Upplýsingar með ársreikningi ásamt samstæðureikningi

Kennitala:	Nafn:	Dagsetning aðalfundar:
450697-3469	CCP hf	
Reikningsár:	**Reikningstegund:**	**Dagsetning aðalfundar:**
2010	Ársreikningur ásamt samstæðureikningi	27.4.2011

Stjórnarmenn

Kennitala	Nafn
301265-5309	Vilhjálmur Þorsteinsson
111111-1119	Ótilgreindir útlendingar
020574-5699	Birgir Már Ragnarsson
140669-4829	Sigurður Ólafsson

Framkvæmdastjórar

Kennitala	Nafn
140773-5149	Hilmar Veigar Pétursson

Endurskoðendur/skoðunarmenn

Kennitala	Nafn
5210982449	Deloitte hf

Innlendir hluthafar

Kennitala	Nafn	Hlutur %
161273-3339	Sigurður Reynir Harðarson	10
600106-0660	NP ehf	30

Erlendir hluthafar

Nafn	Heimili	Hlutur %
Teno Investments S.Á.R.L	Teno Investments S.Á.R.L	24

Erlend dótturfélög

Nafn	Heimili	Hlutur %
White Wolf	USA	100
CCP UK	Bretland	100
CCP Asia	Bretland	100

CCP hf.

Consolidated Financial Statements

2010

CCP hf.
Grandagarði 8
101 Reykjavík
Iceland
ID no. 450697-3469

CCP hf.

Consolidated Financial Statements

2010

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Independent Auditor's Report

To the Board of Directors and shareholders of CCP hf.

We have audited the accompanying Consolidated Financial Statements of CCP hf., which comprise the endorsement by the board of directors and CEO, the balance sheet at December 31, 2010, the statement of comprehensive income, statement of changes in equity 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 International Financial Reporting Standards (IFRS) as adopted by the European Union. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, 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 ethical requirements and plan and perform the audit to obtain reasonable assurance whether the Consolidated Financial Statements are free from 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 judgment, including the assessment of the risks of material misstatement of the Consolidated 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 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 policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the 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 CCP hf. as of December 31, 2010, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

Kópavogur, April 13, 2011

Deloitte hf.

Lúðvík Þráinsson
State Authorized Public Accountant

Signý Magnúsdóttir
State Authorized Public Accountant

Endorsement by the Board of Directors and CEO

The Consolidated Financial Statements for the year 2010 consist of the Financial Statements of CCP hf. and its subsidiaries, together referred to as the Company. The Consolidated Financial Statements are prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union and denominated in USD.

The Company's revenues in 2010 were USD 59,183,665. The profit for the year amounted to USD 5,414,758. Assets at year-end were USD 83,490,041, with shareholders' equity of USD 49,770,429, or 59.6%. The Company employed 603 people at year-end in its offices in Reykjavík, Newcastle, Shanghai and Atlanta, compared to 451 at the beginning of the year. Salaries and related expenses amounted to USD 38,190,556, of which USD 16,885,477 were capitalized as development cost.

EVE Online continued growing in 2010, with subscribers reaching almost 360,000. Two successful expansions to the EVE Online universe were launched in 2010 – Tyrannis in the spring, bringing the ability for players to interact with the planets of EVE, and Incursion which started releasing in December and ended its release cycle in January 2011 with the deployment of a new sophisticated character creation system built on CCP's Carbon technology.

The Company made continued progress in the development of First-Person-Shooter console game DUST 514 where the highlight of the year was an end-to-end playable demo on the Sony PS3 console. Another massive playable milestone was World of Darkness Year One, a first pass at touching on all gameplay features that will be shipped in the final product.

The Company joined together the various fan communities around World of Darkness at the Grand Masquerade fan event in New Orleans in the fall 2010. EVE Online Fanfest, which used to be hosted in the fall, was moved to spring 2011 to change to a cycle where each fan event is hosted yearly, one in spring and one in fall.

Finally, the growth of the Company from a development and employee perspective continued. All four of CCP's offices grew in 2010 as the company executed its largest talent expansion plan to date.

In December 2009, the Company issued additional equity pursuant to a private placement directed to existing shareholders. The payment for binding subscriptions was payable in two tranches during 2010, the first of which, representing approximately 60% of the proceeds, was funded in Q1 and the remainder was funded towards the end of Q2 and beginning of Q3. After completion of this offering, shareholders owning more than 10% are NP ehf. with 30.5%, Teno Investments with 23.9% and S. Reynir Harðarson with 10.2%.

The Board of Directors recommends that dividends shall not be paid to shareholders in 2011. With regard to disposal of profit and changes in the equity of the Company, the Board refers to the Notes attached to the Consolidated Financial Statements.

The Board of Directors complies with written operating procedures agreed to by the Board. The procedures address issues such as allocation of responsibilities and powers of decision within the Board, conflicts of interest, confidentiality, and similar governance issues. The Board has appointed a Compensation Committee and an Audit Committee within its ranks. The Compensation Committee met three times during 2011 and the Audit Committee met once.

Endorsement by the Board of Directors and CEO

It is the opinion of the Board of Directors and the CEO of the Company that the accounting policies applied herein are appropriate and that these Consolidated Financial Statements present all information necessary to give a true and fair view of the Company's assets and liabilities, financial position and operating performance, as well as describing the principal risk and uncertainty factors faced by the Company.

Reykjavík, April 13, 2011

Board of Directors

Vilhjálmur Þorsteinsson, Chairman

David Fialkow

Sigurður Ólafsson

Steve Wieck

Birgir Már Ragnarsson

Hilmar Veigar Pétursson, CEO

Consolidated statement of comprehensive income

	Notes	Consolidation 2010	Consolidation 2009	Parent 2010	Parent 2009
		For the twelve months ended December 31,		For the twelve months ended December 31,	
Subscription and sales - EVE Online		57.443.934	51.782.424	57.443.934	51.782.422
Other revenue		1.739.731	3.486.367	221.806	663.883
	5	59.183.665	55.268.791	57.665.740	52.446.305
Cost of sales	6	(6.073.734)	(7.752.486)	(4.553.489)	(5.518.960)
Gross profit		53.109.931	47.516.305	53.112.251	46.927.346
Operating expenses					
Research and development		(11.127.383)	(9.342.375)	(13.793.070)	(10.636.458)
Publishing		(8.797.352)	(7.204.531)	(12.394.764)	(9.304.284)
Marketing		(9.769.965)	(9.410.916)	(7.630.355)	(8.108.320)
General and administrative		(16.923.857)	(13.670.677)	(11.402.125)	(10.259.759)
Total operating expenses		(46.618.557)	(39.628.499)	(45.220.314)	(38.308.821)
Operating profit		6.491.374	7.887.806	7.891.937	8.618.525
Share of profit/loss of associates		0	0	1.449.346	2.013.403
Financial income	8	89.176	51.092	87.540	48.899
Financial cost	8	(1.344.520)	(1.431.053)	(1.363.074)	(1.425.870)
Net exhange rate difference	8	(1.499.015)	21.624	(1.504.784)	10.210
Profit before taxes		3.737.015	6.529.470	6.560.965	9.265.167
Income tax	9	1.677.743	(339.238)	(1.146.207)	(3.074.936)
Profit for the period		5.414.757	6.190.231	5.414.758	6.190.230
Other comprehensive income					
Exchange differences arising on translation of foreign operations		67.507	(169.358)	67.507	(169.358)
Total comprehensive income for the period		5.482.264	6.020.873	5.482.265	6.020.872

