

Reykjanesbær Municipal Treasury

Financial Statement year 2001

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Auditors' report

To the Reykjanesbær Municipal Council.

We have audited the Financial Statements of the Reykjanesbær Municipal Treasury for the year 2001. The Financial Statements include Statement of revenues, expenditures and investments, Balance sheet and Statement of changes in financial position. The Financial Statements are the responsibility of the Municipal Council and are presented by the council in conformity with the law and regulations. Our responsibility is to express an opinion on these Financial Statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the annual accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Financial Statements. An audit also includes assessing the accounting principles used and significant estimates made in the preparation of the statements, as well as evaluating the overall Financial Statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the Financial Statements give a true and fair view of the financial position of the Reykjanesbær Municipal Treasury as of December 31, 2001 and the results of its operations and its cash flows for the year then ended in accordance with the law and generally accepted accounting principles.

Reykjanesbæ, March 23th, 2002

Deloitte & Touche hf.

Guðmundur Kjartansson
Sign.
State Authorized Public Accountant

We the undersigned elected inspectors of the Reykjanesbær Municipal Treasury, have examined the Municipal Treasury's Financial Statements for year 2001. We believe that they are made in accordance with the law and regulations and propose that they be approved.

Reykjanesbæ, March 23th, 2002

Júlíus Jónsson
Sign

Eyjólfur Eysteinnsson
Sign

The Reykjanesbær Municipal Council and mayor's report

The opinion of the Reykjanesbær Municipal Council and mayor is that all important information of the year, to see true and fair status at year end, operational progress of the year and financial development of the year, are in the financial statement. The Municipal Treasury carries statement of changes in financial position, statement of revenues, expenditures and investments, balance sheet at year end, real changes in financial position during the year and key figures for year 2001.

Hitaveitu Suðurnesja sf. and Rafveitu Hafnarfjarðar was changed into corporation named Hitaveita Suðurnesja hf. at beginning of year 2001 and Reykjanesbær owns 43,5% in the new company. The shares in this associated company was recorded in the Municipal Treasury by equity method in accordance with IAS number 28. At end of year 2001 the assets in Hitaveitu Suðurnesja hf. was recorded among longterm receivables and monetary assets amounting ISK 4.153 million. Revenues from Hitaveitu Suðurnesja hf. at year 2001 amount ISK 267 million. Hitaveita Suðurnesja sf. paid Reykjanesbær ISK 584 million before changing the form of the company and these revenues are recorded with "other matters".

Tax revenues of Reykjanesbær amounted ISK 2.338 million but were ISK 2.054 million the previous year. Expenditures amounted ISK 1.232 million but were ISK 1.746 million the previous year. Financing expenses over financing revenues amounted about ISK 488 million but were the previous year ISK 267 million. Operating result amounted ISK 617 million but were ISK 40 million the year 2000. Monetary status of Reykjanesbær at year end 2001 was positive about ISK 97 million but was at year end 2000 negative amounting 3.937 million. The equity of Reykjanesbær was ISK 1.107 million at beginning of year 2001 but at the end of the year it amounted ISK 5.418 million.

Reykjanesbær Municipal Council and mayor hereby confirm the Financial Statement of the Reykjanesbær Municipal Treasury for year 2001 with their signature.

Reykjanesbær, March 23th 2002

Municipal Council

Skúli Skúlason
sign.

Ellert Eiríksson
sign.

Kjartan Már Kjartansson
sign.

Jónína Sanders
sign.

Jóhann Geirdal
sign.

Björk Guðjónsdóttir
sign.

Kristmundur Ásmundsson
sign.

Böðvar Jónsson
sign.

Guðbrandur Einarsson
sign.

Þorsteinn Erlingsson
sign.

Ólafur Thordersen
sign.

Mayor

Ellert Eiríksson
sign.

