

Farice ehf.
Financial Statements 2021

Farice ehf.
Guðríðarstíg 2-4
113 Reykjavík

kt. 511203-2950

Contents

	Page
Report of the Board of Directors and the CEO	3
The Auditor General's Report	5
Independent Auditors' Report	6
Statement of Comprehensive Income	8
Statement of Financial Position	9
Statement of Cash Flows	10
Notes	11

Report of the Board of Directors and the CEO

Farice ehf. was established in 2003 as a transmission and data service provider. The Company plays an important role in developing and operating infrastructure Iceland. The Company operates two submarine cables FARICE-1 and DANICE between Iceland and Europe and connects Iceland to the world with backhaul agreements to other networks in major connecting points in Europe such as London, Amsterdam and Copenhagen. The company is currently building the third cable to improve security in Iceland's network connections in accordance with policy approved by the Parliament of Iceland for the years 2019-2033. The new cable will likely be named IRIS and will according to the Company's plan be ready for use in the beginning of the year 2023. Contracts with the Company's biggest customers will be updated on a regular basis in line with their requirements. The main risk facing the Company is the expected lifetime of the cables, but the Company must budget for regular maintenance on the cables. Unexpected breakdown can also have impact on the operation if it is not only a temporarily breakdown. The Company has entered into an agreement with maintenance ships which respond to such breakdowns if they occur. However, Farice has a good experience with the respect to the operation of the cables and have not suffered from any breakdown at sea. On the other hand, breakdown at land occurs every year and therefore important to have active sub-connections. Two breakdowns occurred in the year but the Company has taken measures to reduce the possibilities of similar breakdowns in the future.

Operations in the year 2021

According to the income statement the total revenue amounts to EUR 13,3 million and EBITDA 6,9 million. Sale of bandwidth increased by EUR 0,8 million from prior year. Non-regular revenues decrease compared to prior year due to closure of a service agreement with the Icelandic State which is further discussed in note 4. EBITDA increased by EUR 0,8 million compared to prior year. The Company changed its accounting policies in the year and the financial statements are now prepared in accordance with the Icelandic Financial Statements Act instead of International Financial Reporting Standards (IFRS). The comparable figures have been changed and reflect the Icelandic Financial Statements Act. According to the balance the total assets amount to EUR 92,5 million and the equity amounts to EUR 57,6 million, resulting in an equity ratio of 62%. The loss for the year amounted to EUR 0,5 million which mainly is explained by depreciation of fixed assets of amount of EUR 6,2 million. The payment of long-term liabilities amounted to EUR 5,9 million and cash at the end of the year 2021 amounted to EUR 13,8 million. Dividend payments are not permitted according to law due to accumulated losses but the loss for the year amounts to EUR 0,5 million which is transferred to accumulated losses from prior years.

Financing of the new IRIS cable was completed in march 2021. The cost of the project is estimated EUR 50 million and is financed with share capital increase from the shareholder. The share capital is paid according to project development and was the share capital increased three times in the year due to the project for EUR 39,5 million, see notes 11 and 21. The project development is according to plan but due to volcanic eruption in Reykjaneskagi the landing site of the cable was moved from Hraunsvík close to Grindarvík to Þorlákshöfn in the summer 2021. According to the project plan the cable installation will commence from Iceland in early May 2022 and will be completed by Galway in Ireland before end of the summer. System testing and equipment installation will take place during the autumn 2022 and the cable system will be ready for service for Farice' customers early 2023.

In the year the company completed a tender process for the landing network but the contract with Míla expired in November 2021. Following the results of the tender process the Company entered into a lease agreement for fibre cables at the southwest of the country but continue to purchase connections from Seyðisfjörður to Reykjavík from Míla. In 2022, the Company will set-up a new system of landing sites based on the results of the tenders. New landing network will improve safety and productivity of the service provided by Farice.

The Company operates technical equipment in a few countries which requires regular set-ups and maintenance. Therefore, the Company must regularly work on maintenance and monitoring in other countries. Travelling restrictions due to the impact of COVID caused delays in maintenance projects abroad. The Company uses foreign service providers where possible to minimise the impact of COVID.