Consolidated Balance Sheet

Assets	Notes	Group 2010/12/31	Group 2009/12/31	Parent 2010/12/31	Parent 2009/12/31
Non-current assets					
Property, plant and equipment	10	4.387.399	3.498.046	2.256.988	1.320.627
Goodwill	11	4.252.956	4.252.956	0	0
Development cost	12	54.615.436	37.571.877	53.305.595	36.262.036
Other intangible assets	12	543.658	543.658	0	0
Deferred tax assets	20	0	265.054	0	0
Other financial assets		87.037	56.600		
		63.886.486	46.188.191	63.636.232	44.139.352
Current assets					
Inventories	14	459.487	1.256.554	5.546	0
Trade receivables	15	2.120.285	2.865.446	2.102.238	2.777.618
Other receivables	15	5.800.111	20.261.013	2.259.214	18.105.444
Cash and cash equivalents	16	11.223.672	3.804.265	4.482.807	2.397.910
		19.603.555	28.187.278	18.393.537	28.255.472
Total assets		83.490.041	74.375.469	82.029.769	72.394.824

Equity and liabilities

Equity					
Share capital	17	123.526	123.315	123.526	123.315
Share premium	17	20.178.172	20.027.263	20.178.172	20.027.263
Foreign currency translation reserve	17	524.007	456.501	524.007	456.501
Equity settled employee benefits reserve	17,18	3.664.845	3.460.349	3.664.845	3.460.349
Retained earnings	17	25.279.879	19.865.121	25.279.879	19.865.121
Total equity		49.770.429	43.932.549	49.770.429	43.932.549
Non-current liabilities					
Non-current liabilities	19	438.229	11.113.580	288.427	10.864.866
Deferred tax liabilities	20	7.848.641	6.651.799	7.274.070	6.127.863
Other non-current liabilities	21	86.837	181.929	0	0
		8.373.707	17.947.308	7.562.497	16.992.729
Current liabilities					
Trade payables		3.290.098	3.303.266	2.815.533	2.386.324
Bank overdrafts and loans	19	0	331.767	0	331.767
Current maturities of non-current liabilities	19	12.073.793	377.680	11.969.586	268.554
Deferred income	23	3.587.330	3.372.026	3.587.330	3.372.026
Other current liabilities	22	6.394.684	5.110.872	6.324.394	5.110.873
		25.345.905	12.495.611	24.696.843	11.469.545
Total liabilities		33.719.612	30.442.919	32.259.340	28.462.275
Total equity and liabilities		83.490.041	74.375.469	82.029.769	72.394.824

Consolidated Statement of Cash Flows

	Notes	Group 2010	Group 2009	Parent 2010	Parent 2009
Cash flow from operating activities					
Profit for the year		5.414.758	6.190.231	5.414.758	6.190.229
Operating items not affecting cash flow					
Net financial cost (-income)		2.754.359	1.358.337	2.780.318	1.366.761
Income tax expense	20	(1.677.743)	339.238	1.146.207	3.074.936
Depreciation and amortization	10,12	8.443.400	6.302.647	7.311.155	5.580.928
Impairment loss on capitalized development	11	0	633.497	0	633.497
Equity settled employee stock options	17,18	204.496	2.494.273	204.496	2.494.273
Share profit of associates		0		(1.449.346)	(2.013.403)
Other items		(152.987)	(74.027)	0	0
Working capital provided by operating activities		14.986.283	17.244.196	15.407.588	17.327.221
Change in operating assets and liabilities					
(Increase)/decrease in inventories	14	797.070	523.772	(5.546)	39.765
(Increase)/decrease in operating assets		836	236.635	50.252	91.196
Increase/(decrease) in operating liabilities		1.356.450	2.929.603	1.858.034	2.374.902
Cash from operating activities		17.140.640	20.934.206	17.310.328	19.833.084
Financial income received		100.866	59.109	87.540	59.109
Financial cost paid		(1.877.234)	(1.990.671)	(1.961.235)	(1.033.488)
Tax credit received		2.018.443	1.085.934	0	0
Net cash from (to) operating activities		17.382.715	20.088.578	15.436.633	18.858.706
Cash flows from investment activities					
Purchases of property, plant and equipment	10	(2.374.555)	(1.361.350)	(1.300.668)	(691.909)
Development cost	12	(23.503.434)	(17.011.736)	(23.503.434)	(17.011.736)
Loans to subsidiary		0		(4.569.232)	875.388
Change in other financial assets		(36.437)	0	0	0
		(25.914.425)	(18.373.086)	(29.373.334)	(16.828.257)
Cash flows from financing activities					
Repayments of borrowings		(314.254)	(2.388.568)	(269.114)	(2.369.326)
New loans raised		0	10.819.909	0	10.819.909
Short term borrowings		(331.767)	(9.182.332)	(331.767)	(9.182.332)
Net increase in share capital	17	16.622.478	104.292	16.622.478	104.292
		15.976.457	(646.699)	16.021.597	(627.457)
Net change in cash		7.444.746	1.068.793	2.084.896	1.402.992
Cash at beginning of the year		3.804.265	2.655.203	2.397.910	994.918
Effect of foreign exchange rates		(25.339)	80.270	0	0
Cash at end of the year		11.223.672	3.804.265	4.482.807	2.397.910

Consolidated Statement of Changes in Equity
for the year ended December 31, 2010

	Total number of shares*	Share capital	Share premium	Equity-settled employee benefits reserve	Foreign currency translation reserve	Retained earnings	Total
Balance at January 1, 2008	8,295,286	115,950	3,374,452	1,268,461	155,949	8,612,459	13,527,271
Profit for the period..........................						5,062,431	5,062,431
Translation difference.......................					469,911		469,911
Total comprehensive income		0	0	0	469,911	5,062,431	5,532,343
Increase in share capital	11,933	116	94,592				94,708
Employee stock options....................				(302,385)			(302,385)
Correction for previous year.............		(113)	(10,070)				(10,183)
Balance at January 1, 2009	8,307,219	115,953	3,458,974	966,076	625,859	13,674,890	18,841,752
Profit for the period..........................						6,190,230	6,190,230
Translation difference.......................					(169,358)		(169,358)
Total comprehensive income		0	0	0	(169,358)	6,190,230	6,020,873
Increase in share capital	940,739	7,362	16,568,289				16,575,651
Employee stock options....................				2,494,273			2,494,273
Balance at January 1, 2010	9,247,958	123,315	20,027,263	3,460,349	456,501	19,865,121	43,932,549
Profit for the period..........................						5,414,758	5,414,758
Translation difference.......................					67,506		67,506
Total comprehensive income		0	0	0	67,506	5,414,758	5,482,264
Increase in share capital	24,980	211	150,909				151,120
Employee stock options....................				204,496			204,496
Balance at December 31, 2010	9,272,938	123,526	20,178,172	3,664,845	524,007	25,279,879	49,770,429

*Each share is 1 ISK
All amounts in USD

Notes

1. General information

CCP hf. is a limited liability company incorporated in Iceland. The principal activities of CCP hf. are the design, development, marketing, sales and operation of immersive virtual worlds and games accessed over the internet. All copyright and intellectual property in the computer game EVE Online are property of the Company. CCP hf. operates the following offices: CCP North America, Inc. in Atlanta, CCP Games UK in Slough and Newcastle and a Representative office in Shanghai. As of December 1, 2010 the operations of the Representative office were merged into CCP Information Technology (Shanghai) CO., LTD.

