Hagar hf.

Consolidated Financial Statements
for Year Ended 29 February 2016
ISK

Hagar hf.
Hagasmári 1
201 Kópavogur
Iceland
Reg. no. 670203-2120

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Attached document: Quarterly statements

Endorsement and Signatures by the Board of Directors and the CEO

Hagar hf. is a retail company operating in Iceland.

The consolidated financial statements of Hagar hf. (the "Company") have been prepared in accordance with International Financial Reporting Standards as adopted by the EU. The financial statements for the fiscal year ended 29 February 2016, comprise the consolidated financial statements of the Company and its subsidiaries, together referred to as the "Group".

Operations

According to the statement of comprehensive income, profit of the Group for the year amounted to ISK 3,596 million. According to the balance sheet, equity at the end of the fiscal year amounted to ISK 16,368 million.

Share capital and Articles of Association

The Company's share capital amounted to ISK 1,172 million at the end of the fiscal year. The share capital is divided into shares of ISK 1, all in one class with equal rights.

Shareholders were 1,124 at the beginning of the fiscal year and 960 at the end of the fiscal year. Ten largest shareholders are:

	29.2.2016	**28.2.2015**
Lífeyrissjóður starfsmanna ríkisins (LSR)	12,19%	13,07%
Gildi - lífeyrissjóður	11,36%	11,38%
Stefnir - ÍS 15	9,56%	8,34%
Lífeyrissjóður verslunarmanna	8,18%	8,18%
Stapi lífeyrissjóður	5,27%	4,34%
Festa - lífeyrissjóður	3,40%	3,38%
Sameinaði lífeyrissjóðurinn	2,66%	2,22%
Stafir lífeyrissjóður	2,46%	2,25%
Arion banki hf.	2,35%	3,30%
Söfnunarsjóður lífeyrisréttinda	2,34%	1,27%

The Board of Directors will propose to the 2016 Annual General Meeting that a ISK 1.70 per share dividend shall be paid to shareholders in the year 2016, a total of ISK 1,992 million. Reference is made to financial statements regarding information on changes in equity.

The Company's Board of Directors comprises five members. Those persons willing to stand for election must give formal notice thereof to the Board of Directors at least five days before the annual general meeting. The Company's Articles of Association may only be amended at a legitimate shareholders' meeting, provided that amendments and their main aspects are clearly stated in the invitation to the meeting. Resolution will only be valid if it is approved by at least 2/3 of votes cast and is approved by shareholders controlling at least 2/3 of the share capital represented at the shareholders' meeting.

Corporate governance

Hagar hf.'s corporate governance is based on Act no. 2/1995 on limited liability companies, the Company's Articles of Association and Rules of Procedure for the Board. Hagar hf. complies with the Corporate Governance Guidelines, 5th issue, published in 2015 by the Iceland Chamber of Commerce, NASDAQ OMX Iceland hf. and the Confederation of Icelandic Employers, except the Board has not appointed a Nomination Committee. Until now the Board has tended to the tasks a Nomination Committee would in general tend to, except nominating members to the Board of Directors. It is the opinion of the Board that this arrangement has worked out well. However, the Board is considering to appoint a Nomination Committee and then what execution would be the best.

Endorsement and Signatures by the Board of Directors and the CEO, contd.:

Exceptions and explanations can be found in the detailed Corporate Governance Statement of Hagar hf., which is prepared in accordance with the Corporate Governance Guidelines, and is accessible on the Company's website www.hagar.is. Guidelines on Corporate Governance are available on the website of the Iceland Chamber of Commerce, www.vi.is.

In connection with the preparation of the financial statements the Company has in place internal control and risk management factors such as proper segregation of duties and well defined responsibilities. Also the Board receives regular reporting on the financial risk of the Company as well as reports on individual departments as a part of monitoring performance. Procedures are in place to ensure control of income registration, operating costs and other factors that affect the Company´s financial statements. Furthermore, the Company's audit committee monitors the organisation and efficiency of internal control. See further information on the Company’s risk management in note 22.

The Company's Board of Directors consists of five Directors. Kristín Friðgeirsdóttir, Chairman of the Board, Sigurður Arnar Sigurðsson, Vice Chairman, Erna Gísladóttir, Salvör Nordal and Stefán Árni Auðólfsson. The board members have extensive experience and diverse educational background. All Board members are considered to be independent from the Company, its daily management and major shareholders. Detailed information on Board members is included in the Corporate Governance Statement on the Company's website www.hagar.is.

The Board of Directors has established Rules of Procedure for the Board which are reviewed on an annual basis. The Rules of Procedure for the Board are accessible on the Company's website, www.hagar.is where the Board's tasks are laid out. Board meetings were held at least once every month in the year 2015/16. Board meetings are also attended by the CEO and the CFO of the Company. The majority of votes cast prevails in decision-making. The Board performs an evaluation on its work on an annual basis.

Key management personnel of Hagar hf. consists of Finnur Árnason CEO, Guðrún Eva Gunnarsdóttir CFO, Guðmundur Marteinsson Managing Director of Bónus, Gunnar Ingi Sigurðsson Managing Director of Hagkaup, Kjartan Már Friðsteinsson Managing Director of Bananar and Lárus Óskarsson Managing Director of Aðföng.