Statement of changes in financial position

(ISK)	Budget- estimate 2001	Financial Statements 2001	Financial Statements 2000
Tax revenues	2.334.055.000	2.338.108.787	2.053.487.976
Expenditures			
General operating expenses	2.455.697.588	2.610.250.056	2.164.832.919
Revenues	(1.102.823.000)	(1.148.023.866)	(486.930.897)
	<u>1.352.874.588</u>	<u>1.462.226.190</u>	<u>1.677.902.022</u>
Tax revenues less expenditures	<u>981.180.412</u>	<u>875.882.597</u>	<u>375.585.954</u>
Interest on net working capital			
Interest on tax revenues and current assets	22.500.000	59.859.190	44.791.305
Interest on current liabilities	(14.000.000)	(18.497.461)	(8.419.453)
Tax revenues less expenditures and interest on net working capital	<u>989.680.412</u>	<u>917.244.326</u>	<u>411.957.806</u>
Repayments of loans			
Repayments of long-term liabilities, paid and due	270.000.000	310.105.951	270.454.044
Interest on long-term liabilities	216.000.000	200.259.198	200.226.841
	<u>486.000.000</u>	<u>510.365.149</u>	<u>470.680.885</u>
Repayments of long-term receivables, paid and due	35.000.000	42.122.074	11.354.229
Interest on long-term receivables	3.500.000	3.702.062	6.699.212
	<u>38.500.000</u>	<u>45.824.136</u>	<u>18.053.441</u>
Repayments of loans, net	<u>447.500.000</u>	<u>464.541.013</u>	<u>452.627.444</u>
Retained after loan payments	<u>542.180.412</u>	<u>452.703.313</u>	<u>(40.669.638)</u>
Investments			
Expensed investments, net	175.161.183	106.482.303	267.705.208
Capitalized investments, net	124.236.000	121.717.081	596.021.559
	<u>299.397.183</u>	<u>228.199.384</u>	<u>863.726.767</u>
Deficit after loan repayments and investments	<u>242.783.229</u>	<u>224.503.929</u>	<u>(904.396.405)</u>
Other changes			
Proceeds from long-term debt	235.000.000	245.310.747	993.875.135
Purchased bonds.....	0	(16.122.000)	(63.340.692)
Changes in current maturities of long-term liabilities.....	0	(58.818.532)	(5.850.000)
Changes in current maturities of long-term receivables	0	4.451.302	21.238.833
Vacation commitment from previous year.....	0	(42.546.585)	0
RNB shares in sold apartments of Húsnæðisnefnd.....	0	1.271.453	0
	<u>235.000.000</u>	<u>133.546.385</u>	<u>945.923.276</u>
Increase (decrease) in net working capital	<u>477.783.229</u>	<u>358.050.314</u>	<u>41.526.871</u>
Changes in net working capital			
Net working capital at end of year.....	420.953.359	342.747.315	(15.302.999)
Net working capital at beginning of year	(56.829.870)	(15.302.999)	(56.829.870)
Change during the year	<u>477.783.229</u>	<u>358.050.314</u>	<u>41.526.871</u>
Notes:			
Expenditures analysed:			
Expenditures according to statement of revenues, expenditures and investments.....		2.647.499.792	2.232.479.443
Depreciation of long-term receivables		(1.609.949)	258.444
Increased pension liabilities		(35.639.787)	(67.904.968)
		<u>2.610.250.056</u>	<u>2.164.832.919</u>
Revenues analysed:			
Revenues according to statement of revenues, expenditures and investments.....		(1.414.729.761)	(486.930.897)
Revenues recorded by equity method.....		266.705.895	0
		<u>(1.148.023.866)</u>	<u>(486.930.897)</u>

Reykjanesbær Municipal Treasury
Statement of revenues, expenditures and investments year 2001

(ISK)