2. Application of new and revised International Financial Reporting Standards (IFRSs)

2.1 Standards and interpretations effective in the current period

The Consolidated Financial Statements are presented in accordance with the new and revised standards (IFRS / IAS) and new interpretations (IFRIC), applicable in the year 2010. These standards and interpretations are:

Revised standards:

IFRS 5 (revised 2009) - *Non-current Assets Held for Sale and Discontinued Operations*. The amendments to IFRS 5 clarify that the disclosure requirements in IFRSs other than IFRS 5 do not apply to non-current assets (or disposal groups) classified as held for sale or discontinued operations unless those IFRSs require (i) specific disclosures in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations, or (ii) disclosures about measurement of assets and liabilities within a disposal group that are not within the scope of the measurement requirement of IFRS 5 and the disclosures are not already provided in the Consolidated Financial Statements.

IAS 1 (revised 2009) - *Presentation of Financial Statements.* The amendments to IAS 1 clarify that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current.

IAS 1 (revised 2010) - *Presentation of Financial Statements.* The amendments to IAS 1 clarify that an entity may choose to present the required analysis of items of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements.

IAS 7 (revised 2009) - *Statement of Cash Flows.* The amendments to IAS 7 specify that only expenditures that result in a recognised asset in the balance sheet can be classified as investing activities in the statement of cash flows.

IAS 27 (as revised in 2008) - *Consolidated and Separate Financial Statements.* The amendments to IAS 27 are regarding changes in ownership interests in subsidiaries that do not result in loss of control. According to the revised standard all such increases or decreases are dealt with in equity, with no impact on goodwill or profit or loss.

IAS 28 (as revised in 2008) - Investments in associates. The principle adopted under IAS 27(2008) (see above) that a loss of control is recognised as a disposal and re-acquisition of any retained interest at fair value is extended by consequential amendments to IAS 28. Therefore, when significant influence over an associate is lost, the investor measures any investment retained in the former associate at fair value, with any consequential gain or loss recognised in profit or loss.

IFRS 3 (revised 2008) - *Business Combinations*. The amendments to IFRS 3 is as follows:

• IFRS 3(revised 2008) allows a choice on a transaction-by-transaction basis for the measurement of non-controlling interests at the date of acquisition (previously referred to as 'minority' interests) either at fair value or at the non-controlling interests' share of recognised identifiable net assets of the acquiree.

• IFRS 3(revised 2008) changes the recognition and subsequent accounting requirements for contingent consideration. Previously, contingent consideration was recognised at the acquisition date only if payment of the contingent consideration was probable and it could be measured reliably; any subsequent adjustments to the contingent consideration were always made against the cost of the acquisition. Under the revised Standard, contingent consideration is measured at fair value at the acquisition date; subsequent adjustments to the consideration are recognised against the cost of the acquisition only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the date of acquisition. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

• IFRS 3(revised 2008) requires the recognition of a settlement gain or loss when the business combination in effect settles a pre-existing relationship between the Company and the acquiree.

• IFRS 3(revised 2008) requires acquisition-related costs to be accounted for separately from the business combination, generally leading to those costs being recognised as an expense in profit or loss as incurred, whereas previously they were accounted for as part of the cost of the acquisition.

2.1 Standards and interpretations effective in the current period (continued)

Minor amendments to other standards and interpretations:

IFRS 1 - *First-time Adoption of International Financial Reporting Standards.* The amendments provide two exemptions when adopting IFRSs for the first time relating to oil and gas assets, and the determination as to whether an arrangement contains a lease.

IFRS 2 - *Share-based Payment – Group Cash-settled Share-based Payment Transactions.* The amendments clarify the scope of IFRS 2, as well as the accounting for group cash-settled share-based payment transactions in the separate (or individual) financial statements of an entity receiving the goods or services when another group entity or shareholder has the obligation to settle the award.

IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations (as part of Improvements to IFRSs issued in 2008). The amendments clarify that all the assets and liabilities of a subsidiary should be classified as held for sale when the Group is committed to a sale plan involving loss of control of that subsidiary, regardless of whether the Company will retain a non-controlling interest in the subsidiary after the sale.

IAS 39 - *Financial Instruments: Recognition and Measurement* – Eligible Hedged Items. The amendments provide clarification on two aspects of hedge accounting: identifying inflation as a hedged risk or portion, and hedging with options.

IFRIC 17 - *Distributions of Non-cash Assets to Owners.* The Interpretation provides guidance on the appropriate accounting treatment when an entity distributes assets other than cash as dividends to its shareholders.

IFRIC 18 - *Transfers of Assets from Customers.* The Interpretation addresses the accounting by recipients for transfers of property, plant and equipment from 'customers' and concludes that when the item of property, plant and equipment transferred meets the definition of an asset from the perspective of the recipient, the recipient should recognise the asset at its fair value on the date of the transfer, with the credit being recognised as revenue in accordance with IAS 18 Revenue.

Management belives that implementation of those standards and interpretations does not have material influence on the Consolidated Financial Statements of the Company.

2.2 New and revised IFRSs in issue but not yet effective

The Company has not early applied the following new and revised IFRSs that have been issued but are not yet effective:

Amendments to IFRS 1 [Effective for annual periods beginning on or after July 1, 2010] - Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters.

IAS 24 (as revised in 2009) [Effective for annual periods beginning on or after January 1, 2011] - Related Party Disclosures.

Amendments to IAS 32 [Effective for annual periods beginning on or after 1 February 2010] - Classification of Rights Issues.

Amendments to IFRIC 14 [Effective for annual periods beginning on or after February 1, 2010] - Prepayments of a Minimum Funding Requirement.

IFRIC 19 [Effective for annual periods beginning on or after July 1, 2010]- Extinguishing Financial Liabilities with Equity Instruments.

3. Significant accounting policies

3.1 Statement of compliance

The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

3.2 Basis of preparation

The Consolidated Financial Statements of CCP hf. for the year 2010, have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for asset.

The principal accounting policies adopted are set out below.

3.3 Basis of consolidation

The Consolidated Financial Statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Company.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

3.4 Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The consideration for each acquisition is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Company in exchange for control of the acquiree. Acquisition-related costs are recognized in profit or loss as incurred. The acquiree’s identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 Business Combinations are recognized at their fair values at the acquisition date, except for non-current assets (or disposal Company's) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, which are recognized and measured at fair value less costs to sell.

3.5 Goodwill

Goodwill arising on business combinations is recognized as an asset at the date that control is acquired (the acquisition date). Goodwill is initially measured at cost, being the excess of the cost of the business combination over the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognized. If, after reassessment, the Company's interest in the net fair value of the acquiree’s identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognized immediately in profit or loss.

Goodwill is not amortized but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Company’s cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognized for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

3.6 Risk management

The Company's Board of Directors has an overall plan towards risk management and to identify and analyze the risks faced by the Company. Historically the Company has used derivative financial instruments (primarily foreign currency forward contracts) to hedge its risks associated with foreign currency fluctuations relating to certain commitments and forecasted transactions. There are no such current financial instruments in place at this time. Interest rate risk arises from long term liabilities such as bank loans. All such commitments are managed by the Company's Corporate offices and the general policy is to fix long term interest rates as the Company determines appropriate.

