Holmetjern Invest AS

Management Report

June 2019

Organization no. 912 810 089

HOLMETJERN
INVEST

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HOLMETJERN
INVEST

Summary from main owner, Kolbjørn Selmer

Holmetjern Invest AS (“HTI”) and its investments had good progress and good sales throughout the first half of 2019. So far in 2019, residentials has been contracted for approx. NOK 370m in our projects. In line with stated strategy HTI has also invested in new projects with its partners Halden Boligbyggelag (“HABO”) and Boligbyggelaget TOBB (“TOBB”) in the same period.

HTI has furthermore invested in new detailed zonings plans and general permits to ensure progress and volume for housing construction in the future. This is investment for future development and contributes to a stable cash flow going forward.

The number of projects is increasing and we have therefore strengthened our team by additional two employees, starting in August 2019. Our strategy is to have competence in all phases of a housing development project, and the new hires are thus a part of this strategy. Investing in employees is one of the most important things we do to ensure future growth and profit.

The interim result per Q2 2019 is negative, but based on the developments and ongoing processes in our projects we expect a net profit for the full year 2019.

The next pages will give a more detailed summary of the status per Q2 2019.

Best regards,

Kolbjørn Selmer

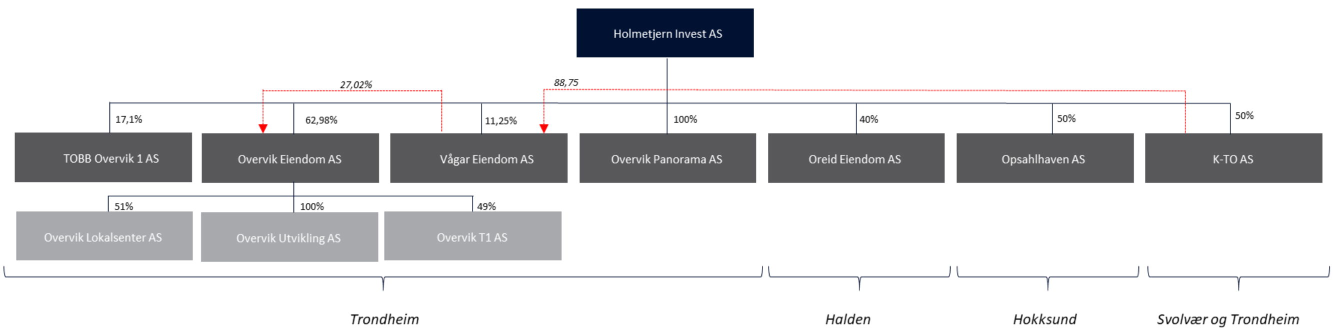
Introduction

This report provides a status for the largest real estate projects of Holmetjern Invest AS («HTI») as of June 2019. As a supplement to this report, we refer to our reports issued 1th March 2019 and 30th April 2019.

Holmetjern Invest AS

HTI is an investment company, located in Trondheim. Kolbjørn and Karl Albrecht Selmer owns 95% of the company and Endre Kolbjørnsen own the remaining 5%. The company primarily invests in real estate and exercise active ownership in all its investments. The largest investment is Overvik in Trondheim. HTI is involved in development of app. 5.000 units, that will be built during the next 15-20 years. Based on this, the company is amongst the largest real estate developers in Trondheim. HTI cooperates with renowned partners who hold good track records. TOBB and HABO (both co-operative building societies) are examples of such partners. They are close collaborators in Overvik and Oreid respectively.

Major real estate investments



The figure above shows the major real estate investments of HTI, and where they are located. The main part of the investments is in Trondheim, including the companies TOBB Overvik 1 AS, Overvik Utvikling AS, Overvik Lokalsenter AS, Overvik Panorama AS and Overvik T1 AS. In addition, we have the company Vågar Eiendom AS, which owns 27 % of Overvik Eiendom AS. Vågar Eiendom AS hence has no inventory of lots itself. The sale of the first phase have started, through the company TOBB Overvik 1 AS, and the construction is expected to start October 2019.

Highlights per Q2 2019

First phase, Overvik

Sales of the first phase at Overvik has commenced and is facilitated by the company TOBB Overvik 1 AS. The first phase consists of 74 units, 30 apartments and 44 townhouses, where the average size of each unit is app. 90 sqm. The project has been one of the best selling projects in Mid Norway. As of August 27th 2019, 56 units in total are sold which equals a sales rate of 74 % and an turnover of NOK 250m. The construction will start in October 2019 and finalized first half of 2021.

New investments

K-TO AS, which is an associated company of HTI, acquired an additional share of Vågar Eiendom AS in June 2019. After this transaction HTI controls, directly and indirectly, 78% of Overvik Eiendom AS. The transaction was completed to secure further future cash flow from a project HTI knows very well. In addition, this additional investment ensures an ownership interest which means that HTI, together with its close partners, can further develop the project according to our strategy.

In addition, we have invested in Yvenholen in Sarpsborg together with HABO and Væretrøa in Trondheim together with TOBB. This adds more than 150 units to the pipeline of HTI. This is according to our stated strategy, that we want to do more with our closest partners.

