

# **Opin Kerfi Group hf.**

## **Consolidated Financial Statements 2008**

Opin Kerfi Group hf.  
Lyngháls 9  
110 Reykjavík

Reg. no. 530891-1439

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# Endorsement and Signatures of the Board of Directors and the CEO

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The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by EU. The company's role is to provide their customers with complete solutions in the information technology sector. The financial statements comprise the consolidated financial statements of Opin Kerfi Group hf. and its subsidiaries.

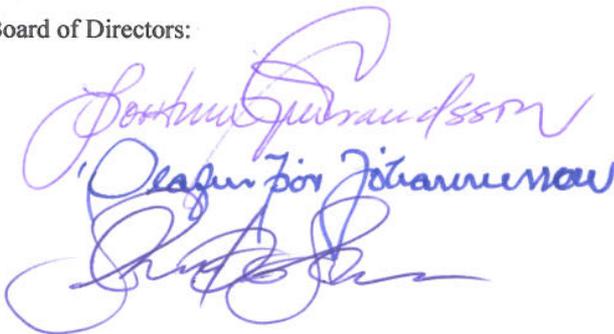
According to the income statement, loss for the year amounted to ISK 892 million. The total operating revenue for the year amounted to ISK 7.804 million. According to the balance sheet, the assets amounted to ISK 3.649 million. At year-end equity amounted to 1.243 ISK million. Changes in equity is further explained in the notes to the consolidated financial statements.

The Company's total issued capital amounted to ISK 209 million. Share capital at the year-end is owned by Hands Holding hf. as in the beginning of the year.

The Board of Directors and the CEO of Opin Kerfi Group hf. hereby confirm the Company's consolidated financial statements for the year-ended 2008 by means of their signatures.

Reykjavík, July 2, 2009.

Board of Directors:



The image shows three distinct handwritten signatures in blue ink, arranged vertically. The top signature is the most legible and appears to be 'Pörtun Guðmundsson'. The middle signature is partially obscured and appears to be 'Ólafur Þór Jóhannsson'. The bottom signature is highly stylized and difficult to decipher.

CEO:



The image shows a single handwritten signature in blue ink, which appears to be 'Eli Þóroddsson'.

# Independent Auditors' Report

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To the Board of Directors and Shareholder of Opin Kerfi Group hf.

We have audited the accompanying consolidated financial statements of Opin kerfi Group hf. and its subsidiaries (the "Group"), which comprise the report by the Board of Directors, the balance sheet as at December 31, 2008, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

## **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the EU. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

## **Auditor's Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of Opin kerfi Group hf. as at December 31, 2008, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Reykjavík, July 2, 2009.

**KPMG hf.**



# Consolidated Income Statement

## for the year ended 31 December 2008

	Note	2008	2007 Restated*
<b>Continuing operations:</b>			
Sales of goods .....		7.797.397	6.120.848
Other income .....		6.873	7.681
Total revenue .....		7.804.270	6.128.529
Cost of goods sold .....		3.963.456	3.319.219
Salaries and salary-related expenses .....	8	2.715.368	2.213.599
Other operating expenses .....		786.834	679.301
Total revenue .....		7.465.658	6.212.119
<b>EBITDA</b> .....		338.612	(83.590)
Depreciation and amortisation .....	14	(95.282)	(68.890)
Impairment loss on goodwill .....	15	(1.013.728)	(598.311)
Finance income .....	11	481.759	3.753
Finance expenses .....	11	(18.970)	(53.571)
<b>Loss before income tax</b> .....		(307.609)	(800.609)
Income tax .....	12	(82.859)	(40.973)
<b>Loss from continuing operations</b> .....		(390.468)	(841.582)
<b>Discontinued operations:</b>			
(Loss) profit from discontinued operations (net of income tax) .....	7	( 501.907 )	1.010.923
<b>( Loss ) profit for the year</b> .....	6	( 892.375 )	169.340
<b>Earnings per share:</b>			
Basic (loss) earnings per share of ISK 1 .....		( 4,27 )	0,81
<b>Continuing operations:</b>			
Basic (loss) earnings per share of ISK 1 .....		( 1,87 )	( 4,03 )

\* See discontinued operations (note 7).

The notes on pages 9 to 25 are an intergral part of these consolidated financial statements.

