Opin Kerfi Group hf.

Consolidated
Financial Statements
2007

Opin Kerfi Group hf.
Höfðabakka 9
110 Reykjavík

Reg. no. 530891-1439

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Endorsement and Signatures of the Board of Directors and the CEO

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

According to the income statement, profit for the year amounted to ISK 169 million. The total operating revenue for the year amounted to ISK 8.444 million. According to the balance sheet, the assets amounted to ISK 4.299 million. At year-end equity amounted to 1.878 ISK million. Changes in equity is further explained in the notes to the consolidated financial statements.

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

The Board of Directors and the CEO of Opin Kerfi Group hf. hereby confirm the Company's consolidated financial statements for the year-ended 2007 by means of their signatures.

Reykjavík, February 25, 2008.

CEO:

Independent Auditors' Report

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

We have audited the accompanying consolidated financial statements of Opin Kerfi Group hf. and its subsidiaries (the "Group"), which comprise the balance sheet as at December 31, 2007, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

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 relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

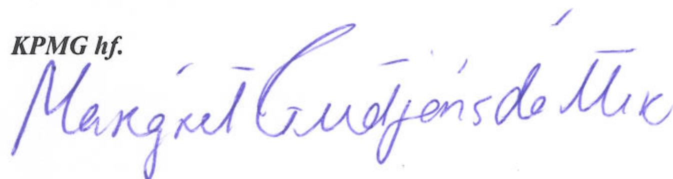
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of Opin Kerfi Group hf. as at December 31, 2007, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Reykjavík, February 25, 2008.

KPMG hf.



Consolidated Income Statement
for the year ended 31 December 2007

	Note	2007	2006 Restated*
Continuing operations:			
Sales of goods		8.436.408	9.837.378
Other income		7.681	13.720
Total revenue		8.444.089	9.851.098
Cost of goods sold		5.147.445	6.409.302
Salaries and salary-related expenses	8	2.636.895	2.598.504
Other operating expenses		814.703	692.364
Total revenue		8.599.043	9.700.170
EBITDA		(154.954)	150.928
Depreciation and amortisation	14	(91.089)	(79.640)
Impairment loss on goodwill	15	(598.311)	0
Finance income	11	9.259	11.772
Finance expenses	11	(86.536)	(114.737)
Loss before income tax		(921.631)	(31.677)
Income tax	12	(9.496)	8.144
Loss from continuing operations		(931.127)	(23.533)
Discontinued operations:			
Profit from discontinued operations (net of income tax)	7	1.100.468	99.698
Profit for the year	6	169.340	76.165
Earnings per share:			
Basic earnings per share of ISK 1		0,81	0,36
Continuing operations:			
Basic loss per share of ISK 1		(4,46)	(0,11)

* See discontinued operations (note 7).

The notes on pages 9 to 26 are an intergral part of these consolidated financial statements.

Consolidated Balance Sheet
as at 31 December 2007

	Note	2007	2006
Assets:			
Fixed assets	13	115.331	156.412
Intangible assets	15	1.678.086	2.578.253
Investments in companies	16	1.514	1.514
Total non-current assets		1.794.931	2.736.179
Inventories		43.914	392.988
Trade and receivables	17	2.414.933	2.831.053
Cash and cash equivalents		45.111	183.617
Total current assets		2.503.957	3.407.658
Total assets		4.298.888	6.143.837
Equity:			
Share capital	18	208.921	208.921
Share premium		833.410	833.410
Reserve		29.915	99.210
Retained earnings		806.051	636.711
Total equity		1.878.297	1.778.252
Liabilities:			
Deferred income-tax liability	19	203.788	6.730
Loans and borrowings	20	59.506	1.177.339
Total non-current liabilities		263.294	1.184.069
Loans and borrowings		403.335	418.630
Current maturities	19	167.871	236.292
Trade and other payables	22	1.586.091	2.526.594
Total current liabilities		2.157.297	3.181.516
Total liabilities		2.420.591	4.365.585
Total equity and liabilities		4.298.888	6.143.837

The notes on pages 9 to 26 are an intergral part of these consolidated financial statements.