Opsahlhaven

Since the last update, we have included a local partner in the project, Partum Eiendom AS ("Partum", https://partumeiendom.no/). HTI and Partum owns 50% each of the project. Partum is a solid local company in the real estate market in Øvre Eiker and they will lead the project with support from HTI AS.

The new area zoning plan for the Hokksund centre was approved in December 2018 and we plan to develop our project according to this area plan and our detailed zoning plan for parts of this property. We are currently in process with entrepreneurs calculating the project, looking for feasible solutions to make the project more efficient and cost-saving without compromising the quality we want this project to have. An application for general permission has been submitted to Øvre Eiker municipality in week 35, and we expect sales to start in ultimo 2019/primo 2020, and construction to start in end Q2 2020.

Oreid

As described in our report released in March 2019, the development in Oreid has been very satisfying over the last year and all completed houses are sold out (equals 38 units). We are currently working on regulation of the next area at Oreid and expect to submit planning to Halden Kommune in October 2019. This area is planned to be regulated with approx. 130 units. If this goes according to plan, we expect sales start in 2020. We are also working on the development of a plot of approx. 80 units. In essence, this project will consist of small apartments to be included in the "rent-before-owning" concept. We are working on a sales start on this in Q2 2020. This ensures a good progress also going forward at Oreid, and is expected to give Oreid a stable cash flow also going forward.

Organization

As describe in our previous report Tonje Borthen, Joakim Lund and Heidi Harsvik Alstad has strengthen our team. In addition, two new employees joined our team in August. Kaj Jacobsen has long experience from the contracting company HENT, and will be an important person for us when we start construction on, among other projects, Overvik. In addition, Pernille Schanche Feragen also started in August 2019. Pernille is architect and will work with Trine Aagaard on regulatory processes, housing design, and more.

We are very pleased to have Kaj Jacobsen and Pernille Feragen included in our team, and with the employment of these two we are in the position to further growth.

Summary per Q2 2019

The first half of 2019 has been as expected. Sales in the first sub-field have been good and have a sales ratio of approx. 75%. Construction starts in October 2019, and this will mark the start of construction of more than 3,000 units over the next 15-20 years. Per June 2019 our projects have sold approx. NOK 370m of residentials.

We have made additional investments in Overvik and we have also made new investments together with our close partners. We thus believe that we are in a good position to continue our growth. The housing market in Trondheim is stable, however, changes in market conditions or other external factors can either cause projects to be delayed or earnings to change. These are conditions that we are constantly trying to monitor and take action if necessary.

Interim Group Financial Statements

Comments

The interim group financial report is prepared by 30 June 2019, in accordance with IFRS. The loss per Q2 2019 is NOK 31. This is partly a result of no divestments so far in 2019 and also the fact that value increase in our inventory, which is our land bank, is not recognized in the Profit and Loss. The effect of sales in our projects in 2019 is nor recognized in the group accounts.

Changes in Fair Value of inventory is not recognized in the Profit and Loss, due to the accounting principles in IFRS. Based on updated valuations from the value change for the Group for the first 6 months of 2019, would have affected the Profit and Loss with a positive effect of NOK 126m, if recognized.

Interim Financial Statements

Consolidated statement of profit or loss and other comprehensive income

Holmetjern Invest-Group

NOK'000	**Notes**	**30.06.2019**	**30.06.2018**	**31.12.2018**
Revenue from contracts with customers	3	211	2 727	3 465
Cost of sales of goods		-72	-2 377	-2 627
Gross protit		139	350	839
Administrative expenses	8	-17 410	-8 328	-27 682
Other gains/losses - net		-8 144	1 785	1 785
Operating profit		-25 415	-6 194	-25 058
Finance income		2 397	4 309	6 124
Borrowing costs	4	-13 034	-9 284	-17 048
Finance costs - net		-10 637	-4 975	-10 924
Share of net profit from associates accounted for using the equity method		-837	9 557	11 068
Profit before income tax		-36 889	-1 611	-24 914
Income tax expense		5 776	2 260	7 640
Profit for the period		-31 113	649	-17 274
Profit is attributable to:				
Owners of Holmetjern Invest AS		-30 571	1 524	-27 118
Non-controlling interests		-542	-875	9 844
		-31 113	649	-17 274
Profit for the period		-31 113	649	-17 274
Other comprehensive income for the period, net of tax		0	0	0
Total comprehensive income for the period		-31 113	649	-17 274
Total comprehensive income for the period is attributable to:				
Owners of Holmetjern Invest AS		-30 571	1 524	-27 118
Non-controlling interests		-542	-875	9 844
		-31 113	649	-17 274

