

Mannvit hf.
Consolidated Financial Statements 2018

TUESDAY



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03/09/2019
COMPANIES HOUSE

Mannvit hf.
Urðarhvarfi 6
203 Kópavogur

ID no. 430572-0169

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Endorsement by the Board of Directors and CEO

Mannvit hf., the "Group", is a general consulting and servicing company in the spectrum of knowledge and technology.

Operations in 2018

Profit on the Company's operation during the year amounted to ISK 27 million. Equity at year end amounted to ISK 853 million according to the balance sheet. The Company's outstanding share capital at year end amounted to ISK 187 million. During the year treasury shares of ISK 46 million were acquired. At year end, shareholders numbered 64 compared to 94 at the beginning of the year. We draw attention to note 25 regarding list of 10 largest shareholders at year end. The Board of Directors proposes that no dividend will be paid to shareholders in the year 2018. Reference is made to the Consolidated Financial Statements for further information on adjustment of loss and other changes in equity.

Corporate Governance

The Company's corporate governance policy is based on "the Guidelines on Corporate Governance" issued in May 2015 by the Iceland Chamber of Commerce, NASDAQ OMX Iceland and Confederation of Icelandic Employers. In 2015, Mannvit hf. underwent a formal assessment of the Board and management practices and passed this comprehensive evaluation process and received the acknowledgement "Excellence in Corporate Governance".

Statement by the Board of Directors and the CEO

It is our opinion that the accounting policies used are appropriate and that these Financial Statements present all the information necessary to give a true and fair view of the Company's assets and liabilities, financial position as of 31 December 2018 and operating performance, of the year 2018.

The Board of Directors of Mannvit hf. and the CEO have today discussed and approved the financial statements for the year 2018 with their signatures. We recommend that the Financial Statements to be adopted and endorsed at the Annual General Meeting.

The Board of Directors:

Sigurður Sigurjónsson
Chairman of the Board

Ásgeir Kristinn Sigurðsson

Elín Hallgrímsdóttir

Gunnar Herbertsson

Örn Guðmundsson
CEO

These financial statements are translated from the original which is in Icelandic. Should there be discrepancies between the two versions, the Icelandic version will take priority over the translated version.

Independent Auditor's Report

To the Board of Directors and shareholders of Mannvit hf.

We have audited the accompanying Consolidated Financial Statements of Mannvit hf. and subsidiaries (the "Group"), which comprise the balance sheet as at 31 December, 2018, the income statement and 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 the Icelandic Financial Statements Act. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated 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.

Auditor's 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 consolidated financial statements are free of material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company as at December 31, 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the Icelandic Financial Statements Act.

Report on the Board of Directors' report

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

KPMG ehf.

Sigurður Jónsson

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Consolidated Income Statement for the year 2018

	Notes	2018	2017
Operating revenue			
Sales		5.215.716	5.728.977
Other income		36.828	33.351
		5.252.544	5.762.327
Operating expenses			
Salaries and related expenses	14	3.755.745	3.789.188
Services purchased		422.488	623.951
Other expenses		976.914	1.062.601
Depreciation	17	61.577	121.732
		5.216.724	5.597.473
Operating profit (loss)		35.820	164.854
Finance income and expenses	15	22.421 (	68.072)
Gain from sale of fixed assets		196	48
Effects of affiliated companies		0	0
		22.617 (	68.024)
Profit (Loss) before income tax		58.437	96.830
Income tax	23 (	31.809) (	65.108)
Profit (Loss) before minority interest		26.627	31.722
Minority interest .....	(	5.142) (	19.315)
Profit (loss) for the year		21.485	12.407

