2023.

Condensed consolidated
financial statements

EIK

Index

Endorsement and Statement by the **Board of Directors and the CEO**

Eik fasteignafelag hf. is an Icelandic limited liability company registered in the Icelandic Stock Exchange (Nasdaq Iceland). The Group consist of the parent company, Eik Fasteignafelag hf. Along with its subsidiaries which are all 100% owned by the parent company. The Group's operations are ownership, rental and operations of busi ness premises and ownership of hotel operations.

The year 2023 was an eventful year in the operations of Eik fasteignafélag which was characterized by demanding challenges.

Shareholders of the Company received a voluntary takeover offer from Regin hf. on July 6, 2023, and it was announced that such an offer would be made a month earlier. The offer is made in accordance with the provisions of the Takeover Act No. 108/2007, which, among other things, prohibits the Company's board from making decisions that may affect the offer without obtaining prior approval from a shareholders' meeting. Therefore, the offer has had a limiting effect on the company's operations during the year and increased costs. The extended deadline for shareholders to decide on the offer is until April 15, 2024.

The Board of Eik fasteignafelag published a report on the voluntary takeover offer on September 13, 2023, and it was the board's assessment that the voluntary takeover offer, was not beneficial to Eik shareholders. Since then, Regin has increased the voluntary takeover offer, but the board has not taken a position on whether it can recommend to its shareholders to accept a revised offer.

The initial report of the Competition Authority regarding the merger investigation of the proposed merger between Regin hf. and Eik fasteignarfelag hf. was presented to the Company on February 7, 2024. It was stated, among other things, that the merger of Regin and Eik fasteignafelag would hinder effective competition, and it demanded complete intervention by the authority without any changes.

Based on the Takeover Act, the board is permitted to seek other offers for the Company, and the Board made a decision at its meeting on June 30, 2023, to initiate negotiations for a possible merger with Reitir fasteignafelag hf. The parties took some time to analyse and evaluate the asset portfolios of both companies and the environment of possible transactions. On October 1, 2023, it was announced that negotiations between the parties for a possible merger had been discontinued in light of the information and communications that were available. The parties assessed the situation so that they could not, without changes, reach a common conclusion on the valuation and distribution ratios between the companies in a merger that was of such a nature that the board of Eik fasteignafelag was willing to recommend it to its shareholders, considering the Company's position in the market and a detailed comparison of the valuation of the rental and development properties of the companies.

The Board will continue to seek to increase the value for its shareholders and protect their interests, maintain the dialogue with them, and further sharpen the company's vision for the future, considering the issues that have arisen during the course of the year.

Operations

The Group's income amounted to ISK 11,224 million in the year 2023 compared to ISK 10,078 million in the year 2022. The Group's operating profit before changes in value and depreciation amounted to ISK 7,475 million in the year 2023 compared to ISK 6,608 million in the previous year. Changes in value of investment properties amounted to ISK 7,513 million. According to the Group's statement of comprehensive income total profit for the year amounted to ISK 7,279 million compared to ISK 8,001 million in the year 2022. Net cash provided by operations amounted to ISK 4,083 million according to the Group's statement of cash flow.

Financial position

The total assets of the Company amounted to ISK 141,629 million at the end of 2023 according to the financial statements, of which investment assets were ISK 132,106 million, assets for own use were ISK 5,975 million, development properties were ISK 1,079 million, and cash and cash equivalents were ISK 984 million. The Company's equity at the end of 2023 was 49,023 million ISK, of which outstanding share capital was 3,415 million ISK. The Company's equity ratio at the end of the year was 34.6%. The Company secured bank financing of ISK 2,600 million, which was not utilized at the end of the year. Unpledged properties were valued at approximately 12,000 million ISK at the same time. The Company redeemed the EIK 23 1 bond series for a total of 1,200 million ISK. The weighted inflation-indexed interest rate of the Company's liabilities was 3.12% at the end of the year, and the weighted non-indexed interest rate was 9.63%. The proportion of non-indexed loans was approximately 19% of the Company's interest-bearing debt at the end of 2023. Since the beginning of the year, the Company has refinanced approximately ISK 3,000 million in non-indexed bank loans, which matured in March 2024. A new loan of ISK 3,500 million has been obtained, which carries variable indexed interest and matures in 202 9.

Outlook

According to the financial budget for 2024, the Company estimates that its operating revenues will be in the range of ISK 11,250 – 11,710 million and estimates that its EBITDA for the year will be in the range of 7,250 – 7,560 million ISK.

Share Capital

Listed share capital at year end amounted to ISK 3,424 million. The entire share capital is of the same class and all shares are entitled to the same rights. The Company holds ISK 8.8 million of own shares.

At year end the Company's share capital was divided between 536 shareholders (ID numbers), but shareholders were 546 at the beginning of the year.

The 10 largest shareholders of the Company at year end

1.	Brimgarðar ehf.	16,2%*
2.	Arion banki hf.	10,1%
3.	Gildi - lífeyrissjóður	9,5%
4.	Almenni lífeyrissjóðurinn	8,0%
5.	Birta lífeyrissjóður	7,2%
6.	Brú Lífeyrissjóður starfsmanna sveitarfélaga	7,1%
7.	Lífeyrissjóður verzlunarmanna	6,6%
8.	Kristinn ehf.	5,0%
9.	Stapi lífeyrissjóður	3,8%
10.	Íslandsbanki hf.	3,8%

2023 according to the Company's shareholder registry were:

* According to the Company's shareholder registry, Brimgardar ehf. owned a 16.2% share in the Company at year end. On 7 May 2021 a major shareholder announcement was published on Nasdaq Iceland since Brimgardar ehf.'s direct shareholding and direct and indirect rights according to financial instruments exceeded 25%. It can be expected that Brimgardar ehf.'s aggregate shareholding at year end, taking into account forward trading and exchange agreements, were between 25-30%.

The Company's Annual General Meeting on 30 March 2023 approved an ISK 2,000 million payment of dividend to shareholders for the operating year 2022.

The policy of the Board of Directors is to pay the shareholders up to 50% of net cash provided by operating activities less the amount used for repurchasing of own shares up until the call for the Annual General Meeting. The Board of Directors proposes a dividend payment of ISK 2,540 million to shareholders for the operating year 2023, taking into account the Company's dividend policy and considering the historically low loan-to-value ratio.

Company Portfolio

The Company acquired three real estates in the year 2023 .The Company acquired Armula 2, Hafnarstraeti 7 and part of Sidumula 20-22. The acquistion of Armuli 2 and hafnarstraeti 7 were both acquistion of legal entities.

Merger of subsidiaries

The Company merged LF1 ehf., a subsidiary of Landfest ehf., along with Landfest ehf., into Eik fasteignafelag. The merger was made with simplification and operational efficiency in mind. Legally, the merger was effective from January 1, 2023.

Social Responsibility

The Company has now for the sixth time issued its sustainability report which accompanies the 2023 financial statements. The Sustainability Report is prepared in accordance with Nasdaq's ESG guidelines from 2019 and contains information on the status and development of criteria relating to the Group's performance with regards to the environment, social factors, governance and prosperity. In addition, it discusses Eik activities that fall under the EU Taxonomy Regulation and the proportion of environmentally sustainable investments.

Corporate governance and non-financial information

Eik fasteignafelag corporate governance is in accordance with the Act no. 2/1995 on limited liability companies, the Company's Articles of Association and Board's procedures. The Company emphasises maintaining good managements practices and the Company's corporate governance is based on Guidelines on Corporate Governance issued by the Iceland Chamber of Commerce, NASDAQ Iceland, and the Confederation of Icelandic Employers. Gender ratio in the Company's Board of Directors is 60% male and 40% female and thus the Company fulfils provisions in the Act on limited liability companies regarding gender ratios on boards of limited liability companies. Gender ratio in the Company's executive management is 87.5% male and 12.5% female. Ratio of the Company's employees is 53.7% male and 46.3% female. The average total number of employees within the Group converted to FTE was approximately 51.

A nomination committee receives candidacy and nominations from shareholders for candidates for the Company's Board of Directors and nominates candidates for the Board.

Further information on the Board of Directors and statement of corporate governance along with non-financial information is accessible at the Company's website, www.eik.is, and as appendices to the financial statements, "Statement on Corporate Governance", "ESG Report" and "Non-Financial Information". The company's Sustainability report, which is published at the same time as the financial statements, can be found on the Company's website, www.eik.is/samfelagsleg-abyrgð.

The main financial risks of the Company are rental and counterparty risk, liquidity risk, inflation risk, and interest rate risk. Noes 24 to the financial statements covers the risk management of the Company and discusses financial measures related to the main risk factors.

Statement by the Board of Directors and the CEO

To the best of our knowledge the Consolidated Financial Statements of the Group are prepared in accordance with International Reporting Standards as adopted by the EU. In our opinion the Financial Statements give a true and fair view of the Group's assets, liabilities, and financial position as at 31 December 2023 and the financial performance of the Group and changes of cash flows for the year 2023.

