Opin Kerfi Group hf.

Consolidated
Financial Statements 2005
ISK

Opin Kerfi Group hf.
Höfðabakka 9
110 Reykjavík

Reg no. 530891-1439

Contents

Endorsement by the Board of Directors and the Managing Director

The Consolidated Financial Statements are in accordance with International Financial Reporting Standards (IFRS) that only effect the presentation of the Consolidated Financial Statements. For the past years the Consolidated Financial Statements have been in accordance with the law and generally accepted accounting principles in Iceland. The total effect of the change in accounting policies on the Company's Consolidated Financial Statements is that the book value of Stockholders Equity decreases by ISK 6.5 million, from ISK 2,603 million to ISK 1,985.7 million. The effects which the adoption of the IFRS has had on the Company's Consolidated Financial Statements are further explained in the notes to the Financial Statements.

According to the Income Statement the Company's net profit for the year amounted to ISK 215 million. The total operating revenue for the year amounted to ISK 11,516 million. According to the Balance Sheet, the assets amounted to ISK 4,934 million. At year-end Equity amounted to ISK 1,465 million. Changes in equity is further explained in the notes to the Consolidated Financial Statements.

The Company's Board of Directors and Managing Director hereby confirm the Company's 2005 Consolidated Financial Statements with their signatures.

Reykjavík, February 21, 2006

Board of Directors:

Gunnlaugur M. Sigmundsson

Skúli Valberg Ólafsson

Bjarni Birgisson

Vilhjálmur Þorsteinsson

Örn Karlsson

Managing Director:

Gylfi Árnason

Auditors' Report

Board of Directors and Shareholders of Opin Kerfi Group hf.

We have audited the accompanying Consolidated Balance Sheet of Opin Kerfi Group hf. as of December 31, 2005 and the related consolidated statements of income, changes in equity and cash flow for the year then ended. These Consolidated Financial Statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these Financial Statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Financial Statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Financial Statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall Financial Statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the Concolidated Financial Statements give a true and fair view of the financial position of Opin Kerfi Group hf. as of December 31, 2005, and the results of its operations and its cash flows for the year then ended, in accordance with International Financial reporting Standards as adopted by the EU.

Reykjavík, February 21, 2006

Margrét Guðjónsdóttir

Jón S. Helgason

KPMG Endurskoðun hf.

Consolidated Income Statement
For The Year Ended December 31, 2005

	Notes	2005	2004
Sales of goods and services	1	11.516.016	14.763.461
Cost of goods sold		7.642.169	8.899.856
Salary and salary-related expenses	4	2.659.370	3.881.302
Other operating expenses		834.980	1.176.684
		11.136.519	13.957.842
Profit from Operations before depreciation (EBITDA)	1,2	379.497	805.619
Depreciation	10	(76.227)	(417.857)
Financial income and expense	7	(47.375)	(40.816)
Net earnings of associated companies		876	(21.374)
Profit before tax		256.771	325.572
Income tax	8	(42.135)	(100.911)
Net Earnings for the Year	1,2,18	214.636	224.661

Earnings per Share:

		2005	2004
Net profit per each share of ISK 1		1,03	0,75

Consolidated Balance Sheet as at 31 December 2005

	Notes	2005	2004
Assets:			
Fixed assets	9	137.111	861.680
Intangible assets	12	1.978.261	2.721.742
Shares in associated companies		0	50.600
Shares in other companies	14	1.514	99.653
Deferred tax assets	15	0	19.141
Other assets		4.921	5.646
Fixed assets		2.121.807	3.758.462
Inventories		269.567	333.543
Accounts receivable and other receivables	16	2.273.852	3.032.229
Cash and cash equivalents		268.830	163.892
Current assets		2.812.249	3.529.664
Total assets		4.934.056	7.288.126
Equity:			
Share capital	17	208.921	303.885
Contributed capital in excess of par		833.410	1.632.320
Reserves		(137.774)	529
Retained earnings		560.546	659.791
Total equity	18,21	1.465.103	2.596.525
Liabilities:			
Deferred income-tax liability	15	5.463	0
Interest bearing debts and borrowings	19	1.054.478	1.437.447
Non-current liabilities		1.059.941	1.437.447
Interest bearing short-term debt		190.901	126.901
Current maturities of Interest bearing debts and borrowings	20	179.458	272.674
Accounts payable and accrued liabilities		2.038.653	2.854.579
Current liabilities		2.409.012	3.254.154
Total liabilities		3.468.953	4.691.601
Total Equity and Liabilities		4.934.056	7.288.126