3.7 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

3.7.1 Subscription fees

- the Company recognizes revenues from subscription fees on a straight-line basis over the subscription period;
- fees for the selected subscription period (1, 3, 6 or 12 months) are collected at the beginning of the period. Fees are non-refundable;
- unrecognized revenues from subscription fees are accounted for as deferred revenues among current liabilities.

3.7.2 Sale of goods

Revenue from the sale of goods is recognized when all the following conditions are satisfied:

- the Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

3.7.3 Royalties

Royalty revenue is recognized on an accrual basis in accordance with the substance of the relevant agreement. Royalties determined on a time basis are recognized on a straight-line basis over the period of the agreement. Royalty arrangements that are based on sales and other measures are recognized by reference to the underlying arrangement.

3.7.4 Dividend and interest revenue

Dividend revenue from investments is recognized when the shareholder’s right to receive payment has been established.

Interest income is accrued over time, by reference to the principal outstanding and at the interest rate applicable.

3.8 Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

3.8.1 The Company as lessee

Assets held under finance leases are initially recognized as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

Notes

3.9 Foreign currencies

The individual financial statements of each Company's entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the Consolidated Financial Statements, the results and financial position of each entity are expressed in USD which is the functional currency of the Company and the presentation currency for the Consolidated Financial Statements.

For the purpose of presenting Consolidated Financial Statements, the assets and liabilities of the Company's operations are expressed in USD using exchange rates prevailing at the end of balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity as translation reserve. Such exchange differences are recognized in profit or loss in the period in which the foreign operation is disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at exchange rates prevailing at the end of balance sheet date.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

The exchange rates used for translating other currencies to USD is derived from the Central Bank of Iceland.

	Average exchange rate		Year end exchange rate	
	2010.01.01 - 2010.12.31	2009.01.01 - 2009.12.31	2010.12.31	2009.12.31
EUR	1.326508	1.397050	1.336810	1.440190
ISK	0.008194	0.008090	0.008692	0.008000
GBP	1.544967	1.568790	1.551239	1.614090
CAD	0.970659	0.882210	1.001825	0.953080
DKK	0.178122	0.187620	0.179357	0.193530
NOK	0.165575	0.160230	0.171004	0.173510
SEK	0.138990	0.131920	0.149109	0.140230
CHF	0.960624	0.924990	1.068318	0.970850
JPY	0.011411	0.010710	0.012293	0.010820
CNY (RMB)	0.147714	0.147840	0.151725	0.146470

3.10 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

3.11 Share-based payments

Equity-settled share-based payments to employees are measured at the estimated current fair value of the equity instrument determined at each balance sheet date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 18.

The fair value of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of equity instruments that will eventually vest. At each balance sheet date, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss over the remaining vesting period, with a corresponding adjustment to the equity-settled employee benefits reserve.

3.12 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Corporate income tax in Iceland is 18%. In December 2010 the Icelandic Parliament approved an increase in the income tax rate from 18% to 20% effective as of January 1, 2011. In the USA, CCP North America is subject to both Federal and Georgia State income taxes (the latter are deductible from Federal taxes, and are also impacted by certain tax credits that the Company has been able to generate). The Federal statutory rate for income in excess of $335,000 is 34% and the Georgia State rate is 6%. Taxes in China are comprised of office income tax, turnover tax and municipal tax, which are all calculated based on the expenses of the representative office. The total tax levied on the China representative office was 11% of its expenses in 2010 (2009: 8.89%) .

3.12.1 Current tax

The tax currently payable is based on taxable profit for the period. Taxable profit differs from net profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The Company's current tax liability is calculated using the tax rates for each country.

3.12.2 Deferred tax

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

3.12 Taxation (continued)

3.12.3 Current and deferred tax for the period

Current and deferred tax are recognized as an expense or income in profit or loss, except when they relate to items credited or debited directly to equity, in which case the tax is also recognized directly in equity, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or in determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

3.13 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is recognized so as to write off the cost or valuation of assets less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

The gain or loss arising on the disposal or retirement of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

3.14 Intangible assets

3.14.1 Intangible assets acquired separately

Intangible assets acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

3.14.2 Internally-generated intangible assets – research and development expenditure

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is capitalized if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially capitalized for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognized, development expenditure is charged to profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets acquired separately.

3.14.3 Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognized separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets acquired separately.

3.15 Impairment of tangible and intangible assets excluding goodwill

At the end of each balance sheet date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

3.16 Inventories

Inventories are stated at the lower of cost or net realisable value, after taking obsolete and defective goods into consideration. Cost comprises direct materials and, where applicable, direct labor costs and those overhead expenses that have been incurred in bringing the inventories to their present location and condition, with the majority being valued on a first-in-first-out basis. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

3.17 Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

3.18 Financial assets

All financial assets are recognized and derecognized on a trade date where the purchase or sale of a financial assets is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs except for those financial assets classified at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets as 'at fair value through profit or loss' (FVTPL), 'held-to-maturity investments', 'available-for-sale' (AFS) and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

3.18.1 Effective interest method

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognized on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

3.18.2 Financial assets at FVTPL

Financial assets are classified as at FVTPL where the financial asset is either held for trading or it is designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any resultant gain or loss recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset.

3.18.3 Held-to-maturity investments

Bills of exchange and debentures with fixed or determinable payments and fixed maturity dates that the Company has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are recorded at amortized cost using the effective interest method less impairment, with revenue recognized on an effective yield basis.

3.18.4 AFS financial assets

Listed shares held by the Company that are traded in an active market are classified as being AFS and are stated at fair value. Gains and losses arising from changes in fair value are recognized in other comprehensive income and accumulated in the investment revaluation reserve, with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets, which are recognized directly in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognized in the investments revaluation reserve is included in profit or loss for the period.

Dividends on AFS equity instruments are recognized in profit or loss when the Company's right to receive the dividends is established.

The fair value of AFS monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of balance sheet date. The change in fair value attributable to translation differences that results from a change in amortized cost of the asset is recognized in profit or loss, and other changes are recognized in other comprehensive income.

3.18 Financial assets (continued)

3.18.5 Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortized cost using the effective interest method less any impairment. Interest income is recognized by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

3.18.6 Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at end of each balance sheet date. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

In respect of AFS equity securities, impairment losses previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income.

3.18.7 Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralised borrowing for the proceeds received.

3.19 Financial liabilities

3.19.1 <u>Financial liabilities</u>
Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities:

- financial liabilities are classified as at FVTPL where the financial liability is either held for trading or it is designated as at FVTPL.
- financial liabilities at FVTPL are stated at fair value, with any resultant gain or loss recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability.

3.19.2 <u>Other financial liabilities</u>
Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

3.19.3 <u>Derecognition of financial liabilities</u>
The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 3, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

4.1 Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

5. Segments

The Company's operation as a whole is one operating segment whose operating results are regularly reviewed by the Company's chief operating decision maker to make decisions about resources to be allocated to the operation and its performance. Because of this the information about profit or loss, assets and liabilities of that operating segment is the same as reported as a whole in this Consolidated Financial Statements

The following is an analysis of the Company's revenues from its major services and products.

	2010	2009
Subscription fees	56,683,536	50,904,047
Revenue from the sale of goods	1,739,731	3,486,367
Royalty fees	760,398	878,377
	59,183,665	55,268,791

5.1 Geographical information

The Company operates in three principal geographical areas - Northern America, Europe (includes Iceland, the Company's country of domicile) and Asia.