The Board of Directors and the CEO of Eik fasteignafelag hf. hereby confirm the Company's financial statements for the year 2023 by means of their signatures.

Reykjavík, 15 February 2024

Board of directors

Bjarni Kristján Þorvarðarson
Chairman

Eyjólfur Árni Rafnsson
Board member

Guðrún Bergsteinsdóttir
Board member

Hersir Sigurgeirsson
Board member

Ragnheiður Harðar Harðardóttir
Board member

CEO

Garðar Hannes Friðjónsson

Independent **Auditors' Report**

To the Shareholders and the Board of Directors of Eik fasteignafelag hf.

Opinion

We have audited the consolidated financial statements of Eik fasteignafelag hf. for the year ended December 31, 2023 which comprise the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity, the consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the financial position of Eik fasteignafelag hf. as at December 31, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and additional requirements in the Icelandic Financial Statement Act.

Our opinion in this report on the consolidated financial statements is consistent with the content of the additional report that has been submitted to the audit committee in accordance with the EU Audit Regulation 537/2014 Article 11.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We are independent of Eik fasteignafelag hf. in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Iceland, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Based on the best of our knowledge and belief, no prohibited services referred to in the EU Audit Regulation 537/2014 Article 5.1 has been provided.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit Matters

Valuation of investment property's

The investment property's of the Company are valued at fair value on balance sheet date by management in accordance with IAS 40. Fair value is measured in accordance with IFRS 13.

Investment property of the Company amounts to ISK 132,106 million or 93.3% of total assets as of 31 December 2023. Valuation change in the year was positive by ISK 7,513 million.

In the valuation of these assets, management assess the cash flows expected from lease agreements. This is based on assumptions about the estimated utilization rate of the assets in the future, market rents at the end of the current lease agreements, operating costs of the assets and the required rate of return.

Due to the significance of the valuation and the fact that the investments properties are a significant part of the Company's financial statements, we consider the valuation of those assets to be a key audit matter in the audit.

Further details on the accounting method and main assumptions used in the valuation can be found in Note 12 and 32.

How the matter was addressed in our audit

We received assistance from our valuation specialists in reviewing the valuation model and the assumptions made by management in their valuation of the company's investment properties.

During this review, we performed the following procedures:

• We verified the effectiveness of the valuation model.

• We reviewed the assumptions used in the calculations and assessed their appropriateness, such as lease amounts according to contracts, utilization rates of the properties, estimated future rental income, market rents at the end of lease terms, and maintenance costs.

• We assessed whether the assumptions underlying the required rate of return were appropriate and compared them to information on financing rates for commercial real estate and other market conditions.

• We verified that the information provided in the disclosures was in compliance with IFRS.

Other information

The Board of Directors and the CEO are responsible for other information. Other information is the annual report excluding the consolidated financial statements and our audit report on it. Our opinion on the consolidated financial statements does not extend to other information, and we do not provide any assurance on it.

In connection with our audit of the consolidated financial statements, we are required to read other information in the annual report when it becomes available and assess whether it is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

In accordance with Article 104(2) of Act No. 3/2006 on Annual Accounts, we confirm to the best of our knowledge that the report of the Board of Directors accompanying the consolidated financial statements provides the information required by law on annual accounts and does not contain any additional explanations

Responsibilities of the Board of Directors and the CEO for the Consolidated Financial Statements

The Board of Directors and the CEO are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and additional requirements in the Icelandic Financial Statement Act to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors and the CEO are responsible for assessing Eik fasteignafelag hf. ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors and the CEO either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

The board of directors and the audit committee are responsible for overseeing the Eik fasteignafelag hf. financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Eik fasteignafelag hf. internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated and separate financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors and the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors and the Audit Committee a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors and the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on European single electronic format (ESEF Regulation)

As part of our audit of the consolidated financial statements of Eik fasteignafelag hf., we performed procedures to be able to issue an opinion on whether the consolidated financial statements of Eik fasteignafelag for the year 2023 with the file name [2138005WRSDC4DI3BJ43-2023-12-31-is] is prepared, in all material respects, in compliance with laws no. 20/2021 disclosure obligation of issuers of securities and the obligation to flag relating to requirements regarding European single electronic format regulation EU 2019/815 which include requirements related to the preparation of the Consolidated Financial Statements in XHTML format and iXBRL markup.

Management is responsible for preparing the consolidated financial statements in compliance with laws about disclosure obligation of issuers of securities and the obligation to flag. This responsibility includes preparing the consolidated financial statements in a XHTML format in accordance to EU regulation 2019/815 on the European single electronic format (ESEF regulation).

Our responsibility is to obtain reasonable assurance, based on evidence that we have obtained, on whether the consolidated financial statements is prepared in all material respects, in compliance with the ESEF Regulation, and to issue a report that includes our opinion. The nature, timing and extent of procedures selected depend on the auditor's judgement, including the assessment of the risks of material departures from the requirement set out in the ESEF regulation, whether due to fraud or error.

In our opinion, the consolidated financial statements of Eik fasteignafelag hf. for the year 2023 with the file name [2138005WRSDC4DI3BJ43-2023-12-31-is] is prepared, in all material respects, in compliance with the ESEF Regulation.

Appointment of auditor

Deloitte was appointed auditor of Eik fasteignafelag hf. by the general meeting of shareholders on 30 March 2023.

Kópavogur, 15 February 2024

Deloitte ehf.

Signy Magnúsdóttir

State Authorized Public Accountant

Consolidated Statement of Comprehensive Income

for the period from 1 January to 31 December 2023

	Notes	2023	2022
Lease income	5	9.514	8.562
Other operating income	5	1.710	1.516
		11.224	10.078
Operating expenses	6	(3.924)	(3.382)
Impairment of receivables	16	175	(88)
		(3.749)	(3.470)
EBITDA		7.475	6.608
Gain on sale of investment properties		0	362
Changes in value of investment properties	12	7.513	10.431
Depreciation and impairment	14, 15	(50)	(138)
Operating profit		14.938	17.264
Financial income		120	50
Financial expenses		(7.740)	(7.309)
Net financial expenses	9	(7.620)	(7.259)
Profit before income tax		7.318	10.004
Income tax	10, 21	(1.465)	(2.004)
Profit for the year		5.853	8.001
Other profit			
Operating items recorded in equity:			
Revaluation of own property		1.784	0
Income tax of revaluation of own property		(357)	0
Other profit total		1.427	0
Total profit for the year		7.279	8.001
Earnings per share:			
Basic earnings and diluted earnings per share	18	1,71	2,34

Notes on pp. 13-45 are an integral part of the financial statements

Consolidated Statement of Financial Position as at 31 December 2023

	Notes	2023	2022
Assets			
Intangible assets	11	351	351
Investment properties	12	132.106	119.639
Assets in development	13	1.079	671
Assets for own use	14	5.975	4.162
Non-current receivables	16	436	68
Non-current assets		139.948	124.891
Trade and other receivables	16	698	774
Cash and cash equivalents		984	2.986
Current assets		1.682	3.760
Total assets		141.629	128.651
Equity			
Share capital		3.415	3.415
Share premium		12.648	12.648
Statutory reserve		854	866
Revaluation reserve		1.415	0
Restricted equity		0	11.122
Retained earnings		30.691	15.692
Total equity	17	49.023	43.744
Liabilities			
Interest-bearing debt	19	67.176	64.292
Lease liabilities	20	2.749	2.480
Income tax liability	21	12.503	10.683
Non-current liabilities		82.428	77.455
Interest-bearing debt	19	8.390	5.980
Trade and other payables	22	1.787	1.472
Current liabilities		10.178	7.452
Total liabilities		92.606	84.907
Total equity and liabilities		141.629	128.651

Notes on pp. 13-45 are an integral part of the financial statements

Consolidated Statement of Changes in Equity as at 31 December 2023

	Share capital	Share premium	Statutory reserve	Revaluation reserve	Restricted equity	Retained earnings	Total equity
Year 2022							
Equity 1.1.2022	3.415	12.648	866		7.603	12.951	37.483
Total profit for the year						8.001	8.001
Dividend paid ISK 0.51 per share						(1.740)	(1.740)
Transferred to restricted equity					3.519	(3.519)	0
Equity 31.12.2022	3.415	12.648	866	0	11.122	15.692	43.744
Year 2023							
Equity 1.1.2023	3.415	12.648	866	0	11.122	15.692	43.744
Merger 1.1.2023					(11.122)	11.122	0
Transferred from statutory reserve			(13)			13	0
Total profit for the year				0		5.853	5.853
Revaluation of own property				1.427		0	1.427
Depreciation of revalued property				(12)		12	0
Dividend paid ISK 0.59 per share						(2.000)	(2.000)
Equity 31.12.2023	3.415	12.648	854	1.415	0	30.691	49.023