The Board has elected an audit committee and a remuneration committee. The audit committee has the role to review financial information and disclosures from the management. The audit committee consists of Erna Gísladóttir, Salvör Nordal and Sigrún K. Sigurjónsdóttir. All members of the audit committee are independent from the auditors of Hagar hf., its daily management and major shareholders. The audit committee verifies the reliability of the information received by the Board and whether it gives a fair view of the operation and financial standing of the Company. The remuneration committee has the role to prepare a proposal of a remuneration policy for the company, a proposal to the annual general meeting for setting remuneration for all directors, the CEO and other managers. The remuneration committee consists of Kristín Friðgeirsdóttir, Sigurður Arnar Sigurðsson and Stefán Árni Auðólfsson. All members of the remuneration committee are independent from daily management and major shareholders.

Endorsement and Signatures by the Board of Directors and the CEO, contd.:

Statement by the Board of Directors and the CEO

To the best of our knowledge, the consolidated financial statements give a true and fair view of the consolidated financial performance of the Company for the fiscal year ended 29 February 2016, its assets, liabilities and consolidated financial position as at 29 February 2016 and its consolidated cash flows for the fiscal year ended 29 February 2016 in accordance with International Financial Reporting Standards as adopted by the EU.

Further, in our opinion the consolidated financial statements and the endorsement by the Board of Directors and the CEO give a fair view of the development and performance of the Group's operations and its position and describes the principal risks and uncertainties faced by the Group.

The Board of Directors and the CEO have today discussed the annual consolidated financial statements of Hagar hf. for the year ended 29 February 2016 and confirm them by means of their signatures. The Board of Directors and the CEO recommend that the consolidated financial statements will be approved at the annual general meeting of Hagar hf.

Kopavogur, 12 May 2016

The Board of Directors:

Kristín Friðgeirsdóttir
Erna Gísladóttir
Salvör Nordal
Sigurður Arnar Sigurðsson
Stefán Árni Auðólfsson

CEO:

Finnur Árnason

Independent Auditors' Report

To the Board of Directors and Shareholders of Hagar hf.

We have audited the accompanying consolidated financial statements of Hagar hf., which comprise the consolidated balance sheet as at February 29, 2016, the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

The Board of Directors and CEO´s Responsibility for the Consolidated Financial Statements

The Board of Directors and CEO are responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the EU and additional Icelandic disclosure requirements for financial statements of listed companies, and for such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' 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 ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated 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 Hagar hf. as at February 29, 2016, 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 and additional Icelandic disclosure requirements for financial statements of listed companies.

Report on the Board of Directors report

Pursuant to the legal requirement under Article 104, Paragraph 2 of the Icelandic Financial Statement Act No. 3/2006, we confirm that, to the best of our knowledge, the report of the Board of Directors accompanying the consolidated financial statements includes the information required by the Financial Statement Act if not disclosed elsewhere in the consolidated financial statements.

Reykjavík, 12 May 2016

KPMG ehf.

Símon Á. Gunnarsson

Margrét G. Flóvenz

Consolidated Statement of Comprehensive Income for the Year Ended 29 February 2016

	Note	2015/16	2014/15
Sales		78.366	77.143
Cost of goods sold		(59.257)	(58.639)
Gross profit		19.109	18.504
Other operating income	5	206	129
Salaries and related expenses	6	(7.162)	(6.680)
Other operating expenses	7	(6.494)	(6.337)
Profit from operating activities before indemnity, depreciation and amortisation		5.659	5.616
Indemnity provision	20	(413)	0
Depreciation and amortisation	8	(699)	(674)
Profit from operating activities		4.547	4.942
Finance income		296	248
Finance expenses		(345)	(395)
Net finance expense	9	(49)	(147)
Profit before income tax		4.498	4.795
Income tax	10	(902)	(957)
Comprehensive income for the year		3.596	3.838

Earnings per share

Basic and diluted earnings per share of ISK 1	17	3,07	3,27

The notes on pages 11 to 29 are an integral part of these consolidated financial statements.

Consolidated Financial Statements of Hagar hf. 29 February 2016 7 Amounts are in ISK million

Consolidated Balance Sheet as at 29 February 2016

	Note	29.2.2016	28.2.2015
Assets			
Operating assets	11	8.956	6.770
Intangible assets	12	7.728	7.750
Total non-current assets		16.684	14.520
Inventories	13	4.756	4.606
Trade and other receivables	14	660	864
Trade receivable - customers' credit cards	14	3.795	4.271
Cash and cash equivalents	15	3.810	3.348
Total current assets		13.021	13.089
Total assets		29.705	27.609
Equity			
Share capital	16	1.172	1.172
Share premium	16	1.272	1.272
Retained earnings		13.924	12.320
Total equity		16.368	14.764
Liabilities			
Loans and borrowings	18	3.748	4.239
Incentives from operating leases	21	0	25
Deferred income tax liability	10	509	527
Total non-current liabilities		4.257	4.791
Loans and borrowings	18	763	749
Trade and other payables	19	7.018	6.375
Current tax liabilities	10	874	880
Provisions	20	425	50
Total current liabilities		9.080	8.054
Total liabilities		13.337	12.845
Total equity and liabilities		29.705	27.609

The notes on pages 11 to 29 are an integral part of these consolidated financial statements.

