Nýsir hf

Condensed Consolidated Interim Financial Statements
1 January to 30 June 2008

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Nýsir hf, id. no.690191-1219
Reykjavíkurvegi 74,
220 Hafnarfjörður
www. nysir.is

Board of Directors' report

General information

Nýsir hf is an international company engaged in the area of privatization, PFI/PPP projects, facilities management, business development and investments. Its main operation is in Iceland, but the company has experienced increasing growth in Great Britain, Denmark and Malta.

These unaudited condensed consolidated interim financial statements are the consolidated financial statements for Nýsir hf and its subsidiaries.

Operation during the period

It is the opinion of the Group's Board of Directors' that all necessary information required to obtain a clear overview of the Company's financial position at the end of the period, its operating result for the period and the financial development during the period, are included in the interim financial statements.

Ownership

At period end the Company was owned by 3 shareholders. One of the shareholders is Sneis ehf., holding a 99.9% interest.

Financial position and future operation

The Board of Directors refers to note no. 13 regarding financial position and restructing programme.

The Board of Director and Managing Director of Nýsir hf. hereby confirm the condensed consolidated unaudited interim financial statements of the Group for the period 1. January to 30. June 2008 with their signatures.

Hafnarfirði, 14. October 2008.

Board of Directors:

Stefán Þórarinsson

Sigfús Jónsson

Guðbjörg H. Gylfadóttir

Managing Director:

Höskuldur Ásgeirsson

Consolidated Balance Sheet as of 30 June 2008

Assets	Notes	30.06. 2008	31.12. 2007
Non-current assets			
Investment properties	5	33.064.781	27.110.845
Buildings under construction	6	7.011.904	5.741.699
Other properties and equipment	6	4.144.309	4.918.457
Intangible assets	4	5.612.984	3.509.324
Investments in associates		3.206.832	3.067.969
Investments in other companies		90.195	3.468
Long-term receivables		10.132.161	4.289.985
Subordinated loan to associated company		169.166	76.327
		63.432.332	48.718.073
Current assets			
Trade and other receivables		4.141.275	2.790.767
Inventories		287.207	184.854
Receivables from associates and other related parties	11	196.273	597.125
Cash and cash equivalents		1.780.545	1.183.101
		6.405.301	4.755.848
Total assets		69.837.633	53.473.920

Equity

Shareholder's equity			
Share capital		90.000	90.000
Legal reserve		29.833	29.833
Revaluation reserve		2.639.154	2.564.220
Translation difference		392.477	(124.335)
Fair value reserve of investment properties		3.794.347	2.973.092
Retained earnings		(9.690.342)	(2.786.836)
		(2.744.530)	2.745.973
Minority interest		1.162.090	1.001.399
Total equity		(1.582.440)	3.747.373

Liabilities

Subordinated loans and obligations			
Subordinated loans		8.296	136.527
Deferred income tax liability		2.015.123	2.544.077
Borrowings	7	42.359.858	29.811.389
Deferred revenue and other obligations		607.166	212.224
		44.990.442	32.704.217
Current liabilities			
Borrowings	7	18.540.749	13.535.786
Trade and other payables		7.283.382	3.133.723
Borrowings related parties	11	273.298	109.273
Current portion of deferred revenue		309.563	54.375
Taxes payable	8	22.639	189.175
		26.429.631	17.022.331
Total liabilities		71.420.073	49.726.547
Total equity and liabilities		69.837.633	53.473.920

Nýsir hf. Condensed Consolidated Interim Financial Statements 30 June 2008. Amounts in thousands of ISK.