Seven employees worked full-time at the company in the year.

Report of the Board of Directors and the CEO, Contd.:

Share capital

Share capital was increased by EUR 39,5 million in relation to constructions of the new sea cable. At the beginning and the end of the year the Icelandic State was the sole owner of the Company

Corporate governance and non-financial reporting

The Ministry of Finance and Economic Affairs monitors the ownership of the Icelandic State in Farice. The Board emphasis on practicing good corporate governance, following the law and approved ownership policy of the Icelandic State which was accepted in September 2021, with the purpose of meeting the States objectives with the ownership. The Board consists of three members and one alternative member. The board hires the CEO. Internal audit and control systems are limited due to the fact that few people work for the Company but the Company has implemented procedures to reduce that risk. The Company's key risk assessment relates to an action plan if a disruption happens to the submarine cables and protections against cybercrimes.

The Board refers to an appendix to this financial statements for other non-financial information on matters regarding society, environment, employees, human rights, anti-corruption and bribery.

Statement by the Board of Directors and the CEO

According to the Board of Directors' best knowledge, the Financial Statements comply with the Icelandic Financial Statements Act and give a true and fair view of the Company's assets and liabilities, financial position as at 31 December 2021, operating performance and the cash flow for the year ended 31 December 2021 as well as describing the principal risk and uncertainty factors faced by the company. The report of the Board of Directors provides a clear overview of the development and achievements in the company's operations and its situation.

The Board of Directors and CEO of Farice ehf., hereby confirm the Financial Statements of Farice ehf., for the year 2021 with their signatures.

Reykjavík, March 29th, 2022

The Board of Directors of Farice ehf.

Martha Eiríksdóttir, Chairman

Jón Gunnar Vilhelmsson

Kristín Guðmundsdóttir

Chief Executive Officer

Þorvarður Sveinsson

The Auditor General's Report

To the Board of Directors and Shareholders of Farice ehf.

Expectations, role and responsibilities of the Auditor General

The Auditor General operates based on Act no. 46/2016, on the Auditor General and the auditing of government accounts and the Code of Ethics set by the International Organization for Supreme Audit. The role of the Auditor General is to ensure that audits and controls are in accordance with Article 4 of the Act.

The Auditor General is responsible for the work of the Auditors, who work for the Icelandic National Audit Office and perform an audit based on the Act on Auditors and audit, Act on Financial statements and other general rules that they comply with according to International Standards on Auditing.

The Audit was conducted in accordance with Act no. 46/2016 on the Auditor General and audit of state accounts and Act no. 94/2019 on Auditors and auditing.

The Icelandic National Audit Office, March 29th, 2022

Guðmundur Björgvin Helgason
Auditor General ad interim

Independent Auditors' Report

To the Board of Directors and Shareholders of Farice ehf.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Farice ehf. for the year ended December 31, 2021. The financial statements comprise the income statement, the balance sheet, statement of cash flows, notes to the financial statements including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Farice ehf. as at December 31, 2021, its financial performance and its cash flows for the year then ended in accordance with requirements in the Icelandic Financial Statement Act. no. 3/2006.

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 Financial Statements section of our report. We are independent of Farice ehf. and have conducted our work in accordance with Act no. 94/2019 on Auditors and auditing and Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on the financial statement.

Other information

In accordance with Paragraph 2 article 104 of the Icelandic Financial Statement Act no. 3/2006, we confirm to the best of our knowledge that the accompanying report of the board of directors includes all information required by the Icelandic Financial Statement Act that is not disclosed elsewhere in the financial statements.

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

The Board of Directors and the CEO are responsible for the preparation and fair presentation of the financial statements in accordance with requirements in the Icelandic Financial Statement Act, and for such internal control as the Board of Directors and the CEO determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the CEO are responsible for assessing Farice ehf.'s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless 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 are responsible for monitoring the preparation and presentation of the financial statements.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 on Financial Statements. Reasonable assurance is a high level of assurance, but it 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 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.

Independent auditors' report cont.:

Auditor's Responsibilities for the Audit of the Financial Statements

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- 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 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 financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors 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.