Consolidated Financial Statements of Hagar hf. 29 February 2016 8 Amounts are in ISK million

Consolidated Statement of Changes in Equity for the Year Ended 29 February 2016

	Share capital	Share premium	Retained earnings	Total equity
Changes in equity 2014/15				
Equity at 1 March 2014	1.172	1.272	9.654	12.098
Comprehensive income for the year			3.838	3.838
Dividends paid, 1.00 ISK per share			(1.172)	(1.172)
Equity at 28 February 2015	1.172	1.272	12.320	14.764
Changes in equity 2015/16				
Equity at 1 March 2015	1.172	1.272	12.320	14.764
Comprehensive income for the year			3.596	3.596
Dividends paid, 1.70 ISK per share			(1.992)	(1.992)
Equity at 29 February 2016	1.172	1.272	13.924	16.368

The notes on pages 11 to 29 are an integral part of these consolidated financial statements.

Consolidated Financial Statements of Hagar hf. 29 February 2016 9 Amounts are in ISK million

Consolidated Statement of Cash Flows
for the Year Ended 29 February 2016

	Note	2015/16	2014/15
Cash flows from operating activities			
Profit for the year		3.596	3.838
Adjustments for:			
Gain on sale of assets		(9)	(8)
Incentives from operating lease		(43)	(43)
Depreciation and amortisation	8	699	674
Net finance expense	9	49	147
Income tax	10	902	957
Working capital provided by operating activities		5.194	5.565
Change in current assets		532	(347)
Change in current liabilities		1.009	274
Cash from operations before interest and taxes		6.735	5.492
Interest income received		295	255
Interest expenses paid		(339)	(400)
Income taxes paid		(937)	(998)
Net cash provided by operating activities		5.754	4.349
Cash flows used in investing activities			
Acquisition of real estate	11	(1.371)	(1.365)
Acquisition of fixtures and equipment	11	(1.207)	(783)
Acquisition of intangible assets	12	(5)	(13)
Proceeds from the sale of fixtures and equipment		35	25
Net cash used in investing activities		(2.548)	(2.136)
Cash flows used in financing activities			
Repayment of loans and borrowings		(752)	(6.859)
Proceeds from loans and borrowings		0	5.023
Dividends paid		(1.992)	(1.172)
Net cash used in financing activities		(2.744)	(3.008)
Net increase (decrease) in cash and cash equivalents		462	(795)
Cash and cash equivalents at the beginning of the year		3.348	4.143
Cash and cash equivalents at the end of the year		3.810	3.348
Non cash investing and financing activities			
Acquisition of real estate		(305)	0
Debt of acquired subsidiary		305	0

The notes on pages 11 to 29 are an integral part of these consolidated financial statements.

Consolidated Financial Statements of Hagar hf. 29 February 2016 10 Amounts are in ISK million

Notes to the Consolidated Financial Statements

1. Reporting entity

Hagar hf. (the "Company") is a limited liability company incorporated and domiciled in Iceland. The address of the Company's registered office is Hagasmári 1, Kópavogur, Iceland. The consolidated financial statements of the Company as at and for the year ended 29 February 2016 comprise the Company and its subsidiaries together referred to as the "Group" and individually as "Group entities". The main activity of the Group is retail.

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 the EU.

The Company's Board of Directors approved the financial statements on 12 May 2016.

b. Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis.

c. Functional and presentation currency

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

d. Use of estimates and judgements

The preparation of the consolidated financial statements in conformity with the 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 estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

- Note 12 – measurement of the recoverable amounts of cash-generating units
- Note 20 – provision and contingencies

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.

a. Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. The group controls an entity when it is exposed to, or has right to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

3. Significant accounting policies, contd.:

a. Basis of consolidation, contd.;

(ii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

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 year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Foreign currency differences arising on retranslation are recognised in profit or loss. Foreign currency differences on purchases of goods for resale is recognised in the line item "cost of goods sold".

c. Financial instruments

(i) Financial assets

Trade and other receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Cash and cash equivalents comprise cash held at bank, at hand, market securities and call deposits with original maturities of three months or less.

(ii) Financial liabilities

Financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition financial liabilities are measured at amortised cost using the effective interest method.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

(iii) Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

(iv) Repurchase of share capital (treasury shares)

When share capital recognised as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, and is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is included or deducted from share premium.

3. Significant accounting policies, contd.:

d. *Operating assets*

(i) Recognition and measurement

Items of operating assets are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of operating assets have different useful lives, they are accounted for as separate items of operating assets.

Gains and losses on disposal of an item of operating assets are determined by comparing the proceeds from disposal with the carrying amount of operating assets and are recognised net within “other operating income” in profit or loss.