Consolidated Income Statement 1 January - 30 June 2008

	Notes	2008 1/1 - 30/6	2007 1/1 - 30/6
Revenue	3	5.249.572	4.796.914
Change in fair value adjustments of investment properties	5	838.216	116.641
Operating cost of investment properties		(213.153)	(152.015)
Wages and related expenses		(2.020.429)	(1.621.313)
Depreciation, amortisation and impairment	6	(845.736)	(86.523)
Other operating costs		(2.634.971)	(2.335.215)
Operating profit		373.500	718.489
Financial income (expenses)			
Finance costs - net		(7.412.136)	(737.167)
		(7.412.136)	(737.167)
Share in (loss) profit of associates		(1.194)	(18.836)
Loss before taxes		(7.039.830)	(37.514)
Calculated income tax	8	902.590	105.934
Net loss for the year		(6.137.240)	68.420
Loss allocation:			
Nýsir hf shareholders' share		(6.082.251)	29.467
Minority interest		(54.989)	38.953
		(6.137.240)	68.420
Nýsir hf. shareholders' loss per share:			
Basic and diluted		(67,58)	0,33

Nýsir hf. Condensed Consolidated Interim Financial Statements 30 June 2008. Amounts in thousands of ISK.

Consolidated Statement of Changes in Equity

	Share capital	Reserves	Revaluation reserve	Translation difference	Fair value reserve of investment property	Retained earnings	Total	Minority interest	Total
Equity 1 January 2007	90.000	29.833	2.666.780	7.495	3.170.877	(696.795)	5.268.190	1.002.014	6.270.205
Translation difference of foreign subsidiaries				(140.126)			(140.126)		(140.126)
Share in revaluation of land and buildings rights.									1
Effect of deconsolidation							0		0
Net profit (loss)					95.646	(66.179)	29.467	38.953	68.421
Net profit (loss) January - June. 2007 put on equity	0	0	0	(140.126)	95.646	(66.179)	(110.659)	38.953	6.198.501
Change in minority interest								(163.518)	(163.518)
Dividends paid					(45.000)		(45.000)		(45.000)
Equity 30 June 2007	90.000	29.833	2.666.780	(132.631)	3.221.523	(762.974)	5.112.531	877.449	5.989.983
Equity 30 June 2007	90.000	29.833	2.666.780	(132.631)	3.221.523	(762.974)	5.112.531	877.449	5.989.983
Translation difference of foreign subsidiaries				8.296			8.296		8.296
Share in revaluation of land and buildings rights.			(102.560)				(102.560)	133.976	31.416
Net profit (loss)					(248.431)	(2.023.862)	(2.272.293)	(139.365)	(2.411.658)
Net profit (loss) July - Dec. 2007 put on equity	0	0	(102.560)	8.296	(248.431)	(2.023.862)	(2.366.557)	(5.389)	(2.371.946)
Increase in share capital									0
Change in minority interest								129.339	129.339
Dividends paid									0
Equity 31 December 2007	90.000	29.833	2.564.220	(124.335)	2.973.092	(2.786.836)	2.745.973	1.001.399	3.747.373
Translation difference of foreign subsidiaries				516.812			516.812		516.812
Share in revaluation of land and buildings rights.			(26.212)				(26.212)		(26.212)
Canghes in domestic tax rates			101.147		108.772	(108.772)	101.147		101.147
Net profit (loss) of the period					712.484	(6.794.734)	(6.082.251)	(54.989)	(6.137.240)
Net profit (loss) January - June 2008 put on equity	0	0	74.935	516.812	821.255	(6.903.506)	(5.490.504)	(54.989)	(5.545.493)
Change in minority interest								215.680	215.680
Dividends paid							0		0
Equity 30 June 2008	90.000	29.833	2.639.154	392.477	3.794.347	(9.690.342)	(2.744.530)	1.162.090	(1.582.440)

Amounts in thousands of ISK.