# Consolidated Balance Sheet

## as at 31 December 2008

	Note	2008	2007
<b>Assets:</b>			
Fixed assets .....	13	132.851	115.331
Intangible assets .....	15	1.073.766	1.678.086
Investments in companies .....	16	1.412	1.514
Total non-current assets		<u>1.208.029</u>	<u>1.794.931</u>
Inventories .....		9.352	43.914
Trade and receivables .....	17	1.974.545	1.712.353
Receivable on parent company .....		379.909	702.580
Cash and cash equivalents .....		76.861	45.111
Total current assets		<u>2.440.667</u>	<u>2.503.957</u>
<b>Total assets</b>		<u><u>3.648.696</u></u>	<u><u>4.298.888</u></u>
<b>Equity:</b>			
Share capital .....	18	208.921	208.921
Share premium .....		747.086	833.410
Reserve .....		286.906	29.915
Retained earnings .....		0	806.051
Total equity		<u>1.242.913</u>	<u>1.878.297</u>
<b>Liabilities:</b>			
Deferred income-tax liability .....	19	231.893	203.788
Loans and borrowings .....	20	0	59.506
Total non-current liabilities		<u>231.893</u>	<u>263.294</u>
Loans and borrowings .....		188.723	403.335
Current maturities .....	20	64.681	167.871
Trade and other payables .....	22	1.920.486	1.586.091
Total current liabilities		<u>2.173.890</u>	<u>2.157.297</u>
Total liabilities		<u>2.405.783</u>	<u>2.420.591</u>
<b>Total equity and liabilities</b>		<u><u>3.648.696</u></u>	<u><u>4.298.888</u></u>

The notes on pages 9 to 25 are an intergral part of these consolidated financial statements.

# Consolidated Statement of changes in Equity

## as at 31 December 2008

	Share capital	Share premium	Reserve	Retained earnings	Total equity
Equity 1.1.2007 .....	208.921	833.410	99.210	636.711	1.778.252
Translation difference .....			( 69.294)		( 69.294)
Profit for the year .....				169.340	169.340
Equity 1.1.2008 .....	208.921	833.410	29.916	806.051	1.878.297
Translation difference .....			256.990		256.990
Transferred from share premium .....		( 86.324)		86.324	
Loss for the year .....				( 892.375)	( 892.375)
Equity 31.12.2008 .....	208.921	747.086	286.906	0	1.242.913

The notes on pages 9 to 25 are an intergral part of these consolidated financial statements.

# Consolidated Statement of Cash Flows

For the year ended 31 December 2008

	Notes	2008	2007
<b>Cash flows from operating activities:</b>			
Net earnings.....		( 892.375)	169.340
Operating activities that do not affect cash flows.....		417.421	( 249.301)
Changes in operating assets and liabilities.....		271.693	130.921
Impairment loss.....	15	1.013.728	0
Interest expenses paid.....		( 18.970)	( 84.080)
Interest income received.....		14.198	9.260
Income taxes paid.....		( 84.340)	16.140
<b>Working capital from (used in) operating activities</b>		<u>721.355</u>	<u>( 7.720)</u>
<b>Cash flows from investing activities:</b>			
Investment in fixed assets.....	13	( 52.232)	( 36.957)
Proceeds from the sale of shares in other companies.....		0	1.800.000
Net change due to discontinued operations.....		0	( 167.528)
<b>Net cash from investing activities</b>		<u>( 52.232)</u>	<u>1.595.515</u>
<b>Cash flows from financing activities:</b>			
Long-term debt and borrowings, change.....		( 493.619)	( 1.737.942)
Short-term debt, change.....		( 142.783)	14.960
<b>Net cash from financing activities</b>		<u>( 636.402)</u>	<u>( 1.722.982)</u>
<b>Increase (decrease) in Cash and Cash Equivalents .....</b>		<b>32.721</b>	<b>( 135.187)</b>
<b>Effect of exchange rate fluctuations on cash held .....</b>		<b>( 971)</b>	<b>( 3.319)</b>
<b>Cash and Cash Equivalents at the beginning of the Year .....</b>		<u>45.111</u>	<u>183.617</u>
<b>Cash and Cash Equivalents at the end of the Year .....</b>		<u>76.861</u>	<u>45.111</u>

The notes on pages 9 to 25 are an integral part of these consolidated financial statements.

# Notes to the Consolidated Financial Statements

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## Significant accounting policies

### 1. Reporting entity

Opin Kerfi Group hf. is a company domiciled in Iceland. The address of the Company's registered office is Lynghóls 9, Reykjavík. The consolidated financial statements of the Company as at and for the year ended 31 December 2008 comprise the Company and its subsidiaries (together referred to as the "Group").

The company's role is to provide their customers with complete solutions in the IT sector.

### 2. Basis of preparation

#### a. *Statement of compliance*

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by EU. The financial statements were approved by the Board of Directors on 29 May 2009.

#### b. *Basis of measurement*

The consolidated financial statements have been prepared on the historical cost basis, except financial assets designated at fair value through profit and loss are measured at fair value. The methods used to measure fair values are discussed further in note 4.

#### c. *Functional and presentation currency*

These consolidated financial statements are presented in ISK, which is the Company's functional currency. All financial information presented in ISK has been rounded to the nearest thousand.

#### d. *Use of estimates and judgements*

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

### 3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities. When an operation is classified as a discontinued operation, the comparative income statement is re-presented as if the operation had been discontinued from the start of the comparative period.