The Icelandic National Audit Office, March 29th, 2022

Birgir Finnbogason
State Authorized Public Accountant

Income Statement 2021

	Notes	2021	2020
Sale of bandwidth	3	12.689.051	11.897.719
Other income	3	353.284	0
Income from Public Service Contract	4	220.025	1.598.732
		<u>13.262.360</u>	<u>13.496.451</u>
Operating expenses	12	5.059.084	4.998.534
Other expenses	13	302.507	0
Other operating expenses	14	772.261	755.777
Research and development costs	13	220.000	1.595.055
		<u>6.353.852</u>	<u>7.349.365</u>
Profit before depreciation and finance items		6.908.508	6.147.085
Depreciation	18	(6.231.324)	(6.232.624)
Operating profit		677.184	(85.539)
Interest income		5.391	8.652
Interest and indexation expenses	23	(1.143.344)	(1.238.544)
Exchange rate differences		(45.801)	(98.415)
Net finance cost		<u>(1.183.753)</u>	<u>(1.328.307)</u>
Total comprehensive loss for the year	22	<u>(506.569)</u>	<u>(1.413.846)</u>

Balance Sheet as at 31 December 2021

	Notes	31.12.2021	31.12.2020
Assets			
Operating assets	18	48.558.113	53.949.043
Construction costs due to Iris cable	18	28.241.426	0
Prepaid expenses	19	1.191.564	1.385.890
Non-current assets		<u>77.991.102</u>	<u>55.334.933</u>
Trade receivables		296.848	662.053
Other receivables		475.582	364.824
Cash and cash equivalents		13.750.683	3.185.728
Current assets		<u>14.523.113</u>	<u>4.212.605</u>
Total assets		<u><u>92.514.215</u></u>	<u><u>59.547.538</u></u>
Equity			
Share capital	21	67.375.905	27.875.905
Effect of change in accounting policies		0	43.379
Accumulated deficit		(9.729.858)	(9.223.289)
Total equity		<u>57.646.047</u>	<u>18.695.995</u>
Liabilities			
Interest-bearing long-term liabilities	23	31.044.102	36.666.667
		<u>31.044.102</u>	<u>36.666.667</u>
Interest-bearing short-term liabilities	23	2.699.487	2.933.333
Trade payables		528.967	493.734
Other liabilities and deferred income		595.612	757.809
Current liabilities		<u>3.824.066</u>	<u>4.184.876</u>
Total liabilities		<u>34.868.169</u>	<u>40.851.543</u>
Total equity and liabilities		<u><u>92.514.215</u></u>	<u><u>59.547.538</u></u>

Statement of Cash Flows for the year ended 31 December 2021

	Notes	2021	2020
Cash flow from operating activities			
Loss for the year		(506.569)	(1.457.225)
Adjustments for:			
Depreciation	18	6.231.324	6.518.811
Effect of change in accounting policies		(43.379)	0
Net finance cost		1.183.753	1.365.922
		<u>6.865.129</u>	<u>6.427.508</u>
Changes in current assets and liabilities		338.324	(229.307)
Changes in operating assets and liabilities		<u>7.203.453</u>	<u>6.198.201</u>
Interest received		5.392	8.653
Interest paid		(1.174.230)	(1.254.001)
Cash flows from operating activities		<u>6.034.615</u>	<u>4.952.853</u>
Cash flows from investing activities			
Investments in operating assets	11	(29.081.820)	(275.723)
Cash flows used in investing activities		<u>(29.081.820)</u>	<u>(275.723)</u>
Cash flows from financing activities			
Issued new share capital	22	39.500.000	0
Interest-bearing liabilities, loan payments		(5.856.411)	(3.213.756)
Cash flows from financing activities		<u>33.643.589</u>	<u>(3.213.756)</u>
Increase in cash and cash equivalents fé		10.596.384	1.463.374
Cash at the beginning of the year		3.185.728	1.729.482
Effects of translation difference on cash		(31.429)	(7.128)
Cash at the year end		<u>13.750.683</u>	<u>3.185.728</u>

Comparative figures in the cash flow were not adjusted to reflect changes in accounting policies.