Consolidated Statement of Cash Flows for the Year 2005

	Notes	2005	2004
Cash Flows from Operating Activities:			
Net earnings		214.636	224.661
Operating activities that do not affect cash flows		63.303	411.822
Changes in operating assets and liabilities		53.683	418.857
Interest paid		(76.015)	(89.138)
Income taxes paid		(21.193)	(83.541)
Working capital provided by operating activities		234.414	882.661
Cash Flows from Investing Activities:			
Investment in fixed assets		(64.345)	(401.925)
Proceeds from the sale of shares in other companies		33.738	179.215
Investment in other Company's less acquired cash and cash equivalents		(149.778)	(224.643)
Investment in securities		900	(2.974)
Net cash used in investing activities		(179.485)	(450.327)
Cash Flows from Financing Activities:			
Capital stock paid in		0	115.348
Long-term debt and borrowings, change		884.448	79.552
Current maturities of long-term debt and borrowings		(800.895)	(271.813)
Short-term debt, change		(33.544)	(404.715)
Net cash provided by (used in) financing activities		50.009	(481.628)
Increase (decrease) in Cash and Cash Equivalents		104.938	(49.294)
Cash and Cash Equivalents at the beginning of the Year		163.892	213.186
Cash and Cash Equivalents at the End of the Year		268.830	163.892

Notes to the Financial Statements

Significant accounting policies

Opin Kerfi Group hf. domiciled in Höfðabakki 9 in Reykjavík. The Consolidated Financial Statements for the year-ended 2005 comprise Opin Kerfi Group hf. (the parent) and its subsidiaries. The board of directors approved the financial statements to be published on Feb. 21st 2006.

a. ***Statement of compliance***

The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and its interpretations adopted by the International Accounting Standards Board (IASB) and as adopted by the EU. These are the Group's first consolidated financial statements and IFRS 1 has been

An explanation of how the transition to IFRS has affected the reported financial position and financial performance of the Company is provided in note 21. This note includes reconciliation of equity and profit or loss for comparative periods reported under Icelandic GAAP (previous GAAP) to those reported under IFRS.

b. ***Basis of preparation***

The Consolidated Financial Statements are prepared on the historical cost basis except current assets are stated at their fair value. The Financial Statements are presented in ISK, rounded to the nearest thousand.

The preparation of the financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The preparation of Financial Statements in conformity with IAS 1 Financial Reporting led to changes in GAAP that were used in preparing the Company's last Consolidated Financial Statements which were prepared in accordance with Icelandic accounting standards. The accounting methods described here below have been applied consistently for the year covered by these Financial Statements and also in preparing the Opening Balance Sheet in accordance with IFRS on 1 January 2004 regarding transition to IFRS.

c. ***Basis of consolidation***

(i) *Subsidiaries*

Subsidiaries are companies controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The Financial Statements include the Company's share in the performance of subsidiaries from the date that controlling interest commences until the date that control ceases.

(ii) *Associated companies*

Associated companies are companies in which the Company has significant influence over the financial and operating policies but not controlling interest. The Financial Statements include the Company's share in the performance of associated companies from the date that significant influence commences until the date that significant influence ceases. Should the Company's part of loss exceed the book value of the associated company, the book value is reduced to zero and further entries of loss are ceased unless the Company has granted guarantees to the associated company or financed it.