Consolidated Balance Sheet at 31 December 2018

	Notes	2018	2017
Assets			
Fixed assets			
Intangible assets	16	29.907	42.426
Property, plant and equipment:			
Real estate		8.213	8.798
Equipment		139.219	133.205
Vehicles		25.616	30.704
Buildings under construction			
Property and equipment	17	173.048	172.707
Investments	19	143.553	138.975
Bonds	25	386.421	660.788
		529.974	799.763
Fixed assets		732.929	1.014.896
Current assets			
Trade receivables	10	1.201.799	1.254.226
Other short term receivables		119.137	97.221
Cash and cash equivalents		280.342	328.944
Current assets		1.601.278	1.680.391
Total assets		2.334.207	2.695.287
Equity and liabilities			
Equity			
Share capital	20	187.050	233.040
Reserves		205.711	352.555
Retained earnings		383.231	501.744
Equity	21	775.991	1.087.339
Non-current liabilities			
Minority interest		76.837	84.241
Borrowings	22	52.812	65.866
Deferred income tax liability	23	7.642	12.993
Non-current liabilities		137.291	163.100
Current liabilities			
Bank loan		108.125	1.960
Trade payables		181.398	150.911
Current maturities on borrowings	22	88.903	96.239
Taxes for the year	23	37.507	57.584
Other short term liabilities	24	1.004.991	1.138.154
Current liabilities		1.420.925	1.444.848
Total liabilities		1.558.216	1.607.948
Total equity and liabilities		2.334.207	2.695.287

Consolidated Statement of Cash Flows for the year 2018

	Notes	2018	2017
Cash flow from operating activities			
Profit (loss) for the year		26.627	31.722
Adjustment for:			
Gain (loss) from sale of fixed assets		0	59.855
Profit from sale of property and equipment .....	(	196)	(48)
Depreciation and Amortization	17	61.577	121.730
Index and currency fluctuation on loans		64.360	(50.627)
Effects of affiliated companies .....	(	505)	0
Change in deferred tax liability	23	31.809	65.108
Working capital from (to) operation		183.672	227.740
 Changes in operating assets and liabilities:			
Receivables, decrease (increase)		31.320	569.424
Current liabilities, increase (decrease) .....	(	220.720)	(384.526)
	(	189.400)	184.898
Net cash from (to) operation	(	5.728)	412.638
 Cash flow to investing activities			
Investment in property and equipment	17	(46.843)	(47.147)
Proceeds from sale of property and equipment		1.678	158
Investment in intangible assets	16	(1.696)	0
Investment in other companies .....	(	400)	(2.744)
Investing activities	(	47.229)	(49.733)
 Cash flow to financing activities			
Treasury shares sold.....		2.114	0
Treasury shares purchased.....	21	(53.223)	(22.702)
Dividend to shareholders.....		0	(67.841)
Received dividends.....		10	0
Dividend paid to minority interest.....	(	12.000)	(12.000)
Repayments of borrowings.....	(	41.792)	(43.496)
Bankloans, changes.....		106.901	(121.357)
Financing activities		2.010	(267.396)
 Increase (decrease) in cash and cash equivalents.....	(	50.947)	95.509
Cash and cash equivalents at the beginning of the year.....		328.604	232.735
Effects of exchange rate fluctuations on cash held.....		2.685	699
 Cash and cash equivalents at year end.....		280.342	328.944

Notes to the Consolidated Financial Statements

Accounting policies

1. Basis of preparation

The consolidated financial statements of Mannvit hf. are prepared in accordance with the Icelandic Financial Statements Act and Regulation on the Presentation and Content of Financial Statements and Consolidated Financial Statements. The financial statements are based on the historical cost basis and have been prepared using the same accounting methods as in the previous year. The Company owned 9 subsidiaries at year end and the financial statements of all subsidiaries are included in the Consolidated Financial Statements.

2. Functional and presentation currency

The financial statements are prepared in Icelandic Krona (ISK), which is the Company's functional currency. All financial information has been rounded to the nearest thousand unless otherwise stated.

3. Use of estimates and judgments

The preparation of financial statements requires management to make judgments, 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 such 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.

4. Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The results of subsidiaries acquired or disposed of during the year are included in the Consolidated Income Statement from the effective date of acquisition and to the effective date of disposal, as appropriate.

Intercompany transactions, balances, realised and unrealised gains and losses on transactions between consolidated companies are eliminated.

5. Revenue recognition

Revenue from the sale of services is recognised in the income statement when the service has been provided. Revenue is not recognised if there is significant uncertainty regarding recovery of the consideration due.