Consolidated Statement of Cash Flow 1 January - 30 June 2008

	2008 1/1 - 30/6	2007 1/1 - 30/6
Cash flows from operating activities		
Cash generated from operations:		
Net loss	(6.137.240)	68.420
Items not affecting cash:		
Calculated taxes	(902.590)	(105.934)
Share in associated income	1.194	18.836
Depreciation, amortisation and impairment	845.736	86.523
Changes in fair value of investment properties	(838.216)	(116.641)
Interest expenses and other items	6.061.268	(419.945)
	(969.848)	(468.741)
Increase (decrease) in operating assets:		
Receivables	(1.394.709)	89.597
Inventories	(102.353)	(264.467)
Increase (decrease) in operating liabilities:		
Current liabilities	3.020.715	(115.669)
	1.523.653	(290.539)
Cash flows from operating activities	553.805	(759.280)
Cash flows to investing activities		
Purchase of properties and equipment	(1.808.642)	(1.014.690)
Purchase of intangible assets	(1.227.163)	(40.414)
Purchase of investment properties	(368.040)	(34.832)
Change in bonds' balances	(5.358.928)	8.205
Investments in other companies	(224.396)	(275.000)
Sales of properties and equipment	60.050	0
Receivables from related parties	400.852	(444.109)
	(8.526.268)	(1.800.840)
Cash flows from financing activities		
Dividends paid	0	(45.000)
Proceeds from borrowings	11.697.993	4.742.861
Repayments of subordinated loans	(128.231)	(1.390)
Repayments of borrowings	(2.999.855)	(1.526.763)
	8.569.906	3.169.708
Net (decrease) increase in cash and cash equivalents	597.444	609.588
Cash and cash equivalents at the beginning of year	1.183.101	1.289.446
Translation difference due to foreign subsidiaries	0	(90.599)
Cash and cash equivalents at end of the period	1.780.545	1.808.435

Nýsir hf. Condensed Consolidated Interim Financial Statements 30 June 2008. Amounts in thousands of ISK.

Notes

1. General information

Nýsir hf (the Company) and subsidiaries (collectively the Group) are companies that operate in the area of privatization of public service, PFI/PPP projects, facilities management, business development, operation and management consulting and investments. The Company has issued bonds that are listed on the Icelandic stock exchange.

The Company's legal residence is at Reykjavíkurvegi 74, 220 Hafnarfjörður, Iceland.

The Company's Board of Directors approved the publication of these unaudited consolidated interim financial statements on 14. October 2008.

2. Basis of preparation

The condensed consolidated financial statements for Nýsir hf cover the period from 1 January to 30 June 2008. These condensed consolidated financial statements are prepared in accordance with IAS 34.

The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2007, which have been prepared in accordance with IFRSs. The annual financial statements is available at http://www.omxnordicexchange.com/frettirogtolfradi/fyrirtaekjatilkynningar/.

Notes

3. Segment information

Geographical segments

At the end of the period, the Group is divided into four geographical segments; Iceland, UK, Denmark and other countries.

All companies within the Group located in Iceland belong to the Iceland operation; this includes, among other, Nýsir hf (the parent company) in addition to three sub-Group companies, such as Nýsir fasteignir hf and its subsidiaries Stofn fjárfestingarfélag ehf and subsidiaries and Nýsir þróunarfélag.

The UK operation includes Nysir UK limited Group and its subsidiaries, which are all located in United Kingdom.

Denmark includes Nysir Danmark ApS and its subsidiaries.

The business segment "other" includes Malta and other countries.

Income statement per geographical segment for the period 1. January to 30. June 2008:

	Iceland	UK	Denmark	Other	Total
Revenue	1.111.537	3.658.622	479.413	0	5.249.572
Operating profit (loss)	1.689.944	92.235	(1.388.727)	(19.952)	373.500
Finance costs - net	(6.684.586)	(573.906)	(150.097)	(3.547)	(7.412.136)
Share in profit (loss) of associates	(1.674)	481	0	0	(1.194)
Loss before taxes	(4.996.316)	(481.191)	(1.538.824)	(23.499)	(7.039.830)
Income tax	557.790	(77.116)	421.915	0	902.590
(Loss) for the period	(4.438.525)	(558.307)	(1.116.909)	(23.499)	(6.137.240)

Additional information on items included in operating profit (loss):

	Iceland	UK	Denmark	Other	Total
Depreciation of non-current assets	(786.740)	(32.179)	(6.793)	0	(825.712)
Impairment and amortisation for intangible assets	(13.852)		(5.729)	(443)	(20.024)
Change in fair value adj. of invest. prop.	2.499.296	0	(1.661.080)	0	838.216

Equity and liabilities of geographical segments as at 30. June 2008:

	Iceland	UK	Denmark	Other	Total
Assets	30.999.722	17.845.249	17.773.673	12.157	66.630.801
Subsidiaries and associates	3.114.706	92.126	0	0	3.206.832
Total assets	34.114.428	17.937.375	17.773.673	12.157	69.837.633
Total liabilities	36.348.441	18.057.391	16.911.345	102.896	71.420.073

Assets in Iceland consist mainly of investment properties and non-current assets. Assets in UK consist, to a large extent, of long-term receivables related to privatization and other receivables. The majority portion of the Group's intangible assets is located in the UK.