(iii) *Transactions eliminated on consolidation*

Intragroup balances and any unrealized gains and losses or income and expenses arising from transactions between associates are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with associates are eliminated to the extent of the Group's interest in the entity. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

d. *Foreign currency*

(i) *Foreign currency translations*

Assets and liabilities in foreign currency are converted to Icelandic currency at the year-end 2005 exchange rate. Operational revenue and expenses in foreign currency are converted at the exchange rate of the date of transaction. Exchange rate difference and interest on assets and liabilities capital is included in the Income Statement.

e. *Financial Statements of Foreign Subsidiaries*

The Group's foreign operations are considered separate from the operation of the parent company. Accordingly, assets and liabilities, of foreign subsidiaries, including goodwill, are translated into Icelandic currency at the year-end exchange rate. Revenue and expenses of foreign subsidiaries are translated into Icelandic currency at the average exchange rare of each month. The foreign exchange difference from translation into Icelandic currency is recorded as other comprehensive income among Stockholders' Equity.

f. *Hedging of Foreign Investments*

Because liabilities in foreign currencies are used to hedge the exchange rate risk of investments in foreign subsidiaries, exchange rate difference is recorded among Stockholders' Equity.

g. *Fixed assets*

(i) *Fixed assets*

Fixed assets are capitalized at cost value less depreciation.

(ii) *Subsequent costs*

The Company recognizes in the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Group and the cost of the item can be measured reliably. All other costs are recognized in the income statement as an expense as incurred.

g. ***Fixed assets, contd.:***

(iii) *Depreciation*

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of fixed assets. The estimated useful lives are as follows:

	Useful lives	Residual value
Software and equipment	3-5 years	0
Vehicles	5 years	0

h. ***Intangible assets***

(i) *Goodwill*

Goodwill represent amounts arising on acquisition of subsidiaries.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is no longer amortized but is tested annually for impairment.

(ii) *Other intangible assets*

Other intangible assets is stated at cost less any accumulated impairment losses and depreciation. Depreciation is charged to the Income Statement on a straight-line basis over the estimated useful lives of the asset.

	Useful lives
License fee	2 years

i. ***Shares in other companies***

Shares in other companies, are capitalized at their purchase price less provision for estimated impairment.

Assets held for sale are stated at the day the Group engages to buy the asset and are deactivate when the Group engages to sell the asset.

j. ***Accounts receivables and other receivables***

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

k. ***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.

l. ***Cash and Cash Equivalents***

Cash and cash equivalents consist of cash and bank deposits.

m. ***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.

Goodwill that exists was tested for impairment at the year-end 2005.

(i) *Calculation of recoverable amount*

The recoverable amount of the Company's receivables carried at amortized cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate. Receivables with a short duration are not discounted.

The recoverable amount of other 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.

(ii) *Reversals of impairment*

An impairment loss in respect of a receivable carried at amortized cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognized.

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.

n. ***Capital Stock***

(i) *Own shares purchase*

When shares classified as capital are bought the purchase price with direct cost included, is stated as change in equity. Purchase of own shares is recognized in the Balance Sheet as decrease in equity.

o. ***Interest bearing debts***

Interest-bearing debts are recognized initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest bearing debts are stated on an effective interest basis.

p. ***Liabilities***

Liabilities is recognized in the Balance Sheet when the Group is legally obligated because of former event and the cost is probably going to fall on the Group

q. ***Revenue***

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.

r. ***Expenses***

(i) *Cost of goods sold and other operating expenses*

Cost of goods sold consist of the cost of buying resale goods when changes in inventory has been accounted for.

Other operating cost according to the Consolidated Income Statement consist of sales cost, distribution cost, service to customers, office- and administration cost, reduction of receivables and other expenses.

(ii) *Investment income and expenses*

Investment income and expenses consist of interest expenses from liabilities and are calculated on effective interest bases, interest income from investment, income from dividend and exchange rate difference.