(ii) Subsequent costs

The cost of replacing part of an item of operating 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 carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of operating assets are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of operating assets. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

Real estate	20-50 years
Fixtures and equipment	3-14 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

e. *Intangible assets*

(i) Goodwill

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets.

Goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of identifiable assets, liabilities and contingent liabilities of the acquired subsidiary at the day of acquisition.

Subsequent measurement

Goodwill is measured at cost less any accumulated impairment losses.

3. Significant accounting policies, contd.:

e. Intangible assets, contd.:

(ii) Other intangible assets

Other intangible assets that are acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses.

(iii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

(iv) Amortisation

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. The estimated useful lives for the current and comparative periods are as follows:

Software	5-12 years
Lease rights	10-15 years

f. Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

g. Impairment

(i) Financial assets (including receivables)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost the reversal is recognised in profit or loss.

3. Significant accounting policies, contd.:

g. Impairment, contd.:

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, recoverable amount is estimated at each reporting date.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the “cash-generating unit”). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the 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 or amortisation, if no impairment loss had been recognised.

h. Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the period which services are rendered by employees.

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.

j. Revenue

Goods sold

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

Services / other income

Revenue from services rendered is recognised based on the terms of the contracts and is recognised when the service is provided.

3. Significant accounting policies, contd.:

k. *Lease payments*

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, on straight-line basis, over the term of the lease.

l. *Finance income and expenses*

Finance income comprises interest income on funds invested and foreign currency gains. Interest income is recognised as it accrues, using the effective interest method.

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

Foreign currency gains and losses, except for gain or losses on purchases of goods, are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or loss position.

m. *Income tax*

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 or in other comprehensive income.

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 in respect of 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 taxable temporary differences arising on the initial recognition of goodwill.

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. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets.

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.

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 could be issued.

o. *Segment reporting*

The Group does not present business nor geographical segments as it has only similar retail operation in

p. *Changes in accounting policies*

The Group has adopted all new standards and amendments to standards, including any consequential amendments to other standards as they have been endorsed by the EU, with a date of initial application of 1 January 2015. The adoption does not have any effect on the Group's 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.

a. Operating assets

The fair value of operating 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, fixtures and machinery is based on the quoted market prices for similar items.

b. Intangible assets

The fair value of intangible assets is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets.

c. Inventories

The fair value of inventories 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 inventories.

d. 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.

e. None derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

5. Other operating income

Other operating income specifies as follows:

	2015/16	2014/15
Sold services	201	123
Concession rent	5	6
Total other operating income	206	129

6. Salaries and related expenses

Salaries and related expenses are specified as follows:

Salaries	6.018	5.605
Pension fund contribution	531	499
Other salary-related expenses	613	576
Total salaries and related expenses	7.162	6.680
Average number of employees (full year equivalents)	1.195	1.160
Number of employees at year-end	2.327	2.199

7. Other operating expenses

Other operating expenses are specified as follows:

Lease expenses	3.227	3.161
Other operating expenses	3.267	3.176
Total operating expenses	6.494	6.337

8. Depreciation and amortisation

Depreciation and amortisation is specified as follows:

Depreciation of operating assets, see note 11	672	637
Amortisation of intangible assets, see note 12	27	37
Total depreciation and amortisation	699	674

9. Finance income and expense

Finance income and finance expenses are specified as follows:

Interest income on bank deposits and account receivables	296	248
Interest expenses and indexation	(345)	(395)
Net finance expense	(49)	(147)

10. Income tax

Income tax recognised in profit or loss

	2015/16	2014/15
Current tax expense	954	940
Deferred tax expense	(52)	17
Income tax recognised in profit or loss	902	957

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10. Income tax, contd.:

Reconciliation of effective tax rate

		2015/16		2014/15
Profit for the year		3.596		3.838
Income tax for the year		902		957
Profit before income tax		4.498		4.795
Income tax according to current tax rate	20,0%	(900)	20,0%	(959)
Other items	0,0%	(2)	0,0%	2
Effective tax rate	20,0%	(902)	20,0%	(957)

Movement in temporary differences 2015/16

	Balance 28.2.2015	Recognised in profit or loss	Acquired in acquisition	Balance 29.2.2016
Operating assets	(428)	(73)	(39)	(540)
Intangible assets	(19)	0	0	(19)
Inventories	(48)	1	0	(47)
Trade and other receivables	(49)	7	0	(42)
Carrying amount of tax losses carried forward	0	0	5	5
Provisions	17	117	0	134
Deferred income tax liability	(527)	52	(34)	(509)

Movement in temporary differences 2014/15

	Balance 28.2.2014	Recognised in profit or loss	Acquired in acquisition	Balance 28.2.2015
Operating assets	(428)	0	0	(428)
Intangible assets	(19)	0	0	(19)
Inventories	(48)	0	0	(48)
Trade and other receivables	(43)	(6)	0	(49)
Provisions	22	(5)	0	17
Deferred income tax liability	(516)	(11)	0	(527)

Current tax liabilities is specified as follows:	29.2.2016	28.2.2015
Income tax payable for the year	954	940
Prepaid income tax	(80)	(60)
Total current tax liabilities	874	880