Notes on pp. 13-45 are an integral part of the financial statements

Consolidated Statement of Cash Flows

for the period from 1 January to 31 December 2023

	Notes	2023	2022
Cash flows from operating activities			
Operating Profit for the year		14.938	17.264
Operating items which do not affect cash flow:			
Gain on sale of investment properties		0	(362)
Valuation changes of investment properties	12	(7.513)	(10.431)
Depreciation	14, 15	50	138
		7.475	6.608
Change in operating assets		(270)	(66)
Change in operating liabilities		29	(29)
		7.234	6.512
Interest income received	9	120	50
Interest expenses paid		(3.271)	(2.497)
Net cash from operating activities		4.083	4.066
Cash flows used in investment activities			
Investment in investment properties	12	(3.440)	(3.936)
Sold investment properties		0	724
Investment in assets for own use	14	(80)	(123)
Sold assets for own use		0	6
Investment in assets under development	13	(10)	(8)
Investement in subsidiaries minus acquired cash	29, 30	(487)	0
Changes in bond holdings		(6)	21
Net cash used in investing activities		(4.023)	(3.316)
Cash flows to financing activities			
Dividend paid		(2.000)	(1.740)
New long-term debts	19	8.211	6.394
Repayments and final payments of long-term loans	19	(8.274)	(5.715)
Net cash to financing activities		(2.063)	(1.061)
Change in cash and cash equivalents		(2.003)	(311)
Cash and cash equivalents at beginning of year		2.986	3.297
Cash and cash equivalents at end of year		984	2.986

Notes on pp. 13-45 are an integral part of the financial statements

Notes

1. General Information

Eik fasteignafélag hf., "the Company", is domiciled in Iceland. The Company's headquarters are at Sóltún 26 in Reykjavík.The consolidated financial statements of the Company for the year 2023 comprise the financial statements of the Company and its subsidiaries, together referred to as the Group. The Group's operations are ownership, rental and operations of business premises and ownership of hotel operations. The consolidated financial statements of the Company are accessible at www.eik.is.

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 and additional Icelandic disclosure requirements for consolidated financial statements of listed companies. Changes in international financial reporting standards and their interpretations for annual periods beginning after 1 January 2023 did not have significant effect on the Group's financial statements. The financial statements were approved by the Group's Board of Directors on 15 February 2024.

b. *New and changed International Reporting Standards*

The Group has adopted International Financial Reporting Standards as approved by the European Union, including changes to them and new interpretations that apply to financial statements for accounting periods beginning on or after January 1, 2023. The following standards and changes came into effect on January 1, 2023.

- IFRS 17 Insurance Contracts	New standard
- IAS 1 Presentation of Financial Statements	Accounting policies
- IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors	Definition of accounting estimate
- IAS 12 Income Tax	Assets and Liabilities arising from a Single Transaction

It is the assessment of the management that the adoption of the above-mentioned standard and revisions to standards have not had a significant impact on the Consolidated Financial Statements.

Company has not adopted any new or revised standards that have been issued but not yet effective. Changes to the following standards will take effect on January 1, 2024.

- IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- IAS 1 Presentation of Financial Statements	Classification of Liabilities as Current or Non-current
- IAS 1 Presentation of Financial Statements	Non-current Liabilities with Covenants
- IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures	Supplier Finance Arrangements
- IFRS 16 LeasesLease	Lease Liability in a Sale and Leaseback

It is the assessment of the management that the adoption of those standards and changes to standards mentioned above, or any other changes to standards that have been approved but not yet effective, will not have a significant impact on the Consolidated Financial Statements.

c. *Basis of measurement*

The consolidated financial statements have been prepared on the historical cost basis, except investment properties which are measured at fair value, and assets for own use which are measured at revalued cost. Methods in measuring fair value are discussed in notes 3, 13 and 27. Note 31 contains information on the Group's main accounting policies and changes to them during the year.

d. *Presentation and functional currency*

The consolidated financial statements of the Group are presented in Icelandic krona (ISK), which is the Parent's and subsidiaries' functional currency. All amounts are presented in ISK million unless otherwise stated.

e. *Use of estimates and judgements*

The preparation of consolidated financial statements in accordance 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. Changes to accounting estimates are recognised in the periods when the changes are made and in subsequent periods if the changes also affect those periods.

Information about management estimates and judgements in applying accouting policies that have the most significant effect on the financial statements is included in note 3 on fair value and note 13 on valuation of investment properties.

3. Determination of fair value

The Group has established a process for determining fair value. This means that management is responsible for all the important decisions regarding fair value, including decisions related to assessment strategies covered in level 3 of the fair value measurement. In determining fair value the Group utilises market information as far as possible, but if such information is not available it is based on management estimates.

Management regularly reviews important assumptions in the evaluation of assets and liabilities that are based on data which cannot be obtained in the market. If information from third parties, such as prices from brokers or pricing services, are used in determining fair value, management uses the information to support the conclusion that the assessment is in accordance with International Financial Reporting Standards (IFRSs), including the level that such an evaluation would fall under.

Fair value is classified according to the standards in a hierachy system based on the assumtions used in the measurement according to following definitions:

Level 1: quoted prices (unchanged) in active markets for identical assets and liabilities.

Level 2: other assumptions than quoted prices according to level 1 which can be identified for the asset or liability, either directly (prices) or indirectly (derived from prices).

Level 3: assumptions used in determining asset or liability are not based on available market data (unobservable data).

If the assumptions used in determining fair value of assets and liabilities are classified at different levels in the classification, the total fair value is classified at the same level as the lowest important assumtions in the measurement.

If there is a change in classification of fair value during the reporting period the transfer between stages is at the end of that period.

Further information on assumptions used in determining fair value is in the following notes: Note 12 on intangible assets, note 13 on investment properties and note 32 on significant accounting policies.

4. Segment reporting

Segment reporting contains information on individual parts of the Group's operations. The Group's operations are divided into two segments which sell goods and services in different markets.

Segments 2023	Investment properties	Hotel	Offset entries	Total
Lease income	9.870	0	(356)	9.514
Other operating income	732	978	0	1.710
Operating expenses	(3.352)	(928)	356	(3.924)
Impairment of receivables	176	(1)	0	175
EBITDA	7.425	50	0	7.475
Gain on sale of investment properties	0	0	0	0
Change in value of investment properties	7.513	0	0	7.513
Depreciation	(19)	(31)	0	(50)
Net finance expenses	(7.595)	(25)	0	(7.620)
Income tax	(1.466)	1	0	(1.465)
Profit (loss) for the year	5.858	(5)	0	5.853
Assets 31.12.2023	141.683	418	(472)	141.629
Liabilities 31.12.2023	92.659	419	(472)	92.606
Investments of the year	3.501	3	0	3.504

Segments 2023	Investment properties	Hotel	Offset entries	Total
Lease income	8.889	0	(327)	8.562
Other operating income	721	795	0	1.516
Operating expenses	(2.940)	(769)	327	(3.382)
Impairment of receivables	(87)	(1)	0	(88)
EBITDA	6.583	25	0	6.608
Gain on sale of investment properties	362	0	0	362
Change in value of investment properties	10.431	0	0	10.431
Depreciation	(106)	(32)	0	(138)
Net finance expenses	(7.228)	(31)	0	(7.259)
Income tax	(2.011)	7	0	(2.004)
Profit (loss) for the year	8.031	(30)	0	8.001
Assets 31.12.2022	128.705	452	(506)	128.651
Liabilities 31.12.2022	84.965	448	(506)	84.907
Investments of the year	4.093	1	0	4.094

5. Operating income

Operating income is specified as follows:

	2023	2022
Lease income	9.514	8.562
Operating income of common properties	699	646
Income from hotel operations	978	795
Other income	33	75
Total operating income	11.224	10.078

The Group has entered into lease agreements which are valid for a period from a few months up to almost 25 years. Almost all of the agreements are connected to price changes by connecting them to consumer price index for indexation. The Group has 10 lease agreements connected to turnover either in full or partly, and the ratio of lease income from such agreements was 2% of the Group's total lease income. Income weighted average rental period is 6.8 years (2022: 6.7 years). Some of the lease agreements can be terminated before the end of the lease period. Those terms are not factored into the income weighted average rental period.

Following is an analysis of future lease income of current lease agreements without taking into account revaluation clauses regarding lease payments and termination provisions.

	2023	2022
Lease income 2023	-	8.421
Lease income 2024	9.242	7.421
Lease income 2025	8.388	7.009
Lease income 2026	7.694	6.394
Lease income 2027	6.724	5.461
Lease income 2028	5.564	-
Lease income more than five years	30.495	28.274
Lease income total	68.107	62.980

6. Operating expenses

Operating expenses are specified as follows:

	2023	2022
Property tax, water and wastewater expenses	1.524	1.369
Insurance	102	87
Maintenance of investment properties	41	46
Operating expenses of properties	730	700
Other operating expenses of investment properties	257	191
Operating expenses of hotel	573	442
Office and administrative expenses	697	546
Total operating expenses	3.924	3.382

Operating expenses are specified as follows between leased assets and assets not generating lease income in the year:

	2023	2022
Leased assets	2.527	2.269
Assets not generating lease income in the year	127	124
	2.654	2.394
Operating expenses of hotel	573	442
Office and administrative expenses	697	546
Total operating expenses	3.924	3.382

Hótel 1919 ehf., which is operated as a part of Radisson Hotel Group, received governmental support amounting to ISK 1 million (2022: ISK 1 million), which decreases the hotel's operational costs.