Nýsir hf. Condensed Consolidated Interim Financial Statements 30 June 2008. Amounts thousand of ISK

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Net income per geographical segment for the period 1. January to 30. June 2007 was as follows:

	Iceland	UK	Denmark	Other	Total
Revenue	970.302	3.542.868	283.076	668	4.796.914
Operarting profit (loss)	223.246	307.059	200.283	(12.099)	718.489
Finance costs - net	(367.344)	(112.738)	(255.647)	(1.438)	(737.167)
Share in profit (loss) of associates)	(21.649)	2.813	0	0	(18.836)
(Loss) profit before taxes	(165.748)	197.134	(55.364)	(13.537)	(37.514)
Income tax	0	0	0	0	105.934
(Loss) profit for the period	(165.748)	197.134	(55.364)	(13.537)	68.420

Additional information on items included in operating profit (loss):

	Iceland	UK	Denmark	Other	Total
Depreciation of non-current assets	(44.378)	(23.164)	0	(101)	(67.643)
Provisions for intangible assets	(18.880)	0	0	0	(18.880)
Change in fair value adj. of invest. prop.	116.641	0	0	0	116.641

Equity and liabilities of segments as at 31. December 2007:

	Iceland	UK	Denmark	Other	Total
Assets	27.899.083	10.381.570	12.118.945	6.354	50.405.951
Subsidiaries and associates	2.995.881	72.088	0	0	3.067.969
Total assets	30.894.963	10.453.658	12.118.945	6.354	53.473.920
Total liabilities	28.280.749	10.339.684	11.053.125	52.989	49.726.547

Business segments

	Jan-June 2008	Jan-June 2007
Revenue		
Lease revenue	924.529	738.466
Revenue from facility management and other revenue	4.325.043	4.058.448
	5.249.572	4.796.914

	30. June 2008	31. December 2007
Assets		
Assets subject to long-term leases	31.030.801	26.992.322
Assets related to facility management and other operations	38.806.832	26.481.598
	69.837.633	53.473.920

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Notes

4. Intangible assets

Goodwill is generated from purchase of companies and businesses. Development cost is related to software for resale at Midi.is.

	Goodwill	Development cost	Total
Book value 1/1 2007	3.915.518	51.540	3.967.058
Additions during the year	0	111.793	111.793
Impairment and amortisation	(97.200)	(28.713)	(125.913)
Exchange difference	(443.613)	0	(443.613)
Book value 31/12 2007	3.374.705	134.620	3.509.324
Book value 1/1 2008	3.374.705	134.620	3.509.324
Additions during the period	1.088.747	138.416	1.227.163
Impairment and amortisation	(4.503)	(15.521)	(20.024)
Exchange difference	896.520	0	896.520
Book value 30/6 2008	5.355.468	257.515	5.612.984

5. Investment properties

Book value 1/1 2008	27.110.845
Additions during the year	368.040
Transferred from buildings in construction	293.670
Translation difference	4.454.010
Change in fair value adjustments of investment properties	838.216
Book value 30/6 2008	33.064.782

Nýsir hf. Condensed Consolidated Interim Financial Statements 30 June 2008. Amounts thousand of ISK