The Company's revenue from external customers and information about its non-current assets* by geographical location are detailed below.

For 2010, the Company is making the following changes to the revenue distribution: Revenues originating in New Zealand, Australia, Micronesia, Melanesia and Polynesia are moved from the category "Asia" to the category "Rest of the World". The "Rest of the World" category now comprises South and Central America, the Caribbean, Africa, Australia and Oceania i.e. the southern hemisphere. These changes affect both the 2009 and 2010 revenues distribution as shown in the footnote below.

	External Sales		Non-current assets	
	2010	2009	12/31/2010	12/31/2009
Northern America	26,270,716	26,132,923	1,107,489	1,307,559
Europe	28,080,044	24,827,042	62,778,997	44,615,578
Asia	1,539,323	2,923,846	0	0
Rest of World	3,293,582	1,384,980	0	0
	59,183,665	55,268,791	63,886,486	45,923,137

*Non-current assets excluding financial instruments and deferred tax assets.

5.2 Information about major customers

The Company has no transactions with a single external customer that amount to 10 per cent or more of Company's revenues.

6. Cost of sales

	2010	2009
EVE Online	4,215,714	4,753,283
Physical Products and eCommerce	1,858,020	2,999,203
	6,073,734	7,752,486

Included in Physical Products and eCommerce stores is a write down of inventory to net realizable value of 459,012 (2009: 510,068). See note 14.

7. Salaries and other employee expenses

Salaries and salary-related expenses paid by the Company are specified as follows:

	2010	2009
Salaries	30,490,287	22,323,687
Capitalized salaries	(16,885,477)	(12,096,131)
Pension fund	1,477,818	1,218,733
Salary-related expenses	4,026,677	1,023,205
Other employee expenses	2,195,774	2,159,456
	21,305,079	14,628,949
Average number of positions	558	403

The salaries, remuneration and benefits for the year 2010 for the Company's CEO and board amounted to 564,910 (2009: 456,809).

Capitalized salaries are due to capitalized development cost. See note 12.

Salaries and salary-related expenses classified by operational category are specified as follows:

	2010	2009
Cost of sales	855	963
Research and development	21,337,964	14,555,401
Capitalized research and development	(16,885,477)	(12,096,131)
Publishing	6,254,523	4,390,906
Marketing	2,569,039	2,197,305
General and administrative	8,028,175	5,580,505
	21,305,079	14,628,949

The Company has reclassified its salary and employee expenses to improve global alignment of expenses from an external reporting and internal comparison point of view. This reclassification almost exclusively affects Employee Expenses vs Salary related Expenses and affects the comparative amount in the note above.

8. Financial income / (cost)

Financial income and (cost) are specified as follows:

	2010	2009
Financial income:		
Other interest income	89,176	51,092
	89,176	51,092
Financial cost:		
Interest on bank overdrafts and loans	(1,344,520)	(1,431,053)
	(1,344,520)	(1,431,053)
Net exchange rate difference	(1,499,015)	21,624
Net financial income / (cost)	(2,754,359)	(1,358,337)

Notes

9. Income tax

Income tax has been calculated and recorded in the Consolidated Financial Statements. The amount posted to the Statement of Comprehensive Income is 1,677,743. In the year 2011, no income tax will be paid as taxable income is negative in 2010.

Legislative changes to corporate tax rates in Iceland from 18% to 20% became effective from January 1st 2011. The effect of the higher tax rate on the Company's deferred tax liability at the end of the year is an increase of 705,661 and the change is posted to the Statement of Comprehensive Income.

The total charge for the year can be reconciled to the accounting profit as follows:

	2010		2009	
	Amount	%	Amount	%
Profit before tax	3,737,015		6,529,469	
Tax at the rate of 18%/15%	(672,663)	18%	(979,420)	15%
Effect of different tax rates of other jurisdictions	(29,182)	1%	(140,314)	2%
Effect of change in tax rate	(705,661)	19%	(984,016)	15%
Effect of previously unused tax losses and tax offsets now recognized as deferred assets	0	0%	265,054	-4%
Effect of tax credit	3,039,377	-81%	1,734,655	-27%
Tax effect of other items	45,871	-1%	(235,197)	4%
	1,677,743	-44.9%	-339,238	5.2%

10. Property, plant and equipment

2010

	Computers and equipment	Other tangible assets	Total
Cost			
At beginning of year	7,599,256	1,178,846	8,778,102
Additions	2,133,311	815,026	2,948,337
Fully depreciated assets	(2,100,434)	(30,444)	(2,130,878)
Currency exchange differences	(128,657)	3,913	(124,744)
At end of year	7,503,476	1,967,341	9,470,817
Accumulated depreciation			
At beginning of year	4,639,696	640,360	5,280,056
Charge for the year	1,624,616	358,910	1,983,526
Fully depreciated assets	(2,100,434)	(30,444)	(2,130,878)
Currency exchange differences	(49,504)	218	(49,286)
At end of year	4,114,374	969,044	5,083,418
Carrying amount			
Book value at beginning of year	2,959,560	538,486	3,498,046
Book value at end of year	3,389,102	998,297	4,387,399

The following useful lives are used in the calculation of depreciation:

Computers and equipment	3-4 years
Other tangible assets	4-5 years

Notes

10. Property, plant and equipment (continued)

Depreciation classified by operational category is specified as follows:

	2010
Cost of sales	158,476
Research and development	200,329
Publishing	131,499
Marketing	17,512
General and administrative	1,475,710
	1,983,526

2009

	Computers and equipment	Other tangible assets	Total
Cost			
At beginning of year	6,055,753	839,505	6,895,258
Additions	1,357,968	339,341	1,697,309
Currency exchange differences	185,535	0	185,535
At end of year	7,599,256	1,178,846	8,778,102
Accumulated depreciation			
At beginning of year	3,259,296	375,052	3,634,348
Charge for the year	1,285,672	265,308	1,550,980
Net foreign currency exchange differences	94,729	0	94,729
At end of year	4,639,696	640,360	5,280,056
Carrying amount			
Book value at beginning of year	2,796,457	464,453	3,260,910
Book value at end of year	2,959,560	538,486	3,498,046

The following useful lives are used in the calculation of depreciation:

Computers and equipment	3-4 years
Other tangible assets	4-5 years

Depreciation classified by operational category is specified as follows:

	2009
Cost of sales	244,860
Research and development	20,705
Publishing	0
Marketing	5,084
General and administrative	1,280,331
	1,550,980

11. Goodwill

	2010	2009
Carrying amount at beginning of year	4,252,956	4,252,956
Carrying amount at end of year	4,252,956	4,252,956

During the financial year, the Company assessed the recoverable amount of goodwill and determined that goodwill associated with certain of the Company´s projects have not suffered an impairment loss.

The recoverable amount of the cash-generating unit is determined based on a value in use calculation which uses cash flow projections based on medium term budgets. The discount rate of 22% (2009: 22.8%) per annum was used.

11.1 Allocation of goodwill to cash-generating units

	2010	2009
CCP hf.	4,252,956	4,252,956
	4,252,956	4,252,956

12. Other intangible assets

2010

	Capitalized development	Trademarks	Total
Cost			
At beginning of year	46,490,482	543,658	47,034,140
Additions	23,503,434	0	23,503,434
At end of year	69,993,916	543,658	70,537,574
Amortization			
At beginning of year	8,918,605	0	8,918,605
Charge for the year	6,459,875	0	6,459,875
At end of year	15,378,480	0	15,378,480
Carrying amount			
At beginning of year	37,571,877	543,658	38,115,535
At end of year	54,615,436	543,658	55,159,094

12. Other intangible assets (continued)

During the financial year, the Company assessed the recoverable amount of development cost and trademark and determined that those assets associated with Company´s projects have not suffered an impairment loss.