#### a. *Basis of consolidation*

##### (i) *Subsidiaries*

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

## Notes, contd.:

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### a. *Basis of consolidation, contd.:*

#### (ii) *Transactions eliminated on consolidation*

Intra-group balances and any unrealised gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

### b. *Foreign currency*

#### (i) *Foreign currency transactions*

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss.

#### (ii) *Foreign operations*

The assets and liabilities of foreign operations, including goodwill, are translated to ISK at exchange rates at the reporting date. The income and expenses of foreign operations, are translated to ISK at exchange rates at the dates of the transactions. Foreign currency differences are recognised directly in equity in the foreign currency translation reserve.

#### (iii) *Hedge of net investment in foreign operation*

Foreign currency differences arising on the retranslation of a financial liability designated as a hedge of a net investment in foreign operation are recognised directly in equity, in the FCTR, to the extent that the hedge is effective. To the extent that the hedge is ineffective, such differences are recognised in profit or loss. When the hedged net investment is disposed of, the cumulative amount in equity is transferred to profit or loss as an adjustment to the profit or loss on disposal.

### c. *Financial instruments*

#### (i) *Non-derivative financial instruments*

Non-derivative financial instruments comprise investments in equity, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs, except as described below. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, i.e., the date that the Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

## Notes, contd.:

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(i) *Non-derivative financial instruments, contd.:*

Cash and cash equivalents comprise cash balances, call deposits and marketable securities that are readily convertible to known amounts of cash and are subject to insignificant risk of change in value.

Accounting for finance income and expense is discussed in note 3.k.

(ii) *Derivative financial instruments*

The Company holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures. Derivatives are recognised initially at fair value. Subsequent to initial recognition, derivatives are measured at fair value and changes therein are recognised in the income statement.

(iii) *Repurchase of share capital*

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity.

d. **Fixed assets**

Fixed assets are capitalized at cost value less depreciation.

When parts of an item of fixed assets have different useful lives, they are accounted for as separate items (major components) of fixed assets.

(i) *Subsequent costs*

The cost of replacing part of an item of fixed assets is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of fixed assets are recognised in profit or loss as incurred.

(ii) *Depreciation*

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each operating asset.

Software and equipment .....	3-5 years
Vehicles .....	5 years

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

e. **Intangible assets**

(i) *Goodwill*

Goodwill represents amounts arising on acquisition of subsidiaries. Goodwill is stated at cost less any accumulated impairment losses.

f. **Inventories**

Inventories are valued at the lower of price or market. Market value is estimated sales price less estimated sales cost.

Inventory cost is based on the "first in, first out" rule which is used in valuation of inventories and includes cost that has accrued in the purchase of the inventories and in bringing them to their current place and current state.

g. **Accounts receivables and other receivables**

Accounts receivables and other receivables are stated at cost less impairment losses.

## Notes, contd.:

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### h. **Impairment**

The carrying amounts of the Company's assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For intangible assets impairment tests are done at least once a year.

An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount.

The recoverable amount of assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss in respect of goodwill is not reversed. An impairment loss in respect of other assets is reversed if the increase can be related to calculation of recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized.

### i. **Provisions**

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

#### (i) **Warranties**

A provision for warranties is recognised when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

#### (ii) **Onerous contracts**

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract.

### j. **Revenue**

#### (i) **Goods sold**

Revenue from the sale of goods is recognized in the income statement when the significant risks and rewards of ownership have been transferred to the buyer. Revenue from services rendered is recognized in the income statement in proportion to the stage of completion of the transaction at the balance sheet date. No revenue is recognized if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

### k. **Finance income and expenses**

Finance income comprises interest income on funds invested, dividend income, changes in the fair value of financial assets at fair value through profit or loss, foreign currency gains, and gains on hedging instruments that are recognised in profit or loss. Interest income is recognised as it accrues, using the effective interest method. Dividend income is recognised on the date that the Group's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

## Notes, contd.:

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### k. *Finance income and expenses, contd.:*

Finance expenses comprise interest expense on borrowings, unwinding of the discount on provisions, foreign currency losses, changes in the fair value of financial assets at fair value through profit or loss and impairment losses recognised on financial assets. All borrowing costs are recognised in profit or loss using the effective interest method.

### l. *Income tax expense*

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

### m. *Discontinued operations*

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When operation is classified as discontinued operation, the comparative income statement is re-presented as if the operation had been discontinued from the start of the comparative period.

### n. *Earnings per share*

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

### o. *Segment reporting*

A segment is a distinguishable component of the Group that is engaged either in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Group's primary format for segment reporting is based on business segments.

## Notes, contd.:

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p. *New standards and interpretations not yet adopted*

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2008, and have not been applied in preparing these consolidated financial statements.