Notes

6. Property, plant and equipment

	Buildings in construction and land	Buildings for own use	Vessels and rel. equip. for lease	Other assets	Total
At 1. January 2007					
Cost or valuation	4.077.379	527.123	1.906.353	684.694	7.195.549
Accumulated depreciation	(7.013)	(4.126)	0	(111.644)	(122.783)
	4.070.366	522.997	1.906.353	573.050	7.072.766
Year ended 31. December 2007					
Net book value 1/1	4.070.366	522.997	1.906.353	573.050	7.072.766
Additions during the year	1.961.998	466	1.736.296	214.281	3.913.041
Sold during the year	0	0	0	(25.939)	(25.939)
Transferred between items	(226.140)	0	0	226.140	0
Transferred to investment properties	(144.472)	0	0	0	(144.472)
Revaluation of assets	82.525	0	0	0	82.525
Translation difference	0	0	0	(14.608)	(14.608)
Depreciation	(2.577)	(15.828)	(68.062)	(136.691)	(223.158)
Closing net book amount	5.741.699	507.635	3.574.587	836.233	10.660.156
At 31 December 2007					
Cost or valuation	5.746.786	527.590	3.732.648	1.197.782	11.204.807
Accumulated depreciation	(5.087)	(19.954)	(158.062)	(361.549)	(544.652)
	5.741.699	507.636	3.574.587	836.233	10.660.156
Period ended 30. June 2008					
Net book value 1/1 2008	5.741.699	507.636	3.574.587	836.233	10.660.156
Additions during the period	1.624.744	2.168	57.744	123.986	1.808.642
Sold during the period	(28.585)	0	0	(48.052)	(76.637)
Transferred to intangible	0	0	0	(1.728)	(1.728)
Transferred to investment properties	(293.670)	0	0	0	(293.670)
Revaluation of assets	(30.838)	0	(124.512)	0	(155.350)
Translation difference	0	0	0	40.511	40.511
Impairment of assets	0	0	(696.258)	0	(696.258)
Depreciation	(1.446)	(7.946)	(34.031)	(86.031)	(129.454)
Book value 30/6 2008	7.011.904	501.858	2.777.531	864.920	11.156.213
At 30 June 2008					
Cost or valuation	7.018.437	529.758	2.969.623	1.312.499	11.830.318
Accumulated depreciation and impairment	(6.533)	(27.900)	(192.092)	(447.580)	(674.106)
	7.011.904	501.858	2.777.531	864.920	11.156.213

Depreciation, amortisation and impairment recognised in the income statement, in the total amount of ISK 845.736 thousand are as follows:

	30.06 2008	**30.6.2007**
Depreciation of property, plant and equipments (note 6)	129.454	67.643
Impairment of assets (note 6)	696.258	0
Intangible assets (note 4)	20.024	18.880
	845.736	86.523

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Notes

7. Borrowings

Borrowings are as follows:	30.06 2008	31.12 2007
Long-term portion	42.359.858	29.811.389
Short-term portion:		
Current portion of subordinated loans	1.659	2.151
Payables and other short-term bank loans	778.415	530.398
Current portion of long-term borrowings	17.760.675	13.003.237
	18.540.749	13.535.786
Debt in foreign currency:		
Debt owed in foreign currencies:		
Debt owed in USD	1.236.394	982.308
Debt owed in GBP	7.192.414	4.291.532
Debt owed in JPY	2.731.706	1.984.256
Debt owed in EUR	4.674.002	5.157.341
Debt owed in CAD	1.018.803	795.391
Debt owed in DKK	12.763.472	8.991.100
Debt owed in CHF	6.530.417	2.856.098
Debt owed in ROL	2.386	2.093
Debt owed in SP2 (currency basket)	117.717	27.114
	36.267.311	25.087.234
Debt in Icelandic krona:		
Non-indexed debt	8.489.127	6.509.679
Indexed debt	15.364.095	11.217.712
	23.853.222	17.727.391
Total long-term borrowings	60.120.533	42.814.626

Long-term borrowings of the Group, for a total of ISK 60.121 million, are presented as follows in the balance sheet:

Overdue and current portion due within 12 months shown under short-term debt	17.760.675	13.003.237
Repayments with a maturity of one year or later	42.359.858	29.811.389
	60.120.533	42.814.626

Re-payments of the Group's long-term borrowings are as follows:

Overdue and year 2008/2009	17.760.675
Year 2009/2010	3.322.190
Year 2010/2011	4.941.381
Year 2011/2012	13.781.618
Year 2012/2013	1.821.397
Later	18.493.271
	60.120.533

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Notes

8. Income tax

	30.06 2008	30.06 2007
Current tax	22.639	189.175
Deferred tax	879.951	(83.241)
	902.590	105.934

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated companies as follows

Tax calculated at domestic tax rates applicable to profits in the respective countries	830.831	536.581
Permanent differences for tax purposes	(33.158)	(33.136)
Change in tax percentage	190.752	161.710
Impacts from previously unrecogn. tax losses/asset not recognized and other items	(85.836)	(219.982)
Tax charge	902.590	105.934

The weighted average applicable tax rate was 13% (2007: 16%).

