

# ANNUAL REPORT

of

## Arctic Group AB

Reg. nr. 556508-6518

**The Board of Directors and the Managing Director's annual report for the financial year  
2007-01-01 -- 2007-12-31.**

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## BOARD OF DIRECTORS REPORT

The annual accounts is prepared in SEK.

### Business Concept & Overview

The company carries out consultancy and sale of products in information technology. Activities are telecommunications and business system for customs authorities

Net sales increased by 17.0% compared with previous year and on four years net sales increased by 219.3%. The increase indicates a positive development of demand from its customers. Net sales per worker is 3 263 kkr, which is an increase of 952 kkr per employee compared to last year.

In 2005 costs for the development of the product Arctic TARIFF were set up as an asset. The first sale around the product was in 2006 and the second in 2007 when the product was sold to British Business Link. The product is assessed to have continued good potential.

### Personnel costs

Its labor costs (salaries, social and other personnel costs) represent 23.0% of total net sales. This is a decline against the previous 27.6%, reflecting the volume has increased more than costs. This increase profitability and reduce the volume dependence. The cost per employee has increased from the previous year's 638.000 SEK to 751.000 SEK.

### Equity

Company has a return on equity of 76.8% which is an increase against the previous period. The equity is growing faster than total assets, indicating an increased self-financing of capital needs. Besides profitability, solvency and liquidity is affected positive from this.

### Liquidity

Accounts receivables share of sales has increases. This suggests slower payments from customers and is mainly explained by the company's increased international sales.

### Solvency and financial balance

The company's solvency has after three years of declining trend improved, but remains at a relatively low level of 10.4%. Both equity and affordability of the interest has increased, which together suggest that the development is in the right direction. The result is enough to pay the interest 12.6 times.

### Summary over the years\*

	2007	2006	2005	2004
Net turnover	77 974 480	66 666 254	42 247 968	24 416 928
Profit/loss after financial items	1 368 850	365 736	102 249	-813 621
Balance sheet total	20 712 344	15 955 884	16 144 180	9 831 116
Financial strength (%)	10,4%	8,8%	9,5%	14,1%
Return on equity (%)	76,8%	24,9%	6,7%	-58,7%

\*Definitions of business and financial rations, see supplementary disclosures

**Arctic Group AB**  
Org.nr. 556508-6518

**Ownership conditions**

Infologigruppen Alfa AB, Org.nr 556524-8548, owns 73% of the company. The rest of the shares are owned by employees of the company.

**Proposed Appropriation of Result**

Proposed Appropriation of Profits

At the disposal of the Annual General Meeting are the following earnings

balance carried forward	911 620
contribute from group	-180 000
profit for the year	<u>551 468</u>
	1 283 088

The Board of Directors propose as follows:

retained earnings to be carried forward	<u>1 283 088</u>
	1 283 088

The result of the company's operations and the financial position at the end of the financial year are shown in the income statement and balance sheets with the accompanying notes set out below.

**INCOME STATEMENT**

	SEK	Note	2007-01-01 2007-12-31	2006-01-01 2006-12-31
<b>Operating income</b>				
Net turnover		1	77 974 480	66 666 254
Change in WIP (work in progress)			455 926	-757 271
Other operating income			293 111	298 140
			<u>78 723 517</u>	<u>66 207 123</u>
<b>Operating expenses</b>				
Direct project costs			-53 778 345	-43 106 385
Other external costs		2	-5 077 115	-4 100 212
Personnel costs		3	-17 941 482	-18 406 537
Depreciation of tangible and intangible assets			-403 509	-162 721
Other operating expenses			-41 814	-8 663
			<u>-77 242 265</u>	<u>-65 784 518</u>
<b>Operating profit/loss</b>			1 481 252	422 605
<b>Result from financial investments:</b>				
Other interest income and similar profit/loss items		4	5 368	78 546
Interest expense and similar profit/loss items			-117 770	-135 415
			<u>-112 402</u>	<u>-56 869</u>
<b>Result after financial items</b>			1 368 850	365 736
<b>Untaxed reserves</b>				
Provision to tax allocation reserve			-260 000	0
Reversal of tax allocation reserve			0	37 000
Reversal of/allocation to extra depreciation			-267 750	0
			<u>-527 750</u>	<u>37 000</u>
<b>Profit/loss before tax</b>			841 100	402 736
Tax on profit for the year			-289 632	-134 794
<b>Net profit/loss for the year</b>			<u>551 468</u>	<u>267 942</u>