	Expenditures		Expensed investments		Capitalized investments		Total year 2001		Budget for year 2001	
	Expenses	Revenues	Expenses	Revenues	Expenses	Revenues	Expenses	Revenues	Expenses	Revenues
Tax revenues										
Municipal income tax		1.932.421.037						1.932.421.037		1.950.000.000
Property tax.....		192.093.404						192.093.404		191.405.000
Equalizatoín Fund , contribution		213.594.346						213.594.346		192.650.000
Total		2.338.108.787						2.338.108.787		2.334.055.000
Expenditures										
Municipal administration.....	135.607.968	843.582	4.811.494				140.419.462	843.582	131.237.000	250.000
Social services.....	612.866.633	150.327.723	4.347.004		24.388.328		641.601.965	150.327.723	569.328.000	126.700.000
Education.....	896.586.357	80.557.318	22.368.523	(100.000)	72.061.669	2.698.000	991.016.549	83.155.318	941.489.600	75.660.000
Cultural affairs.....	70.167.705	4.064.023	19.291.901	8.500.000			89.459.606	12.564.023	76.555.183	3.225.000
Youth and sports affairs.....	270.849.084	79.371.361	14.652.898		10.636.522		296.138.504	79.371.361	295.432.000	75.236.000
Fire-fighting and disaster relief.....	35.040.762		9.634.110				44.674.872	0	44.676.790	0
Hygiene.....	94.328.782	15.246.864					94.328.782	15.246.864	95.910.000	15.200.000
Planning and construction.....	52.545.429	7.740.539	14.072.681		2.754.596		69.372.706	7.740.539	66.205.000	5.200.000
Roadbuilding, sewers and traffic.....	76.814.598	67.032.202	376.082.778	331.631.201			452.897.376	398.663.403	428.436.000	309.300.000
Parks and outdoor areas.....	66.255.437	268.500	1.955.775				68.211.212	268.500	65.807.000	0
Health services.....	1.094.752		7.115.665				8.210.417	0	8.211.000	0
Employment.....	51.637.010	21.777.750					51.637.010	21.777.750	53.467.301	23.920.000
Other matters.....	109.682.688	863.212.395		33.360.000	250.000		109.932.688	896.572.395	80.200.000	617.360.000
Real estate.....	35.586.954	44.511.830	2.004.623		20.078.785	10.000.000	57.670.362	54.511.830	61.393.000	51.622.000
Equipment shelters.....	57.398.970	4.645.864					57.398.970	4.645.864	37.101.897	5.930.000
Machinery centre.....	(885.994)	1.280.003		2.958.233	4.245.181		3.359.187	4.238.236	590.000	635.000
Water utility.....	46.276.401	71.811.220	6.494.285				52.770.686	71.811.220	47.015.000	74.645.000
Public transportation.....	35.646.256	2.038.587					35.646.256	2.038.587	37.300.000	3.200.000
Total	2.647.499.792	1.414.729.761	482.831.737	376.349.434	134.415.081	12.698.000	3.264.746.610	1.803.777.195	3.040.354.771	1.388.083.000
Financing activities										
Interests revenue/expenses	222.360.987	66.708.325					222.360.987	66.708.325	232.100.000	28.100.000
Indexation and exch.rate adjustment.....	506.605.070	7.225.927					506.605.070	7.225.927	45.000.000	3.000.000
Inflation rate adjustment		166.470.037					0	166.470.037	0	32.908.000
Total financial adjustments	728.966.057	240.404.289	0	0	0	0	728.966.057	240.404.289	277.100.000	64.008.000
Total	3.376.465.849	3.993.242.837	482.831.737	376.349.434	134.415.081	12.698.000	3.993.712.667	4.382.290.271	3.317.454.771	3.786.146.000
Transferred to statement of changes in financial position	616.776.988			106.482.303		121.717.081		(388.577.604)		(468.691.229)
	3.993.242.837	3.993.242.837	482.831.737	482.831.737	134.415.081	134.415.081	3.993.712.667	3.993.712.667	3.317.454.771	3.317.454.771

Balance sheet December 31st 2001

(ISK)

	Note:	31.12.2001	31.12.2000
Financial assets			
Current assets			
Cash.....	(5)	41.183.418	73.210.488
Unclaimed revenues.....	(6)	453.713.641	440.608.777
Accounts receivables - own firms.....	(7)	155.398.277	32.176.000
Other accounts receivables.....	(8)	289.802.518	31.619.096
Inventories.....		10.827.261	13.462.151
Long-term receivables due.....	(10)	18.303.339	15.571.495
Current maturities of long-term receivables.....	(10)	29.653.330	27.933.872
		<u>998.881.784</u>	<u>634.581.879</u>
Long-term receivables			
Shares in associated companies.....	(9)	4.225.727.710	76.300.000
Shares in other companies.....	(8)	23.907.523	55.556.508
Current maturities	(10)	61.187.003	84.817.790
		<u>4.310.822.236</u>	<u>216.674.298</u>
Total financial assets		<u>5.309.704.020</u>	<u>851.256.177</u>
Liabilities			
Current liabilities			
Bank loan		96.297.291	153.660.569
Accounts payable - own firms.....	(11)	0	201.087
Other accounts payable	(12)	145.373.958	187.424.855
Unpaid accrued vacation commitment.....		51.761.785	0
Unpaid accrued interests		37.582.646	42.298.099
Current maturities of long-term liabilities	(13)	325.118.789	266.300.268
		<u>656.134.469</u>	<u>649.884.878</u>
Long-term liabilities			
Long-term liabilities	(13)	4.026.102.545	3.584.130.824
Current maturities	(13)	(325.118.789)	(266.300.268)
		<u>3.700.983.756</u>	<u>3.317.830.556</u>
Total liabilities		<u>4.357.118.225</u>	<u>3.967.715.434</u>
Financial position without pension liabilities		952.585.795	(3.116.459.257)
Pension liabilities			
Accrued pension liabilities	(17)	855.944.755	820.304.968
Financial position including pension liabilities		<u>96.641.040</u>	<u>(3.936.764.225)</u>
Other items			
Contributed funds	(14)	35.320	296.320
Fixed tangible assets transferred to balance sheet	(15)	5.321.115.449	5.043.320.930
Equity accounts	(16)	(5.417.791.809)	(1.106.853.025)
		<u>(96.641.040)</u>	<u>3.936.764.225</u>
Off-balance-sheet commitments	(18)		