7. Salaries and salary related expenses

Salaries and salary related expenses are specified as follows:

	2023	2022
Salaries	718	590
Contributions to pension funds	98	74
Other salary-related expenses	82	49
Other staff related expenses	30	29
Total salaries and salary-related expenses	928	743
Man-years	51	44
Positions at the end of the year	50	47

Salaries and salary-related expenses are allocated to operating items as follows:

Operating expenses of investment properties	290	220
Operating expenses of hotel	159	130
Office and administrative expenses	479	393
Total salaries and salary-related expenses	928	743

8. Fees to auditors

Fees to auditors of the Group are specified as follows:

	2023	2022
Audit of financial statements and review of interim financial statements	25	21
Other services	2	1
Total fees to auditors	27	22

9. Finance income and finance expenses

Finance income and finance expenses are specified as follows:

	2023	2022
Interest income	120	50
Interest expenses	(3.168)	(2.444)
Indexation	(4.404)	(4.741)
Prepayment charge	0	0
Interest expenses on lease liabilities	(125)	(105)
Other finance expenses	(43)	(19)
Total finance expenses	(7.740)	(7.309)
Net finance expenses	(7.620)	(7.259)

10. Income tax

Expensed income tax

Effective income tax is specified as follows:

		2023		2022
Profit before income tax		7.318		10.004
Income tax according to the current tax ratio	20,0%	1.464	20,0%	2.001
Provision for tax asset, change	0,0%	0	0,3%	33
Other changes	0,0%	1	(0,3%)	(30)
Effective income tax	20,0%	1.465	20,0%	2.004

11. Intangible assets

Intangible assets comprise of goodwill from purchases of subsidiaries. Goodwill is not amortised, but is evaluated at least annually with regards to impairment or more often if there is indication of impairment. In performing impairment test, fair value less cost to disposal was evaluated.

Key assumptions which supported the impairment test were among others the following:
• Weighted rate of return 6.4%
• Equity ratio 30%

The cash flow model used is comparable and with the same presumptions as were used in valuating the Group's investment properties (notes 12 and 31). The impairment test did not indicate any impairment.

The following combined changes of presumptions would have lead to impairment at year end 2022:
• Increase in WACC of 0.5%
• Decrease in interests of 0.5% down to 0.0%
• Decrease in market rent by 5%

12. Investment properties

	2023	2022
Book value at the beginning of the year	117.181	103.304
Investment in current investment properties	3.177	2.604
Investment in new investment properties	237	1.204
Investment through acquisition of a Company	1.270	0
Sold investment properties	0	(362)
Value adjustment	7.513	10.431
Book value at end of the year	129.378	117.181
Lease assets	2.728	2.457
Investment properties at the end of the year	132.106	119.639

Segmentation of investment properties

	2023	2022
Real estate	125.708	116.517
Building rights and plots	3.670	664
Lease assets	2.728	2.457
Total investment assets	132.106	119.639

2023	Commercial buildings	Office buildings	Industrial and storage	Hotel and restaurant	Wellness and other	Total
Book value at 1.1.	29.265	49.396	16.643	11.839	10.038	117.181
Investment for the year	794	1.646	289	158	290	3.177
Investment in new assets	144	1.326	38	0	(1)	1.506
Sold during the year	0	0	0	0	0	0
Reclassification	(685)	(47)	22	729	(19)	0
Value adjustment	1.407	1.616	484	614	3.393	7.513
Book value at 31.12	30.924	53.936	17.477	13.340	13.700	129.378
Proportion	23,9%	41,7%	13,5%	10,3%	10,6%	100,0%

2022	Commercial buildings	Office buildings	Industrial and storage	Hotel and restaurant	Wellness and other	Total
Book value at 1.1.	25.684	47.465	14.109	10.391	5.656	103.304
Investment for the year	458	1.390	144	79	533	2.604
Investment in new assets	105	233	466	155	246	1.204
Sold during the year	0	(52)	(310)	0	0	(362)
Reclassification	758	(3.782)	397	(85)	2.712	0
Value adjustment	2.261	4.143	1.836	1.300	891	10.431
Book value at 31.12	29.265	49.396	16.643	11.839	10.038	117.181
Proportion	25,0%	42,2%	14,2%	10,1%	8,6%	100,0%

2022	Commercial buildings	Office buildings	Industrial and storage	Hotel and restaurant	Wellness and other	Total
Book value at 1.1.	25.684	47.465	14.109	10.391	5.656	103.304
Investment for the year	458	1.390	144	79	533	2.604
Investment in new assets ..	105	233	466	155	246	1.204
Sold during the year	0	(52)	(310)	0	0	(362)
Reclassification	758	(3.782)	397	(85)	2.712	0
Value adjustment	2.261	4.143	1.836	1.300	891	10.431
Book value at 31.12	29.265	49.396	16.643	11.839	10.038	117.181
Proportion	25,0%	42,2%	14,2%	10,1%	8,6%	100,0%

2021	Commercial buildings	Office buildings	Industrial and storage	Hotel and restaurant	Wellness and other	Total
Book value at 1.1.	23.862	44.784	12.741	9.559	5.192	96.138
Investment for the year	381	744	41	59	177	1.401
Investment in new assets ..	71	75	758	0	41	945
Sold during the year	0	(161)	(73)	(160)	0	(394)
Reclassification	531	132	(457)	(92)	(115)	0
Value adjustment	839	1.891	1.098	1.025	361	5.215
Book value at 31.12	25.684	47.465	14.109	10.391	5.656	103.304
Proportion	24,9%	45,9%	13,7%	10,1%	5,5%	100,0%

Following is information on main presumptions and changes which have occured.

The Group' investment properties are valued by management of the Company at fair value at the reporting date in accordance with the International Accounting Standard IAS 40.

In measuring the assets, management has estimated discounted future cash flow that the Company can expect from current lease agreements and lease agreements the Company expects to enter into at the end of lease period of current lease agreements. The measurement is in accordance with level 3 in the fair value hierarchy, see futher note 3, and there were no changes in classification during the year. The measurement is based on presumptions on expected utilisation ratio of the properties in the future, market rent at the end of lease periods of current agrements and operating costs of these properties. The approach and conclusions, which are used in measuring both amounts and timing of future cash flow, are revaluated on a regular basis in order to come closer to actual fair value of the assets. Management estimates of development of several other factors in the future are also taken into account, such as changes in lease and capital markets.

Management had transactions of business premises in the 2022 looked at and the result was that evaluation of the Company's investment properties was comparable to those market transactions.

Effect of COVID-19

The effect of COVID-19 on the value of investment properties have been fully reversed at year-end 2022.

Interests

Presumptions on interests applied in calculating the Company's weighted average cost of capital have been revalued from the previous year's estimate in accordance with changes to general credit terms, but management expectations on market interest of individual assets are relied upon.

Rate of return on equity and equity ratio

Rate of return on equity is derived from the CAPM model (Capital Asset Pricing Model). Changes were made to presumptions of rate of return on equity for increase. The Company's WACC is between 5.5% - 6.8% (2021: 5.4% - 6.8%) depending on assets. Tax shield is not taken into account in calculating WACC. Equity ratio is expected to be 30%.

Utilisation of lease units

Rental value ratio of the Group was 95.7% at the end of year 2022 (2021: 94.2%). Rental value ratio is the ratio of leased properties which are in a leasable condition relative to lease payments but not relative to square metres. Presumptions on rental value ratio of individual assets are between 0% to 100% and future estimate for the asset porfolio is 95% (2021: 95%).

Market rent

In estimating future cash flow market rent needs to be evaluated at the time when current lease agreements expire. The market rent is based on management estimate of development of rental price in the future.

Estimated lease income is based on current lease agreements and management estimate of development of rental price in the future.

2022	Commercial buildings	Office buildings	Industrial and storage	Hotel and restaurant	Wellness and other	Total
Estimated lease income pr. m² pr. month (ISK)	917-7.209	1.453-5.026	563-2.742	1.797-6.683	1.348-4.113	
Estimated weighted average rent pr. m² pr. month (ISK) ...	2.495	2.812	2.108	4.226	2.999	2.706
WACC	6,0-6,5%	5,5-6,8%	6,0-6,8%	5,5-6,8%	6,0-6,5%	6,2%

2021	Commercial buildings	Office buildings	Industrial and storage	Hotel and restaurant	Wellness and other	Total
Estimated lease income pr. m² pr. month (ISK)	843-6.712	1.335-4.617	502-2.312	1.651-5.961	1.238-3.669	
Estimated weighted average rent pr. m² pr. month (ISK) ...	2.242	2.550	1.819	3.861	2.650	2.411
WACC	5,9-6,5%	5,4-6,8%	6,2-6,8%	5,4-6,8%	5,9-6,5%	6,1%

Following is information on main presumptions and changes which have occured.