**BALANCE SHEET**

	SEK	Note	2007-12-31	2006-12-31
<b>ASSETS</b>				
<b>Fixed assets</b>				
<b>Intangible assets</b>				
Capitalized expenditure		5	1 338 750	1 695 750
			<u>1 338 750</u>	<u>1 695 750</u>
<b>Tangible assets</b>				
Equipment, tools, fixtures and fittings		6	113 153	182 639
			<u>113 153</u>	<u>182 639</u>
<b>Financial assets</b>				
Participations in group companies		7	466 330	416 330
Participations in associated companies		8	108 115	108 115
Other securities held as fixed assets		9	6 000	6 000
			<u>580 445</u>	<u>530 445</u>
<b>Total fixed assets</b>			2 032 348	2 408 834
<b>Current assets</b>				
<b>Inventories etc.</b>				
Work in progress		10	262 660	46 974
			<u>262 660</u>	<u>46 974</u>
<b>Current receivables</b>				
Accounts receivable - trade			11 224 898	7 298 983
Receivables from group companies			0	555 645
Receivables from associated companies			275 681	102 661
Upparbetad, ej fakturerad intäkt			6 260 647	4 983 417
Other receivables			21 308	163 048
Prepaid expenses and accrued income		11	634 802	396 321
			<u>18 417 336</u>	<u>13 500 075</u>
<b>Cash and bank balances</b>			0	1
<b>Total current assets</b>			18 679 996	13 547 050
<b>TOTAL ASSETS</b>			<b>20 712 344</b>	<b>15 955 884</b>

**BALANCE SHEET**

	SEK	Note	2007-12-31	2006-12-31
<b>EQUITY AND LIABILITIES</b>				
<b>Shareholders equity</b>		12		
<b>Restricted equity</b>				
Restricted equity		13	434 180	434 180
			62 000	62 000
			<u>496 180</u>	<u>496 180</u>
<b>Non-restricted equity</b>				
Profit or loss brought forward			1 346 826	1 008 883
Contribute from group			-615 206	-365 206
Profit/loss for the year			551 468	267 942
			<u>1 283 088</u>	<u>911 619</u>
<b>Total equity</b>			1 779 268	1 407 799
<b>Untaxed reserves</b>				
Tax allocation reserve		14	260 000	0
Accumulated extra depreciation			267 750	0
<b>Total untaxed reserves</b>			<u>527 750</u>	<u>0</u>
<b>Current liabilities</b>				
Bank overdraft facilities		15	840 030	1 539 284
Accounts payable - trade			10 166 465	6 863 256
Liabilities to group companies			109 184	0
Income tax liability			236 746	209 754
Other liabilities			1 104 414	1 809 556
Accrued expenses and deferred income		16	5 630 972	4 126 235
<b>Total current liabilities</b>			<u>18 405 326</u>	<u>14 548 085</u>
<b>TOTAL EQUITY AND LIABILITIES</b>			<b>20 712 344</b>	<b>15 955 884</b>
<b>MEMORANDUM ITEMS</b>				
<b>Assets pledged</b>		17	3 000 000	3 000 000
<b>Contingent liabilities</b>		18	200 000	500 000

## SUPPLEMENTARY DISCLOSURES

### GENERAL DISCLOSURES

#### *Accounting principles*

The accounting principles applied comply with the Swedish Annual Accounts Act and the pronouncements and general recommendations of the Swedish Accounting Standards Board. Lacking general recommendations from the Accounting Standards Board, guidance has been obtained from recommendations of the Swedish Financial Accounting Standards Council and, where applicable, from the pronouncements of FAR, the Swedish professional institute for authorised public accountants. When this is the case, this is specially indicated below. The principles are unchanged since last year.

#### *Valuation principles, etc*

Assets, provisions and liabilities have been valued at acquisition value unless otherwise stated.

#### *Receivables*

Receivables are entered at the amount in which they are expected to be received.

#### *Revenue recognition*

In accordance with BFN's principle rule in BFNAR 2003:3, the Company applies profits against services with fixed prices at the rate that the work is carried out - so-called successiv profit application. Ongoing, non-invoiced services are shown in the Balance sheet at the estimated invoicing value of work performed.

The company settles profits, in accordance with BFN's alternative rule in BFNAR 2003:3, on services rendered by a fixed price when the work has been completed. Services in progress but not yet invoiced are based in the Balance Sheet on actual expenses to which is added the portion of indirect expenses and with deductions for invoiced part payments.