Tax losses carried forward

Carry forward tax losses at year-end amounted to ISK 25 million (2014/15: ISK 28 million). Carry forward losses not used to offset taxable income within ten years expire. Carry forward tax losses can be used as follows:

	29.2.2016	28.2.2015
Tax loss for the year 2008, to be used before end of 2018	18	18
Tax loss for the year 2009, to be used before end of 2019	10	10
Tax loss for the year 2014, to be used before end of 2024	9	0
Tax loss for the year 2015, to be used before end of 2025	16	0
	53	28
Carry forward tax losses not recognised	(28)	(28)
Carry forward tax losses recognised in deferred tax liability	25	0

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11. Operating assets

Operating assets and their depreciation is specified as follows:

	Real estate	Fixtures and equipment	Total
Cost			
Balance at 1 March 2014	1.687	10.266	11.953
Additions	1.365	783	2.148
Disposals	0	(27)	(27)
Balance at 28 February 2015	3.052	11.022	14.074
Balance at 1 March 2015	3.052	11.022	14.074
Additions	1.676	1.207	2.883
Disposals	0	(35)	(35)
Balance at 29 February 2016	4.728	12.194	16.922
Depreciation			
Balance at 1 March 2014	64	6.614	6.678
Depreciation	31	606	637
Disposals	0	(10)	(10)
Balance at 28 February 2015	95	7.210	7.305
Depreciation	62	610	672
Disposals	0	(11)	(11)
Balance at 29 February 2016	157	7.809	7.966
Carrying amounts			
At 1 March 2014	1.623	3.652	5.275
At 28 February 2015	2.957	3.813	6.770
At 29 February 2016	4.571	4.385	8.956

Official real estate value and insurance value

Insurance value, official real estate value and carrying amount is specified as follows:

	29.2.2016	28.2.2015
Official real estate value	2.862	1.565
Insurance value of buildings	4.426	2.430
Carrying value of buildings	4.571	2.957
Insurance value of fixtures and equipment	7.195	7.247
Carrying value of fixtures and equipment	4.385	3.813

Mortgages and pledges

The Group has pledged all its operating assets as collateral for loans and borrowings.

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12. Intangible assets

The Group's intangible assets are specified as follows:

	Goodwill	Software	Lease rights	Total
Cost				
Balance at 1 March 2014	8.172	426	145	8.743
Additions	0	13	0	13
Balance at 28 February 2015	8.172	439	145	8.756
Additions	0	5	0	5
Balance at 29 February 2016	8.172	444	145	8.761
Amortisation and impairment losses				
Balance at 1 March 2014	563	286	120	969
Amortisation	0	25	12	37
Balance at 28 February 2015	563	311	132	1.006
Amortisation	0	14	13	27
Balance at 29 February 2016	563	325	145	970
Carrying amounts				
At 1 March 2014	7.609	140	25	7.774
At 28 February 2015	7.609	128	13	7.750
At 29 February 2016	7.609	119	0	7.728

Impairment tests

Goodwill arising on business combinations is not amortised but is tested for impairment on an annual basis or more frequently if there are indications that goodwill may be impaired. Goodwill acquired in a business combination is allocated to groups of cash-generating units according to the level at which management monitors that goodwill.

Recoverable amounts for cash-generating units are based on the higher of value in use and fair value less costs to sell. Recoverable amounts are based on value in use.

Cash flows were projected based on actual operating results and the 5-year business plan. The anticipated annual nominal revenue growth included in the cash flow projections was from 2.0% up to 3.2% for the years 2016/17 to 2020/21 (2014/15: 3.0% up to 4.5%). The forecasts are extrapolated beyond five years based on estimated long-term average growth rates of 3.0% (2014/15: 3.0%).

An after-tax discount rate of 11.0% (2014/15: 11.1%) was applied in determining the recoverable amount of the units. The discount rate was estimated based on an industry average weighted cost of capital, which was based on debt leveraging of average 17.7% (2014/15: 17.7%) at a market interest rate of 6.7% (2014/15: 7.0%). These discount rates are derived from the Group's post-tax weighted average cost of capital as adjusted for the specific risks related to each cash-generating unit.

A reasonable change in assumption would not trigger an impairment.

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13. Inventories

Inventories are specified as follows:

	29.2.2016	28.2.2015
Groceries	3.213	3.024
Non food goods	1.242	1.394
Goods in transit	301	188
Total inventories	4.756	4.606
Inventory write-down at year-end	103	99
Insurance value of inventories	5.626	5.284

Mortgages and pledges

The Group has pledged all its inventories as collateral for loans and borrowings.

14. Trade and other receivables

Trade and other receivables are specified as follows:

Trade receivables	442	522
Other receivables	104	218
Prepaid expenses	147	147
Allowance for bad debt	(33)	(23)
Trade and other receivables	660	864
Customers credit cards	3.795	4.271
Total trade and other receivables	4.455	5.135

Mortgages and pledges

The Group has pledged all its trade receivables as collateral for loans and borrowings.

