent that dividends/group contributions exceed the share of profits earned after the date of acquisition, the excess amounts represent a repayment of invested capital, and distributions are deducted from the investment's value in the balance sheet of the parent company.

Receivables
Receivables from customers and other receivables are entered at par value after deducting a provision for expected losses. The provision for losses is made on the basis of an individual assessment of the respective receivables. In addition an unspecified provision is made to cover expected losses on claims in respect of customer receivables.

Cash flow statement
The cash flow statement has been prepared using the indirect method. Cash and cash equivalents consist of cash, bank deposits and other short-term, liquid investments.

NOTE 1 SUBSIDIARIES

The investments in subsidiaries are valued using the cost method.

All amounts in NOK thousand

Subsidiary	Office	Ownership	Equity last year	Result last year	Book value 31.12.2019
Frigaard Bolig AS	Sarpsborg	100 %	20 007	19 958	100
Metacon AS	Sarpsborg	100 %	42 542	14 192	45 189
Alento AS	Drammen	100 %	51 260	25 448	287 279
Book value					332 568

NOTE 2 INTER-COMPANY ITEMS

All amounts in NOK thousand	Long-term receivables		Other short-term	
	2019	2018	2019	2018
Companies in the same group	137 461	107 739	4 005	22 445
Sum	137 461	107 739	4 005	22 445

	Accounts payable		Long-term liabilities	
	2019	2018	2019	2018
Companies in the same group	3 675	40	-	-
Sum	3 675	40	-	-

NOTE 3 LIABILITIES

All amounts in NOK thousand

	2019	2018
Long-term debt with maturity in excess of 5 years	-	-

	2019	2018
Bond debt, face value	300 000	300 000
Initial bond costs	-4 295	-7 154
Total	295 706	292 846

The company's bond is netted against the bond's set-up costs. These costs are depreciated over the life-time of the bond.

NOTE 4 TOTAL SHARES, SHAREHOLDERS ETC.

The share capital of NOK 543 012 consists of 271 506 shares with a face value of NOK 2. All shares have the same rights.

Overview of the largest shareholders at 31.12.2019

	Number of shares	Ownership interest
Frigaardgruppen AS	200 000	73.66 %
Heti Holding AS	19 192	7.07 %
G.S. Invest AS	12 418	4.57 %
Bøhler AS	12 418	4.57 %
Eiker Utvikling AS	12 418	4.57 %
Metacon Holding AS	8 260	3.04 %
Opulentia Invest AS	6 800	2.50 %
Total	271 506	100.00 %

The company is part of the group Soland Invest AS, org. no. 987 521 465, with offices in Sarpsborg.

Soland Invest AS prepares consolidated financial statements, which can be accessed at the company's offices at Bredmyra 4, 1739 Borgenhaugen.

NOTE 5 EQUITY

All amounts in NOK thousand

	Share capital	Share premium reserve	Total equity
Equity as at 01.01.2019	550	222 675	223 225
Capital reduction (partial liquidation)	-7	-11 789	-11 797
Loss for the period		-18 551	-18 551
Equity as at 31.12.2019	**543**	**192 335**	**192 878**

NOTE 6 SALARY COST AND BENEFITS, REMUNERATION TO THE BOARD AND AUDITOR

For salary cost and benefits the parent company applies the same accounting policies as the group.
There has been no board remuneration in 2019.
No loans or guarantees have been given to any board members or other related parties.

All amounts in NOK thousand

	2019	2018
Salaries and holiday pay	2 917	-
Social security	435	-
Pension costs defined contribution plans	54	-
Other personell costs	822	-
Total salaries and personnel expense	**4 228**	**-**
Number of average man labour	2.2	-

Management remuneration

Salaries and holiday pay	1 363
Social security	215
Pension costs defined contribution plans	10
Other personell costs	-

Expensed remuneration to the auditor	2019	2018
Audit fees	236	69
Fees for other services - financial statement and tax papers preparation	818	465
Total	**1 054**	**534**

VAT is included in the fees specified above.