Interest income are stated in the Consolidated Income Statement according to effective interest on the asset. Dividend are stated in the Income Statement when distribution of dividend is announced.

s. ***Income tax***

Income tax on the profit or loss for the year comprises current and deferred tax.

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

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for goodwill not deductible for tax purposes.

Segment reporting

1. 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.

Business segments

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

Geographical Segments

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

Business segments 2005

	Product	Service	Elimination	Total
Revenue from third party				
Goods and service sold	8.900.517	2.588.507		11.489.024
Other revenue	14.021	12.971		26.992
Income from third party total	8.914.538	2.601.478		11.516.016
Income within the Group		31.079	(31.079)	0
Total revenue	8.914.538	2.632.557	(31.079)	11.516.016
Operating expense of segment	(8.711.853)	(2.455.745)	31.079	(11.136.519)
Operating income before depreciation (EBITDA)	202.685	176.812	0	379.497
Depreciation	(30.548)	(45.679)		(76.227)
Operating profit (EBIT)	172.137	131.133	0	303.270
Financial income and expenses				(47.375)
Share of the profit of associates				876
Income tax				(42.135)
Net earnings				214.636
Segment assets	2.076.677	633.459		2.710.136
Inconvertible asset				2.223.920
Total assets				4.934.056
Segment liabilities	1.355.911	578.670		1.934.581
Inconvertible debt				1.534.372
Total debt				3.468.953

Business segments 2004

	Product	Service	Elimination	Total
Revenue from third party				
Goods and service sold	9.740.398	4.915.588		14.655.986
Other revenue	58.206	49.269		107.475
Income from third party total	9.798.604	4.964.857		14.763.461
Income within the Group	72.070	15.680	(87.750)	0
Total revenue	9.870.674	4.980.537	(87.750)	14.763.461
Operating expense of segment	(9.573.301)	(4.472.291)	87.750	(13.957.842)
Operating income before depreciation (EBITDA)	297.373	508.246	0	805.619
Depreciation	(47.097)	(370.760)	0	(417.857)
Operating profit (EBIT)	250.276	137.486	0	387.762
Financial income and expenses				(40.816)
Share of the profit of associates				(21.374)
Income tax				(100.911)
Net earnings				224.661
Segment assets	2.285.771	2.044.161		4.329.932
Inconvertible asset				2.958.194
Total assets				7.288.126
Segment liabilities	1.797.624	1.435.298		3.232.922
Inconvertible debt				1.458.679
Total debt				4.691.601

Geographical Segments 2005

	Iceland	Sweden	Denmark	Total
Operating revenue	3.495.331	6.232.803	1.787.882	11.516.016
Operating expenses before depreciation	(3.321.366)	(6.096.639)	(1.718.514)	(11.136.519)
Operating income before depreciation (EBITDA)	173.965	136.164	69.368	379.497
Depreciation	(8.118)	(56.752)	(11.357)	(76.227)
Net financial income (expenses)	61.816	(94.268)	(14.047)	(46.499)
Income tax	(43.584)	16.020	(14.571)	(42.135)
Net earnings	184.079	1.164	29.393	214.636
Region assets	1.026.130	3.043.710	864.216	4.934.056

Geographical Segments 2004

	Iceland	Sweden	Denmark	Total
Operating revenue	5.385.423	8.188.632	1.189.406	14.763.461
Operating expenses before depreciation	(4.845.179)	(7.982.112)	(1.130.551)	(13.957.842)
Operating income before depreciation (EBITDA)	540.244	206.520	58.855	805.619
Depreciation	(303.207)	(107.693)	(6.957)	(417.857)
Net financial income (expenses)	100.985	(130.725)	(11.076)	(40.816)
Share of the profit of associates	(20.604)	0	(770)	(21.374)
Income tax	(87.441)	(70)	(13.400)	(100.911)
Net earnings	229.977	(31.968)	26.652	224.661
Region assets	3.043.024	3.845.315	399.787	7.288.126