Notes

1. The Company

Farice ehf. is a Icelandic private limited company and operates on the basis of Act no. 138/1998 on private limited companies. The Company's registered office address is Guðríðarstíg 2-4, Reykjavík, Iceland. The principal activities of the Company are to insure safe telecommunications between Iceland and its neighbour countries by submarine cables. The company has operations in Iceland, the Faroe Islands, Denmark and the United Kingdom.

2. Basis of preparation

A. Statement of compliance

The financial statements are prepared in accordance with the Financial Statements Act and The Regulation on the Presentation and Contents of Financial Statements and Consolidated Financial Statements. They are based on cost accounting and are prepared according to the same accounting principles as for the previous year. The financial statements are presented in EUR.

B. Use of estimates and judgements

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of the reporting period. Actual results in the future could differ from such estimates and the differences may be material to the financial statements.

C. Foreign currency translation

Transactions in foreign currencies are recognised in the functional currency 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. Exchange differences arising from transactions in foreign currencies are recognised in the income statement. Foreign currencies refer to all currencies other than the EUR.

3. Revenue recognition

The Company generates revenues by providing data services between Iceland, the Faroe Islands, UK and mainland Europe via submarine cable system. Contract with customers are usually made for at minimum two years period. The Company has also undertaken consulting and research work related to the company's core activities.

Four customers account for 65% of the revenues from sale of bandwidth of the Company (2020: 66%). 55% of the revenue from sold bandwidth comes from the domestic market (2020: 57%).

4. Public Service Contract

According to a contract between Farice and Fjarskiptasjóður from 2018, the Company is refunded costs for a seabed research for a possible construction of optic fibre cable between Iceland and Europe. The total research cost was estimated to be EUR 1,9 million. The research began in 2019 and was completed in 2021.

5. Operating assets

Operating assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on all operating assets, at rates calculated to write off the cost, less estimated residual value, of each asset on a straight line basis over its expected useful life, as follows:

Backhaul.....	10 years
Cable stations.....	20 years
Submarine cable.....	20 years
Other Assets.....	5 - 10 years

The assets residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at the end of each financial year.

7. Trade receivables

Trade receivables are written down to meet the general risk of receivables, but this is not a final write-off. On one hand this is a write-down of receivables that have specifically assessed the risk of loss, and on the other hand this is an allowance to meet the general risk. The allowance is deducted from the relevant balance sheet items.

8. Cash and cash equivalents

Cash and cash equivalents consist of funds and on demand bank deposits.

9. Tax liability

The Company's deferred income tax liability is calculated and recorded in the Balance Sheet. The liability represents the difference in the accounting methods used for tax purposes compared to the ones used for Financial Statements. The difference is due to the fact that income tax is calculated based on other premises than the ones used for financial reporting, basically due to timing differences.

Notes, contd.:

10. Changes in significant accounting policies

In 2021 the Company changed its accounting policies and decided not to recognise lease assets and lease liabilities in accordance with IFRS 16. Lease assets are therefore not capitalised and depreciated and rental payments are not charged to the income statement instead of being recognised as payments on lease liabilities and interest expenses. Comparative figures have been changed accordingly and total assets are EUR 900 thous. lower in the restated balance sheet after these changes in the accounting policies but the impact on the income statement was minimal.

11. Iris sea cable

Construction work is currently taking place on a new sea cable between Iceland and Ireland. The estimated completion date is at beginning of 2023. The owner of the Company has provided EUR 50 million share capital commitment to cover the cost of the investment which is budgeted EUR 50 million. The share capital has been increased by EUR 39,5 million, where as 28,2 million has been invested in the project. The plan is to increase share capital by EUR 10,5 million in 2022 to complete the financing of the project.