Consolidated balance sheet

Holmetjern Invest-Group

NOK'000	**Notes**	**30.06.2019**	**30.06.2018**	**31.12.2018**
ASSETS				
Non-current assets				
Property, plant and equipment		350	1 158	571
Goodwill		6 975	6 975	6 975
Deferred tax assets		19 030	6 747	13 259
Investments accounted for using the equity method		81 196	82 360	84 340
Financial asset at fair value through profit or loss	2	25 726	47 045	47 645
Financial assets at amortised costs		53 121	82 735	54 240
Other loans and receivables		0	0	0
Total non-current assets		186 399	227 020	207 030
Current assets				
Inventories	4,2	524 990	492 328	506 590
Trade receivables		64	722	323
Other financial assets at amortised cost		24 041	0	14 536
Other receivables		149	610	454
Financial asset at fair value through profit or loss		7 450		
Cash and cash equivalents (excluding bank overdrafts)	6,7	50 517	60 744	89 347
Total current assets	6	607 211	554 404	611 251
Total assets		793 609	781 424	818 281

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Consolidated balance sheet

Holmetjern Invest-Group

NOK'000	Notes	30.06.2019	30.06.2018	31.12.2018
LIABILITIES				
Non-current liabilities				
Bank loans	5,7	201 340	151 340	203 317
Bond loan	5	190 947	108 365	191 900
Borrowings	5,8	164 800	247 164	203 798
Total non-current liabilities		557 087	506 869	599 015
Current liabilities				
Trade and other payables		2 418	1 023	3 038
Current tax liabilities		0	0	0
Borrowings	5,8	158 808	124 116	87 633
Other short term liabilities		245	601	1 314
Total current liabilities	6	161 471	125 740	91 985
Total liabilities		718 558	632 609	691 000
EQUITY				
Share capital and share premium		40	40	40
Retained earnings		54 223	127 054	94 805
Non-controlling interests		20 788	21 720	32 436
Total equity		75 051	148 815	127 281
Total liabilities and equity		793 609	781 424	818 281

Trondheim, Augustl 30th 2019

Consolidated statement of changes in equity

Holmetjern Invest-Group

NOK'000	Notes	Attributable to owners Share capital and premium	Share premium	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 january 2018		30	10	131 870	131 910	33 697	165 608
Profit for the period		0	0	-27 118	-27 118	9 844	-17 274
Other comprehensive income		0	0	0	0	0	0
Total comprehensive income for the period		0	0	-27 118	-27 118	9 844	-17 274
Transaction with owners in their capacity as owners:							
Purchase of own shares		0	0	0	0	0	0
Dividends provided for or paid		0	0	-10 000	-10 000	-11 106	-21 106
		0	0	-10 000	-10 000	-11 106	-21 106
Balance at 31 December 2018		**30**	**10**	**94 751**	**94 792**	**32 435**	**127 227**
Profit for the period		0	0	-30 528	-30 528	-542	-31 070
Other comprehensive income		0	0	0	0	0	0
Total comprehensive income for the period		0	0	-30 528	-30 528	-542	-31 070
Transaction with owners in their capacity as owners:							
Dividends provided for or paid		0	0	-10 000	-10 000	-11 106	-21 106
		0	0	-10 000	-10 000	-11 106	-21 106
Balance at 30 June 2019		30	10	54 223	54 264	20 788	75 051

Consolidated statement of cash flows

Holmetjern Invest-Group

NOK'000	**Notes**	**30.06.2019**	**30.06.2018**	**31.12.2018**
Cash flow from operations				
Profit before income taxes		-36 889	-1 611	-24 914
Taxes paid in the period		0	0	
Gain/loss from sale of non-current assets		2 076	0	
Depreciation		221	537	1 096
Gains/(losses) recognised in other income - fair value		8 144	-1 785	-1 785
Net profits from associates less dividends received		2 765	-4 847	-7 716
Change in inventory	**4**	-18 400	-24 080	-38 342
Change in other current items		2 502	-1 582	2 007
Net cash flow from operations		**-39 581**	**-33 368**	**-69 654**
Cash flow from investments				
Payment in other loans and receivables		-7 960	-7 458	-27 047
Repayment in other loans and receivables		0	5	33 553
Proceeds from sale of shares and investments in other companies		3 853	2 639	2 639
Purchase of shares and investments in other companies		-65	-32 312	-34 632
Net cash flow from investments		**-4 172**	**-37 126**	**-25 487**
Cash flow from financing				
Proceeds from long term loans		28 539	305 095	360 759
Repayment of long term loans		-2 510	-162 392	-164 806
Payment of dividend		-21 106	-21 106	-21 106
Net cash flow from financing		**4 923**	**121 597**	**174 847**
Net change in cash and cash equivalents		-38 830	51 103	79 706
Cash and cash equivalents at the beginning of the period		89 347	9 641	9 641
Cash and cash equivalents at the end of the period	**7**	**50 517**	**60 744**	**89 347**