Quarterly Statements

2. Summary of the Group's operating results specified by quarters:

	Q 4	Q 3	Q 2	Q 1	Total
2005					
Operating revenue	3.509.541	2.371.010	2.964.628	2.670.837	11.516.016
Operating expense before depreciation	(3.334.295)	(2.343.485)	(2.896.696)	(2.562.043)	(11.136.519)
Operating income before depreciation (EBITDA)	175.246	27.525	67.932	108.794	379.497
Depreciation	(19.483)	(18.434)	(18.675)	(19.635)	(76.227)
Operating income (EBIT)	155.763	9.091	49.257	89.159	303.270
Net financial income (expense)	(2.803)	(14.161)	(14.203)	(16.208)	(47.375)
Share of the profit of associates	876	0	0	0	876
Profit before tax (EBT)	153.836	(5.070)	35.054	72.951	256.771
Income tax	(25.140)	5.329	(6.688)	(15.636)	(42.135)
Net earnings for the year	128.696	259	28.366	57.315	214.636
EBITDA ratio	5,0%	1,2%	2,3%	4,1%	3,3%
2004					
Operating revenue	4.394.073	2.866.269	3.822.199	3.680.920	14.763.461
Operating expense before depreciation	(4.076.071)	(2.748.195)	(3.613.794)	(3.519.782)	(13.957.842)
Operating income before depreciation (EBITDA)	318.002	118.074	208.405	161.138	805.619
Depreciation	(228.065)	(60.909)	(65.995)	(62.888)	(417.857)
Operating income (EBIT)	89.937	57.165	142.410	98.250	387.762
Net financial income (expense)	89.095	(21.959)	(67.080)	(40.872)	(40.816)
Share of the profit of associates	(2.192)	(3.903)	(17.019)	1.740	(21.374)
Profit before tax (EBT)	176.840	31.303	58.311	59.118	325.572
Income tax	(86.991)	4.567	(17.221)	(1.266)	(100.911)
Net earnings for the year	89.849	35.870	41.090	57.852	224.661
EBITDA ratio	7,2%	4,1%	5,5%	4,4%	5,5%

Changes in the Group

3. In the beginning of the year 2005 the Group was split up and its subsidiary Skýrr hf. was transferred to the parent company of the Group, Kögun hf. The impact on the Balance Sheet is a decrease as follows:

Assets:	
Fixed assets	720.089
Intangible assets	582.413
Shares in associated company	43.292
Shares in other companies	87.614
Deferred tax assets	17.317
Accounts receivable and other receivables	462.352
Cash and Cash Equivalents	35.546
Total assets	1.948.623
Equity and debt:	
Capital stock	94.964
Premium on paid-in capital	798.910
Retained earnings	313.881
Interest bearing long term debt and borrowings	307.515
Current maturities of long-term debt and borrowings	59.490
Accounts payable and other current liabilities	373.863
Equity and Liabilities Total	1.948.623

Salaries and Salary-related Expenses

4. Salaries and salary-related expenses are specified as follows:

	2005	2004
Salaries	1.916.782	2.942.660
Salary-related expenses	742.588	938.642
	2.659.370	3.881.302
Average number of employees calculated as full-time equivalent positions	421	592

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

	Salaries and benefits
Gylfi Árnason, Managing director	18.160
Gunnlaugur M. Sigmundsson, Chairman of the Board	650
Skúli Valberg Ólafsson, vice chairman	975
Bjarni Birgisson, board member	325
Vilhjálmur Þorsteinsson, board member	325
Örn Karlsson, board member	325
Finance director and three directors of subsidiaries	59.591
	80.351

6. Auditors' fees to Group auditors are specified as follows:

	2005	2004
Audit of Financial Statements	7.915	11.179
Review of Interim Financial Statements	1.829	4.317
Other services	7.581	9.220
	17.325	24.716
Where of fees to foreign auditors amounts to	7.922	10.581