6. Intangible assets

Goodwill is the difference between the purchase price and the carrying amount of subsidiaries at the date of the acquisition. Goodwill is amortized on a straight line basis over a period of ten years. Impairment tests are performed if indications of impairment are present and the book value of the investment is written down to income statement.

Other intangible assets comprise capitalized research and development cost. It is the intention to amortize the cost on a straight line basis over a period of five years.

Notes continued.:

7. Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost base consists of direct cost incurred upon acquisition or construction.

Gain from the sale of fixed assets is the difference between the sales price and carrying amount at the date of transaction. The gain from the sale of fixed assets is allocated among other income in the Income Statement.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each item of operating assets until a 10% residual value has been reached. The estimated useful lives are specified as follows:

Buildings	33 years
Tools and equipment	5 years
Vehicles	7 years

8. Investments

Investments in companies are stated at purchase price

9. Work in progress

Work in progress is recognised in the balance sheet net of amounts invoiced on account. Where total project expenses are likely to exceed the total turnover from a project, the expected loss is recognised as an expense in the Income Statement.

10. Trade and other receivables

Allowance has been made for doubtful receivable. This is not a final write-off but only a reserve to meet possible losses. This allowance amounts to ISK 80 million at year end (2017: ISK 132 million) and is deducted from appropriate balance sheet items.

11. Cash and cash equivalents

Cash and cash equivalents comprise cash balances, call deposits and other short-term highly liquid investments with original maturities of three months or less from the date of acquisition. Bank overdrafts are included within current liabilities.

12. Deferred tax liability

Income tax recognized in the income statement comprises current tax and deferred tax, which is accounted for as a change in the Company's deferred tax liability.

Current tax is the expected tax payable on taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, in addition to adjustments made to current tax of previous years.

The Company's deferred tax liability is recognised in the balance sheet. The calculation of the tax liability is based on the difference in the value of balance sheet items according to tax rules and accounting policies. These differences are mainly due to the fact that expenses, mainly depreciation, are generally expensed earlier for income tax purposes than in the financial statements.

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

13. Provision

A provision is recognised when the Company has a legal or constructive obligation due to past events and if it is likely that a cost, which can be measured reliably, will be required to be paid by the Company. Provisions are measured by discounting the estimated future cash flows using pre-tax discount rates that reflect current market assessments of the time value of money and the risks specific to individual provisions.

Notes continued.:

14. Salaries and related expenses

Salaries and related expenses are specified as follows:

	2018	2017
Salaries.....	3.115.503	3.129.919
Accrued vacation, (decrease) increase.....	20.703	24.974
Social security contributions.....	379.176	323.314
Other.....	240.363	310.981
Salaries and related expenses total.....	3.755.745	3.789.188

Average number of employees measured as full time equivalent units..... 293 292
 Salaries of the CEO amounted to ISK 60 million in the year 2016 compared to ISK 39,4 million in the previous year. The figures for 2018 are settlement with the former CEO

15. Finance income and expenses

Finance income and expenses are specified as follows:

	2018	2017
Interest income.....	30	13.717
Interest expenses and indexation.....	(23.420)	(26.764)
Foreign exchange difference.....	30.860	(17.064)
Impairment of assets.....	0	(59.855)
Dividend received.....	14.952	21.894
Financial income and expenses total.....	22.421	(68.072)

16. Intangible assets

Items of intangible assets and their depreciation, is specified as follows:

	Goodwill	Development cost	Total
2018			
Cost			
Balance at 1.1.2018.....	0	88.149	88.149
Additions.....	0	1.696	1.696
Translation difference.....	0	4.437	4.437
Balance at 31.12.2018.....	0	94.282	94.282
Amortization			
Balance at 1.1.2018.....	0	45.721	45.721
Amortization.....	0	15.973	15.973
Translation difference.....	0	2.680	2.680
Balance at 31.12.2018.....	0	64.375	64.375
2017			
Cost			
Balance at 1.1.2017.....	200.749	78.339	279.088
Additions.....	26.153	5.930	32.083
Translation difference.....	1.700	3.880	5.580
Balance at 31.12.2017.....	228.602	88.149	316.751
Amortization			
Balance at 1.1.2017.....	165.906	30.757	196.663
Amortization.....	60.452	12.996	73.448
Translation difference.....	2.245	1.968	4.213
Balance at 31.12.2017.....	228.602	45.721	274.325
Carrying amounts			
Carrying amount 1.1.2017.....	34.843	47.582	82.425
Carrying amount 31.12.2017.....	0	42.426	42.426
Carrying amount 31.12.2018.....	0	29.907	29.907
Amortization ratios.....	10%	20%	

Notes continued.:

17. Property and equipment

Items of property and equipment and their depreciation, is specified as follows.

2018	Real estate	Equipment	Vehicles	Total
Cost				
Total value 1.1.2018	20.970	647.582	69.932	738.484
Additions	0	46.843	0	46.843
Sold and disposed of	0 (	10.316) (	304) (	10.620)
Translation difference	0	3.532	0	3.532
Total value 31.12.2018	20.970	687.641	69.628	778.238
Accumulated depreciation				
Depreciation 1.1.2018	12.171	514.379	39.228	565.778
Depreciated	585	40.234	4.784	45.603
Sold and disposed of	0 (	9.138) (	0 (	9.138)
Translation difference	0	2.946	0	2.946
Total depreciation 31.12.2018	12.756	548.421	44.012	605.189
Carrying amount 31.12.2018	8.213	139.219	25.616	173.048
2017				
Cost				
Total value 1.1.2017	20.970	614.444	53.928	689.342
Additions	0	31.033	16.114	47.147
Sold and disposed of	0	0 (	110) (	110)
Translation difference	0	2.105	0	2.105
Total value 31.12.2017	20.970	647.582	69.932	738.484
Accumulated depreciation				
Depreciation 1.1.2017	11.586	471.012	34.703	517.301
Depreciated	585	43.172	4.525	48.282
Translation difference	0	195	0	195
Total depreciation 31.12.2017	12.171	514.379	39.228	565.778
Carrying amount 31.12.2017	8.798	133.205	30.704	172.707
Depreciation ratios	3%	20%	15%	
Depreciation and Amortization is specified as follows in the Income Statement:				
			2018	2017
Amortization of intangible assets			15.973	73.448
Depreciation of property and equipment			45.603	48.282
Total depreciation			61.577	121.732
The Company's real estate is specified as follows at year end:				
	Official real estate valuation	Insurance value	Carrying amount	
Midvangur 2-4, Egilsstaðir	17.970	43.550	8.214	

Notes continued.:

18. Subsidiaries

The subsidiaries of the Company are included in the Consolidated Financial Statements and are specified as follows:

	Principle place of operation	Ownership
HRV Holding ehf.	Iceland	64%
Mannvit A/S	Norway	100%
Mannvit ApS	Greenland	67%
Mannvit GmbH	Germany	100%
Mannvit Kft	Hungary	100%
Mannvit UK Ltd 06933470	UK	100%
Mannvit-Verkis ehf.	Iceland	50%
Vatnaskil ehf.	Iceland	80%
Aquasoft ehf.	Iceland	100%
Land and Water Resource Consultants Ltd 01460568	UK	80%
Fjárfestingarfélagið Brunnur ehf.	Iceland	100%

Mannvit UK Limited and Land and Water Resources Consultants Limited are exempt from audit under section 479A of the Companies Act 2006.

19. Investments

Ownership in companies are specified as follows:

	Nominal value	Carrying amount
Loftmyndir ehf, Iceland	236	70.000
CRI ehf, Iceland	17	25.000
Ownership in other 12 companies		48.553
Investments total		143.553

20. Equity

Issued shares at year end totaled ISK 227 million. The Company's outstanding share capital at year end amounts to ISK 187 million according to the financial statement. One vote is attached to each ISK one share in the Company.