12. Operating expenses

	2021	2020
Backhaul	1.798.440	1.918.853
Maintenance costs	1.709.439	1.531.720
Other operating expenses	1.551.206	1.547.960
Total operating expenses	<u>5.059.084</u>	<u>4.998.533</u>

13. Other expenses

Research and development costs, IRIS	220.000	1.595.055
Consulting fee	302.507	0
Total other expenses	<u>522.507</u>	<u>1.595.055</u>

14. Administrative expenses

Salaries and salary-related expenses	617.442	542.032
Office rent	76.909	80.535
Auditing and accounting support	38.338	36.602
Other administrative expenses	138.090	96.608
Capitalised salaries and salary-related expenses	(98.518)	0
Total administrative expenses	<u>772.261</u>	<u>755.777</u>

15. Fee to auditors

Audit of financial statements	32.078	34.542
Other services	8.690	2.060
Total fee to auditors	<u>40.768</u>	<u>36.602</u>

16. Salaries and salary-related expenses:

Salaries	734.875	662.820
Contributions to pension funds	97.324	89.558
Other salary related expenses	118.705	101.070
Total salaries and other salary related expenses	<u>950.905</u>	<u>853.447</u>

Administrative expenses	518.924	542.032
Operating expenses	332.829	311.416
Total salaries and other salary related expenses	<u>851.753</u>	<u>853.447</u>

Number of employees in full time equivalent units	7	7
---	---	---

Salaries and salary-related expenses to the Board of Directors	60.360	55.715
Salaries and salary-related expenses to the CEO	169.049	145.926

17. Finance income and finance expenses

	2021	2020
Interest expenses	1.143.344	1.276.159
Total finance expenses	<u>1.143.344</u>	<u>4.836.007</u>

Notes, contd.:

18. Operating assets

Operating assets and depreciation is specified as follows:

	PoP/ Backhaul/CS	Farice	Danice	Leased assets	Total
Total cost					
Total cost 1.1.2020	22.878.542	46.950.412	83.455.782	1.413.379	154.698.115
Additions during the year	16.510	0	259.213	0	275.723
Effect of change in accounting policies				(1.413.379)	(1.413.379)
Total cost 31.12.2020	22.895.052	46.950.412	83.714.995	0	153.560.459
Additions during the year	797.222	0	43.172	0	840.394
Total cost 31.12.2021	23.692.274	46.950.412	83.758.167	0	154.400.853
Depreciation					
Depreciated 1.1.2020	17.658.281	37.392.477	38.328.035	226.743	93.605.536
Depreciation for the year	395.610	1.865.084	3.971.930	286.187	6.518.811
Effect of changes in accounting policies				(512.930)	(512.930)
Depreciated 31.12.2020	18.053.891	39.257.561	42.299.965		99.611.417
Depreciation for the year	397.244	1.865.084	3.968.996	0	6.231.324
Depreciated 31.12.2021	18.451.135	41.122.645	46.268.961	0	105.842.741
Carrying amount					
Carrying amount 31.12.2020	4.841.161	7.692.851	41.415.030	0	53.949.042
Carrying amount 31.12.2021	5.241.139	5.827.767	37.489.206	0	48.558.112

Insurance value of the Company's assets amounted to EUR 17,6 million.

Constructions costs for the building of the cable Iris amounted to EUR 28,2 million at the end of 2021 and the cable will be ready for use at the beginning of 2023.

The Company did not perform an impairment test on the operating assets at the end of 2021 based on the fact that no significant changes have been on key assumptions from the impairment test that was performed at the end of 2020 and the results of that test did not give any indication of impairment on Company's assets.

19. Prepaid expenses

The prepaid expenses are a state guarantee fee paid in 2019 for the secured bond issue.

20. Deferred tax asset

A deferred tax asset is not recognised in the balance sheet due to the uncertainty of utilisation of the deferred carryforward tax loss. Carry forward losses may be utilised for 10 years from when it is incurred.

Deferred tax asset is as follows at the year end:	31.12.2021	31.12.2020
Property and equipment	1.913.754	1.145.167
Leased assets	0	188.766
Deferred foreign exchange difference	12.540	18.887
Tax loss carryforward	6.065.314	12.103.497
Impairment of tax asset	(7.991.608)	(13.456.317)

At year-end 2021 the Company has unused tax losses available for offset against future profits as follows:

Available until the year 2022	11.628.671
Available until the year 2023	5.624.232
Available until the year 2024	769.922
Available until the year 2025	1.912.991
Available until the year 2026	4.371.833
Available until the year 2027	2.317.721
Available until the year 2028	788.345
Available until the year 2029	2.912.855
Unused tax losses total	30.326.570

21. Equity

Share capital

Total share capital is EUR 67,4 million where nominal value. Issued new share capital at 2021 are EUR 39,5 million.