The Group' investment properties are valued by management of the Company at fair value at the reporting date in accordance with the International Accounting Standard IAS 40.

In measuring the assets, management has estimated discounted future cash flow that the Group can expect from current lease agreements and lease agreements the Group expects to enter into at the end of lease period of current lease agreements. The measurement is in accordance with level 3 in the fair value hierarchy, see futher note 3, and there were no changes in classification during the year. The measurement is based on presumptions on expected utilisation ratio of the properties in the future, market rent at the end of lease periods of current agrements and operating costs of these properties. The approach and conclusions, which are used in measuring both amounts and timing of future cash flow, are revaluated on a regular basis in order to come closer to actual fair value of the assets. Management estimates of development of several other factors in the future are also taken into account, such as changes in lease and capital markets.

The Company has made increased emphasis on building and development on the Company's land with establishment of business development department. In parallel, work has been performed to map unused building permits and the possibilities and opportunities that are included in them been scrutinized. Those building permits have now been revalued based on valuations from one and/or two independent valuations parties, based on the size of the projects. Several of the Company's projects are well underway with planning stage and therefore increase in value along with the value increase related to the progress in the period. The Company used expected market value per square metres as well as using the probability that this market value will materialize with prudence in mind, whether through sale, exercise of authorisation or final subdivision work.

Management had transactions of business premises in the 2022 looked at and the result was that evaluation of the Group's investment properties was comparable to those market transactions.

Interests

Presumptions on interests applied in calculating the Group's weighted average cost of capital have been revalued from the previous year's estimate in accordance with changes to general credit terms, but management expectations on market interest of individual assets are relied upon. Changes were made to presumptions of interest rate for increase.

Rate of return on equity and equity ratio

Rate of return on equity is derived from the CAPM model (Capital Asset Pricing Model). Changes were made to presumptions of rate of return on equity for decrease. The Group's WACC is between 5,4% - 7,3% (2022: 5,5% - 6,8%) depending on assets. Tax shield is not taken into account in calculating WACC. Equity ratio is expected to be 30%. Each 1% increase in the occupancy rate for the future corresponds to an increas of almost 0,1% in WACC.

Utilisation of lease units

Rental value ratio of the Group was 94.3% at the end of year 2023 (2022: 95.7%). Rental value ratio is the ratio of leased properties which are in a leasable condition relative to lease payments but not relative to square metres. Presumptions on rental value ratio of individual assets are between 0% to 100% and future estimate for the asset porfolio is 95% (2021: 95%).

Market rent

In estimating future cash flow market rent needs to be evaluated at the time when current lease agreements expire. The market rent is based on management estimate of development of rental price in the future.

Estimated lease income is based on current lease agreements and management estimate of development of rental price in the future.

2022	**Commercial buildings**	**Office buildings**	**Industrial and storage**	**Hotel and restaurant**	**Wellness and other**	**Total**
Estimated lease income pr. m² pr. month (ISK)	994-8.861	1.506-7.009	716-2.973	1.949-7.321	1.014-4.683	
Estimated weighted average rent pr. m² pr. month (ISK) ...	2.853	3.197	2.314	5.007	3.366	3.061
WACC	5,8-7,2%	5,4-7,3%	6,2-7,1%	6,0-7,0%	5,8-6,7%	6,4%

2022	**Commercial buildings**	**Office buildings**	**Industrial and storage**	**Hotel and restaurant**	**Wellness and other**	**Total**
Estimated lease income pr. m² pr. month (ISK)	917-7.209	1.453-5.026	563-2.742	1.797-6.683	1.348-4.113	
Estimated weighted average rent pr. m² pr. month (ISK) ...	2.495	2.812	2.108	4.226	2.999	2.706
WACC	6,0-6,5%	5,5-6,8%	6,0-6,8%	5,5-6,8%	6,0-6,5%	6,1%

Sensitivity analysis

Effects of changes in fair value of investment properties:	**2023**		**2022**	
	Increase	**Decrease**	**Increase**	**Decrease**
Increase (decrease) of lease income by 1%	1.699	(1.699)	1.592	(1.592)
Increase (decrease) of rental value ratio by 1%-point	1.761	(1.761)	1.648	(1.648)
Decrease (Increase) of rate of return by 0.5%-points	10.660	(9.094)	10.717	(9.042)

Official assessment value and insurance value

Book value, official assessment value and fire insurance value of properties is as follows:

	2023	**2022**
Book value af properties and land	136.099	121.661
Official assessment value of properties and land	104.700	99.973
Fire insurance value of properties	119.003	108.542
Additional fire insurance value of properties	17.174	14.227

Pledges and guaranteess

The Group's real estates, whether classified as investment properties, properties under construction og assets for own use, are pledged as collaterals for the Group's liabilities for the amount of ISK 75,507 million at year end (2022: ISK 70,217 million). A part of the Group's real estates carry input VAT encumbrance in the amount of ISK 4,386 million at year end (2022: ISK 4,049 million) which amortise over 20 years. The VAT encumbrance does not become payable unless prerequisites change, if relevant real estate is utilised for operations which are exempt from VAT or they are sold less the encumbrance. In addition there is an encumbrance for the amount of ISK 222 million for a building right at the Company's plot at Borgartún 21. The encumbrance will lapse at year end 2026 and will not become payable unless construction will commence on the plot.

13. Development properties

Development properties are specified as follows:

	2023	2022
Book value at 1.1	671	663
Acquired through acquisition subsidiary	400	0
Investment in current development properties	9	8
Change in lease asset	(2)	1
Book value at 31.12.	1.079	671

14. Assets for own use

Assets for own use are specified as follows:

	Real estate	Interiors and other	Total
Cost			
Balance at 1.1.2022	4.380	539	4.918
Additions 2022	58	65	123
Sold during the year	0	(17)	(17)
Balance at 31.12.2022	4.438	587	5.024
Opening balance corrections and reclassifications	0	0	0
Additions 2023	40	40	80
Sold during the year	0	(1)	(1)
Balance at 31.12.2023	4.478	626	5.104
Depreciation			
Depreciation at 1.1.2022	426	310	735
Depreciation	85	52	138
Total depreciation at 31.12.2022	511	351	862
Opening balance corrections and reclassifications	0	0	0
Depreciation during the year	101	57	157
Sold during the year	0	(1)	(1)
Total depreciation at 31.12.2023	612	407	1.019
Book value			
At 1.1.2022	3.954	229	4.183
At 31.12.2022	3.831	331	4.162
At 31.12.2023	5.662	314	5.975

Company's properties for own use are estimated on fair value at the end of the reporting period. The fair value is estimated based on same methodology as the estimate of investment properties (see Note 12).

15. Depreciation

Depreciation and impairment losses is specified as follows:

	2023	2022
Reversal of impairment from prior periods	(107)	0
Office	3	3
Hotel	128	114
Interiors and other	26	20
Total depreciation and impairment losses	50	138

16. Trade receivables and other receivables

Trade receivables and other receivables are specified as follows:

	2023	2022
Long-term receivables	707	150
Provision for impairment losses	(70)	(83)
Long-term receivables, net balance	436	68
Trade receivables due to lease	404	282
Trade receivables due to deferred lease payments	158	678
Trade receivables due to other operations	121	128
Provision for impairment losses	(58)	(334)
Total trade receivables	625	754
Other short-term receivables	68	20
Other short-term receivables total	68	20
Total trade receivables and other short-term receivables	693	774

Provision for impairment of receivables is specified as follows at year end:

	2023	2022
Provision at beginning of the year	417	439
Provision during the year	(114)	(111)
Receivables written off during the year	(175)	88
Provision at year end	128	417

The Company's long-term receivables are for construction loans to the lessee and lease payments due, where lease payments due are changed to long-term receivables. The Company has in general received additional insurance in addition to the receivable becoming interest bearing and in instalment process. Next year's payment of such bonds is classified within trade receivables related to lease income and defeered lease payments. Trade receivables are evaluated based on expected recoveries.

Decrease of impairment of trade receivables amounts to ISK 289 million from beginning of the period. The decrease can largely be explained by re-estimate of the impairment considering the settlement of lease commitments resulting from Covid-19 and change in the financial position of the lessees, or about ISK 195 million.

17. Equity

Share capital

The Company's total share capital according to its Articles of Association amount to ISK 3.423.863.435. The Company holds treasury shares in the nominal value of ISK 8.800.000 at the end of the period which is recognised as decrease in share capital. Outstanding shares at year end are 3.415.063.435 and are all paid up. One vote is attached to each ISK 1 share in the Company.

Share premium

Share premium represents excess of payments above nominal value that shareholders have paid for shares sold by the Company.