- IFRS 8 *Operating Segments* introduces the “management approach” to segment reporting. IFRS 8, which becomes mandatory for the Group’s 2009 consolidated financial statements, will require a change in the presentation and disclosure of segment information based on the internal reports regularly reviewed by the Group’s Chief Operating Decision Maker in order to assess each segment’s performance and to allocate resources to them. Currently the Group presents segment information in respect of its business segments (see note 6).
- Revised IAS 23 *Borrowing Costs* removes the option to expense borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The revised IAS 23 will become mandatory for the Group’s 2009 consolidated financial statements and will not constitute a change in accounting policy for the Group. Therefore there will be no impact on prior periods in the Group’s 2009 consolidated financial statements.
- IFRIC 13 *Customer Loyalty Programmes* addresses the accounting by entities that operate, or otherwise participate in, customer loyalty programmes under which the customer can redeem credits for awards such as free or discounted goods or services. IFRIC 13, which becomes mandatory for the Group’s 2009 consolidated financial statements will have no impact on the Group’s financial statements.
- Revised IAS 1 *Presentation of Financial Statements (2007)* introduces the term total comprehensive income, which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the income statement and all non-owner changes in equity in a single statement), or in an income statement and a separate statement of comprehensive income. Revised IAS 1, which becomes mandatory for the Group’s 2009 consolidated financial statements, is expected to have a impact on the presentation of the consolidated financial statements.
- Amendments to IAS 32 *Financial Instruments: Presentation* and IAS 1 *Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation* requires puttable instruments, and instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation, to be classified as equity if certain conditions are met. The amendments, which become mandatory for the Group’s 2009 consolidated financial statements, with retrospective application required, are not expected to have any impact on the consolidated financial statements.
- *IFRS 3 (revised in 2008)* and amended IAS 27 will become mandatory for the Group’s 2010 Financial Statements, if endorsed by the EU. The carrying amounts of any assets and liabilities that arose under business combinations prior to the application of IFRS 3 (revised in 2008) are not adjusted while most of the amendments to IAS 27 must be applied retrospectively. The Group has not yet determined the potential effect of IFRS 3 (revised in 2008) and amended IAS 27 on the consolidated financial statements.

*IFRIC 11 IFRS 2 – Group and Treasury Share Transactions* requires a share-based payment arrangement in which an entity receives goods or services as consideration for its own equity instruments to be accounted for as

- an equity-settled share-based payment transaction, regardless of how the equity instruments are obtained. IFRIC 11 will become mandatory for the Group’s 2008 financial statements, with retrospective application required. IFRIC 11 is not expected to have any impact on the consolidated financial statements.
- *IFRIC 12 Service Concession Arrangements* provides guidance on certain recognition and measurement issues that arise in accounting for public to-private service concession arrangements. IFRIC 12, which becomes mandatory for the Group’s 2008 financial statements if endorsed by the EU, will have no effect on the consolidated financial statements.

## Notes, contd.:

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p. *New standards and interpretations not yet adopted, contd.:*

- IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction clarifies when refunds or reductions in future contributions in relation to defined benefit assets should be regarded as available and provides guidance on the impact of minimum funding requirements (MFR) on such assets. It also addresses when a MFR might give rise to a liability. IFRIC 14 will become mandatory for the Group's 2008 financial statements if endorsed by the EU, with retrospective application required. The Group has not yet determined the potential effect of the interpretation on the consolidated financial statements.

#### 4. Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(i) *Fixed assets*

The fair value of fixed assets recognised as a result of a business combination is based on market values. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The market value of items of equipment is based on the quoted market prices for similar items.

(ii) *Inventory*

The fair value of inventory acquired in a business combination is determined based on its estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventory.

(iv) *Trade and other receivables*

The fair value of trade and other receivables, is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

#### 5. Financial risk management

##### Overview

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

##### Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities.

## Notes, contd.:

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### **Credit risk, contd.:**

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined on historical data of payment statistics for similar financial assets.

### **Liquidity risk**

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group's financial instruments include investments in equity investments which are not traded in an organised public market and which generally may be illiquid. As a result, the Group may not be able to liquidate quickly some of its investments in these instruments at an amount close to its fair value in order to meet its liquidity requirements, or to respond to specific events such as deterioration in the credit-worthiness of any particular issuer. To mitigate this risk the Group has a policy of minimum available cash at any given time.

### **Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

### **Currency risk**

The Group is exposed to a currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of Group entities, primarily the Swedish and Danish krona.

### **Interest rate risk**

The majority of the Group's financial assets are non-interest bearing. As a result, the Group is subject to limited exposure to fair value interest rate risk due to fluctuations in the prevailing levels of market interest rates when it comes to assets. The Group is however exposed to interest risk from interest bearing liabilities and that risk is mitigated by active risk management.

## **6. Segment reporting**

Segment information is presented in respect of the Group's business and geographical segments. The primary format, business segments, is based on the Group's management and internal reporting structure. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Kerfi A/S, a Group Company domiciled in Denmark was declared bankrupt in the year 2008 and the Group sold all of its shares in Opin Kerfi ehf., a wholly owned subsidiary in Iceland as of October 10th 2007.