Real changes in financial position during 2001

(ISK)

	Position acc. to Balance Sheet 31.12 2001	Position acc. to Balance Sheet 31.12 2000	Position on 2000 at price level 31.12 2001	Real change during 2001
Financial position				
Current assets				
Cash.....	41.183.418	73.210.488	79.513.618	(38.330.200)
Unclaimed revenues.....	453.713.641	440.608.777	478.543.427	(24.829.786)
Accounts receivables - own firms.....	155.398.277	32.176.000	34.946.225	120.452.052
Other accounts receivables.....	289.802.518	31.619.096	34.341.373	255.461.145
Inventories.....	10.827.261	13.462.151	14.621.188	(3.793.927)
Long-term receivables due.....	18.303.339	15.571.495	16.912.138	1.391.201
Current maturities of receivables.....	29.653.330	27.933.872	30.338.866	(685.536)
Total	998.881.784	634.581.879	689.216.835	309.664.949
Current liabilities				
Bank loan	96.297.291	153.660.569	166.890.128	(70.592.837)
Accounts payable - own firms.....	0	201.087	218.400	(218.400)
Other accounts payable	145.373.958	187.424.855	203.561.384	(58.187.426)
Unpaid accrued vacation commitment.....	51.761.785	0	0	51.761.785
Unpaid accrued interests	37.582.646	42.298.099	45.939.796	(8.357.150)
Current maturities of liabilities	325.118.789	266.300.268	289.227.654	35.891.135
Total	656.134.469	649.884.878	705.837.361	(49.702.892)
Net current assets	342.747.315	(15.302.999)	(16.620.526)	359.367.841
Current ratio.....	1,52	0,98		
Other monetary items:				
Long-term receivables.....	4.310.822.236	216.674.298	235.329.087	4.075.493.149
Pension liabilities	(855.944.755)	(820.304.968)	(890.929.938)	34.985.183
Long-term liabilities	(3.700.983.756)	(3.317.830.556)	(3.603.482.469)	(97.501.287)
	(246.106.275)	(3.921.461.226)	(4.259.083.321)	4.012.977.046
Financial position (negative)	96.641.040	(3.936.764.225)	(4.275.703.847)	4.372.344.887
Balance of the financial position				
			Position acc. to Annual Accx. at average price level 2001	Position at price level on 31.12.2001
Tax revenues.....			2.338.108.787	2.434.124.173
Expenditures, net.....			(1.232.770.031)	(1.283.394.233)
Operational outcome, without interest			1.105.338.756	1.150.729.941
Calculated real interest			(488.561.768)	(508.624.755)
Corrections for vacation commitment for previous year.....			(42.546.585)	(44.293.778)
Stocks in monetary assets.....			3.852.322.830	4.010.520.031
Sold fixed assets.....			1.271.453	1.323.666
Expensed investment			(106.482.303)	(110.855.042)
Capitalized investment			(121.467.081)	(126.455.176)
			4.199.875.302	4.372.344.887

Key figures year 2001

	Year 2001	Year 2000
Proportions of tax revenues		
Total liabilities without pension liabilities	179%	190%
Financial position without pension liabilities	39%	(149%)
Pension liabilities.....	35%	39%
Expenditures, before interest.....	53%	85%
Exp. before interest, obligation and revenues from associated companies.....	63%	82%
Repayments of loans, net.....	20%	22%
Expensed and capitalized investment	10%	42%
ISK '000 per resident		
Total liabilities without penison liabilities	(399)	(399)
Financial position (negative)	87	(313)
Pension liabilities	(78)	(82)
Tax revenues	223	210
Financial requirement after repayments of loans and investments	21	(92)
Premises		
From annual accounts		
(amounts are in ISK '000 at price level of 31.12.2001)		
Financial assets	5.309.704	924.546
Liabilities	(4.357.118)	(4.309.320)
Financial position without pension liabilities	952.586	(3.384.774)
Pension liabilities	(855.945)	(890.930)
Financial position including pension liabilities	96.641	(4.275.704)
Tax revenues.....	2.434.124	2.270.505
Expenditures before interest acc. to statement of expenditures.....	1.283.394	1.930.022
Exp. before interest, obligation and revenues from associated companies.....	1.523.949	1.854.940
Repayments of loan, net	483.618	500.462
Expensed and capitalized invetments	237.570	955.007
Financial requirement after repayments of loans and investments	233.723	(999.975)
Population		
On 1.1.	10.812	10.603
Change during the year	97	209
On 31.12.	10.909	10.812
Indexes		
Consumer Price Index on 1.1.	202,10	194,00
Average Consumer Price Index for the year	210,84	198,52
Consumer Price Index on 31.12.....	219,50	202,10