NOTE 7 TAX

Calculation of deferred tax:			
All amounts in NOK thousand			
Timing differences:	2019	2018	Change
Fixed assets	288	0	-288
Other differences	4 295	7 154	2 860
Net timing differences	4 582	7 154	2 572
Accumulated tax losses carried forward	-20 784	0	-20 784
Basis for calulation of deferred tax	-16 202	7 154	-8 100
Deferred tax (22 %)	-3 564	1 574	5 138
Deferred tax liability (-asset)	-3 564	1 574	5 138

Basis for tax expense, change in deferred tax and tax payable

Taxable income:	2019	2018
Profit before taxes	-23 689	-6 854
Permanent differences	-3 672	673
Change in timing differences	2 572	-7 154
Received group contribution	4 005	14 282
Change of tax losses carried forward	20 784	-946
Taxable income	-	-

Tax payable:	2019	2018
Tax payable on profit of this period	-	-
Total tax payable	-	-

Income tax expense:	2019	2018
Tax payable	-	-
Total tax payable	-	-
Tax effect of received group contribution	-	-3 142
Changes in deferred tax	-5 138	1 791
Tax expense	-5 138	-1 350
Reconciliation of tax expense:		
Profit before taxes	-23 689	-6 854
Income taxes calculated at 23% (24%)	-5 212	-1 576
Tax expense in the income statement	-5 138	-1 350
Difference	-73	226
Tax effect of permanent differences	808	155
Effect of change in tax rate	-	-72
Group contribution	-881	143
Explained difference	-73	226

NOTE 8 RELATED PARTY TRANSACTIONS

Remuneration to senior employees is featured in note «WPT5_XMLSUBSTRUNTIME», and intercompany items are featured in note 2.

Transactions with related parties:	2019	2018
All amounts in NOK thousand		
a) Interest income		
- Companies in the same group	9 839	2 060
b) Interest expense		
- Companies in the same group	-	815
c) Income management services		
- Companies in the same group	955	-
c) Management/IT overhead costs		
- Companies in the same group	4 379	-

NOTE 9 RESTRICTED FUNDS

All amounts in NOK thousand

	2019	2018
Restricted payroll tax obligations	446	0
Restricted bank depostits	9 614	33 570
Total	10 060	33 570

NOTE 10 SECURED DEBTS

All amounts in NOK thousand

Debt secured by collateral	2019	2018
Bond	295 706	292 846
Total	295 706	292 846

Booked value of asset used as collateral	2019	2018
Shares in subsidiaries	332 568	332 568
Total	332 568	332 568

NOTE 11 EQUIPMENT AND MACHINERY

All amounts in NOK thousand	**Equipment, fixtures and fittings**	**Machinery**	**Office equipment and similiar**
1 of January 2018			
Acquisition cost	0	0	0
Accumulated depreciation and write downs	0	0	0
Accumulated cost 1 of January 2018	0	0	0
Carrying amount 01.01	0	0	0
Additions	4 375	72	1 413
Disposals	0	0	0
Depreciations	0	-10	0
Carrying value 31 of December 2019	4 375	63	1 413

To the General Meeting of Frigaard Property Group AS

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Frigaard Property Group AS, which comprise:

- The financial statements of the parent company Frigaard Property Group AS (the Company), which comprise the balance sheet as at 31 December 2019, 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 consolidated financial statements of Frigaard Property Group AS and its subsidiaries (the Group), which comprise the balance sheet as at 31 December 2019, the income statement, statement of changes in equity and statement of cash flows 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 Company as at 31 December 2019, 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 consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2019, 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 and the Group 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.

PricewaterhouseCoopers AS, Kalnesveien 5, NO-1712 Grålum
T: 02316, org. no.: 987 009 713 VAT, www.pwc.no
State authorised public accountants, members of The Norwegian Institute of Public Accountants, and authorised accounting firm

pwc

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.