Profit and loss statement
Holmetjern Invest AS-Company

NOK'000				
INCOME STATEMENT	**Note**	**30.06.2019**	**30.06.2018**	**31.12.2018**
Operating expences				
Personel expences		343	513	916
Depreciation		16	0	33
Other operating expences	8	13 983	7 631	16 227
Total operating expences		**14 342**	**8 144**	**17 175**
NET OPERATING PROFIT		**-14 342**	**-8 144**	**-17 175**
FINANCIAL ITEMS				
Financial income				
Dividend received		2 767	3 050	23 148
Intrest income		3 829	2 044	5 974
Total financial income		**6 596**	**5 094**	**29 121**
Financial expences				
Change in value of marketable investments		1 307	0	0
Other interest expences	5,8	9 444	6 316	15 089
Other financial expences		2 076		1 816
Total financial income		**12 828**	**6 316**	**16 905**
NET FINANCIAL ITEMS		**-6 232**	**-1 221**	**12 217**
PROFIT BEFORE INCOME TAXES		**-20 574**	**-9 365**	**-4 959**
Taxes		-4 526	-2 154	-5 712
NET PROFIT FOR THE PERIOD		**-16 048**	**-7 211**	**753**
ALLOCATIONS				
Allocated to dividend for dividend				10 000
Allocated from/to other reserves		-16 048	-7 211	-9 247
TOTAL ALLOCATIONS		**-16 048**	**-7 211**	**753**

HOLMETJERN INVEST

Balance sheet statement

Holmetjern Invest AS-Company

NOK'000

ASSETS	Note	30.06.2019	30.06.2018	31.12.2018
NON-CURRENT ASSETS				
Intangible assets				
Deferred tax assets		11 746	3 662	7 220
Total intangible assets		**11 746**	**3 662**	**7 220**
Tangible fixed assets				
Fixtures, office equipment etc		84	133	101
Total tangile fixed assets		**84**	**133**	**101**
Fixed assets investments				
Investments in subsidiaries		4 837	6 177	4 807
Loan to group companies		24 113	32 423	15 889
Investments in associated companies		22 057	20 270	21 992
Loans to associated companies		43 457	0	22 016
Equities and investments		25 310	39 396	39 996
Other long-term receivables		1 000	2 510	1 010
Total fixed asset investments		**120 775**	**100 776**	**105 711**
TOTAL FIXED ASSETS		**132 605**	**104 572**	**113 031**
CURRENT ASSETS				
Inventory property	4	32 405	32 405	32 405
Receivables				
Accounts receivable		6	98	0
Receivables from group companies		38 207	18 894	50 180
Other short-term receivables		23 731	0	14 461
Total receivables		**61 944**	**18 992**	**64 641**
Marketable shares		7 450	**0**	
Cash and bank deposits	7	25 040	47 632	60 015
TOTAL CURRENT ASSETS	**6**	**126 839**	**99 029**	**157 061**
TOTAL ASSETS		**259 444**	**203 601**	**270 092**

Balance sheet statement

Holmetjern Invest AS-Company

NOK'000

EQUITY AND LIABILITIES	**Note**	**30.06.2019**	**30.06.2018**	**31.12.2018**
EQUITY				
Paid-in-equity				
Share capital		30	30	30
Premium fund		10	10	10
Total paid-in equity		**40**	**40**	**40**
Retained earnings				
Retained equity		21 394	39 478	37 442
Total retained earnings		**21 394**	**39 478**	**37 442**
TOTAL EQUITY		**21 435**	**39 518**	**37 483**
LIABILITIES				
Non-Current liabilities				
Other non-current liabilities				
Bond loans	5	190 947	112 000	191 900
Other long-term liabilities	5,8	29 905	0	10 210
TOTAL NON-CURRENT LIABILITIES		**220 852**	**112 000**	**202 110**
CURRENT LIABILITIES				
Accounts payable		1 548	307	2 177
Values added taxes		54	61	43
Dividend		0	10 000	10 000
Short-term liabilities to group companies		0	39 618	14 820
Other short-term liabilities	8	15 556	2 096	3 460
TOTAL CURRENT LIABILITIES	**6**	**17 157**	**52 083**	**30 500**
TOTAL LIABILITIES		**238 009**	**164 083**	**232 610**
TOTAL EQUITY AND LIABILITIES		**259 444**	**203 601**	**270 092**

Cash flow statement
Holmetjern Invest AS-Company

NOK'000

	Note	30.06.2019	30.06.2018	31.12.2018
Cash flow from operations				
Earings before taxes		-20 574	-9 365	-4 959
-Tax payable				0
+Loss/-gain on sale of fixed assets		2 076		0
+Depreciation and amortization		1 324		33
+/- Changes inventory				0
+/- Changes in accounts receivables		-6	-42	56
+/- Changes in accounts payable		-630	-278	1 592
+/- Changes in other accruals		10	1 941	-63 879
=Net cash flow from operations		**-17 799**	**-7 744**	**-67 156**
Cash flow from investments				
+Repayment in other loans to group companies			6 709	
-Payment in other loans and receivables		-26 953	-2 500	
+ Fixed assets sold		3 853	2 639	0
-Investments in shares and units		-95	-33 810	-33 124
-Other investments				-5 033
= Net cash flow from investments		**-23 195**	**-26 962**	**-38 156**
Cash flow from financing activities				
+New loans		30 838	120 600	
-Repayment of long term liabilities		-14 820	-41 498	-172 092
-Dividend		-10 000		10 000
=Net cash flow fom financing activities		**6 018**	**79 102**	**162 092**
=Net change in cash and cash equivalents		**-34 975**	**44 395**	**56 779**
+Cash balance as og the beginning of the period		60 015	3 236	3 236
=Cash balanse as at the end of the period	**7**	**25 040**	**47 632**	**60 015**
Balance of cash and cash equivalents is distributed as follows:				
Cash and bank deposits as at the end of the period		25 010	47 602	59 993
+Tax witholdings etc as at the end of the period		29	30	22
=Balance of cash and cash equivalents as at the end of the period		**25 040**	**47 632**	**60 015**

HOLMETJERN
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1 Summary of significant accounting policies

Significant accounting policies-Holmetjern Invest -Group

The principal accounting policies are set out below, and have been consistently applied to all accounting periods presented.