15. Cash and cash equivalents

Cash and cash equivalents are specified as follows:

Marketable securities	2.900	2.900
Bank balances	845	370
Cash	65	78
Total cash and cash equivalents	3.810	3.348

Mortgages and pledges

The Group has pledged all its cash and cash equivalents as collateral for loans and borrowings.

16. Equity

Issued capital

In millions of shares

On issue at 1 March	1.172	1.172
On issue at 29 February	1.172	1.172

At 29 February 2016, the authorised share capital comprised 1,172 million shares according to the Company's Articles of Association. One vote is attached to each share. The holders of shares are entitled to receive dividend as declared from time to time at general meetings of the Company.

16. Equity, contd.:

Share premium

Share premium represents excess of payment above nominal value (ISK 1 per share) that shareholders have paid for shares sold by the Company. According to the Icelandic Companies Act, 25% of the nominal value of share capital must be held in reserve which can not be paid out as dividend to shareholders.

Dividends

The Board of Directors proposes that a ISK 1.70 per share dividend shall be paid to shareholders in the year 2016 (2015: ISK 1.70 per share).

17. Earnings per share

Basic earnings per share are calculated by dividing the profit or loss attributable to ordinary shareholders of the parent company by the weighted average number of ordinary shares outstanding during the year and shows the earnings per each share of ISK 1. Diluted earnings per share are the same as basic earnings per share since no share options have been granted to employees or others and the Company has not taken loans convertible into share capital.

	2015/16	2014/15
Net profit for the year attributable to equity holders of the parent	3.596	3.838
Weighted average number of ordinary shares:		
Shares at the beginning and the end of the year	1.172	1.172
Weighted average number of ordinary shares	1.172	1.172
Basic and diluted earnings per share	3,07	3,27

18. Loans and borrowings

Loans and borrowings are specified as follows:	29.2.2016	28.2.2015
Non-current loans and borrowings		
Secured bank loans	3.605	4.077
Finance lease liability	143	162
Total loans and borrowing	3.748	4.239
Current loans and borrowings		
Current portion of secured bank loans	739	728
Current portion of finance lease liability	24	21
Total loans and borrowing	763	749
Total interest bearing loans and borrowings	4.511	4.988

Terms and conditions of outstanding loans were as follows:

	Weighted average interest rate		Carrying amount	Carrying amount
	29.2.2016	28.2.2015	29.2.2016	28.2.2015
Debt in ISK, non-indexed	7,15%	6,10%	4.344	4.805
Debt in ISK, indexed	10,5%	10,5%	167	183
Non-current loans and borrowing, incl. current portion			4.511	4.988
Current portion of non-current loans and borrowings			(763)	(749)
Total non-current loans and borrowings			3.748	4.239

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Notes, contd.:

18. Loans and borrowings, contd.:

Contractual repayments of loans and borrowings are specified as follows:

	29.2.2016	28.2.2015
Repayments in 2015/16	-	749
Repayments in 2016/17	763	753
Repayments in 2017/18	767	756
Repayments in 2018/19	771	761
Repayments in 2019/20	2.165	1.931
Repayments in 2020/21	45	38
Total	4.511	4.988

The fair value of financial assets and liabilities is equal to the carrying amount.

19. Trade and other payables

Trade and other payables are specified as follows:

Trade payables	4.979	4.811
Other payables	2.014	1.521
Incentives from operating leases (see note 21)	25	43
Total trade and other payables	7.018	6.375

20. Provisions and contingencies

At fiscal year-end the provision amounted to ISK 12 million (2014/15: ISK 50 million). The provision at year-end is for onerous lease liabilities for premises vacated from the Group's operating activities, and to net losses on rent of subleased premises.

In 2012 the Company received a payment claim from a competitor for indemnity due to misappropriation of market leading position. The Company rejected the claim and did not recognise a provision in the balance sheet. The District Court of Reykjanes has now ruled in favor of the plaintiff and the Company must pay ISK 218,7 million plus interest and legal costs. The Company will appeal the decision to the Supreme Court. The Company has now recognised a provision in the total amount of 413 million.

21. Operating leases

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	29.2.2016	28.2.2015
Less than one year	2.933	2.937
Between one and five years	6.843	7.722
More than five years	2.062	2.441
Total non-cancellable operating leases	11.838	13.100

The Company leases buildings for its operations. The longest term of lease is until 2026. At the end of February 2016, the obligation in relation to these leases amounted to ISK 11,838 million (2014/15: ISK 13,100 million). Most lease agreements are linked to the consumer price index. The Company has also entered into operating lease agreements regarding machinery, equipment and operating assets.

The remaining incentives from operating leases amounting to ISK 25 million (2014/15: ISK 68 million) will be recognised in profit or loss next year.

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21. Operating leases, contd.:

Leases as lessor

The Company leases out its buildings. The future minimum lease payments under non-cancellable leases are payable as follows:

	29.2.2016	28.2.2015
Less than one year	83	79
Between one and five years	325	282
More than five years	21	83
Total non-cancellable lease payments	429	444

22. Financial risk management

a. 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's 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.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

b. 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.

Trade and other receivables

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 based on historical data of payment statistics for similar financial assets.