Consolidated Statement of changes in Equity

as at 31 December 2007

	Share capital	Share premium	Reserve	Retained earnings	Total equity
Equity 1.1.2006	208.921	833.410	(137.774)	560.546	1.465.103
Translation difference			236.984		236.984
Profit for the year				76.165	76.165
Equity 1.1.2007	208.921	833.410	99.210	636.711	1.778.252
Translation difference			(69.294)		(69.294)
Profit for the year				169.340	169.340
Equity 31.12.2007	208.921	833.410	29.916	806.051	1.878.297

The notes on pages 9 to 26 are an intergral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2007

	Notes	2007	2006
Cash flows from operating activities:			
Net earnings		169.340	76.165
Operating activities that do not affect cash flows		(249.301)	137.800
Changes in operating assets and liabilities		130.921	(187.456)
Interest expenses paid		(84.080)	(60.359)
Interest income received		9.260	0
Income taxes paid		16.140	0
Working capital used in operating activities		(7.720)	(33.850)
Cash flows from investing activities:			
Investment in fixed assets		(36.957)	(47.567)
Proceeds from the sale of shares in other companies		1.800.000	(38.821)
Net change due to discontinued operations		(167.528)	0
Net cash from investing activities		1.595.515	(86.388)
Cash flows from financing activities:			
Long-term debt and borrowings, change		(1.737.942)	27.587
Current maturities of long-term debt and borrowings		0	(219.365)
Short-term debt, change		14.960	226.802
Net cash from financing activities		(1.722.982)	35.024
Decrease in Cash and Cash Equivalents		(135.187)	(85.214)
Effect of exchange rate fluctuations on cash held		(3.319)	0
Cash and Cash Equivalents at the beginning of the Year		183.617	268.830
Cash and Cash Equivalents at the end of the Year		45.111	183.617

The notes on pages 9 to 26 are an intergral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

Significant accounting policies

1. Reporting entity

Opin Kerfi Group hf. is a company domiciled in Iceland. The address of the Company's registered office is Höfðabakki 9, Reykjavík. The consolidated financial statements of the Company as at and for the year ended 31 December 2007 comprise the Company and its subsidiaries (together referred to as the "Group").

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

2. Basis of preparation

a. ***Statement of compliance***

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by EU. The financial statements were approved by the Board of Directors on 25 February 2008.

b. ***Basis of measurement***

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

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

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

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

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

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

3. Significant accounting policies

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

a. ***Basis of consolidation***

(i) *Subsidiaries*

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

(ii) *Associates*

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Associates are accounted for using the equity method (equity accounted investees). The consolidated financial statements include the Group's share of the income and expenses of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

(iii) *Transactions eliminated on consolidation*

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

b. ***Foreign currency***

(i) *Foreign currency transactions*

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

(ii) *Foreign operations*

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

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

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

c. ***Financial instruments***

(i) *Non-derivative financial instruments*

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

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

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

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

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

(ii) *Derivative financial instruments*

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

(iii) *Repurchase of share capital*

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

d. ***Fixed assets***

Fixed assets are capitalized at cost value less depreciation.

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

(i) *Subsequent costs*

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

(ii) *Depreciation*

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

Software and equipment	3-5 years
Vehicles	5 years

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

e. ***Intangible assets***

(i) *Goodwill*

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

f. ***Inventories***

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

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

g. ***Accounts receivables and other receivables***

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

h. ***Impairment***

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

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

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

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

i. ***Provisions***

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

(i) *Warranties*

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

(ii) *Onerous contracts*

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

j. ***Revenue***

(i) *Goods sold*

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

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

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

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

l. ***Income tax expense***

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

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

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

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

m. ***Discontinued operations***

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

n. ***Earnings per share***

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

o. ***Segment reporting***

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

p. ***New standards and interpretations not yet adopted***

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2007, and have not been applied in preparing these consolidated financial statements.