Tax calculated at domestic tax rates applicable to profits in the respective countries.

9. Commitments

Aberdeen PFI Project:

Landsbanki has signed a loan agreement with Skotsilfur of amount £119.7 m with a shortfall guarantee from the parent company Nysir hf. of amount £ 5.4 m. Half of the shortfall guarantee is secured through collateral in the property of Laugahús (420 m ISK).

Operon signed a Facilities Management Contract with NYOP Education (Aberdeen) in December 2007. Nýsir hf. has provided NYOP Education with a parent company guarantee for Operon as a service provider where Nýsir hf. unconditionally and irrevocably guarantees the obligations of Operon. In the Facilities Management Contract the maximum aggregate liability of Operon as a service provider shall not exceed £1 m.

Nýsir hf. has an obligation to NYOP Education (Aberdeen) Limited to provide a subordinated debt of amount £9,745,743. At the signing of the Project Agreement in December 2008 Nysir UK had paid in £4.5 m of sub-debt but provided a bank guarantee from Den Danske Bank of amount £5.5 m for the remaining sub-debt.

Operon signed and M&E Works Contract, including the provision of FF&E for the Aberdeen schools project of amount £26.4m. The Company provided a performance bond of amount £3,946,941 for the contract.

Acquisition of Operon in 2006:

Landsbanki provided a loan to Nysir UK Limited of amount £15.368.660 with a parent company guarantee of Nýsir International. The shares in Operon are pledged to the bank.

The sellers of the shares provided loans to Nysir UK Limited of amount £5.506.344. The loan notes are guaranteed by Nýsir hf. The outstanding payment of the loan notes amounts to £1.7 m.

NYOP Ruthin Limited:

Nysir UK Limited borrowed from Landsbanki £4.5 m to purchase Neptune PFI Ruthin Limited against a parent company guarantee from Nýsir hf. The shares are pledged to Landsbanki.

Nýsir hf. Condensed Consolidated Interim Financial Statements 30 June 2008. Amounts thousand of ISK

Notes

Other projects:

Operon has provided a guarantee for the facilities management contract at Aston University in Birmingham. The guarantee is capped at £3m.

Operon has provided a guarantee for the facilities management contract at Buckinghamshire New University í High Wycombe. The guarantee is capped at £1m.

Requests have been made for second tier guarantees from Nýsir hf. They have not been provided but a temporary arrangement has been set up as follows:

Aston security arrangement – in lieu of bond (£3m) and PCG (£3m), or minimum net asset value of £25m.

a. Profit lock up £15,000 per month
b. £1,000,000 additional cash lock up on each anniversary of contract from April 2008. Together with £15,000 lock up this is up to total of bond/PCG value of £6m
c. Operon must maintain a net asset value of £5m
d. No distributions or quasi distributions to shareholders
e. No charges to be given over assets

Buckinghamshire security arrangement – in lieu of bond (£1.5m) and PCG (£1.5m), or minimum net asset value of £25m are as follows:

a. Profit lock up £7,500 per month.
b. £500,000 additional cash lock up on each anniversary of contract from July 2008. Together with £7,500 lock up this is up to total of bond/PCG value of £3m.
c. Operon must maintain a net asset value of £5m.
d. No distributions or quasi distributions to shareholders
e. No charges to be given over assets

The project related to the subsidiary Golf ehf:

The Group is under a contractual obligation to increase the equity in its subsidiary Golf ehf by ISK 60 million in 2008 and ISK 30 million in 2009. The Group has decided to postpone the project until further notice.