The recoverable amount of the cash-generating units (the projects in development) is determined based on a value in use calculation which uses cash flow projections for each project approved by the directors. The discount rate of 15.77 - 21.97% (2009: 14.63 - 27.06%) per annum was used.

Amortization of capitalized development cost in 2010 is almost exclusively due to EVE Online.

The following useful lives are used in the calculation of amortization:

Development cost 4 years

Amortization and impairment classified by operational category are specified as follows:

	2010
Cost of sales	0
Research and development	6,459,875
Publishing	0
Marketing	0
General and administrative	0
	6,459,875

2009

	Capitalized development	Trademarks	Total
Cost			
At beginning of year	29,478,746	543,658	30,022,404
Additions	17,011,736	0	17,011,736
At end of year	46,490,482	543,658	47,034,140
Amortization			
At beginning of year	3,533,441	0	3,533,441
Charge for the year	4,751,667	0	4,751,667
Impairment	633,497	0	633,497
At end of year	8,918,605	0	8,918,605
Carrying amount			
At beginning of year	25,945,305	543,658	26,488,963
At end of year	37,571,877	543,658	38,115,535

Notes

12. Other intangible assets (continued)

Amortization of capitalized development cost in 2009 is almost exclusively due to EVE Online.

Amortization and impairment classified by operational category are specified as follows:

	2009
Cost of sales	0
Research and development	5,385,164
Publishing	0
Marketing	0
General and administrative	0
	5,385,164

13. Subsidiaries

	Proportion of ownership	Principal activity
Shares in subsidiaries		
CCP North America Inc.	100%	Intellectual property creation
CCP Games UK Ltd	100%	Virtual world / Intellectual property creation
CCP Asia Ltd	100%	Holding
CCP Information Technology CO. Ltd	100%	Intellectual property creation

Dust Development in Newcastle has been dissolved and its operations merged into CCP Games UK Ltd.

14. Inventories

	2010.12.31	2009.12.31
Prepublication costs	22,900	86,669
Finished goods	1,121,235	1,656,071
Supplies in stock	5,546	0
Less reserve for obsolescence	(690,194)	(486,186)
	459,487	1,256,554

The Company's inventory is not pledged. The insurance value of the inventories is 2.3 million (2009: 2.3 million).
The cost of inventories recognized as an expense during the year was 1.4 million (2009: 1.3 million).
The cost of inventories recognized as an expense includes 459 thousand (2009: 510 thousand) in respect of write-downs of inventory to net realisable value.

All inventories are expected to be recovered in the next twelve months.

Notes

15. Trade and other receivables

15.1 Trade receivables

	2010.12.31	2009.12.31
Trade receivables	626,405	1,215,827
Credit card receivables	1,635,561	2,012,069
Allowances for doubtful accounts	(141,681)	(362,450)
	2,120,285	2,865,446

Trade receivables disclosed above are classified as loans and receivables and are therefore measured at amortized cost.

The average credit period on sales of goods is 19 (2009:21) days. An allowance has been made for doubtful accounts. This allowance has been determined by management in reference to prior default experience. The directors consider that the carrying amount of trade receivables approximates their fair value.

Trade receivables disclosed above include amounts (see below for aged analysis) which are past due at the end of the reporting period but against which the Group has not recognized an allowance for doubtful receivables because there has not been a significant change in credit quality and the amounts.

Aging of trade receivables

	2010.12.31	2009.12.31
0 - 90 days	1,996,485	2,694,155
Older than 90 days	123,800	171,291
	2,120,285	2,865,445

Movement in the allowance for doubtful debts:

	2010.12.31	2009.12.31
Balance at beginning of year	362,450	420,068
Amounts written off as uncollectable	(220,769)	(57,618)
Balance at end of year	141,681	362,450

In determining the recoverability of trade receivables, the Company considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

15.2 Other receivables

	2010.12.31	2009.12.31
Value added tax	212,534	268,973
Prepaid expenses	725,408	375,772
Capital income tax	14,473	5,417
Deposit	824,818	864,436
Income tax receivable	3,103,232	1,986,000
Unpaid equity offering	0	16,471,358
Other receivables	919,646	289,057
	5,800,111	20,261,013

Notes

16. Cash and cash equivalents

The Company´s cash and cash equivalents consist of cash and bank balances.

	2010.12.31	2009.12.31
Bank balances in USD	8,747,070	1,401,496
Bank balances in EUR	601,979	994,075
Bank balances in GBP	1,355,024	1,184,083
Bank balances in other currencies	519,598	223,849
Cash	0	762
	11,223,672	3,804,265

17. Equity

17.1 Issued capital

Issued capital is specified as follows:

	2010.12.31	2009.12.31
Share capital	123,526	123,315
Share premium	20,178,172	20,027,263
	20,301,698	20,150,578

Shares issued and outstanding at year-end totalled 9,272,938 (2009: 9,247,958). The nominal value of each share is one Icelandic krona, totaling 123,526 of nominal capital.

Issued capital comprises:

9,272,938 fully paid ordinary shares (December 31, 2010 and January 1, 2010: 8,332,466)	20,301,698	3,677,204
Partly paid ordinary shares (December 31, 2010 and January 1, 2010: 915,492)	0	16,473,374
	20,301,698	20,150,578

17. Equity (continued)

Changes in share capital are as follows:	Total numbers of shares*	Share capital	Share premium	Issued capital
Balance at January 1, 2009	8,307,219	115,953	3,458,975	3,574,928
Increase in share capital	940,739	7,362	16,568,289	16,575,651
Share capital as of January 1, 2010	9,247,958	123,315	20,027,265	20,150,578
Increase in share capital	24,980	211	150,909	151,120
Balance at December 31, 2010	9,272,938	123,526	20,178,173	20,301,698

*Each share is one ISK

17.2 Foreign currency translation reserve	2010.12.31	2009.12.31
Balance at beginning of year	456,501	625,859
Arising on translation of foreign operations	67,506	(169,358)
Balance at end of year	524,007	456,501

Exchange differences relating to the translation of the net assets of the Company's foreign operations from their functional currencies to the Company's presentation currency (i.e USD) are recognized directly in other comprehensive income and accumulated in the foreign currency translation reserve. Exchange differences previously accumulated in the foreign currency translation reserve are reclassified to profit or loss on the disposal or partial disposal of the foreign operation.

17.3 Equity-settled employee benefits reserve	2010.12.31	2009.12.31
Balance at beginning of year	3,460,349	966,076
Expensed during year	204,496	2,494,273
Balance at end of year	3,664,845	3,460,349

The equity-settled employee benefits reserve relates to share options granted to employees under the employee share option plan. Further information about share-based payments to employees is set out in note 18.

17.4 Retained earnings	2010.12.31	2009.12.31
Balance at beginning of year	19,865,121	13,674,891
Profit for the year	5,414,758	6,190,230
Balance at end of year	25,279,879	19,865,121

18. Share-based payments

Employee share option plan

The Company has an ownership-based compensation scheme for its employees. In accordance with the provisions of the plan, as approved by shareholders at a previous annual general meeting, employees may be granted options to purchase ordinary shares at a specific exercise price, usually being the current estimated spot price. The number of shares that an employee is entitled to buy under the option agreement can vary between employees. The number is based on the employee's status and responsibility within the Company.