### ***Business segments***

Merchandise and related service - sale to public and companies and related service.

Sales of computer and software are included in goods but service and counsel to customers are included in service.

### ***Geographical Segments***

In presenting information on the basis of geographical segments, segments revenue and assets are based on the location and registration of assets.

## Notes, contd.:

### 6. Segment reporting, contd.:

#### Business segments 2008

Revenue from third party:	Product	Service	Eliminations	Consolidated
Goods and service sold .....	4.340.656	3.456.741	0	7.797.397
Other revenue .....	6.873	0	0	6.873
Income from third party total .....	4.347.529	3.456.741	0	7.804.270
Income within the Group .....	0	47.453	( 47.453)	0
Total revenue .....	4.347.529	3.504.194	( 47.453)	7.804.270
Operating expense of segment .....	( 4.388.603)	( 3.124.508)	47.453	( 7.465.658)
<b>Operating (loss) profit before depreciation (EBITDA)</b> .....	( 41.074)	379.686	0	338.612
Impairment loss .....	( 1.013.728)			( 1.013.728)
Depreciation and amortization .....	( 19.054)	( 76.228)	0	( 95.282)
<b>Operating ( loss ) profit (EBIT)</b> .....	( 60.128)	303.458	0	( 770.398)
Financial income and expenses .....	( 2.815)	465.604		462.789
Loss from discontinued operations .....				( 501.907)
Impairment loss .....				0
Income tax .....	9.716	( 92.575)		( 82.859)
<b>Net earnings</b> .....				( 892.375)
Segment assets .....	503.531	3.145.165		3.648.696
Total assets .....				3.648.696
Segment liabilities .....	317.993	2.087.789		2.405.783
Total debt .....				2.405.783

#### Business segments 2007

Revenue from third party:	Product	Service	Eliminations	Consolidated
Goods and service sold .....	4.349.497	1.779.032	0	6.128.529
Other revenue .....	0	0	0	0
Income from third party total .....	4.349.497	1.779.032	0	6.128.529
Income within the Group .....		38.545	( 38.545)	0
Total revenue .....	4.349.497	1.817.577	( 38.545)	6.128.529
Operating expense of segment .....	( 4.750.662)	( 1.500.002)	38.545	( 6.212.119)
<b>Operating (loss) profit before depreciation (EBITDA)</b> .....	( 401.165)	317.575	0	( 154.954)
Depreciation and impairment .....	( 667.201)	0	0	( 667.201)
<b>Operating ( loss ) profit (EBIT)</b> .....	( 1.068.366)	317.575	0	( 750.791)
Financial income and expenses .....				( 49.818)
Effect of discontinued operations .....				1.010.923
Income tax .....				( 40.973)
<b>Net earnings</b> .....				169.340
Segment assets .....	3.949.865	163.456	0	4.113.321
Unallocated assets .....				185.567
Total assets .....				4.298.888
Segment liabilities .....	1.548.418	479.470	0	2.027.888
Unallocated debt .....				392.703
Total debt .....				2.420.591

## Notes, contd.:

### 6. Segment reporting, contd.:

<b>Geographical Segments 2008</b>	Iceland	Denmark	Sweden	Total
Operating revenue .....			7.804.270	7.804.270
Operating expenses before depreciation .....	( 48.869)		( 7.416.789)	( 7.465.658)
<b>Operating income before depreciation (EBITDA) .....</b>	<b>( 48.869)</b>		<b>387.481</b>	<b>338.612</b>
Depreciation and amortization .....	0		( 95.282)	( 95.282)
Impairment .....	0		( 1.013.728)	( 1.013.728)
Net financial income (expenses) .....	538.511		( 75.722)	462.789
Income tax .....	( 32.146)		( 50.713)	( 82.859)
Effect of discontinued operations .....		( 501.907)		( 501.907)
<b>Net earnings .....</b>	<b>457.496</b>	<b>0</b>	<b>( 847.964)</b>	<b>( 892.375)</b>
Region assets .....	362.633	0	3.286.063	3.648.696
<b>Geographical Segments 2007</b>				
Operating revenue .....			6.128.529	6.128.529
Operating expenses before depreciation .....	( 95.421)		( 6.116.698)	( 6.212.119)
<b>Operating income before depreciation (EBITDA) .....</b>	<b>( 95.421)</b>		<b>11.831</b>	<b>( 83.590)</b>
Depreciation and amortization .....	0		( 667.201)	( 667.201)
Net financial income (expenses) .....	( 10.179)		( 39.639)	( 49.818)
Income tax .....	( 66.937)		25.964	( 40.973)
Gain on sale of discontinued operations, net of income tax .....	1.100.468			1.100.468
Effect of discontinued operations .....		( 89.545)		( 89.545)
<b>Net earnings .....</b>	<b>927.931</b>	<b>( 89.545)</b>	<b>( 669.045)</b>	<b>169.340</b>
Region assets .....	663.275	2.895.631	739.982	4.298.888

### 7. Discontinued operations

In the year 2008 the subsidiary Kerfi A/S in Denmark was declared bankrupt. The subsidiary is presented as a discontinued operation in the year 2008. Comparative figures for the year 2007 in the income statement have been restated in accordance. The parent companies total obligations concerning Kerfi A/S amount to approximately 510 millj. IKR. The board of the parent company has been negotiating with the creditors to pay 22% of the total amount.