The extension of the Reykjavík Arena (Egilshöllin):

The extension of the Reykjavík Arena (Egilshöllin) began in 2006. The new wing will contain various leisure services such as a cinema, bowling alley and restaurant. In June 2007, the Group entered into an agreement with Kringlubíó ehf regarding the construction and lease of four cinema halls in the new wing. A subsidiary of the Nysir Group will rent and operate the bowling alley. The estimated cost to completion of the new wing and ground repair is ISK 1.149 million. According to the agreement, the lease is intended to begin in 2008. The lease term, according to the agreement for the cinema is 25 years. This project has been financed by equity and senior debt from a financial institution.

The Portus Group project:

The Group is a 50% owner of the holding company Eignarhaldsfélagið Portus hf, which is the private partner and lead project developer in the East Harbour Project. The core of the development area is the new National Concert and Conference Centre. Other buildings include a five star hotel, office blocks, retail outlets, residential buildings and a bank building. Equity paid in by Nysir Group in Portus is ISK 955 million. Further equity agreed in this project is ISK 600 million in Situs intended for the hotel building and ISK 250 million for AGO, the operating company. The Group's board of directors is aware that further equity might be needed in this project, at a minimum of ISK 1.000 million. If the total cost of the project will increase the Group's obligation might increase proportionally.

The Bifröst University assets:

In August 2007 the Group purchased assets located at the Bifröst University Iceland. Related to the purchase the Group committed to pay certain maintenance and house improvements of an estimated amount of ISK 128 million. This amount can be reimbursed from the lessee through future lease payments.

Notes

The Mörkin project:

In August 2008 Morkin Ltd entered into an agreement with third parties to sell all unsold apartments in Morkin project to a newly established company by third parties. By this transaction all the debts to third parties related to Morkin construction have been settled. At the same time Nysir Ltd has given a guarantee of a maximum figure of ISK 195 million subject to loss on this transaction.

Nysir Denmark

In the relation to the loan agreement between Aareal Bank AG and Nysir Danmark A/S, Nysir Ltd is a Guarantor up to an amount of DKK 25 million.

10.   Contingencies

Letters of credit have been issued in the UK arising from the ordinary course of business amounted to GBP 2,6 million.

11. Related party transactions.

At the end of the period the total receivables against associated companies and other related parties amounted to ISK 196 million.

Subordinated loans to associated company amounted to ISK 169 million at the end of the period. The loans are to Fasteignafélagið Lækjarhlíð ehf., Sæblóm ehf and Austurgata ehf. Unpaid share capital to Eignarhaldsfélagið Portus hf. amounted to ISK 90 million.

At the end of the period borrowing from associates amounted to ISK 273 million.

12. Events after the balance-sheet date

The Mörkin project:

In August 2008 Morkin Ltd entered into an agreement with third parties to sell all unsold apartments in Morkin project to a newly established company by third parties. By this transaction all the debts to third parties related to Morkin construction have been settled.

13. Financial position of the Group

As reflected in the Income Statement for the first two quarters of 2008 the Group sustained a net loss of ISK 6.137 million the main reason being a net finance cost of ISK 7.412 million. The total equity of the Group at 30 June 2008 is negative of total ISK 1.582 million. The high financial costs are due to unfavourable terms in financing of investments in large development projects under construction that will not yield a permanent income stream until 2009 and 2010. These unfavourable terms are due to the situation on international financial markets.

The Group signed an agreement with a financial institution in March relating to the refinancing of the Group. In the latter part of September 2008 this agreement was terminated. At the same time the Group received two offers from Landsbanki hf and Kaupthing Banki hf to purchase all Group's assets under certain terms and conditions. These offers have been introduced to the Group's main registered bonds creditors.

Based on the latest development in the financial market and the most recent financial situation of the aforementioned banks, they were compelled to draw back the offers made. Taking this into account the Group has made its own incentives to address this situation with the main creditors with the aim to refinance the Group. However, should this plan not fully materialize, for whatever reasons, a material uncertainty may arise which would cast significant doubt about the Group´s ability to carry on as a going concern.