The 2018 financial statements was the first consolidated financial statements presented by the group.

ABOUT THE GROUP

Holmetjern Invest AS is a private limited liability company organized and existing under the laws of Norway pursuant to the Norwegian Companies Act. The Company was incorporated in Norway on November 22nd, 2013, and the organisation number in the Norwegian Register of Business Enterprises is 912 810 089. The Company's registered name is Holmetjern Invest AS, the commercial name is Holmetjern. Holmetjern Invest AS is an investment company primarily focusing on residential property development. Holmetjern is the holding company and the parent company of the Group. Holmetjern has no relevant business or operational activities other than holding the investments and activities that are related to its subsidiaries. The Group develops, builds and sells occupier-owned homes, predominantly in Trondheim, in collaboration with experienced blue-chip partners. The Group includes four operating subsidiaries fo-cusing on the property segment as well as four other smaller investments within the industry- and advisory segment.

STATEMENT OF COMPLIANCE

The group's consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) and interpretations issued by the

International Accounting Standards Board (IASB) and endorsed by the EU at 31 December 2018.

These consolidated financial statements were authorised for issue by the board of directors on 30 April 2019.

BASIS OF PREPARATION

The consolidated financial statements have been prepared on a going concern and historical cost basis, except for some financial instruments which are recognised at fair value through profit or loss.

INVESTMENTS IN ASSOCIATES

An associate is an entity over which the group has significant influence and which is neither a subsidiary nor a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is neither control nor joint control over those policies. Significant influence is generally presumed to exist when the company holds between 20 and 50 per cent of the voting rights.

Associates are incorporated in these financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost and adjusted thereafter to recognise the group's share of the profit or loss and other comprehensive income of the associate. If the group's share of losses of an associate exceeds the group's carrying amount of that associate, the group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the group has incurred legal or constructive obligations or made payments on behalf of the associate. Any excess of the cost of acquisition over the group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognised at the date of acquisition is recognised as goodwill, which is included in the carrying amount of the investment.

Any excess of the group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss. The requirements of IFRS 9 are applied to determine whether it is necessary to recognise any impairment loss with respect to the group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of assets as a single asset by comparing its recoverable amount (the higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the consolidated financial statements only to the extent of interests in the associate which are not related to the group. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the group. Share of income (loss) from associated companies is included in operating profit (loss) since the investments are considered an integral part of the group's operations.

CONSOLIDATION

The consolidated financial statements include the financial statements of the company and entities controlled by the company

(its subsidiaries). Control is achieved where the company is exposed, or has rights, to variable returns from its involvement with an entity, and has the ability to affect those returns through its power over the entity. This is generally presumed to exist when the company holds more than 50 per cent of the voting rights. The existence and effect of potential voting rights which are currently exercisable or convertible are also considered when assessing whether the company controls another entity. The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. A negative comprehensive income in the subsidiaries is attributed to the owners of the parent company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

In general, all group companies uses Norwegian General Accepted Accounting Principles when preparing their financial statements. Restatements are made to the financial statements to bring their accounting policies in line with those used by the group. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation. Changes in the group's ownership interests in subsidiaries which do not result in the group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the group's controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Such transactions do not affect the profit or loss statement. When the group loses control of a subsidiary, the profit or loss is calculated as the difference between (a) the aggregate of the fair value of the consideration received and the fair value of any retained interest, and (b) the previous carrying amount of the assets (including goodwill) and liabilities of the subsidiary and any non-controlling interests. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 Financial instruments or, when applicable, at the cost on initial recognition of an investment in an associate or a jointly controlled entity using the equity method.

BUSINESS COMBINATIONS

Where a business or a property is acquired through the acquisition of entities, management considers the substance of the assets and activities acquired. When acquiring a group of assets or net assets which do not constitute a business, the cost price is allocated between the individual identifiable assets and liabilities acquired on the basis of their relative fair value at the acquisition date.

Business combinations are accounted for using the acquisition method. The acquisition is recognised as the aggregate of the consideration transferred, measured at acquisition-date fair value, and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. Part of goodwill reflects the recognition of the deferred tax obligation at nominal value. Nominal value is higher than fair value, and the difference is included in goodwill.

When a business combination is achieved in stages, the group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (ie, the date when the group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date.

Subsequent changes to the fair value of any contingent consideration classified as a liability is recognised in profit or loss.

INVENTORY PROPERTY

IAS 2 Inventories defines inventories as assets held for sale in the ordinary course of business or in the process of production for such sale, or as materials or supplies to be consumed in the production process or in the rendering of services. The group has property which is land and buildings intended for sale in the ordinary course of business or which is in the process of construction or development for such sale. Inventories can thus comprise of land, property held for resale, property under development and construction, and completed units which are not sold.