In October 2007 the Company sold its entire share in the wholly owned subsidiary Opin kerfi ehf. As a result, the comparative figures in the income statement represent both discontinued operations due to Kerfi A/S and Opin kerfi ehf.

<b>Results of discontinued operation</b>	2008	2007
Revenue .....	988.611	4.747.200
Expenses .....	( 1.093.092)	( 4.724.453)
Results from operating activities .....	( 104.481)	22.747
Net finance income .....	( 12.102)	( 22.806)
Income tax expense .....	28.892	9.703
Results from operating activities, net of income tax .....	( 87.691)	9.644
Impairment loss due to the bankruptcy of Kerfi A/S .....	( 414.216)	0
Profit from sale of shares, net of income tax .....	0	1.001.279
	<b>( 501.907)</b>	<b>1.010.923</b>

## Notes, contd.:

### 7. Discontinued operations, contd.:

#### Cash flows from discontinued operation

Net cash from operating activities .....	( 14.223)	38.557
Net cash from investing activities .....	( 1.087)	( 2.969)
Net cash used in financing activities .....	15.426	0
Net cash from discontinued operations .....	<u>116</u>	<u>35.588</u>

### Personnel expenses

8. Personnel expenses are specified as follows:

	2008	2007
Salaries .....	1.854.700	1.463.325
Other salary related expenses .....	860.668	750.274
Total .....	<u>2.715.368</u>	<u>2.213.599</u>
Average number of employees during the period .....	288	361

9. Salaries to Company Management for work performed for Group companies are specified as follows:

Managing directors total .....	62.545	32.329
Gunnlaugur M. Sigmundsson, Chairman of the Board .....	-	1.950
Skúli Valberg Ólafsson, vice chairman .....	-	975
Bjarni Birgisson, board member .....	-	975
Vilhjálmur Þorsteinsson, board member .....	-	975
Örn Karlsson, board member .....	-	975

10. Auditors' fees are specified as follows:

Audit of the financial statements .....	9.857	9.597
Review of Interim Financial Statements .....	539	1.755
Other services .....	2.089	501
Total auditors' fees .....	<u>12.485</u>	<u>11.853</u>
Thereof remuneration to others than KPMG Iceland .....	<u>9.820</u>	<u>9.512</u>

### Finance income and expense

11. Finance income is specified as follows:

Interest income .....	14.226	3.753
Exchange rate difference .....	467.533	0
Finance income total .....	<u>481.759</u>	<u>3.753</u>

Finance expense is specified as follows:

Financial expense from bank loan .....	( 6.076)	( 53.095)
Exchange rate difference .....	0	( 2.707)
Other financial expense .....	( 12.894)	( 1.522)
Finance expenses total .....	<u>( 18.970)</u>	<u>( 57.324)</u>
Net finance income and expense .....	<u>462.789</u>	<u>( 53.571)</u>

## Notes, contd.:

### Income tax expense

#### 12. Effective tax rate:

		2008		2007
Loss before tax .....		( 307.609)		( 800.609)
Income tax using Parent corporation tax rate .....	15,0%	( 46.141)	18,0%	( 144.110)
Effects of tax ratios in foreign jurisdictions .....	( 7,1%)	21.974	26,6%	( 81.827)
Non-deductible expenses .....	( 34,9%)	107.238	( 58,3%)	179.431
Other .....		( 212)		5.533
Effective tax .....	( 27,0%)	82.859	( 13,7%)	( 40.973)

### Operating assets

#### 13. Operating assets and their depreciation is specified as follows:

	Hardware and equipments	Vehicles	Total
Book value 1.1.2007 .....	151.377	5.035	156.412
Additions during the year .....	37.577	0	37.577
Sold during the year .....	( 3.408)	0	( 3.408)
Exchange rate difference .....	( 10.490)	0	( 10.490)
Disposals .....	( 6.423)	( 5.035)	( 11.458)
Depreciation for the year 2007 .....	( 53.302)	0	( 53.302)
Book value 31.12.2007 .....	115.331		115.331
Total value 31.12.2007 .....	391.902	0	391.902
Total depreciation 31.12.2007 .....	( 276.571)	0	( 276.571)
Book value 31.12.2007 .....	115.331	0	115.331
Additions during the year .....	52.232	0	52.232
Disposals .....	( 30.343)	0	( 30.343)
Exchange rate difference .....	47.344	0	47.344
Depreciation for the year 2008 .....	( 51.713)	0	( 51.713)
Book value 31.12.2008 .....	132.851	0	132.851
Total value 31.12.2008 .....	461.135	0	461.135
Total depreciation 31.12.2008 .....	( 328.284)	0	( 328.284)
Book value 31.12.2008 .....	132.851	0	132.851
Depreciation ratios .....	20-33%	20%	

The insurance value of hardware and equipments of the Group when the year-ended 2008 was ISK 265 million.