- IFRS 8 *Operating Segments* introduces the "management approach" to segment reporting. IFRS 8, which becomes mandatory for the Group's 2009 financial statements, will require the disclosure of segment information based on the internal reports regularly reviewed by the Groups Chief Operating Decision Maker in order to assess each segment's performance and to allocate resources to them. Currently the Group presents segment information in respect of its business and geographical segments (see note 6).
- Revised IAS 23 *Borrowing Costs* removes the option to expense borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the acquisition , construction or production of a qualifying asset as part of the cost of that asset. The revised IAS 23 will become mandatory for the Group's 2009 financial statements and will not constitute a change in accounting policy for the Group. In accordance with the transitional provisions the Group will apply the revised IAS 23 to qualifying assets for which capitalisation of borrowing costs commences on or after the effective date.
- IFRIC 11 *IFRS 2 - Group and Treasury Share Transactions* requires a share-based payment arrangement in which an entity receives goods or services as consideration for its own equity instruments to be accounted for as an equity-settled share-based payment transaction, regardless of how the equity instruments are obtained. IFRIC 11 will become mandatory for the Group's 2008 financial statements, with retrospective application required. It is not expected to have any impact on the consolidated financial statements.
- IFRIC 12 *Service Concession Arrangements* provide guidance on certain recognition and measurement issues that arise in accounting for public-to-private service concession arrangements. IFRIC 12, which becomes mandatory for the Group's 2008 financial statements, is not expected to have any effect on the consolidated financial statements.

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

- IFRIC 13 *Customer Loyalty Programmes* addresses the accounting by entities that operate, or otherwise participate in, customer loyalty programmes for their customers. It relates to customer loyalty programmes under which the customer can redeem credits for awards such as free or discounted goods or services. IFRIC 13, which becomes mandatory for the Group's 2009 financial statements, is not expected to have any impact on the consolidated financial statements.
- IFRIC 14 *IAS 19 - The limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction* clarifies when refunds or reductions in future contributions in relation to defined benefit assets should be regarded as available and provides guidance on the impact of minimum funding requirements (MFR) on such assets. It also addresses when a MFR might give rise to a liability. IFRIC 14 will become mandatory for the Group's 2008 financial statements, with retrospective application required. The Group has not yet determined the potential effect of the interpretation.

4. Determination of fair values

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

(i) *Fixed assets*

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

(ii) *Intangible assets*

Other intangible assets is stated at cost less any accumulated impairment losses and depreciation. Depreciation is charged on a straight-line basis over the estimated useful lives of the asset, is specified as follows:

	Useful lives
License fee	2 years

(iii) *Inventory*

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

(iv) *Trade and other receivables*

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

5. Financial risk management

Overview

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

- Credit risk
- Liquidity risk
- Market risk

5. Contd.:

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

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

Credit risk

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

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

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

Liquidity risk

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

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

Market risk

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

Currency risk

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

Interest rate risk

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

6. Segment reporting

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

Business segments

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

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

Geographical Segments

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

6. contd.:

Business segments 2007

Revenue from third party:	Product	Service	Eliminations	Consolidated
Goods and service sold	6.396.793	2.047.296	0	8.444.089
Other revenue	0	0	0	0
Income from third party total	6.396.793	2.047.296	0	8.444.089
Income within the Group	0	38.545	(38.545)	0
Total revenue	6.396.793	2.085.841	(38.545)	8.444.089
Operating expense of segment	(6.850.217)	(1.787.371)	38.545	(8.599.043)
Operating (loss)profit before depreciation (EBITDA)	(453.424)	298.470	0	(154.954)
Depreciation and amortization	(680.512)	(8.888)	0	(689.400)
Operating (loss) profit (EBIT)	(1.133.936)	289.582	0	(844.354)
Financial income and expenses				(77.278)
Gain on sale of discontinued operations, net of income tax				1.100.468
Income tax				(9.496)
Net earnings			0	169.340
Segment assets	3.949.865	163.456		4.113.321
Unallocated assets				185.567
Total assets				4.298.888
Segment liabilities	1.548.418	479.470		2.027.888
Unallocated debt				392.703
Total debt				2.420.591

Business segments 2006

Revenue from third party:	Product	Service	Eliminations	Consolidated
Goods and service sold	6.487.439	3.346.900	0	9.834.339
Other revenue	9.279	7.480	0	16.759
Income from third party total	6.496.718	3.354.380	0	9.851.098
Income within the Group		40.981	(40.981)	0
Total revenue	6.496.718	3.395.361	(40.981)	9.851.098
Operating expense of segment	(6.596.214)	(3.144.937)	40.981	(9.700.170)
Operating (loss)profit before depreciation (EBITDA)	(99.496)	250.424	0	267.305
Depreciation	(42.131)	(37.509)	0	(79.640)
Operating (loss) profit (EBIT)	(141.627)	212.915	0	71.288
Financial income and expenses				(102.965)
Effect of discontinued operations				99.698
Income tax				8.144
Net earnings				76.165
Segment assets	2.365.647	1.328.101	0	3.693.748
Unallocated assets				2.450.089
Total assets				6.143.837
Segment liabilities	1.528.037	1.096.907	0	2.624.944
Unallocated debt				1.740.642