Inventories are measured at the lower of cost and net realisable value.

The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present condition, and accumulated interest expenses. Capitalisation of attributable costs commences when it is more likely than not that the project will be realised. Other costs are included in the cost of inventories only to the extent that they are directly attributable to bringing the inventories to their present location and condition, including planning and design costs, for example.

Book value of undeveloped land is tested against net realisable value annually. If book value exceeds net realisable value, an impairment loss is recognized. If there are any indications of impairment, Management derives an internal assessment of the net realisable value of land in the form of a prognosis for the project. This prognosis builds on an external valuation, which can include factors such as expected housing prices and rate of return, government approvals and estimated construction costs.

When properties are sold, the carrying amount is recognised as a cost of sale of goods in the income statement for the period in which the related revenue is recognised.

INTANGIBLE ASSETS

i) Goodwill

Goodwill arising on the acquisition of a business is recognised in the balance sheet at the date of acquisition of the business. Goodwill is not amortised, but is tested for impairment annually. For the purposes of impairment testing, goodwill is allocated to each of the group's cash-generating units (or collections of cash-generating units) expected to benefit from synergies of the business combination.

Goodwill is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reducing the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised in profit or loss in the consolidated income statement. An impairment loss recognised for goodwill will not be reversed in subsequent periods. On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

REVENUE RECOGNITION

Revenue is measured at fair value of the consideration received or receivable for the sale of property and related transactions in the ordinary course of the group's activities, in accordance with IFRS 15 Revenue from contracts with customers.

i) Sale of property

Revenue from the sale of residential property (including any sale of projects under development and undeveloped land) is recognised when the control is transferred to the customer. Control is considered transferred at the time of delivery of the property to the customer. Property may be sold with a degree of continuing involvement by the seller, which may be commitments to complete construction of the property, or a seller guarantee of occupancy of a housing cooperative for a certain period of time.

When a property is sold, the buyer normally has to make an advance payment to an escrow account held by the estate agent. The group does not have a right to the advance payment before providing security in accordance with Norwegian regulations. When security is provided, the advance payment is released from the escrow account and recognised as received cash and other short-term debt (advance payment). When the property is completed, but before delivery, the customer pays the remaining consideration to the escrow account. When the property is delivered to the customer, the group recognises the consideration as revenue and as a trade receivable. When the legal title to the property has been transferred, or other security provided, the remaining consideration is released from the escrow account.

ii) Lease revenues

Rental income from leasing of property (operating leases in which the group is a lessor) is recognised on a straight-line basis over the term of the relevant lease and included in other revenues.

ii) Sale of services

Control over services is considered to be transferred to the customer as the service is delivered. Revenue from sale of services is recognised when the service is performed.

FINANCIAL ASSETS

Financial assets are initially recognised at fair value. Subsequent measurement depends on the classification of the assets, and currently the group only has financial assets which are held in the group's business model where the objective is to collect the contractual cash flows, and where the cash flows are solely payments of principal and interest, are measured at amortised cost.

All equity investments are subsequently measured at fair value. Changes in the fair value of these financial assets are recognised in Other gains/losses - net. Impairment losses (and reversal of impairment losses) on these equity investments are not reported separately from other changes in fair value.

Trade receivables

Trade receivables are amounts due from customers in the group's ordinary property development business and related services. Trade receivables are recognised initially at the amount of the consideration and measured at amortised cost where the financing components are insignificant. Impairment is recognised if there is evidence that the estimated future cash flow has been affected. The risk of impairment is low owing to the practice of making advance payments to escrow accounts.

Loans and other receivables

Loans and other receivables are held in the group's normal business model where the objective is to collect payment and interest when due, and measured at amortised cost using the effective interest method less any impairment. The receivables are classified as current unless they are due more than 12 months from the balance sheet date.

FINANCIAL LIABILITIES

Financial liabilities are recognised initially at fair value and subsequently measured at amortised cost.

Borrowings

Borrowings are recognised initially at the received amount,net of transaction expenditures incurred, and subsequentlymeasured at amortised cost. Any difference between the proceeds (net of transaction expenditures) and the nominal value is recognised in the income statement over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the group has an unconditional right at the balance sheet date to defer settlement of the liability for at least 12 months.

Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. If the interest element is insignificant, trade payables are carried at the original invoice amount.

SEGMENT INFORMATION

Operating segments are reported in a manner consistent with the internal reporting provided to the joint management group and board of directors. This group is responsible for allocating resources and assessing performance of the operating segments.

The segment results are reconciled to the operating results for the group in note 8.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents as presented in the statement of cash flows include cash in hand, bank deposits and other highly liquid investments with original maturities of three months or less. The cash flow statement is prepared using the indirect method. Interest payments are classified as operational cash flows.

INCOME TAX

Income tax expense represents current tax expense and changes in deferred tax expense.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because of items of income or expense which are taxable or deductible in other years and items which are never taxable or deductible. The group's liability for current tax is calculated using tax rates which have been enacted or substantively enacted by the end of the reporting period.