#### 14. The Group's depreciation and amortisation charge in the income statement is specified as follows:

	2008	2007
Depreciation of operating assets .....	51.713	31.103
Amortisation of intangible assets, see note 15 .....	43.569	37.787
Depreciation and amortisation recognised in the income statement .....	95.282	68.890

## Notes, contd.:

### Intangible Assets

15. The Group's intangible assets are specified as follows:	Goodwill	License fee	Total
Book value 1.1.2007 .....	2.572.048	6.205	2.578.253
Exchange rate difference .....	( 263.840 )	( 229 )	( 264.069 )
Impairment loss .....	( 598.311 )		( 598.311 )
Amortisation for the year .....	( 33.518 )	( 4.269 )	( 37.787 )
Book value 31.12.2007 .....	<u>1.676.379</u>	<u>1.707</u>	<u>1.678.086</u>
Exchange rate difference .....	826.416	0	826.416
Amortisation for the year .....	( 41.862 )	( 1.707 )	( 43.569 )
Disposals .....	( 373.439 )	0	( 373.439 )
Impairment loss .....	( 1.013.728 )	0	( 1.013.728 )
Balance at 31 December 2008 .....	<u>1.073.766</u>	<u>0</u>	<u>1.073.766</u>

At the end of the fiscal year, an impairment test was made on the company's goodwill. When evaluating the impairment, an expected cash flow, entered in present value, was used. When calculating present value, an interest rate corresponding to the weighted average of financial expenses was used, i.e. costs due to liabilities and equity, taxes provided. If fair value of the goodwill (current expected cash flow) results in being lower than the book value, the difference will be charged off. According to test results, the goodwill in Kerfi AB, Sweden has been impaired at year end 2008.

Goodwill is specified as follows:

Kerfi AB, Sweden .....	<u>1.073.766</u>
------------------------	------------------

### Shares in Other Companies

16. The Group's shares in other companies are specified as follows:	Share	Nominal value/share	Book value
Fjölnet ehf., Iceland .....	2,6%	1.250	1.250
Shares in two other companies .....			<u>162</u>
Shares in other companies total .....			<u>1.412</u>

### Trade and other receivables

17. Trade and other receivables are specified as follows:	2008	2007
Accounts Receivables .....	1.321.570	1.703.732
Other receivables .....	<u>652.975</u>	<u>8.621</u>
Trade and other receivables total .....	<u>1.974.545</u>	<u>1.712.353</u>

### Equity

18. The Company's total capital stock according to its Articles of Association is ISK 209 million. Shareholders are entitled to one vote per share at meetings of the Company.

## Notes, contd.:

### Deferred Income Tax Liability

19. Deferred income tax liability is specified as follows:	2008	2007
Balance at the beginning of the year .....	203.788	6.730
Restated Kerfi AS .....	46.839 (	6.844)
Calculated income tax for the year .....	127.320	9.496
Income tax due to discontinued operations .....	( 88.572)	219.793
Effect of change in tax rate .....	( 44.462)	0
Effect of movements in foreign exchange .....	( 24.986)	( 10.176)
Tax on exchange differences through equity .....	45.351 (	15.211)
Income tax payable transferred to parent company .....	( 33.385)	0
Balance at the end of the year .....	<u>231.893</u>	<u>203.788</u>

Tax liability is specified as follows:

Intangible assets .....	0	9.768
Fixed assets .....	222.309	266.770
Short-term receivables .....	0 (	5.845)
Account receivables and other receivables .....	9.584 (	2.638)
Deferred income-tax liability on balance sheet items .....	<u>231.893</u>	<u>268.055</u>
Loss carry-forward .....	0 (	64.267)
Tax liabilities total .....	<u>231.893</u>	<u>203.788</u>

### Loans and borrowings

20. Loans and borrowings consist of the following:

	2008		2007	
	Average interest	Outstanding debt	Average interest	Outstanding debt
Debt in foreign currencies:				
Loans in SEK .....	7,0%	64.681	4,9%	182.139
Loans in DKK .....	0,0%	0	7,2%	36.851
Loans in ISK .....	0,0%	0	10,0%	8.387
		<u>64.681</u>		<u>227.377</u>
Current maturities .....		( 64.681)		( 167.871)
Loan and borrowings total .....		<u>0</u>		<u>59.506</u>