Total debt	4.365.585

Notes, contd.:

6. contd.:

Geographical Segments 2007	Iceland	Sweden	Denmark	Total
Operating revenue	0	6.128.530	2.315.559	8.444.089
Operating expenses before depreciation	(95.421)	(6.116.699)	(2.386.923)	(8.599.043)
Operating income before depreciation (EBITDA)	(95.421)	11.831	(71.364)	(154.954)
Depreciation and amortization	0	(667.201)	(22.199)	(689.400)
Net financial income (expenses)	(10.179)	(39.641)	(27.458)	(77.278)
Income tax	(66.937)	25.965	31.476	(9.496)
Gain on sale of discontinued operations, net of income tax	1.100.468	0	0	1.100.468
Net earnings	927.931	(669.046)	(89.545)	169.340
Region assets	726.256	2.895.631	739.982	4.361.869

Geographical Segments 2006	Iceland	Sweden	Denmark	Total
Operating revenue	100	6.886.155	2.964.843	9.851.098
Operating expenses before depreciation	(16.753)	(6.744.195)	(2.939.222)	(9.700.170)
Operating income before depreciation (EBITDA)	(16.653)	141.960	25.621	150.928
Depreciation	(458)	(58.387)	(20.795)	(79.640)
Net financial income (expenses)	33.258	(111.576)	(24.647)	(102.965)
Income tax	(2.906)	5.392	5.658	8.144
Effect of discontinued operations	99.698			99.698
Net earnings	112.939	(22.611)	(14.163)	76.165
Region assets	1.005.179	4.041.658	1.097.000	6.143.837

7. Discontinued operations

In October 2007 the Company sold its entire share in the wholly owned subsidiary Opin Kerfi ehf. The subsidiary was not a discontinued operation or classified as held for sale as of 31 December 2006.

Results of discontinued operation	2007	2006
Revenue	2.431.640	3.247.958
Expenses	(2.315.330)	(3.137.270)
Results from operating activities	116.310	110.688
Net finance income	4.652	10.895
Income tax expense	(21.773)	(21.885)
Results from operating activities, net of income tax	99.189	99.698
Profit from sale of shares, net of income tax	1.001.279	0
	1.100.468	99.698

Cash flows from discontinued operation	2007	2006
Net cash from operating activities	31.563	38.557
Net cash from investing activities	(66.698)	(2.969)
Net cash used in financing activites	(93.204)	0
Net cash (to) from discontinued operations	(128.339)	35.588

Notes, contd.:

Personnel expenses

8. Personnel expenses are specified as follows:

	2007	2006
Salaries	1.794.541	1.791.823
Other salary related expenses	842.354	806.680
Total	2.636.895	2.598.503
Average number of employees during the period	361	349

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

	2007	2006
Gylfi Árnason, Managing director	20.175	20.424
Gunnlaugur M. Sigmundsson, Chairman of the Board	1.950	2.207
Skúli Valberg Ólafsson, vice chairman	975	1.104
Bjarni Birgisson, board member	975	1.104
Vilhjálmur Þorsteinsson, board member	975	1.104
Örn Karlsson, board member	975	1.104

10. Auditors' fees are specified as follows:

	2007	2006
Audit of the financial statements	9.597	10.424
Review of Interim Financial Statements	1.755	2.231
Other services	501	3.259
Total auditors' fees	11.853	15.914
Thereof remuneration to others than KPMG Iceland	9.512	9.511

Finance income and expense

11. Finance income is specified as follows:

	2007	2006
Interest income	9.259	10.723
Exchange rate difference	0	1.049
Finance income total	9.259	11.772
Finance expense is specified as follows:		
Financial expense from bank loan	(82.307)	(75.900)
Exchange rate difference	(2.707)	0
Other financial expense	(1.522)	(50.609)
Finance expenses total	(86.536)	(126.509)
Net finance income and expense	(77.277)	(114.737)