No amounts are paid or payable by the recipient on receipt of the option. The options carry neither rights to dividends nor voting rights. The options are both granted in ISK and USD. Therefore the Company´s obligations under the share option plan in ISK are translated into USD at each balance sheet date. Options may be exercised at any time from the date of vesting to the date of their expiry.

The options are split into 5 portions, each for 20% of the total number of shares under the option agreement. The first portion vests one year after signature and the last portion vests five years after signature. The options granted expire within twelve months of the last portion's vesting date, or within 90 days of the resignation of the employee, whichever is the earlier.

The following share-based payment arrangements were in existence during the current and comparative reporting periods:

Options series	Number	Grant date	Expire date	Exercise price	Cumulative provision
(1) Issued in the year 2005*..........	21,000	1/7 2005	2011	ISK 90	289,612
(2) Issued in the year 2006*..........	28,000	1/12 2006	2012	ISK 90	300,060
(3) Issued in the year 2006*..........	292,200	Various	2012	ISK 800	2,317,332
(4) Issued in the year 2007*..........	6,400	Various	2013	ISK 800	54,960
(5) Issued in the year 2007*..........	65,200	Various	2013	ISK 1200	344,448
(6) Issued in the year 2007*..........	28,200	Various	2013	ISK 1400	119,455
(7) Issued in the year 2008*..........	46,200	Various	2014	ISK 1200	226,559
(8) Issued in the year 2008*..........	600	Various	2014	ISK 1400	1,910
(9) Issued in the year 2008*..........	218,200	Various	2014	USD 20	0
(10) Issued in the year 2009*........	2,400	Various	2015	ISK 600	10,509
(11) Issued in the year 2009*........	225,800	Various	2015	USD 20	0
(12) Issued in the year 2010*........	276,400	Various	2016	USD 20	0
					3,664,845

(*) During the year 2006, 2007, 2008, 2009 and 2010 the Company granted options to employees on various dates.

18. Share-based payments (continued)

The Company's shares are not traded on an active market. The necessary market related data inputs to estimate fair value at grant date therefore do not exist. The Company acknowledges that the granted options are a cost to the Company and therefore an alternative method is applied to derive the cost. At each balance sheet date the Company calculates the outstanding cumulative provision. This method is in line with the accounting for cash-settled share options. Since the options will be settled in shares but not cash the Company transfers the change in cumulative provision debit through comprehensive income and credit through share options reserve in equity.

	2010		2009	
	Number of options	Weighted average exercise price*	Number of options	Weighted average exercise price*
Balance at beginning of the year	918,400	14.9	710,820	13.7
Granted during the year	349,724	20.0	201,600	19.6
Forfeited during the financial year	(78,969)	0	(9,862)	0
Exercised during the financial year	21,445	5.8	15,842	5.4
Balance at end of the year	1,210,600	17.08	918,400	14.90
Exercisable at end of the year	561,188	12.25	331,206	7.58

(*)Weighted average exercise price in USD dollars.

19. Non-current liabilities

	Current		Non-current	
Secured - at amortized cost	2010.12.31	2009.12.31	2010.12.31	2009.12.31
Loans from bank institutions (i)	11,761,631	0	0	10,818,465
Financial lease liabilities (ii)	248,176	313,694	320,959	119,154
Bank overdraft	0	331,767	0	0
Other liabilities	63,986	63,986	117,270	175,961
Balance at end of year	12,073,793	709,447	438,229	11,113,580

19.1 Summary of borrowing arrangements

(i) Secured with a pledge of collateral in certain bank accounts and a secured lien on the receivables from the Company's principal billing partner. The loan is in the original principal amount of ISK 1.35 billion with interest payments only until maturity on October 28, 2011. The terms of such bank loan provide that the Company will not secure its property with respect to additional financial debt, other than permitted exceptions outlined in the agreement.

(ii) Secured by the assets leased. The borrowings are a mix of contracts with repayment periods not exceeding 5 years.

19. Non-current liabilities (continued)

Installments of non-current liabilities are specified as follows:

	2010.12.31	2009.12.31
Current maturities	0	377,680
Installments 2012 / 2011	221,068	10,846,049
Installments 2013 / 2012	185,167	27,584
Installments 2014 / 2013	0	0
Installments 2015 / 2014	0	0
Installments later	31,993	239,947
	438,229	11,491,260

20. Deferred tax assets (liability)

	2010.12.31	2009.12.31
Balance at beginning of period	(6,386,745)	(3,410,230)
Effect of previously unused tax losses and tax offsets now recognized as deferred assets	0	265,054
Calculated tax for the year	1,677,743	(339,238)
Effect of tax credit	(3,039,377)	(2,470,644)
Exchange difference	(174,920)	(191,628)
Permanent differences	74,658	(240,059)
Balance at end of period	(7,848,641)	(6,386,745)

The following are the major deferred tax liabilities and assets recognized:

	Asset	Liabilities	Net
2010			
Property, plant and equipment	18,284	(136,368)	(118,084)
Intangible assets	0	(11,402,518)	(11,402,518)
Trade receivables	53,172	0	53,172
Inventories	260,451	0	260,451
Tax loss carry forward	3,499,356	0	3,499,356
Effect of tax credit	0	(394,690)	(394,690)
Other items	254,554	(882)	253,672
Total tax asset/ (liabilities)	4,085,817	(11,934,458)	(7,848,641)
Tax asset and liabilities offsetting	(4,085,817)	4,085,817	0
	0	(7,848,641)	(7,848,641)

20. Deferred tax (continued)

	Asset	Liabilities	Net
2009			
Property, plant and equipment	34,771	(110,355)	(75,584)
Intangible assets	0	(7,269,360)	(7,269,360)
Trade receivables	130,519	0	130,519
Inventories	184,556	0	184,556
Tax loss carry forward	1,103,051	0	1,103,051
Tax credit	0	(557,411)	(557,411)
Other items	97,827	(343)	97,484
Total tax asset/ (liabilities)	1,550,724	(7,937,469)	(6,386,745)
Tax asset and liabilities offsetting	(1,285,670)	1,285,670	0
	265,054	(6,651,799)	(6,386,745)

21. Other non-current liabilities

	2010.12.31	2009.12.31
Inventory Credit	86,837	181,929
	86,837	181,929

Relates to inventory programs with certain distributors of U.S. physical product. If and when these relationships are terminated, this liability is expected to be extinguished by the transfer to such distributor(s) of ownership of an amount of inventory to be determined under the existing inventory program agreements.

22. Other current liabilities

	2010.12.31	2009.12.31
Value added tax and customs payable	2,702,332	2,507,601
Forward contracts	355,444	326,656
Salaries and related expenses payable	1,363,152	601,194
Accrued interest	184,756	238,466
Accrued vacation pay	1,735,873	1,394,898
Other liabilities	53,127	42,057
	6,394,684	5,110,872

23. Deferred income

Deferred income relating to unrecognized subscriptions fees

	2010.12.31	2009.12.31
Balance at beginning of year	3,372,026	2,353,451
Changes during the year	215,304	1,018,575
	3,587,330	3,372,026

24. Commitments

The Company has a rent contract for its office real estate in USA, UK, Shanghai and Iceland under noncancelable leases expiring in September 2013, July 2015, October 2010 and July 2022.