#### *Group relationships*

The company is a full subsidiary of Infologigruppen Alfa AB, Org nr 556524-8548.

The company is a parent company, but with reference to ÅRL 7 kap 3 §, no consolidated accounts has been prepared.

#### *Definitions of business and financial ratios.*

Financial strength

Adjusted equity divided by total assets

Return on equity

Result after financial items divided by average equity

## SUPPLEMENTARY DISCLOSURES

### NOTES TO FINANCIAL STATEMENTS

<b>Note 1</b>	<b>Purchase and sales within the Group</b>	<b>2007</b>	<b>2006</b>
	Share of sales which apply to group companies	0,5%	1%
	Share of purchase which apply to group companies	0%	1%

The data are based on the value of intra-group transactions.  
No internal gains have occurred in the group.

<b>Note 2</b>	<b>Fee and other cost remunerations</b>	<b>2007</b>	<b>2006</b>
	<i>Deloitte AB</i>		
	The audit assignment	26 928	23 000
	Other assignments	73 894	98 353
		<u>100 822</u>	<u>121 353</u>

Audit assignment is defined as the audit of the annual report, the accounts, the administration of the board of directors and the managing director, and other tasks, which rest upon the auditor as well as consulting and other assistance, which have been initiated by the findings in performing the audit work or implementation of such tasks. All other work is referred to as other assignments.

<b>Note 3</b>	<b>Employees</b>	<b>2007</b>	<b>2006</b>
	<i>Average number of employees</i>		
	The average number of employees has been calculated by dividing paid hours with the standard working hours pro year.		
	Average number of employees has been	23,9	28,85
	of whom, women	3,4	3,25
	<i>Sick leave</i>		
	Sick leave per cent by hours of work		
	Sick leave for all employees	0,97%	1,4%
	Share of sick leave applied to long time sick leave	0,0%	45,5%
	Sick leave for men	0,0%	0,0%
	Sick leave for employees 30-49 years of age	0,99%	0,6%

## SUPPLEMENTARY DISCLOSURES

### *Wages, salaries etc.*

Wages, salaries, other remunerations, social costs and pension costs have been paid as follows:

The Board of Directors and the President:

Wages, salaries and other remunerations	699 774	771 116
Pension costs	149 328	154 034
	849 102	925 150

Other employees

Wages, salaries and other remunerations	10 813 858	11 431 958
Pension costs	1 746 764	1 851 989
	12 560 622	13 283 947

Social costs	4 340 060	4 441 063
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Total Board members and other employees	17 749 784	18 650 160
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### *Distribution in board of directors, in terms of sex breakdown by sex*

Number of board members	5	5
of whom, women	0	0
Other officers including president	1	1
of whom, women	0	0

The Executive Director has an employment contract under which severance pay can be paid with the most amount equivalent to 12 months' salary.

Note 4	Other interest income and similar profit/loss	2007	2006
	Interest	22 004	78 546
	Exchange difference	-16 636	0
		5 368	78 546

## SUPPLEMENTARY DISCLOSURES

<b>Note 5</b>	<b>Capitalized expenditure for research and similar</b>	<b>2007-12-31</b>	<b>2006-12-31</b>
	Acquisition value brought forward	1 785 000	1 785 000
	Accumulated acquisition values carried forward	1 785 000	1 785 000
	Depreciation brought forward	-89 250	0
	Depreciation for the year	-357 000	-89 250
	Accumulated depreciation carried forward	-446 250	-89 250
	Book value	1 338 750	1 695 750

Depreciation on a straight-line based on an estimated economic life of 5 years.

<b>Note 6</b>	<b>Equipment, tools, fixtures and fittings</b>	<b>2007-12-31</b>	<b>2006-12-31</b>
	Acquisition value brought forward	430 249	459 777
	Purchases	104 060	68 453
	Sales/disposals	-151 603	-97 981
	Accumulated acquisition values carried forward	382 706	430 249
	Depreciation brought forward	-247 610	-262 924
	Sales/disposals	24 566	88 785
	Depreciation for the year	-46 509	-73 471
	Accumulated depreciation carried forward	-269 553	-247 610
	Book value	113 153	182 639

Depreciation on a straight-line based on an estimated economic life of 5 years.