At the reporting date there were no significant concentrations of credit risk.

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22. Financial risk management, contd.:

Exposure to credit risk

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

	Notes	29.2.2016	28.2.2015
Trade receivables and other receivables	14	513	717
Trade receivables - customers credit cards	14	3.795	4.271
The maximum exposure to credit risk for trade receivables		4.308	4.988
Cash and cash equivalents	15	3.810	3.348
The maximum exposure to credit risk		8.118	8.336

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

Balance at the beginning of the year	23	25
Changes in provision during the period	10	(2)
Balance at year end	33	23

c. *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.

Liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments:

29 February 2016

Non-derivative financial instruments	Carrying amount	Contractual cash flows	Less than one year	1 - 2 years	2- 5 years	After 5 years
Loans and borrowings	4.344	4.957	1.034	954	2.968	0
Finance lease liability	167	235	41	42	136	16
Trade and other payables	7.018	7.018	7.018	0	0	0
	11.529	12.210	8.093	996	3.104	16

28 February 2015

Non-derivative financial instruments	Carrying amount	Contractual cash flows	Less than one year	1 - 2 years	2- 5 years	After 5 years
Loans and borrowings	4.805	5.558	1.005	945	3.608	0
Finance lease liability	183	280	40	42	134	64
Trade and other payables	6.375	6.375	6.375	0	0	0
	11.363	12.213	7.420	987	3.742	64

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22. Financial risk management, contd.:

d. *Market risk*

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will effect 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.

(i) Currency risk

The Group is exposed to currency risk on purchases that are denominated in a currency other than ISK. The currencies in which these transactions primarily are denominated are Euro (EUR), US Dollar (USD) and Pound sterling (GBP).

Exposure to currency risk

The Group's exposure to foreign currency risk, based on notional amounts, amounts to ISK 385 million at year end (2014/15: ISK 328 million). A 10 percent weakening of the Icelandic Krona against foreign currencies at 29 February 2016 would have decreased post-tax equity and profit by ISK 31 million (2014/15: ISK -26 million).

(ii) Interest rate risk

96.3% of the Group's borrowings carry variable interest rates (2014/15: 96.3%).

Interest-bearing financial liabilities are as follows at year end:	**29.2.2016**	**28.2.2015**
Financial instruments with fixed interest rate		
Financial liabilities	167	183
Financial instruments with variable interest rate		
Financial liabilities	4.344	4.805

A change of 1% in variable interest rate at the end of the reporting period would have increased (decreased) equity and profit or loss by ISK 34 million (2014/15: ISK 38 million) net of tax.

e. *Capital management*

The Board of Directors' policy is to maintain a strong capital base to maintain investor, creditor and market confidence and to sustain future development of the business.

The Board´s policy is to use excess cash generated by the operations to pay dividends, a minimum of 50% of last year's profit, and to buy own shares. In recent years the company has repaid interest-bearing borrowings in excess of contractual payments, but has decided to cease excess payments for now. The Company also intends to buy property for the Company's operations, if the price is considered optimal.

23. Fair values

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

	29 February 2016		**28 February 2015**	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Trade and other receivables	4.308	4.308	4.988	4.988
Cash and cash equivalents	3.810	3.810	3.348	3.348
Loans and borrowings	(4.511)	(4.511)	(4.988)	(4.988)
Trade and other payables	(7.018)	(7.018)	(6.375)	(6.375)
	(3.411)	(3.411)	(3.027)	(3.027)

The basis for determining fair values is disclosed in note 4.

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24. Related parties

Identity of related parties

The Company has a related party relationship with its directors and executive officers. Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

Related party transactions

Salaries and benefits paid to directors and management

Board fee for the year 2015/2016 and shares at year-end	**Board and committee fee**	**Pension contribution**	**Shares at year-end***
Kristín Friðgeirsdóttir, Chairman	7,7	0,6	0,0
Erna Gísladóttir, Board Member	3,8	0,3	6,9
Salvör Nordal, Board Member	3,8	0,3	0,0
Sigurður Arnar Sigurðsson, Board Member	3,8	0,3	0,0
Stefán Árni Auðólfsson, Board Member	3,8	0,3	0,0

Erna and Salvör are members of the audit committee. Kristín, Sigurður Arnar and Stefán Árni are members of the remuneration committee.

Management renumeration for the year 2015/2016 and shares at year end:

	Salary	**Pension contribution**	**Car benefits**	**Incentive payments**	**Shares at year-end***
Finnur Árnason, CEO	36,9	10,8	3,1	34,9	5,4
Guðrún Eva Gunnarsdóttir, CFO	20,4	2,6	1,7	6,0	0,0
Guðmundur Marteinsson, MD	26,9	8,7	1,5	34,9	2,3
Gunnar Ingi Sigurðsson, MD	22,1	3,0	2,7	7,5	1,2
Kjartan Már Friðsteinsson, MD	22,6	2,4	2,0	10,0	0,2
Lárus Óskarsson, MD	21,2	2,4	2,4	4,0	0,0