Notes, contd.:

22. Statement of Changes in Equity

	Share capital	Accumulated deficit	Total equity
Equity at 1.1.2021	27.875.905 (9.223.289)	18.652.616
Issued new share capital	39.500.000		39.500.000
Loss for the year		(506.569)	(506.569)
Equity at 31.12.2021	67.375.905 (9.729.858)	57.646.047

23. Interest-bearing long-term liabilities

This note provides information about the contractual terms of the Company's interest-bearing loans and borrowings, which are measured at amortized cost.

	2021			2020		
	Curr.	Year of maturity	Interest rate	Carrying amount	Interest rate	Carrying amount
Secured loan from ER.....	EUR	2034	Fastir 2,5%	33.743.589	Fastir 2,5%	39.600.000
				33.743.589		39.600.000
Current maturities.....				(2.699.487)		(2.933.333)
Total long term liabilities.....				31.044.102		36.666.667

Maturities are specified as follows over the next years:

	31.12.2021	31.12.2020
Year 2022/2021	2.699.487	2.933.333
Year 2023/2022	2.699.487	2.933.333
Year 2024/2023	2.699.487	2.933.333
Year 2025/2024	2.699.487	2.933.333
Year 2026/2025	2.699.487	2.933.333
Year 2027/2026	2.699.487	2.933.333
Subsequent.....	17.546.667	22.000.002
	33.743.589	39.600.000

The DANICE sea cable, landing site at Landeyjasandi and all related assets and equipment is mortgaged for the Company's liability with Endurlán Ríkissjóðs (ER)

Reconciliation between the opening balance and closing balance for liabilities arising from financing activities:

	2021	2020
Balance 1. January.....	39.600.000	42.533.333
Repayment of long-term loans.....	(5.856.411)	(2.933.333)
Balance 31. December.....	33.743.589	39.600.000

24. Lease liabilities:

The Company rents landing sites in Faroe Islands, Denmark and UK. These rental agreements are in the range from 20-25 year with an option for extension at the end of the rental period.

Lease liability

The lease liability is as follows:

Year 2022	285.040
Year 2023	293.591
Year 2024	302.398
Year 2025	311.470
Year 2026	320.815
	1.513.314

25. Commitments on operational and investment agreements

	2022
Rental agreements	354.640
Other operational agreements	2.036.868
Investment in operating assets	23.100.000
	25.491.508

Notes, contd.:

26. Related parties

The Company's related parties are shareholders, Board members, the CEO, and close family members of the aforementioned parties. No related parties purchased service from the company in 2021 and 2020 and the company did not buy any goods or service from related parties in 2021 and 2020.

The Company has a public service agreement with the Telecommunication Fund that belongs to one shareholder. Further information on the public service agreement can be found in note 4.

The company is building a new sea cable which is financed with share capital contribution in accordance with share capital commitment from the owner. Further discussion on the matter is included in notes 11, 18 and 21.

27. Going concern

Over the past few years the company has recognised significant losses but at the same time delivered positive EBITDA and cash flow from operation. In 2019 the company refinanced unfavourable loans with new loans on better terms and at

The sea cables FARICE-1 and DANICE which are the basis for the income of the Company, are depreciated over 20 years, however they are expected to be active longer to generate income for the Company or/and to secure connections to Iceland. Based on current depreciation rate of FARICE-1, the cable will be fully depreciated to residual value at the beginning of 2024 and Danice at the end of 2028. Depreciation charges will therefore decrease significantly over the next few years.

The operation of Farice is twofold, on one hand it is to provide a connection to Iceland for business purposes and to secure communications to and from Iceland. In accordance with the Icelandic public policy to secure communications, Farice has invested in new sea cable between Iceland and Ireland. The financing of the sea cable is secured with share capital contribution from the Icelandic State and the financing and investment is from the accounting perspective fully separated from the business site of the Company.

Based on the aforementioned assumptions the Board's assessment is that there is no doubt that the Company will be able to continue as a going concern.