25. Financial instruments

25.1 Capital risk management

The Company manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance. The Company's overall strategy remains unchanged.

25.2 Categories of financial instruments

	2010.12.31	2009.12.31
Financial assets		
Loans and receivables (including cash and cash equivalents)	18,418,660	26,644,952
Financial liabilities		
Financial liabilities at amortized cost	22,283,641	20,419,094

25.3 Financial risk management objectives

The Company's management monitors and manages the financial risks relating to the operations of the Company through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk.

The Company seeks to minimize the effects of these risks for example by using derivative financial instruments to hedge these risk exposures. The Company does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

25.4 Market risk

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates (see 25.5 below) and interest rates (see 25.6 below). The Company enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign currency risk.

There has been no change to the manner in which the Company manages and measures the risk.

25. Financial instruments (continued)

25.5 Foreign currency risk management

The Company is mainly exposed to two currencies, ISK and EUR. The carrying amount of the Company's ISK/EUR denominated monetary assets and monetary liabilities at the reporting date is as follows:

	Currency net exposure	
	2010	2009
ISK	(12,971,127)	(12,053,338)
EUR	(1,795,665)	(1,805,542)

25.5.1 Foreign currency sensitivity

The table below shows what effects a 10% increase of the relevant foreign currency rate against the USD would have on P/L and equity. The foreign currency assets and liabilities in the sensitivity analysis are mainly foreign currency borrowings and foreign currency bank balances. The analysis is prepared assuming the amount outstanding at the balance sheet date was outstanding for the whole year. The analysis assumes that all other variables, excluding the relevant foreign currency rate, are held constant. The sensitivity analysis does not take into account tax effects. A positive number below indicates an increase in profit and other equity. A decrease of the relevant foreign currency rate against the USD would have an opposite impact on P/L and equity.

	ISK Impact		EUR Impact	
	2010	2009	2010	2009
P/L and equity	(1,297,113)	(1,205,334)	(179,567)	(180,554)

25.6 Interest rate risk management

In the analysis below the effects of a 50 and 100 basis points decrease on P/L and equity are demonstrated. This sensitivity analysis below have been determined based on the exposure to interest rates at the balance sheet date. The analysis is prepared assuming the amount outstanding at the balance sheet date was outstanding for the whole year. The analysis assumes that all other variables, than basis points, are held constant. The sensitivity analysis does not account for tax effects. A positive number below indicates an increase in profit and other equity. An increase in basis points would have an opposite impact on income statement and equity.

	2010		**2009**	
	50 bps	100 bps	50 bps	100 bps
Effects on P/L and equity	61,586	123,172	55,750	111,501

25.7 Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. Trade receivables mainly consist of receivables from credit card companies and therefore the credit risk is limited to the credit card company but not to the customer.

25. Financial instruments (continued)

25.7 Credit risk management (continued)

The following table represents the Company's maximum exposure to credit risk without taking account of the value of any collateral obtained:

	Maximum credit risk	
	2010	2009
Accounts receivables	2,120,285	2,865,446
Other receivables	5,800,111	20,261,013
Cash and cash equivalents	11,223,672	3,804,265
	19,144,068	26,930,724

With respect to "Other receivables" 2009, 16.5 million relate to the equity offering completed by the Company in Q4 2009, as reflected in share capital in note 17. Of this amount, 9.9 million was received in Q1 2010, and the remaining 6.6 million in Q3 2010.

25.8 Liquidity risk management

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. On a regular basis the Company monitors the liquidity balance, development and the effects of market environment. Special attention is given to maintain an adequate level of liquid assets to cover repayments of borrowings and interest payments. The Company prepares a liquidity analysis to keep track of expected timing of expected payments.

25.8.1 Liquidity and interest risk tables

The following tables detail the Company's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay.

	2011	2012	2013	Total
2010				
Non-interest bearing	9,684,782	0	0	9,684,782
Floating interest rate instruments	12,073,793	262,533	262,533	12,598,859
Fixed interest rate instruments	0	0	0	0
	21,758,575	262,533	262,533	22,283,641

	2010	2011	2012	Total
2009				
Non-interest bearing	8,414,138	0	0	8,414,138
Floating interest rate instruments	513,696	11,491,260	0	12,004,956
Fixed interest rate instruments	0	0	0	0
	8,927,834	11,491,260	0	20,419,094

25. Financial instruments (continued)

The following table details the Company's expected maturity for its non-derivative financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the Company anticipates that the cash flow will occur in a different period.

2010	2011	2012	2013	Total
Non-interest bearing	7,194,988	0	0	7,194,988
Interest bearing	11,223,672	0	0	11,223,672
	18,418,660	0	0	18,418,660

2009	2010	2011	2012	Total
Non-interest bearing	26,644,952	0	0	26,644,952
Interest bearing	0	0	0	0
	26,644,952	0	0	26,644,952

25.9 Fair value of financial instruments

In specific circumstances, certain assets and liabilities are reported or disclosed at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the Company's principal market for such transactions. If the Company has not established a principal market for such transactions, fair value is determined based on the most advantageous market. Valuation inputs used to determine fair value are arranged in a hierarchy that categorizes the inputs into three broad levels, which are as follows:

- Level 1 inputs are unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2 inputs are directly or indirectly observable valuation inputs for the asset or liability, excluding Level 1 inputs
- Level 3 inputs are unobservable inputs for the asset or liability.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs.

The Company's financial instruments, including cash and cash equivalents, accounts receivable, inventory, accounts payable, and accrued liabilities, are carried at cost, which approximates their fair value because of the short-term nature of these financial instruments. The carrying value of capital lease obligations are based on the instruments' interest rate, terms, maturity date and collateral, if any, in comparison to the Company's incremental borrowing rate for similar financial instruments. The Company's forward contract reported under other current liabilities is the sole deriavative financial liability valued at fair value and belongs to level 2 in the fair value hierarchy.

26. Approval of Financial Statements

The Consolidated Financial Statements were approved by the Board of Directors on April 13, 2011.

Notes

27. Ratios

From Statement of Earnings	For the twelve months ended December 31, 2010	2009
EBITDA	14,934,775	14,823,950
a) Contribution margin on operation	25.2%	26.8%
b) Profit margin on operating revenues	9.1%	11.2%
c) Earnings per share (EPS)	0.58	0.74
d) Asset turnover ratio	0.75	0.93
e) Trade receivables turnover ratio	23.04	19.19

Definitions

a) EBITDA/operating revenue
b) Net profit/operating revenue
c) Earnings per share (EPS)
d) Operating Revenues/average total assets
e) Sales/average trade receivable

	For the twelve months ended December 31, 2010	2009
Liquidity ratios		
a) Quick or acid-test ratio	0.76	2.16
b) Current ratio	0.77	2.26
c) Equity ratio	0.60	0.59

Definitions

a) (Current assets - inventories)/current liabilities
b) Current assets/current liabilities
c) Equity/total assets

Expenses as a Percentage of Operating Revenue:

	For the twelve months ended December 31, 2010	2009
Cost of sales	10.3%	14.0%
Research and development expenses	18.8%	16.9%
Publishing expenses	14.9%	13.0%
Marketing expenses	16.5%	17.0%
General and administrative expenses	28.6%	24.7%
Total expenses	89.0%	85.7%