Changes in deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction which affects neither the taxable profit nor the accounting profit. Deferred tax is also recognised for temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered in the foreseeable future. Deferred tax assets and liabilities are measured at the tax rates which are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) which have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences which would follow from the manner in which the group expects to recover or settle the carrying amount of its assets and liabilities.Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items which are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

EQUITY

An equity instrument is any contract which evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the group are recognised at the proceeds received, net of direct issue expenditures (net of income tax).

FUNCTIONAL AND PRESENTATION CURRENCY

(i) Functional and presentation currency

Items included in the individual financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in NOK, which also is the functional currency of the parent company and all subsidiaries that are consolidated.

(ii) Transactions and balances

In preparing the financial statements of each individual entity, transactions in currencies other than the entity's functional currency are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items which are measured in terms of historical cost in a foreign currency are not retranslated in subsequent periods.

LEASING

The group has adopted IFRS 16 Leasing. Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

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.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

Accounting principles Holmetjern Invest-Company

Basic principles

The financial statements have been prepared in accordance with the provisions of the Norwegian Accounting Act and accounting principles generally accepted in Norway, including Norwegian accounting standards.

Principles for income recognition

Income from the sale of services is recognized at the time the service is performed. Costs are recognized in accordance with the matching principle, i.e. costs are recognized in the same period as the associated income.

Assessment and classification of assets and liabilities

Fixed assets comprise assets intended for permanent ownership and use. Fixed assets are valued at acquisition cost. Tangible fixed assets are capitalized and depreciate over the economic life of the asset.

Fixed assets are written down to net recoverable value when a decrease in value is deemed to be permanent. The recoverable value shall be the higher of net market value and value of use. Value of use is equal to the current value of future cash flows generated by the asset. Write-downs are reversed when the basis for the write-down no longer applies.

Current assets and short-term liabilities normally include items that fall due for payment within one year of the balance sheet date, as well as items that are associated with the normal operating cycle. Current assets are valued at the lower of original cost or presumed recoverable value.

Tangible fixed assets

Tangible fixed assets are capitalized and depreciated linearly across the service lifetime of the asset, provided that their service lifetime exceeds 3 years and their cost of acquisition exceeds NOK 15,000.

Short-term receivables

Short-term receivables are recognized at face value. Provisions for loss have been made whenever it has been deemed necessary.

Inventory

Inventory is valued at the lower of cost or net recoverable value. The company's inventory comprises a plot of land under development. Inventory is recognized at cost, including consulting fees, wages and other direct and indirect development costs. The net recoverable value is the estimated sales price less costs incurred in connection with completion and sale of the property.

Shares and units in other companies and bonds

Shares and units acquired as long-term investments are classified as fixed assets.

Market-based share and bond investments are classified as current assets and valued at the lower of original cost and market value on the balance sheet date, cf. Section 5-2 of the Accounting Act.

Taxes

Taxes included in the profit and loss statement include both the period's payable taxes and changes in deferred taxes. Deferred tax is calculated at 22 percent on the basis of temporary differences that exist between accounting and tax values, as well as tax-related losses to be brought forward at the end of the accounting year. Tax-increasing and tax-reducing temporary differences that are or may be reversed during the same period have been assessed and the net value brought forward.

2 Critical estimates, judgements and errors

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.

This note provides an overview of the areas that involved 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 other notes together with information about the basis of calculation for each affected line item in the financial statements. In addition, this note also explains where there have been actual adjustments this year as a result of an error and of changes to previous estimates.

Significant estimates and jugdements

Inventory property

The net realizable value is the estimated as selling price adjusted for the total cost of completion. In determining the value of inventory property, management carries out an assessment of relevant factors. This would be factors like location, timeframe and macroeconomic factors like interest rate development. In addition to this, estimations are made regarding price levels and building cost. This is performed in close cooperation with external advisors like real estate brokers, and also with input from various entrepreneurs. Managements estimate on net realizable value will then be discussed with external valuation experts to compare the management assessment of net present value with the external experts assessment of value.

Fair value - financial assets

The main part of the investments are related to real estate companies, where net realizable value is estimated as described above, and then used as basis for the valuation of the investments.

3 Segment information

The group's management team and board of directors jointly, examines the group's performance from business perspective and has the view that they only have one reporable segment, real estate. The different real estate activitiess of the group is done through different legal entities, with similar business activity. Management monitor and follows up on a company by company basis.

4 Inventories

	30.06.2019	30.06.2018	31.12.2018
	000'NOK	*000'NOK*	*000'NOK*
Property portfolio			
Holmetjern Invest AS	32 405	32 405	32 405
Overvik Utvikling AS	420 979	390 725	404 235
Overvik Lokalsenter AS	48 486	48 347	47 218
Opsahlhaven AS	14 599	13 944	14 212
Total property inventory	516 470	485 421	498 071
Other inventory	8 520	6 908	8 520
Total	524 990	492 328	506 590

Borrowing costs on external land loans in group entity that owns the inventory property, are capitalised from the day the group initiaties activities to develop the property. Borrowing costs are recognised in profit and loss as part of the cost of sales when the units are delivered.