Board fee for the year 2014/2015 and shares at year-end	**Board and committee fee**	**Pension contribution**	**Shares at year-end***
Kristín Friðgeirsdóttir, Chairman	5,9	0,5	0,0
Erna Gísladóttir, Board Member	3,8	0,3	6,9
Salvör Nordal, Board Member (from June 2014)	2,8	0,2	0,0
Sigurður Arnar Sigurðsson, Board Member (from June 2014)	2,6	0,2	0,0
Stefán Árni Auðólfsson, Board Member	3,4	0,3	0,0
Árni Hauksson, Chairman (until June 2014)	1,6	0,1	0,0
Hallbjörn Karlsson, Board Member (until June 2014)	0,8	0,1	0,0

Erna and Salvör were members of the audit committee. Kristín, Sigurður Arnar and Stefán Árni were members of the remuneration committee.

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24. Related parties, contd.:

Management renumeration for the year 2014/2015 and shares at year end:

	Salary	Pension contribution	Car benefits	Incentive payments	Shares at year-end*
Finnur Árnason, CEO	35,3	10,6	3,2	35,0	5,4
Guðrún Eva Gunnarsdóttir, CFO	19,6	2,6	1,3	6,0	0,0
Guðmundur Marteinsson, MD	27,0	8,7	1,5	35,0	2,3
Gunnar Ingi Sigurðsson, MD	21,9	3,2	2,9	7,5	1,2
Kjartan Már Friðsteinsson, MD	21,9	5,1	3,3	8,0	1,2
Lárus Óskarsson, MD	20,5	2,2	2,2	4,0	0,0

*Shares held directly by directors or parties related to them.

25. Group entities

At 29 February 2016 the Company's subsidiaries were seven. The subsidiaries included in the consolidated financial statements are the following:

	Place of registration and operation	Ownership interest 29.2.2016	Ownership interest 28.2.2015
Hagar verslanir ehf.	Iceland	100%	100%
Bananar ehf.	Iceland	100%	100%
Ferskar kjötvörur ehf.	Iceland	100%	100%
Noron ehf.	Iceland	100%	100%
Íshöfn ehf.	Iceland	100%	100%
Eignarhaldsfélagið Dagar ehf.	Iceland	100%	100%
Gargon ehf.	Iceland	100%	0%

The subsidiary Gargon ehf. that owns real estate used by the Group was acquired during the year.

The Parent Company has pledged all its shares in the subsidiaries as collateral for loans and borrowings, except for Gargon ehf.

26. Financial Ratios

The Group's primary financial ratios are as follows:

Balance Sheet:	29.2.2016	28.2.2015
Current ratio - Current assets/current liabilities	1,43	1,63
Equity ratio - equity/total capital	55,1%	53,5%
Internal value of share capital	13,97	12,60

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Quarterly statements (unaudited)

Amounts are in ISK million

Year 2015/16	Q1	Q2	Q3	Q4	Total
Sales	18.668	19.722	18.787	21.189	78.366
Cost of goods sold	(14.183)	(14.875)	(14.134)	(16.065)	(59.257)
Gross profit	4.485	4.847	4.653	5.124	19.109
Other operating income	45	42	45	74	206
Salaries and related expenses	(1.697)	(1.667)	(1.788)	(2.010)	(7.162)
Other operating expenses	(1.621)	(1.566)	(1.637)	(1.670)	(6.494)
Profit from operating activities before depreciation and amortisation	1.212	1.656	1.273	1.518	5.659
Indemnity provision	0	0	0	(413)	(413)
Depreciation and amortisation	(171)	(162)	(175)	(191)	(699)
Profit from operating activities	1.041	1.494	1.098	914	4.547
Finance income	48	59	60	129	296
Finance expenses	(75)	(85)	(101)	(84)	(345)
Net finance expense	(27)	(26)	(41)	45	(49)
Profit before income tax	1.014	1.468	1.057	959	4.498
Income tax	(203)	(293)	(212)	(194)	(902)
Comprehensive income for the year	811	1.175	845	765	3.596

Year 2014/15	Q1	Q2	Q3	Q4	Total
Sales	18.885	19.478	18.400	20.380	77.143
Cost of goods sold	(14.311)	(14.787)	(13.978)	(15.563)	(58.639)
Gross profit	4.574	4.691	4.422	4.817	18.504
Other operating income	27	30	25	47	129
Salaries and related expenses	(1.646)	(1.568)	(1.674)	(1.792)	(6.680)
Other operating expenses	(1.550)	(1.515)	(1.630)	(1.642)	(6.337)
Profit from operating activities before depreciation and amortisation	1.405	1.638	1.143	1.430	5.616
Depreciation and amortisation	(166)	(168)	(167)	(173)	(674)
Profit from operating activities	1.239	1.470	976	1.257	4.942
Finance income	86	53	58	51	248
Finance expenses	(151)	(80)	(91)	(73)	(395)
Net finance expense	(65)	(27)	(33)	(22)	(147)
Profit before income tax	1.174	1.443	943	1.235	4.795
Income tax	(235)	(288)	(189)	(245)	(957)
Comprehensive income for the year	939	1.155	754	990	3.838