Income tax expense

12. Effective tax rate:

		2007		2006
Loss before tax		(921.631)		(31.677)
Income tax using Parent corporation tax rate	18,0%	(165.894)	18,0%	10.586
Effects of tax ratios in foreign jurisdictions	8,9%	(81.827)	5,0%	(1.587)
Share in performance	0,0%	0	2,7%	(855)
Non-deductible expenses	(19,5%)	179.431	0,0%	0
Other		77.786		
Effective tax	7,4%	9.496	25,7%	8.144

Operating assets

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

	Hardware and equipments	Vehicles	Total
Book value 1.1.2006	125.096	12.015	137.111
Additions during the year	54.594	0	54.594
Sold during the year	(1.674)	(4.458)	(6.132)
Exchange rate difference	34.329	0	34.329
Depreciation for the year 2006	(60.968)	(2.522)	(63.490)
Book value 31.12.2006	151.377	5.035	156.412
Total value 31.12.2006	374.646	12.971	387.617
Total depreciation 31.12.2006	(223.269)	(7.936)	(231.205)
Book value 31.12.2006	151.377	5.035	156.412
Additions during the year	37.577	0	37.577
Sold during the year	(3.408)	0	(3.408)
Disposals	(6.423)	(5.035)	(11.458)
Exchange rate difference	(10.490)	0	(10.490)
Depreciation for the year 2007	(53.302)	0	(53.302)
Book value 31.12.2006	115.331	0	115.331
Total value 31.12.2007	391.902	0	391.902
Total depreciation 31.12.2007	(276.571)	0	(276.571)
Book value 31.12.2007	115.331	0	115.331
Depreciation ratios	20-33%	20%	

The insurance value of hardware and equipments of the Group when the year-ended 2007 was ISK 1.075 million.

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

	2007	2006
Depreciation of operating assets	53.302	57.802
Amortisation of intangible assets, see note 13	37.787	21.838
Depreciation and amortisation recognised in the income statement	91.089	79.640

Intangible Assets

15. The Group’s intangible assets are specified as follows:

	Goodwill	License fee	Total
Book value 1.1.2006	1.955.064	23.197	1.978.261
Additions during the year	42.266	0	42.266
Exchange rate difference	574.718	4.846	579.564
Amortisation for the year	0	(21.838)	(21.838)
Book value 31.12.2006	2.572.048	6.205	2.578.253
Exchange rate difference	(263.840)	(229)	(264.069)
Amortisation for the year	(33.518)	(4.269)	(37.787)
Impairment loss	(598.311)	0	(598.311)
Balance at 31 December 2007	1.676.379	1.707	1.678.086

At the end of the fiscal year, an impairment test was made on the company's goodwill. When evaluating the impairment, an expected cash flow, entered in present value, was used. When calculating present value, an interest rate corresponding to the weighted average of financial expenses was used, i.e. costs due to liabilities and equity, taxes provided. If fair value of the goodwill (current expected cash flow) results in being lower than the book value, the difference will be charged off. According to test results, the goodwill in Kerfi AB, Sweden has been impaired at year end 2007.

Goodwill is specified as follows:

Kerfi AB, Sweden	1.302.943
Kerfi A/S, Denmark	373.436
	1.676.379

Shares in Other Companies

16. The Group's shares in other companies are specified as follows:

	Share	Nominal value/share	Book value
Fjölnet ehf., Iceland	2,6%	1.250	1.250
Shares in two other companies			264
Shares in other companies total			1.514

Trade and other receivables

17. Trade and other receivables are specified as follows:

	2007	2006
Accounts Receivables	1.757.758	2.614.837
Provision for losses on receivables	(54.026)	(49.568)
Other receivables	711.201	265.784
Trade and other receivables total	2.414.933	2.831.053

Equity

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

Deferred Income Tax Liability

19. Deferred income tax liability and (deferred tax asset) are specified as follows:

	2007	2006
Balance at the beginning of the year	6.730	5.463
Restated Kerfi AS 1.1.2007	(6.844)	0
Calculated income tax for the year	9.496	13.741
Income tax due to discontinued operations	219.793	0
Effect of movements in foreign exchange	(10.176)	(1.299)
Tax on exchange differences through equity	(15.211)	0
Income tax payable in 2007 on 2006 operations	0	(11.175)
Balance at the end of the year	203.788	6.730