Financial Income and Expenses

7. Financial income are specified as follows:

	2005	2004
Interest income	14.397	30.798
Sales profit of shares	15.028	97.627
Impairment of shares in other companies	0	(50.666)
	29.425	77.759
Financial expenses are specified as follows:		
Financial expense from bank loan	(45.560)	(57.053)
Other financial expense	(29.363)	(69.483)
	(74.923)	(126.536)
Exchange rate difference	(1.877)	7.961
Net financial expense	(47.375)	(40.816)

Income tax

8. Effective tax rate:

		2005		2004
Profit before tax		256.771		326.342
Income tax using Parent corporation tax rate	18,0%	46.219	18,0%	58.742
Effects of different tax rates abroad	2,1%	6.762	0,5%	1.709
Share in performance	0,0%	0	7,9%	25.754
Non-deductible expenses	-3,3%	(10.846)	4,5%	14.706
	16,7%	42.135	30,9%	100.911

Fixed assets

9. Fixed assets are specified as follows:

	Buildings	Hardware and equipments	Vehicles	Total
Total value 31.12.2004	400.438	1.549.049	12.942	1.962.429
Previously depreciated	(70.519)	(1.024.043)	(6.187)	(1.100.749)
Book value 31.12.2004	329.919	525.006	6.755	861.680
Transferred due to a split	(329.919)	(390.170)		(720.089)
Book value 1.1.2005	0	134.836	6.755	141.591
Additions during the year		58.021	8.975	66.996
Acquisitions through business combinations		4.453		4.453
Sold during the year		(2.432)	(1.716)	(4.148)
Exchange rate difference		(18.187)		(18.187)
Depreciation for the year		(51.595)	(1.999)	(53.594)
Book value 31.12.2005	0	125.096	12.015	137.111
Total value 31.12.2005		287.397	17.429	304.826
Total depreciation 31.12.2005		(162.301)	(5.414)	(167.715)
Book value 31.12.2005	0	125.096	12.015	137.111
Depreciation ratio		20-33%	20%	

The insurance value of hardware and equipments of the Group when the year-ended 2005 was ISK 419 million and the inventory amounted to ISK 394 million.

10. Depreciation according to the Statement of Earnings is specified as follows:

Depreciation of fixed assets	53.594
Amortization of long-term cost, cf. note 12	22.633
	76.227

Mortgages and Guarantees

11. The Company's assets have been mortgaged to secure its debt, the remaining balance of which amounts to ISK 1,183 million at the end of year 2005. The Group has guaranteed loans, bonds and lease agreements in the amount of a total of ISK 247 million. The liquid assets that the subsidiary in Sweden owns have been mortgaged to SEK 50 million bank overdraft for the company.

Intangible assets

12. Intangible assets is specified as follows:

	Good will	License fee	Software	Total
Book value 31.12.2005	2.681.070	40.672	7.927	2.729.669
Transferred due to a split	(582.413)			(582.413)
Changes due to IFRSs			(7.927)	(7.927)
Book value 1.1.2005	2.098.657	40.672	0	2.139.329
Additions during the year	148.004	10.579		158.583
Exchange rate difference	(291.597)	(5.421)		(297.018)
Amortization during the year		(22.633)		(22.633)
Book value 31.12.2005	1.955.064	23.197	0	1.978.261

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 has not suffered a impairment during year 2005.

Goodwill is specified as follows:

Kerfi AB, Sweden	1.575.062
Kerfi A/S, Denmark	318.589
Opin kerfi ehf., Iceland	61.413
	1.955.064

Subsidiary

13. The Groups subsidiary are four and are specified as follows:

	Share
Opin kerfi ehf., Iceland	100%
Opin kerfi eignarhaldsfélag ehf., Iceland	100%
Opin Kerfi Sweden - Kerfi AB, Sweden	100%
Kerfi A/S, Denmark	100%