Key Audit Matter	How our audit addressed the Key Audit Matter
Recognition of income from construction contracts	
Revenue from construction contracts amounts to MNOK 1 032 in 2019. For calculation of income from construction contracts, the percentage of completion method based on expected contract costs and stage of contract completion, is used. The assessment of total estimated contract costs, including impact of any disputes and guarantee work, and revenue and the stage of contract completion is updated on a regular basis. Accounting for contract revenue is key to our audit due to several causes. The company has a large amount of construction contracts, the construction projects can be long lasting and the calculation of level of completion can be complex and characterized by judgement. Further, managements' use of judgement in these calculations affect many line items in the financial statements, such as revenue from contracts, materials, subcontractors and consumables, trade receivables, trade accounts payables, other short-term liabilities and deferred tax. Please refer to note 4 for more information on how management account for construction contracts.	For a sample of construction contracts, we compared the accounting to the company's accounting principles. We compared the company's use of the percentage of completion method based on expected contract costs and stage of contract completion to the requirements in IFRS 15. We found the accounting of contracts to be in accordance with contract terms, and that the applied accounting principles, was in accordance with relevant requirements in IFRS 15. To ensure a qualitative and consistent processing of risk and estimates in the projects, the Group has established a set of risk principles. Controls have been established to ensure compliance with those principles. The controls are primarily directed at ensuring appropriate assessments of total expected costs, that the estimate takes into consideration the impact of any disputes and guarantee work, controls directed at invoicing of sales, and calculation of stage of contract completion. The controls are established in several levels of the organisation and include periodical reviews of the project portfolio in meetings. We participated in a sample of these reviews. We obtained relevant documentation that support the discussions in the meetings and tested whether the controls were executed, and whether they worked efficiently. We also performed an on-site audit for some projects in scope. Our audit includes testing of contracts, variation orders, remaining cost as well as supporting documentation for changes in estimates over time for projects in scope. Furthermore, we tested the control directed at ensuring that only hours and costs that pertain a project were actually allocated to the project. Our testing of this control did not reveal significant deviations. Determination of final forecast and stage of contract

completion involves use of judgement by the project manager and management. In order to challenge their use of assumptions in these estimates, we have amongst other, interviewed and challenged project managers and management about the assumptions in the estimates.

In order to review the income recognized from contracts with customers we obtained supporting evidence over costs incurred to each project. We challenged management's estimated total cost to complete for a sample of contracts. We also analysed management's consistence in exercise of judgment. We assessed management's use of judgements to be consistent.

We tested the reconciliation of the project system to the general ledger and that accounting for work in progress and cost of materials were based on calculated contract completion. Contract revenue was tested by reviewing a sample of contracts.

Our substantive procedures revealed no material deviations.

We checked that disclosures in the key notes are in accordance with the project information, and appropriately satisfied IFRS requirements.

Valuation of goodwill

Intangible assets consist of goodwill, amounting to 284 MNOK. Valuation of goodwill, and the corresponding impairment test is key to our audit because the booked amount is material to the financial statements. Further, the impairment test is complex and management use assumptions, including estimation of future revenue and cost is judgemental.

We obtained and critically reviewed the company's impairment assessment of goodwill. The impairment assessment comprises a judgement of cash generating unit (CGU) and key assumptions made by management. We assessed the model to be a valuation model based on discounted cash flows containing the elements IFRS requires, and whether the model made mathematical calculations correctly.

We challenged management's assumptions on future revenue and costs. This was done by comparing the data in the model to historical financial data, future budgets approved by management and other obtainable market information such as relevant benchmarks for growth. We also assessed historical accuracy by comparing last year's expectations for revenue to what was achieved in the financial year. We found that they compared reasonably well.

We compared the discount rate to empirical data and expectations of future interest rates, relevant risk mark-up and debt ratio. We found the used discount rate to be reasonable.

We read the disclosures in note 7 and found that the information regarding the valuation model, the assumptions and the discount rate was sufficient and adequate.

Other information

Management is responsible for the other information. The other information comprises information in the annual report, except 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 in accordance with law and regulations, including fair presentation of the financial statements of the Company in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for the preparation and fair presentation of the consolidated 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 Company use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations. The consolidated 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 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 or the Group'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 and the Group'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 and the Group 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 concerning the financial statements, the going concern assumption and the proposed allocation of the result 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.

Sarpsborg, 23 April 2020
PricewaterhouseCoopers AS

Dag Olav Haugen

Dag Olav Haugen
State Authorised Public Accountant