	30.06.2019	30.06.2018	31.12.2018
	000'NOK	*000'NOK*	*000'NOK*
Land cost	392 634	392 634	392 634
Borrowing cost prior years	32 242	13 171	13 171
Capatilized borrowing costs this year	10 049	13 557	19 071
Capatilized project costs	81 544	66 058	73 194
Total	516 470	485 421	498 071

All inventory property is accounted for at historic cost as no impairment to net realisable value is made

The inventory is accounted for at historical cost, and does not reflect the current fair value.
The market value of the inventory is assessed to be higher.

HOLMETJERN INVEST

5 Maturities, terms and conditions of financial liabilities

The tables below shows the group's financial liabilities into relevant maturity groupings based on their contractual maturities.

Contractual maturities of financial liabilities	**Less than 1 year**	**Between 1 to 2 years**	**More than 2 years**	**Carrying amount (assets)/ liabilities**
At 30.06.19	*NOK'000*		*NOK'000*	*NOK'000*
Bond loan*	0	0	200 000	200 000
Bank loans**	233	150 467	50 640	201 340
Other long-term borrowings	0	22 950	141 850	164 800
Short-term loans borrowings	158 808		0	158 808
Total	159 041	173 417	392 490	724 948

Coventants related to Financial liabilities

*Covenants related to bond loan Holmetjern Invest (Company) :

Net Loan To Value < 65%, Liquidity > NOK 20 millions

Bondholders holds a charge against the shares of Holmetjern Invest AS

The loan is due for redemption in 2022

Yhe bond is interest-only through the loan period, which ends in February 2022

Bond loan	**Amount 30.06.19**	**Intrest pr 30.6.19**	**Amount 31.12.2018**	**Interest 2018**
NO0010815632Holme 18/22	190 947	8 243	191 900	13 277
		Cost pr 30.06.19	**Capitalized as of 30.6.19**	
		1 150	-8 053	

Accured costs associated with the bond is recorded against Bond in the balance sheet and expensed linear

**Covenants related to long term bank loan Overvik Lokalsenter:

Liquidity > NOK 4 millions

HOLMETJERN INVEST

6. Current net assets

Group

	30.06.2019	**30.06.2018**
	NOK'000	*NOK'000*
Current assets		
Cash and cash equivalens	50 517	60 744
Other Current assets	556 694	493 660
Current liabilities	161 471	125 740
Current net assets	**445 740**	**428 664**

Company

	30.06.2019	**30.06.2018**
	NOK'000	*NOK'000*
Current assets		
Cash and cash equivalens	25 040	47 632
Other Current assets	101 799	51 398
Current liabilities	17 157	52 083
Current net assets	**109 682**	**46 947**

7. Cash and Cash equivalents

Group:

	30.06.2019	**30.06.2018**
Restricted cash	24 000	24 000
Cash and Cash equivalents	50 493	60 720
Total Cash and cash equivalents	50 517	60 744
Cash and Cash equivalents pledged as security	8 475	0

Company:

	30.06.2019	**30.06.2018**
Restricted cash	20 000	20 000
Cash and Cash equivalents	5 040	27 632
Total Cash and cash equivalents	25 040	47 632

8 Related parties

Parent entities

The group is controlled by the following entities:

Name	Type	Place of incorporation	Ownership interest 30.06.2019	30.06.2018
Selmer Holding AS 1)	Ultimate parent entity and controlling party	Trondheim	71,25 %	71,25 %
Snowy Invest AS 2)		Trondheim	23,75 %	23,75 %
Singsaker Eiendom AS 3)		Trondheim	5,00 %	5,00 %

1)This company is solely owned by CEO Kolbjørn Opsahl Selmer.

2) This company is solely owned by board member Karl Albrecht Opsahl Selmer

3) This company is solely owned by chariman of the board Endre Kolbjørnsen

Group:

Transactions with and loans to/from related parties

	30.06.2019	30.06.2018
	NOK'000	NOK'000
Purchase of management services from parent company	14 738	5 381
Loans from key management personnel *	218 837	268 900
Loans from parent company and other ownership companies	43 382	29 442
Loans to associates	66 572	28 877

*Loan from key managing personell is related do purchase of land/property in 2016. The loan is charged with a intrest rate of NIBOR+2%, and has a downpayment plan over maximum 15 years (minimum downpayment rates of MNOK 15 per year). The loan giver has a 2nd priority security in the sold property until the loan is fully repaied.

Loans from parent companies are charged with a intrest rate from 4-8%. Unpayed dividens are not charged with interest until the year after the dividend is given.

Loans to associates are normally charged with an intrest rate from 3-8%. High risk loans are charged with an intrest rate of 15%

Loans to associates are unsecured and are repayable in cash.

Loans to associates are repayable in a period of 1-3 years from the reporting date

There are not recognized any impairments in loans to associates.

Company:

Transactions with and loans to/from related parties

	30.06.2019	30.06.2018
	NOK'000	NOK'000
Purchase of management services from parent company	8 895	1 875
Loans from parent company and other ownership companies	43 382	29 442
Intrest paid on loans from parent companies and other ownership companies	1 202	880