21. Aggregated annual maturities of long-term debt are specified as follows:	2008	2007
Due in 2008 .....	64.681	167.871
Due in 2009 .....	0	58.779
Due in 2010 .....	0	727
	<u>64.681</u>	<u>227.377</u>

## Notes, contd.:

### Trade and other payables

22. Trade and other payables are specified as follows:

Trade payables .....	465.224	543.908
Other payables .....	1.455.262	1.042.183
Trade and other payables total .....	<u>1.920.486</u>	<u>1.586.091</u>

### Financial instruments

#### *Credit risk*

23. The carrying amount of financial assets represent the maximum credit risk exposure. The maximum exposure to credit risk at the reporting date was:

	2008	2007
Cash and cash equivalents .....	76.861	45.111
Trade and receivables (wholesale customers) .....	1.321.570	1.703.732
	<u>1.398.431</u>	<u>1.748.843</u>

24. The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:

Sweden .....	1.317.607	1.442.288
Denmark .....	0	256.200
Iceland .....	0	5.117
Other European countries .....	3.963	127
	<u>1.321.570</u>	<u>1.703.732</u>

25. The aging of trade receivables at the reporting date was:

Not past due .....	1.203.183	1.529.205
Past due 0-30 days .....	101.135	150.211
Past due 31-120 days .....	8.076	9.659
Past due 121-365 days .....	9.176	2.677
More than one year .....	0	11.980
	<u>1.321.570</u>	<u>1.703.732</u>

26. The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

Balance at 1 January .....	54.026	49.658
Balance from Kerfi A/S .....	( 18.082)	0
Balance at 1 January .....	35.944	49.658
Decrease in allowance .....	( 31.211)	0
Impairment loss recognised .....	0	4.368
	<u>4.733</u>	<u>54.026</u>

## Notes, contd.:

### Liquidity risk

27. The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

#### 31 December 2008

	Carrying amount	Contractual cash flows	6 monts or less	6 to 12 months	1 to 2 years
<b>Non-derivative financial liabilities</b>					
Secured bank loans .....	64.681	64.681	32.341	32.341	0
Trade and other payables .....	2.003.185	2.003.185	2.003.185	0	0
Bank overdraft .....	188.723	188.723	188.723	0	0
	<u>2.256.589</u>	<u>2.256.589</u>	<u>2.224.249</u>	<u>32.341</u>	<u>0</u>

#### 31 December 2007

	Carrying amount	Contractual cash flows	6 monts or less	6 to 12 months	1 to 2 years
<b>Non-derivative financial liabilities</b>					
Secured bank loans .....	227.377	227.377	58.193	109.677	59.506
Finance leases .....	6.807	2.579	1.124	728	728
Trade and other payables .....	1.579.283	1.579.283	1.579.283	0	0
Bank overdraft .....	403.335	403.335	403.335	0	0
	<u>2.216.802</u>	<u>2.212.574</u>	<u>2.041.935</u>	<u>110.405</u>	<u>60.234</u>

### Currency risk

28. The Group's exposure to foreign currency risk was as follows based on notional amounts.

#### 31 December 2008

	SEK	DKK	EUR	NOK
Trade receivables .....	1.317.607	0	3.963	0
Trade payables .....	1.475.153	0	2.358	0
Net exposure .....	<u>( 157.546)</u>	<u>0</u>	<u>1.605</u>	<u>0</u>

#### 31 December 2007

	SEK	DKK	EUR	NOK
Trade receivables .....	1.442.288	256.200	24	103
Trade payables .....	1.080.437	183.877	24	0
Net exposure .....	<u>361.851</u>	<u>72.323</u>	<u>0</u>	<u>103</u>

### Interest rate risk

29. At the reporting date the interest rate profile of the Group's interest bearing financial instruments was:

Variable rate instruments	2008	2007
Financial liabilities .....	<u>64.681</u>	<u>227.377</u>

## Notes, contd.:

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### Group entities

30. The Groups subsidiary is one and is specified as follows:

Opin Kerfi Sweden - Kerfi AB, Sweden .....	100%
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### Financial Guarantees

31. A mortgage to Nordea Bank in liquid assets of Kerfi AB amounts to ISK 189 million at year-end 2008.

### Financial Ratios

32. The Group's principal financial ratios:	2008	2007
<b>Income</b>		
Total revenue .....	7.804.270	6.128.529
EBITDA .....	338.612	( 83.590 )
EBIT .....	( 770.398 )	( 750.791 )
EBT .....	( 82.859 )	( 40.973 )
Net earnings for the year .....	( 892.375 )	169.340
<b>Balance Sheet</b>		
Current ratio - current assets/current liabilities .....	1,12	1,16
Equity ratio - stockholders' equity/total assets .....	34,1%	43,7%
Internal share value - Equity/share capital .....	5,95	8,99
Return on equity - earnings/equity .....	( 71,8%)	9,0%