<b>Note 7</b>	<b>Participations in group companies</b>	<b>2007-12-31</b>	<b>2006-12-31</b>
	<b>Company</b>	<b>Registered</b>	<b>Number /Share of</b>
	<b>Register number</b>	<b>Office</b>	<b>equity</b>
	Arctic Customs Solutions AB		1 000 466 330
	556646-8491		100%
			466 330
			416 330
	<b>Details of equity capital and profit/loss</b>	<b>Shareholders' equity</b>	<b>Profit/loss</b>
	Arctic Customs Solutions AB	493 908	132 438
	<b>Arctic Customs Solutions AB</b>		
	Acquisition value brought forward	416 330	416 330
	Purchases	50 000	0
	Accumulated acquisition values carried forward	466 330	416 330
	Book value	466 330	416 330

## SUPPLEMENTARY DISCLOSURES

<b>Note 8</b>	<b>Participations in associated companies</b>	<b>2007-12-31</b>		<b>2006-12-31</b>
	<b>Company</b>	<b>Registered</b>	<b>Number /Share of</b>	
	<b>Register number</b>	<b>Office</b>	<b>equity</b>	
	Arctiquator Sdn Bhd		1 331	108 115
	692000-0		30%	108 115
			<u>108 115</u>	<u>108 115</u>
	<b>Details of equity capital and profit/loss</b>		<b>Shareholders' equity</b>	<b>Profit/loss</b>
	Arctiquator Sdn Bhd		-404 878	-443 447
	Acquisition value brought forward		108 115	0
	Purchases		0	108 115
	Accumulated acquisition values carried forward		<u>108 115</u>	<u>108 115</u>
	Book value		108 115	108 115
<b>Note 9</b>	<b>Other securities held as fixed assets</b>	<b>2007-12-31</b>		<b>2006-12-31</b>
	<b>Security</b>	<b>Face value</b>	<b>Number</b>	<b>Number</b>
	isMobile AB		130 660	0
	Luleå Näringsliv AB		1	5 000
	Media & IT ek		100	100
			<u>6 000</u>	<u>6 000</u>
	Acquisition value brought forward		225 100	225 100
	Accumulated acquisition values carried forward		225 100	225 100
	Write-downs brought forward		-219 100	-219 100
	Accumulated write-downs carried forward		<u>-219 100</u>	<u>-219 100</u>
	Book value		6 000	6 000
<b>Note 10</b>	<b>Work in progress</b>	<b>2007-12-31</b>		<b>2006-12-31</b>
	Accrued direct costs		502 900	46 974
	Deductible item: Work in progress - invoiced		-240 240	0
			<u>262 660</u>	<u>46 974</u>
<b>Note 11</b>	<b>Prepaid expenses and accrued income</b>	<b>2007-12-31</b>		<b>2006-12-31</b>
	Prepaid rent & leasing		291 116	235 380
	Other items		343 686	160 941
			<u>634 802</u>	<u>396 321</u>

## SUPPLEMENTARY DISCLOSURES

### Note 12 Shareholders' equity

	Share capital	Statutory Fund	Non-restricted equity
Opening balance	434 180	62 000	911 620
Contribute from group			-250 000
Taxes attributable to group contributions			70 000
Net profit for the year			551 468
Closing balance	434 180	62 000	1 283 088

### Note 13 Information about share capital

	Number of shares	Ratio per share
Input value	43 418	10
Output value	43 418	10

### Note 14 Tax allocation reserve

	2007-12-31	2006-12-31
Tax allocation reserve, year 2008	260 000	0
	260 000	0

### Note 15 Bank overdraft facilities

	2007-12-31	2006-12-31
Bank overdraft facilities granted	2 800 000	3 000 000

### Note 16 Accrued expenses and deferred income

	2007-12-31	2006-12-31
Accrued vacation pay and wages	1 546 880	1 370 046
Accrued social security charges	501 497	373 602
Liabilities to the consultants	3 170 073	2 269 620
Other items	412 522	112 966
	5 630 972	4 126 234

### Note 17 Debts with securities

	2007-12-31	2006-12-31
Bank overdraft facilities,	840 030	1 539 284
Floating charge	3 000 000	3 000 000

## SUPPLEMENTARY DISCLOSURES

Note 18	Contingent liabilities	2007-12-31	2006-12-31
	Guarantee surety given for the benefit of Arctic Customs Solutions AB	<u>200 000</u>	<u>500 000</u>
		200 000	500 000

LULEÅ

Anders Lundkvist  
Managing Director

Matz Engman

Lennart Lind

Göran Carlsson

Jan-Ove Högberg

Anders Ihs

My audit report was given on June 30, 2008.

Sverker Bergdahl  
Approved Public Accountant