Reserves

A statutory reserve is established by the Company in accordance with Act No. 2/1995 on limited liability companies, which stipulates that at least 10% of the Company's profit, not utilised to adjust previous years' losses or for other reserves in accordance with law, shall be allocated to the statutory reserve until the reserve amounts to 10% of the Company's share capital. When that benchmark has been reached the contribution to the reserve shall be at least 5% until its value has reached 25% of the Company's share capital. The statutory reserve can be used to offset loss which cannot be offset with entries from other reserves. When the statutory reserve amounts to more than 25% of the share capital, the excess amount can be utilised to increase share capital or, or if provisions in Article 53 of the Act no. 2/1995 on limited liability companies are met, for other needs.

Restricted equity

According to the Financial Statements Act no. 3/2006 companies are required to recognise share in profit or loss of subsidiaries, which is recognised in the income statement and is in excess of dividend received or dividend which has been decided to distribute, to restricted minority interest reserve among equity.

Retained earnings

Retained earnings consist of the Group's retained profit and accumulated deficit from the establishment of the parent company, with valuation canges of investment properties taking into account income tax effects, less dividend payments and transfers to and from other equity items.

Capital management

The Company's Board of Directors has established an equity ratio of 30%. It is the Board's policy to ensure a strong equity position and support stable future operating development. The Board aims to keep balance between rate of return of equity and optimisation and security which is achieved with strong equity ratio. The Company's equity ratio was 34.6% at year end (2022: 34.0%). Return on equity was positive by 17.2% in the year 2023 (2022: 22.0%).

Dividend

Dividend amounting to ISK 2,000 million was paid to shareholders in 2023 due to the year 2022. The Company's Board of Directors' policy is to annually pay dividend or repurchase share for the amount corresponding up to 50% of net cash provided by operations. The Board of Directors proposes a dividend payment of ISK 2,540 million to shareholders for the operating year 2023, taking into account the Company's dividend policy and considering the historically low loan-to-value ratio.

18. Basic and diluted earnings per share

Basic earnings per share is calculated by dividing the profit to average number of active shares during the year and shows the earnings per each share of ISK 1. Diluted earnings per share is the same as basic earnings per share since no share options have been granted by the Company nor has it sold convertible bonds.

	2023	2022
Profit for the year	5.853	8.001
Weighted-average number of ordinary shares during the year	3.415	3.415
Earnings per share	1,71	2,34

19. Interest bearing liabilities

This note includes information about the contractual provisions of the Group's interest bearing liabilities. Reference is made to note 25 for information on the Group's foreign exchange and interest rate risk.

	2023	2022
Interest bearing liabilities 1 January	70.272	64.814
New borrowings	8.211	6.394
Repayments and settlements of long-term liabilities	(8.274)	(5.715)
Indexation	4.404	4.741
Capitalised borrowing cost, change	31	29
Other long-term liabilities, change	5	10
Interest bearing liabilities 31 December	74.650	70.272
Long-term liabilities		
Listed bonds and bank loans	67.117	64.238
Other long-term liabilities	60	55
	67.176	64.292
Short-term liabilities		
Current maturities of liabilities	8.390	5.980
	8.390	5.980
Total interest bearing liabilities	75.567	70.272

Terms and repayment period of interest bearing liabilities

	Weighted average interest rates	Final maturity	2023	2022
Bond issue EIK 100346 in ISK, indexed	3,60%	2046	6.508	6.197
Bond issue EIK 161047 in ISK, indexed	3,50%	2047	23.673	22.483
Bond issue EIK 050749 in ISK, indexed	3,08%	2049	7.669	7.276
Bond issue EIK 050726 in ISK, indexed	2,71%	2026	6.908	6.563
Bond issue EIK 141233 in ISK, indexed	2,33%	2033	9.169	8.711
Bond issue EIK 100327 in ISK, indexed	1,45%	2027	3.443	3.279
Bond issue EIK 23 1 in ISK, non-indexed	2,90%	0	0	1.199
Bond issue EIK 24 1 in ISK, non-indexed	4,34%	2024	2.999	2.996
Bond issue EIK 25 1 in ISK, non-indexed	7,67%	2025	2.337	2.335
Loan in ISK, non-indexed	4,10%	2028-2045	3.956	0
Loan in ISK, non-indexed	11,94%	2024-2029	8.846	9.178
Other indexed long-term liabilities	0,00%	2024-2035	37	31
Other non-indexed long-term liabilities	7,50%	2024-2032	22	24
Total long-term liabilities, incl. current maturities			75.567	70.272
Current maturities			(8.390)	(5.980)
Total			67.176	64.292

Repayment of long-term liabilities is specified as follows over the next years:	2023	2022
Repayments in 2023	0	5.980
Repayments in 2024	8.390	5.100
Repayments in 2025	7.740	7.471
Repayments in 2026	8.227	7.484
Repayments in 2027	5.318	4.830
Repayments in 2028	4.082	0
Subsequent repayments	41.809	39.407
Total	75.567	70.272

At the end of 2023 the Group fulfilled all covenants relating financial strength and cash flow obligations which it has undertaken in terms of loans and bonds.

The Group has unused credit facility amounting to ISK 2,600 million at year end. (2022: 2,600 m.kr.)

20. Lease assets and lease liabilities

	2023	2022
Lease assets		
Balance at beginning of the year	2.480	2.355
Change due to revaluation	216	121
Purchased and sold assets	52	4
Balance at end of the year	2.749	2.480
Lease liabilities		
Balance at beginning of the year	2.480	2.355
Change due to revaluation	216	121
Purchased and sold assets	52	4
Balance at end of the year	2.749	2.480
Amounts in statement of comprehensive income		
Interest expenses of lease liabilities expensed to income statement	125	105
Amounts in statement of cash flow		
Interest expense of lease liabilities paid	125	105

21. Income tax liability

The Group's income tax liability is specified as follows:

	2023	2022
Income tax liability at 1 January	10.683	8.680
Income tax liability in statement of comprehensive income	1.465	2.004
Income tax liability at 31 December	12.149	10.683

Real estate	13.558	11.505
Tax loss carry-forward	(1.032)	(778)
Provision for tax asset	3	39
Other items	(26)	(83)
Tax liability at year end	12.503	10.684

Tax loss carry-forward, which is not utilisable against profit within 10 years since it developed, will terminate. Tax loss carry-forward at year end is utilisable as follows:

Taxable loss due to 2013, utilisable until year end 2023	-	179
Taxable loss due to 2014, utilisable until year end 2024	113	113
Taxable loss due to 2015, utilisable until year end 2025	240	240
Taxable loss due to 2016, utilisable until year end 2026	239	239
Taxable loss due to 2017, utilisable until year end 2027	179	179
Taxable loss due to 2018, utilisable until year end 2028	452	452
Taxable loss due to 2019, utilisable until year end 2029	226	226
Taxable loss due to 2020, utilisable until year end 2030	422	422
Taxable loss due to 2021, utilisable until year end 2031	9	9
Taxable loss due to 2022, utilisable until year end 2032	1.831	1.828
Taxable loss due to 2023, utilisable until year end 2033	1.450	-
	5.162	3.888

Income tax asset is recognised to the extent that it is considered likely that future profit can be utilised against the asset. Income tax asset is evaluated at each reporting date.

Income tax liability amounting to ISK 698 million from Group acquisitions that were classified as asset deals have not been recognised in the balance sheet, as IFRS does not allow such recognition. The liability will not materialise unless the investment assets will be sold. The Group has no plans to sell these assets.

22. Trade payables and other short-term payables

Trade payables and other short-term payables are specified as follows at year end:

	2023	2022
Trade payables	370	242
Accrued interest	585	550
Short-term liabilities due to purchased investment assets	0	27
Short-term liabilities due to purchased subsidiary	263	0
Other short-term liabilities	571	653
Total trade payables and other short-term payables	1.787	1.472

23. Investing and financing without credit

Purchase price of investment assets	27	0
Purchase price of subsidiary	(263)	(155)
Other short-term liabilities	236	155

24. Financial risk management

The Group's financial instruments are exposed to several risks og those will be described below along with methods applied by the Group in evaluating and managing the risk. The Company's Board of Directors is responsible for implementing and monitoring the Group's risk management. Risk management is meant to analyse or detect risk factors, set benchmarks relating to risks and monitor it.

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 guarantees are not sufficient for the outstanding receivable. Credit risk arises principally from financial position and operations of the Group's customers. The Group analyses financial position of new customers for creditworthiness prior to entering into business, in addition to requesting 3-6 months' guarantees. If a customer does not meet contractual obligations for two months, the matter is referred to the collection committee. Follow up on collections is effective and decisions made on how to react to them.

The Group's maximum exposure to credit risk of financial assets is their book value which at year-end was as follows:

	2023	2022
Cash and cash equivalents	984	2.986
Trade receivables	1.061	822
Other short-term receivables	73	20
Total maximum exposure	2.118	3.828

The aging of trade receivables and impairment at year-end was as follows:

	2023		2022	
	Gross	Impairment	Gross	Impairment
Not past due and past due 1-30 days	346	9	296	22
Past due 31 - 60 days	73	2	18	9
Past due 61 - 90 days	16	7	28	11
Past due more than 90 days	755	110	896	375
	1.189	128	1.238	417

Overdue receivables due to entities within tourism and bars and restaurants amount to ISK 655 million (2022: ISK 678 million) but they have been depreciated by ISK 70 million (2022: ISK 265 million).