Tax liability are specified as follows:

	2007	2006
Intangible assets	9.768	11.696
Fixed assets	266.770	1.406
Shares in other companies	0	(4.749)
Short-term receivables	(5.845)	0
Account receivables and other receivables	(2.638)	(1.623)
Deferred income-tax liability on balance sheet items	268.055	6.730
Loss carry-forward	(64.267)	0
Tax liabilities total	203.788	6.730

Loans and borrowings

20. Loans and borrowings consist of the following:

	2007		2006	
Debt in foreign currencies:	Average interest	Outstanding debt	Average interest	Outstanding debt
Loans in SEK	4,9%	182.139	4,60%	1.341.351
Loans in DKK	7,2%	36.851	5,70%	53.744
Loans in ISK	10,0%	8.387	7,20%	18.536
		227.377		1.413.631
Current maturities		(167.871)		(236.292)
Loan and borrowings total		59.506		1.177.339

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

	2007	2006
Due in 2007	0	236.292
Due in 2008	167.871	288.506
Due in 2009	58.779	170.837
Due in 2010	727	708.940
Due in 2011	0	6.624
Subsequent	0	2.432
	227.377	1.413.631

Trade and other payables

22. Trade and other payables are specified as follows:

	2007	2006
Trade payables	543.908	1.318.915
Taxes for the year	0	45.983
Other payables	1.042.182	1.161.696
Trade and other payables total	1.586.090	2.526.594

Financial instruments

Credit risk

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

	2007	2006
Cash and cash equivalents	45.111	183.617
Trade and receivables (wholesale customers)	1.703.732	2.565.269
	1.748.843	2.748.886

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

	2007	2006
Sweden	1.442.391	1.818.206
Denmark	256.200	359.158
Iceland	5.117	386.803
Other European countries	24	594
The United States	0	507
	1.703.732	2.565.268

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

	2007	2006
Not past due	1.529.205	2.249.600
Past due 0-30 days	150.211	252.679
Past due 31-120 days	9.659	53.837
Past due 121-365 days	2.677	2.533
More than one year	11.980	6.601
	1.703.732	2.565.250

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

Balance at 1 January	49.658	52.182
Impairment loss recognised	4.368	(2.523)
	54.026	49.659

Liquidity risk

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

31 December 2007

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

31 December 2006

	Carrying amount	Contractual cash flows	6 monts or less	6 to 12 months	1 to 2 years
Non-derivative financial liabilities					
Secured bank loans	1.413.631	1.413.631	175.291	1.028.963	227.377
Finance leases	9.181	4.794	1.060	1.059	2.675
Trade and other payables	2.517.413	2.517.413	2.517.413	0	0
Bank overdraft	418.630	418.630	418.630	0	0
	4.358.855	4.354.468	3.112.394	1.030.022	230.052

Currency risk

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

31 December 2007

	SEK	DKK	EUR	NOK
Trade receivables	1.428.335	273.411	1.883	103
Trade payables	1.080.437	183.877	24	0
Net exposure	347.898	89.534	1.859	103

31 December 2006

	SEK	DKK	EUR	NOK
Trade receivables	1.551.388	632.853	0	0
Trade payables	696.438	399.040	0	0
Net exposure	854.950	233.813	0	0

Interest rate risk

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

Variable rate instruments	2007	2006
Financial liabilities	227.377	1.413.631

Group entities

30. The Groups subsidiary are three and are specified as follows:

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

Financial Guarantees

31. A mortgage to Nordea Bank in liquid assets of Kerfi AB amounts to ISK 102 million at year-end 2007.

The Company's assets have been mortgaged to secure its debt, the remaining balance of which amounts to ISK 226 million at year-end.

Financial Ratios

32. The Group's principal financial ratios:

	2007	2006
Income		
Total revenue	8.444.089	9.851.098
EBITDA	(154.954)	150.928
EBIT	(844.354)	71.288
EBT	(9.496)	(31.677)
Net earnings for the year	169.340	76.165
Balance Sheet		
Current ratio - current assets/current liabilities	1,16	1,07
Equity ratio - stockholders' equity/total assets	43,7%	28,9%
Internal share value - Equity/share capital	8,99	8,51
Return on equity - earnings/equity	9,0%	5,2%