Shares in Other Companies

14. 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			264
			1.514

Deferred Tax Asset

15. Deferred income-tax liability is specified as follows:

	2005	2004
Deferred tax assets at the beginning of year 2005	(17.714)	(37.113)
Change due to IFRS	(1.427)	0
Deferred tax assets at the beginning of the year (IFRS)	(19.141)	(37.113)
Transferred due to a split	17.317	0
Deferred income-tax at the beginning of year 2005 adjusted	(1.824)	(37.113)
Income tax for the year	42.135	100.911
Acquisitions through business combinations	0	(62.193)
Exchange rate difference	(1.271)	(359)
Income tax payable in 2006 on 2005 operation	(33.577)	(18.960)
	5.463	(17.714)

The deferred income-tax liability (deferred tax asset) is attributable to the following items:

Intangible assets	7.778	0
Fixed assets	(350)	63.089
Investments in other companies	(4.749)	(85.419)
Accounts receivables	3.030	9.109
Deferred income-tax liability (deferred tax asset) on balance sheet items	5.709	(13.221)
Loss carry-forward	(246)	(4.493)
	5.463	(17.714)

Accounts Receivable

16. Accounts Receivable and other receivables:

Accounts Receivables	1.976.482	2.445.897
Provision for losses on receivables	(36.785)	(65.350)
Claim on parent company	0	200.000
Other receivables	334.155	451.682
	2.273.852	3.032.229

Equity

17. Changes in Capital are specified as follows:

	Amount	Ratio
Capital at the end of year	208.921	100,0%
Own shares at the end of year	0	0,0%
	208.921	100,0%

18. Changes in Stockholders' Equity are specified as follows:

	Share capital	Contributed capital in excess of par	Reserves	Retained earnings	Total
Stockholders' equity 1.1.2004	296.084	1.524.773	50.540	441.630	2.313.027
Paid-in capital	6.705	86.833			93.538
Sold own shares	1.096	20.714			21.810
Exchange rate difference from foreign subsidiaries			(50.011)		(50.011)
Profit for the year				224.661	224.661
Stockholders' equity 31.12.2004 ..	303.885	1.632.320	529	666.291	2.603.025
Stockholders' equity 31.12..2004 .	303.885	1.632.320	529	666.291	2.603.025
Changes due to IFRSs				(6.500)	(6.500)
Equity as at 31.12.2004 (IFRSs) ..	303.885	1.632.320	529	659.791	2.596.525
Transferred due to a split	(94.964)	(798.910)		(313.881)	(1.207.755)
Stockholder's equity 31.12.2004, after split	208.921	833.410	529	345.910	1.388.770
Exchange rate difference from foreign subsidiaries			(138.303)		(138.303)
Profit for the year				214.636	214.636
Stockholder's equity 31.12.2005 ..	208.921	833.410	(137.774)	560.546	1.465.103

Interest bearing debt and borrowings

19. Interest bearing debt and borrowings consist of the following:

	2005		2004	
Debt in foreign currencies:	Average interest	Outstanding debt	Average interest	Outstanding debt
Loans in SEK	3,30%	1.183.281	3,58%	1.273.868
Loans in DKK	5,65%	50.655	5,65%	69.248
Loans in other currencies		0	4,80%	61.996
Loans in ISK		0	6,00%	305.009
		1.233.936		1.710.121
Current maturities		(179.458)		(272.674)
		1.054.478		1.437.447

20. Aggregated annual maturities of long-term debt are specified as follows:

	2005	2004
Year 2005	0	272.674
Year 2006	179.458	615.737
Year 2007	179.458	164.816
Year 2008	221.182	400.671
Year 2009	123.169	179.350
Year 2010	530.669	76.873
	1.233.936	1.710.121

Explanation of transition to IFRSs

21. As stated in note a, these are the Group's first Consolidated Financial Statements for the year 2005 prepared in accordance with IFRSs. Information in this note are the same as interim Consolidated Financial Statements dated March 31st, June 30th and September 30th 2005.

The accounting policies applied in preparing the Consolidated Financial Statements for the year 2005 are stated in notes in significant accounting policies. The same applies for the comparative information for the year 2004, the Financial Statements for the year ended 31 December 2004 and the preparation of an opening IFRS Balance Sheet at 1 January 2004 (the Group's date of transition).