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 observes development of its liquidity by analysing due dates of financial assets and financial liabilities with the aim to ensure that it will always have sufficient liquidity to meet its liabilities. The Group had undrawn credit facilities of ISK 2,600 million at year end. The Group owns unpledged investment properties valued at ISK 12,000 million.

Contractual instalments of liabilities, including expected interest payments, are specified as follows:

2023	Book value	Contractual cash flows	Less than 1 year	1 - 2 years	2 - 5 years	More than 5 years
Interest bearing loans	75.567	99.542	11.396	10.227	22.849	55.071
Trade receivables and other short-term receivables	1.787	1.787	1.787			
	77.354	101.330	13.184	10.227	22.849	55.071

2022	Book value	Contractual cash flows	Less than 1 year	1 - 2 years	2 - 5 years	More than 5 years
Interest bearing loans	70.272	93.348	8.008	7.507	24.892	52.941
Trade receivables and other short-term receivables	1.472	1.472	1.472			
	71.744	94.820	9.480	7.507	24.892	52.941

Interest rate risk

Interest rate risk is the risk of changes in fair value or cash flow from financial assets and financial liabilities due to changes in market interest rates. The Group's interest bearing financial instruments are specified as follows at year end:

Financial instruments with fixed interest rates		
Interest bearing loans	(63.648)	(61.040)
Net financial instruments with fixed interest rates	(63.648)	(61.040)
Financial instruments with floating interest rates		
Cash and cash equivalents	984	2.986
Interest bearing loans	(11.919)	(9.232)
Net financial instruments with floating interest rates	(10.935)	(6.246)

Sensitivity analysis of the cash flow of financial instruments with floating interest rates

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) the profit before income tax by ISK 109 (109) million (2022: ISK 62 (62) million). This analysis assumes that all other variables remain constant. The analysis is performed on the same basis as for the year 2022.

Financial instruments with fixed interest rates

The Group's financial instruments with fixed interest rates are not recognised at fair value through statement of comprehensive income. If there is a change in interest rate at reporting date it has no effect on the Group's financial performance.

Inflation risk

Inflation risk is the risk of the Group's results fluctuating due to changes in consumer price index. Interest bearing liabilities in the amount of ISK 61.363 million. (2022: ISK 54.509 million) are indexed to the consumer price index. A change in inflation of one percentage point at year end 2022 would have decreased the Group's profit before income tax in the amount of ISK 614 million (2022: ISK 545 million). The analysis is based on all other variables remaining constant.

25. Operation risk

Operational risk is a risk related to other factors than those discussed above, general factors which apply to operation of real estate companies. Operational risk is the risk of direct or indirect loss arising from a wide variety of factors in the Group's operations, the work of the Group's personnel, technology and organisation, and from external factors other than the above mentioned, such as changes in laws, increased tax levy as with property taxes and general attitude towards corporate governance. Operational risks arise from all of the Group's operations.

The Group's objective is to manage operational risk efficiently in order to avoid financial losses and to protect the Group's reputation. In order to reduce operational risk, among other things, an appropriate segregation of duties has been implemented, transactions are controlled as well as compliance with laws, regular assessment of risk is performed, employees are trained, procedures are organised and documented, and insurance is purchased when applicable.

26. Fair value

Comparison of fair value and book value

Fair value and book value of financial assets and financial liabilities is specified as follows:

	31 December 2023		31 December 2022	
	Book value	**Fair value**	**Book value**	**Fair value**
Interest bearing loans	74.650	72.753	75.721	76.421

Fair value of the Company's listed bonds is calculated in accordance with level 2, see note 3. Fair value of other financial assets and financial liabilities is the same as their book value.

27. Related parties

Definition of related parties

The Group has a related party relationship with members of the Board of Directors, management and shareholders which have significant influence, companies controlled by them, along with their spouses and financially dependent children.

Related parties with significant influence

According to the Company share registry, Brimgarðar ehf. owned 16.5% share in the Company at year end. At 7 May 2021 a major shareholder announcement was published on Nasdaq Iceland since Brimgarðar ehf.'s direct shareholding and direct and indirect rights according to financial instruments exceeded 25%. It can be expected that Brimgarðar ehf.'s aggregate shareholding at year-end, taking into account forward trading and exchange agreements, were between 25-30%.

Transactions with companies controlled by members of the Board of Directors

The Company leased two rental spaces to related parties and earned a rent income of ISK 4.8 million during the year.

Transactions with key management

Salaries and benefits to key management for their work for the Group and shares in the Company are specified as follows:

Year 2023	**Salaries and benefits**	**Bonus payments**	**Contribution to pension funds**	**Nominal value of shares**
Bjarni Kristján Þorvarðarson, Chairman of the Board	9,9		1,3	
Guðrún Bergsteinsdóttir, Board member	5,2		0,7	
Eyjólfur Árni Rafnsson, Board member	5,2		0,7	
Hersir Sigurgeirsson, Board member	6,5		0,9	0,5
Ragnheiður Harðar Harðardóttir, Board member	5,7		0,8	
Garðar Hannes Friðjónsson, CEO	53,3	6,1	8,0	7,4
Directors (5)	143,7	14,4	21,3	0,4

Directors in year end: Árni Huldar Sveinbjörnsson, Eyjólfur Gunnarsson, Guðbjartur Magnússon, Lýður Heiðar Gunnarsson og Sturla Gunnar Eðvarðsson. During the year, Jóhann Magnús Jóhannsson resigned and Árni Huldar Sveinbjörnsson took over his position as the Company's general counsel.

Year 2022	**Salaries and benefits**	**Bonus payments**	**Contribution to pension funds**	**Nominal value of shares**
Bjarni Kristján Þorvarðarson, Chairman of the Board	7,0		0,9	
Guðrún Bergsteinsdóttir, Board member	4,9		0,7	
Eyjólfur Árni Rafnsson, Board member	6,2		0,8	
Hersir Sigurgeirsson, Board member	5,9		0,8	0,5
Ragnheiður Harðar Harðardóttir, Board member	5,4		0,7	
Kristín Friðgeirsdóttir, Board member	1,2		0,8	
Garðar Hannes Friðjónsson, CEO	50,7	7,2	8,1	7,4
Directors (5)	116,7	11,8	16,8	0,4

Directors are: Eyjólfur Gunnarsson, Guðbjartur Magnússon, Jóhann Magnús Jóhannsson, Lýður Heiðar Gunnarsson og Sturla Gunnar Eðvarðsson.

No irregular contracts have been entered into with board members or management.

The share of Garðar Hannes Friðjónsson is through Burðarbitar ehf. and Hersir Sigurgeirsson through Endurreisnarsjóðurinn ehf.

28. Subsidiaries

Shareholding in subsidiaries	Share 2022	Share 2021
Eik rekstrarfélag ehf.	100,0%	100,0%
EF15 ehf	100,0%	0,0%
EF16 ehf.	100,0%	0,0%
Hótel 1919 ehf.	100,0%	0,0%
Landfestar ehf.	0,0%	100,0%
- LF1 ehf.	0,0%	100,0%
- Hótel 1919 ehf.	0,0%	100,0%

All of the subsidiaries are domiciled in Reykjavík.

During the year, Landfestar ehf. and LF1 ehf., a subsidiary of Landfest ehf., merged into Eik fasteignafelag. At the same time, the ownership stake in Hótel 1919 ehf. was transferred to the parent company. The Company also acquired EF15 hf. (see Note 29) and EF16 (see Note 30) during the year.

29. Acquisition of BB29 ehf. (now EF15 ehf.)

Eik acquired in the period all shares in EF15 ehf. based on a agreement that was signed in March 2023. EF15 ehf. is part of the consolidation from the date of the acquisition, 31 Marsh 2023. Of the purchase price ISK 12 million are unpaid at the end of the reporting period. The cost related to the acquisition amounted to ISK 7 million. EF15 ehf. owns a 3.544 square meter office property located in Ármúli 2, Reykjavík.

Fair value of assets and liabilities of EF15 ehf. on acquisition date are as follows:

Investment asset	1.270
Deferred tax asset	2
Cash and cash equivalents	146
Net working capital	(6)
Liabilities	(917)
	495
Paid with cash and cash equivalents	495
Cash and cash equivalents	(146)

30. Acquisition of Húsfélagið Hafnarstræti 7 ehf. (now EF16 ehf.)

Eik acquired in the period all shares in EF16 ehf. based on a agreement that was signed in November 2023. EF15 ehf. is part of the consolidation from the date of the acquisition, 13 November 2023. EF16 ehf. owns a 826 square meter retail and office propert located in Hafnarstræti 7, Reykjavík. On reporting date ISK 262.5 million of the purchase price was unpaid.