21. Statement of equity

attributable to

	Share capital	Reserves	Retained earnings		Majority Interest	Total
Equity 1.1.2018	233.040	352.555	501.744	1.087.339	84.241	1.171.580
Treasury shares sold	300	0	1.814	2.114		2.114
Treasury shares purchased	(46.290)		(274.773)	(321.063)	0	(321.063)
Translation difference		(13.883)		(13.883)	(12.546)	(26.429)
Dividend to shareholders	0	(138.000)	138.000	0	0	0
Profit for the year	0	0	21.485	21.485	5.142	26.627
Dividend to shareholders	0	(20.730)	20.730	0	0	0
Transferred to a restricted equity account	0	25.769	(25.769)	0	0	0
Equity 31.12.2018	187.050	205.711	383.231	775.992	76.837	852.829
Reserves are specified as follows:					2018	2017
Statutory reserve					56.675	77.405
Translation reserve					66.552	80.435
Fair value change of investments in other companies					(20.728)	(20.728)
Restricted equity account					103.212	215.443
Reserves total					205.711	352.555

Notes continued.:

22. Long term liabilities

Long term liabilities are specified as follows by currency and indexation:

	2018	2017
Liabilities in foreign currencies:		
Loans in EUR.....	60.850	57.114
	60.850	57.114
Liabilities in Icelandic Krona		
Indexed loans.....	74.434	96.421
Unindexed loans.....	6.417	8.570
Total long term liabilities, including current maturities.....	141.701	162.105
Current maturities.....	(88.889)	(96.239)
Total long term liabilities.....	52.812	65.866

Maturities on long term liabilities at year end are specified as follows over the next years:

Year 2018.....	-	96.239
Year 2019.....	88.889	33.912
Year 2020.....	27.613	24.371
Year 2021.....	16.823	7.583
Year 2022.....	5.239	0
Year 2023.....	3.137	0
Total long term liabilities.....	141.701	162.105

23. Deferred tax liability

The change in deferred tax liability during the year is specified as follows:

	2018	2017
Deferred tax liability at the beginning of the year.....	(12.993)	(10.907)
Income tax for the year.....	(31.809)	(65.108)
Income tax paid for the activities of foreign branches.....	37.507	57.584
Acquired during the year and other changes.....	695	3.942
Income tax payable for the year.....	(1.042)	1.496
Deferred tax liability at year end.....	(7.642)	(12.993)

The following are the major deferred tax items recognised:

Property, plant and equipment.....	(7.286)	(42.675)
Trade receivables.....	3.026	18.130
Work in progress.....	0	0
Tax loss carry-forwards.....	(3.382)	11.912
Other items.....	0	(360)
Deferred tax liability at year end.....	(7.642)	(12.993)

24. Current liabilities

The parent company's other current liabilities are specified as follows:

Accrued vacation allowance.....	303.306	293.738
Salary related expenses.....	284.166	265.184
Unpaid VAT.....	130.041	150.801
Other.....	287.478	428.431
Total other current liabilities.....	1.004.991	1.138.154

Notes continued.:

25. Related parties

Related parties consist of Board members and CEO, who are also shareholders of the Company, and close family members of theirs, and companies controlled by them. Pricing in transactions to related parties are comparable to other transactions of the Company.

The Company has granted loans to shareholders to purchase shares in the Company and the balance at year end are ISK 386 million.

26. Shareholders

10 largest shareholders are:

	Nominal value	Ownership
M2015 ehf	35.813.450	15,80%
Eggert Aðalsteinsson	6.415.814	2,41%
Gunnar Sverrir Gunnarsson	6.295.713	2,36%
Sigurður Sigurjónsson	6.295.713	2,36%
Skapt Valsson	6.295.713	2,36%
Tryggvi Jónsson	6.295.713	2,36%
Þróstur Helgason	6.295.713	2,36%
Gunnar Herbertsson	6.055.511	2,27%
Jón M. Halldórsson	6.055.511	2,27%
Valgeir Kjartansson	6.055.511	2,27%

27. Leases of real estate and other issues

The company has concluded lease contracts for real estate. Commitments from these contracts, which are not recognized in the balance sheet, amounts to 207 million. kr. a year.