In preparing its opening IFRS Balance Sheet, comparative information for the year-ended 2004 and Financial Statements for the year ended 31 December 2004, the Group has adjusted amounts reported previously in financial statements prepared in accordance with IS-GAAP. In preparing its opening IFRS Balance Sheet, the Group has adjusted amounts previously reported in Financial Statements prepared in accordance with IS-GAAP. An explanation of how the transition from IS-GAAP to IFRSs has affected the Group's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables. No material changes are in the Statement of Cash Flow in accordance with IFRS compared to previous reporting in accordance with IS-GAAP.

Equity 1 January 2005

Equity according to IS-GAAP at 31 December 2004	2.603.025
Equity according to IFRSs at 1 January 2005	2.596.525
Total changes in equity due to transition to IFRSs	(6.500)

	1.1.2004	31.12.2004	Total
Change in measurement			
Prior capitalize cost charged	0	(6.500)	(6.500)
Total changes in equity due to transition to IFRSs	0	(6.500)	(6.500)

Changes in equity are shown after income-tax deduction

Change in measurement

Intangible assets include a cost that incurred from software creation for a company that merged with the subsidiary Opin Kerfi ehf. in July 2004. The capitalization of this cost does not comply with the conditions of IAS 38 on capitalization of intangible assets. Thus the Company's equity decreases by ISK 6.5 million, after adjusting for tax income effects.

With the introduction of the standards, the estimated useful economic life, and estimated salvage value of tangible assets were assessed in accordance with IAS 16. No changes were made on estimated salvage value

21. condt.:

Balance Sheet 1 January 2005

Assets:	IS-GAAP 31.12.2004	Change in valuation	IFRS
Fixed assets	861.680		861.680
Intangible assets	2.729.669	(7.927)	2.721.742
Shares in associated companies	50.600		50.600
Shares in other companies	99.653		99.653
Other assets	5.646		5.646
Deferred tax asset	17.714	1.427	19.141
	3.764.962	(6.500)	3.758.462
Inventories	333.543		333.543
Accounts receivable and other receivables	3.032.229		3.032.229
Cash and cash equivalents	163.892		163.892
	3.529.664	0	3.529.664
Total Assets	7.294.626	(6.500)	7.288.126
Equity and liabilities			
Equity			
Share capital	303.885		303.885
Contributed capital in excess of par	1.632.320		1.632.320
Retained earnings	666.820	(6.500)	660.320
Total Equity	2.603.025	(6.500)	2.596.525
Liabilities			
Interest-bearing debts and borrowings	1.437.447		1.437.447
Interest-bearing short term borrowings	126.901		126.901
Current maturities of long-term debts	272.674		272.674
Accounts payable and accrued liabilities	2.854.579		2.854.579
Total liabilities	3.254.154	0	3.254.154
Total equity and liabilities	7.294.626	(6.500)	7.288.126

Changes on the Consolidated Balance Sheets are shown without the impact of income tax, but changes on Equity were shown net of income tax. No changes are on the Consolidated Income Statement of the Group on the year 2004.

In this first Annual Financial Statements of Opin Kerfi Group hf. which are prepared according to IFRS, an emphasis is placed on explaining the application of the principal accounting principles, in addition to explain the effect of transition to new standards on the Group's financial position.

Financial Ratios

22. The Group's principal financial ratios:

	2005	2004
Income		
Total revenue	11.516.016	14.763.461
EBITDA	379.497	805.619
EBIT	303.270	387.762
EBT	256.771	325.572
Net earnings for the year	214.636	224.661
Balance Sheet		
Current ratio - current assets/current liabilities	1,17	1,08
Equity ratio - stockholders' equity/total assets	29,7%	36,0%
Internal share value - Equity/share capital	7,01	8,54
Return on equity - earnings/equity	15,5%	12,5%