Fair value of assets and liabilities of EF16 ehf. on acquisition date are as follows:

Assets in development	(1)
Cash and cash equivalents	1
	0
Paid with cash and cash equivalents	401
Cash and cash equivalents	(1)
	400

31. Events after the reporting date

The Company redeemed a non-indexed bank loan of ISK 3,026 million, which matures in March 2024, and simultaneously obtained a new indexed bank loan of ISK 3,500 million, which matures in 2029. The Company has signed a purchase agreement for a kindergarten under construction in Hveragerði. The kindergarten has a long-term lease agreement with Hveragerðisbaer. The estimated completion and delivery are in September 2024.

The Company received a preliminary ruling from the Competition Authority on February 7, 2024, in connection with the Authority's investigation into the voluntary takeover bid by Reginn hf. to the shareholders of Eik fasteignafelag. The preliminary ruling of the Competition Authority is that the merger of Reginn and Eik fasteignafelag would impede effective competition and it demands full intervention from the Authority. According to administrative law, the Company can exercise its right to present counterarguments before a binding decision is made by the government. The deadline for this is February 21.

32. Significant accounting policies

The accounting policies set out below have been consistently applied to all periods presented in the Group's financial statements.

In order to increase the information value of the financial statements, the notes are published on the basis of how appropriate and significant they are for the reader. This entails that information which is considered neither significant nor appropriate for the user of the financial statements are not published in the notes.

a. *Basis of consolidation*

i) *Merger of companies*

The purchase method is applied at merger when control transfers to the Group. The transaction at merger is measured at fair value as well as the separable assets and liabilities which are taken over. Goodwill generated is tested annually for impairment. Profit from favourable purchases is recognised immediately in the statement of comprehensive income. Transaction costs are expensed as it occurs except when it is related to issue of bonds or shares.

Conditional supplementary payments are recognised at fair value at the acquisition date. If such supplementary payment is categories as equity it is not revalued and is settled within equity. In other instances changes in fair value of conditional supplementary payment is recognised in the statement of comprehensive income.

ii) *Subsidiaries*

Subsidiaries are entities controlled by the Group. Control is based on whether the Group has power over the investment, bears a risk or has the rights to variable returns from its involvement in the investment and has the ability to affect its returns of the investment. 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.

iii) *Loss of control*

When the Group loses control of a subsidiary the assets and liabilities of the subsidiary are removed from the consolidated financial statements along with the share of other shareholders of the entity and other items in equity. All related profi or loss is recognised in the statement of comprehensive income. Remaining share is measured at fair value at the date control was lost.

iv) *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. Unrealised loss is eliminated by the same method as unrealised profit, but only to the extent that there is no indication of impairment of the asset.

b. *Foreign currencies transactions*

Transactions in foreign currencies are recognised in the functional currency of individual group entities at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are recognised at the exchange rate ruling at the reporting date. Other assets and liabilities recognised in foreign currencies at fair value are translated at the exchange rate ruling at the date of determination of fair value.

Exchange differences arising from transactions in foreign currencies are recognised in the statement of comprehensive income.

c. *Financial instruments*

i) *Financial assets*

Loans, receivables and cash and cash equivalent are recognised at the date they incurred. Other financial assets are initially recognised at the date the Group became party to contractual provisions of the financial instrument.

Financial assets are deregistered if contractual rights of the Group to cash flow related to the financial assets expires or if the Group delivers right to cash flow related to the financial asset to another party without retaining control or almost all of the risk and benefit which the ownership entails.

Financial assets and financial liabilities are offset and net amount recognised in statement of financial position when and ony when the Group has legal right to offset and intentions are to settle with offseting financial assets and financial instruments or redeem the asset og settle the liability at the same time.

Financial assets at amortised cost

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

Financial assets at amortised cost comprise trade receivables and other short-term receivables.

Cash and cash equivalents

Cash and cash equivalents consist of funds and on demand bank deposits and securities available within three months.

ii) *Financial liabilities*

Interest bearing liabilities are recognised at the date they were entered into. All other financial liabilities are initially recognised at the transaction date where the Group became party to contractual provisions of the financial instrument.

The Group degregisteres financial liability if contractual obligations related to the financial liability finish, they are relinquished or expire. The Group classifies financial liabilities other than deruvative agreements as other financial liabilities. Financial liabilities are initially measured at fair value plus all direct transaction costs. Subsequent to

The Group's financial liabilites consist of intereast bearing liabilities, trade payables and other short-term liabilities.

iii) *Share capital*

Direct costs attributable to the issue of share capital are recognised as a deduction from equity, net of tax effects.

d. Intangible assets

i) *Goodwill*

Goodwill arises upon the acquisition of subsidiaries. Goodwill is the difference between the cost upon take-over and the fair value of overtaken assets, liabilities and uncertain liabilities. If negative goodwill arises it is immediately recognised in the statement of comprehensive income less accumulated impairment.

ii) *Other intangible assets*

Other intangible assets which are aquired or are written up at aquisition of subsidiaries and have limited useful life are capitalised at cost less accumulated depreciation and impairment as approriate.

iii) *Subsequent cost*

Subsequent cost is only capitalised if it increases benefit of the asset for which the cost is related to. Other costs, including due to goodwill and trademarks created within the Group, is recognised in the statement of comprehensive income when it incurs.

iv) *Depreciation of intangible assets*

Depreciation of intangible assets is recognised in the statement of comprehensive income on a straight-line basis over their estimated useful lives. The estimated useful life is specified as follows:

e. Investment properties

Investment properties are real estates (land and buildings) owned by the Group to create rental income, for value increase or both. Investment properties are recognised at fair value in accordance with International Accounting Standard IAS 40, see further note 13. Measurement of investment assets relies upon fair value of comparable assets in active market in transactions between unrelated informed parties, and discounted future cash flow of individual assets. The measurement takes into account the sum of expected future rental income of the properties in addition to cost of operating and maintaining the properties. Estimated future rental income is mostly based on current lease agreements. Estimated operating costs and maintenance of properties is subtracted from rental income. Market interest rates are used in discounting. Changes of fair value of investment properties are recognised under the item changes in value of investment properties in the statement of comprehensive income. Investment properties are not amortised.

When asset for own use becomes investment property due to a change in utilisation, the difference created at transfer of book value and fair value of the property is recognised as revaluation in other profit if there is a profit. At sale of investment property this profit is recognised among retained earnings. Loss which is created at such event is recognised immediately in the statement of comprehensive income.

If investment property is used by its owner it is classified as asset for own use and its fair value at reclassification date will become its cost price in the accounts.

f. Properties under development

Property which is under development and is intended to be used as an investment property, is recognised at cost.

g. Assets for own use

i) *Recording and valuation*

Assets for own use are measured at cost less depreciation and impairment losses. Revalued cost is fair value of the assets at the revaluation date less accumulated depriciations. All increases due to the revaluation are recognised in revaluation reserve among equity less income tax. Depreciation of the revaluation is recognised in the statement of comprehensive income and annually an adjustment is recognised which corresponds to the amount in revaluation reserve and retained earnings. Annual revaluation is performed.

Cost consists of direct cost of the transaction. Cost of assets for own use which the Group itself builds, consist of materials and salaries, other costs incurred in making the asset operative and is considered to be part of cost of the property. Purchased software which is essential in order to use hardware is capitalised as part of that equipment.

When assets for own use are composed of units with different useful lives the units are separated and depreciated in line with the useful life.

Profit of sale of assets for own use is the difference between actual sale price and book value of the property and is recognised in the statement of comprehensive income among operating income.

Interest expenses of loans which are used to finance the cost of properties under construction are capitalised over the construction period.

ii) *Subsequent costs*

Cost of renewing certain parts assets for own use are capitalised if it is considered likely that benefit related to the asset will be received by the Group and the cost can reasonably be measured. All other cost is expensed in the statement of comprehensive income when it incurs.

iii) *Depreciation*

Depreciation measured on a straight-line basis over the estimated useful lives of assets for own use. Land is not depreciated. The estimated useful lives are specified as follows:

	Useful life
Properties for own use	50 - 100
Other assets for own use	5 - 10 years

Depreciation methods, estimated useful life and residual value are revalued at each accounting date.

h. Impairment

i) *Financial assets*

A financial asset, not recognised at fair value, is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. Impairment of financial assets is recognised in the statement of comprehensive income.

ii) *Other assets*

Book value of other assets of the Group is reviewed at each reporting date to determine whether there are indications of impairment. If there is any such indication the recoverable amount of the asset is estimated. Goodwill is tested for impairment at least once a year.

The recoverable amount of an asset or a cash generating unit is the higher of their net fair value or value in use. Value in use is 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 asset.

An impairment loss is expensed when the book value of an asset or a cash generating unit is higher than its recoverable amount. A cash generating unit is the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or asset groups. Impairment losses recognised in respect of cash generating units are allocated first to reduce the book value of the goodwill and then to reduce the book value of the other assets in the cash generating unit on a pro rata basis. An impairment loss is expensed in the statement of comprehensive income.

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 of prior recognision of impairment taking taxes into account.