

# Financial Statements **2 0 1 2**

Landspítali the National University Hospital of Iceland



[www.landspitali.is](http://www.landspitali.is)

## Table of contents

	Page
Confirmation of the Financial Statements .....	3
Independent Auditors' Report .....	4
Income Statement .....	5
Balance Sheet .....	6
Statement of Cash Flows .....	7
Notes to the Financial Statements .....	8

## Report of the Executive Committee of Landspítali and Confirmation of the Financial Statements for the year 2012

Landspítali, the National University Hospital of Iceland (Landspítali) operates under the Health Services Act no. 40/2007, Patients' Rights Act no. 74/1997, Physicians Act no. 53/1988, Nursing Act no. 8/1974, Administrative Procedure Act no. 37/1993, Information Act no. 50/1996, Government Financial Reporting Act no. 88/1997, and other laws, regulations and other official edicts which may pertain to the hospital as a whole or to individual segments of its operations.

Landspítali is a knowledge-based organisation in the service of patients and the public. The role of the Hospital is threefold, i.e. service to patients, education in medical sciences and research. The values of the Hospital are *Compassion, Professionalism, Safety and Progress*. The Hospital places emphasis on the wellbeing of its employees. During the year 2012, an average of 4,596 employees worked at the Landspítali in 3,643 full-time equivalent units.

The turnover for the year 2012 amounted to ISK 45,053 million. There was a surplus for the year as operating revenue and allotment from the Icelandic State budget exceeded operating expenses by ISK 16.4 million. According to the balance sheet, accumulated deficit amounts to ISK 2,951 million at year-end 2012. The assets of the Hospital amount to ISK 2,328 million and its liabilities amount to ISK 5,095 million. Thereof, the liability of Landspítali towards the Icelandic State Treasury amounts to ISK 2,365 million at year-end.

The Chief Executive Officer and Chief Executive of Finance and Information hereby confirm the financial statements of Landspítali for the year 2012 by means of their signatures on behalf of the Executive Committee.

Reykjavík, 17 April 2013.



Björn Zoëga  
Chief Executive Officer



María Heimisdóttir  
Chief Executive of Finance and Information

## Independent Auditors' Report

To Landspítali and the Ministry of Welfare

We have audited the financial statements of Landspítali for the year 2012. The financial statements comprise the management's report, income statement, balance sheet, statement of cash flows, information on significant accounting policies and other explanatory notes. The financial statements are presented by the management of the institution, who is responsible for their preparation and presentation in accordance with the Government Financial Reporting Act.


Our responsibility is to express an opinion on these financial statements based on our audit. The audit consisted of the following procedures:

- verification that the financial statements give a true and fair view of the operations and financial position in accordance with Generally Accepted Accounting Principles for Group-A State Institutions,
- review of internal control and assessment of whether it insures appropriate performance,
- verification of whether the accounts are in accordance with the fiscal budget law, additional fiscal budget and other laws, legal instructions, operating practice and projects where applicable and;
- review and attestation of the reliability of key ratios on the activity and performance if presented in the financial statements.

The audit is based on an organised process of procedures and professional judgement aimed at confirming the amounts and other information in the financial statements. The audit includes, among other things, risk analysis, analytical procedures, sampling and examination of evidence in order to verify the amounts and other information in the financial statements. The audit also includes evaluating the accounting policies and valuation rules applicable to Group-A State Institutions. We believe that the audit has provided a sufficiently reliable basis for the confirmation of the lawfulness of the financial statements.

In our opinion, the financial statements give a true and fair view of the financial position of Landspítali as at 31 December 2012, and of its financial performance and cash flows for the year then ended in accordance with the Government Financial Reporting Act.

The Icelandic National Audit Office, 17 April 2013



Sveinn Arason,  
Auditor General



Óskar Sverrisson  
State Authorised Public Accountant

## Income Statement for the Year 2012

	Notes	2012	2011
<b>Revenues</b>			
Service income .....	13	3,073,187	2,728,284
Other income .....	14	1,055,343	823,333
S-labelled medication, sales to IHIA .....	15	4,446,488	4,003,790
S-labelled medication, reclaimable cost .....	15	( 4,346,477)	( 3,919,020)
<b>Total revenues</b>		<u>4,228,541</u>	<u>3,636,387</u>
 <b>Expenses</b>			
Salaries and related expenses .....	16	28,810,329	27,061,128
Cost of goods used .....	17	6,893,772	6,107,986
Purchased services and rental expenses .....	18	2,941,754	2,919,569
Other operating expenses .....	19	1,197,760	928,223
		<u>39,843,615</u>	<u>37,016,906</u>
Capital expenditure and improvements .....	20	874,946	1,172,787
<b>Total expenses</b>	12	<u>40,718,561</u>	<u>38,189,693</u>
Deficit before finance items .....		( 36,490,020)	( 34,553,306)
Finance income and (expenses) .....	21	28,226	18,973
<b>Deficit before allotment from the Icelandic State budget ..</b>		<u>( 36,461,794)</u>	<u>( 34,534,333)</u>
Allotment from the Icelandic State budget .....	10, 22	36,478,200	34,539,100
<b>Surplus for the year</b>	10	<u>16,406</u>	<u>4,767</u>

## Balance Sheet as at 31 December 2012

Assets	Notes	2012	2011
<b>Financial investments</b>			
Shares .....	23	2,500	2,500
<b>Current assets</b>			
Inventories .....	6, 24	661,799	535,765
Accounts receivable .....	7, 25, 26	1,639,342	1,127,700
Cash and cash equivalents .....	8	23,959	16,953
Current assets		2,325,100	1,680,418
<b>Total assets</b>		2,327,600	1,682,918
 <b>Equity and liabilities</b>			
<b>Equity</b>			
<b>Capital</b>			
Capital at the beginning of the year .....		( 2,967,122)	( 2,889,639)
Take over of the capital of St. Jósefsspítali .....		0	( 82,251)
Take over of the capital of Rjóður .....		4	0
Surplus for the year .....		16,406	4,768
Accumulated deficit	10	( 2,950,712)	( 2,967,122)
<b>Other equity</b>			
Contribution for asset formation .....		180,494	180,494
Take over of contribution for asset formation of St. Jósefsspítali .....	10	2,618	2,618
Other equity		183,112	183,112
Total equity		( 2,767,600)	( 2,784,010)
 <b>Liabilities</b>			
<b>Short-term liabilities</b>			
Icelandic State Treasury .....	27	2,364,913	2,366,788
Accounts payable .....	11, 28	2,730,287	2,100,140
Short-term liabilities		5,095,200	4,466,928
<b>Total equity and liabilities</b>		2,327,600	1,682,918
Off-balance sheet assets .....	31		
Off-balance sheet obligations .....	32		

Amounts are in ISK thousand

## Statement of Cash Flows for the Year 2012

	Notes	2012	2011
<b>Cash flows from operating activities</b>			
Working capital:			
Surplus for the year .....		16,406	4,768
<b>Working capital</b>		<u>16,406</u>	<u>4,768</u>
Changes in operating assets and liabilities:			
Inventories, (increase) .....		( 126,034)	( 7,557)
Accounts receivable, (increase) .....		( 511,642)	30,524
Accounts payable, increase .....		630,147	220,683
		<u>( 7,529)</u>	<u>243,650</u>
<b>Cash generated from operating activities</b>		<u>8,877</u>	<u>248,418</u>
 <b>Cash flows from investing and financing activities</b>			
Liabilities in excess of assets taken over from St. Jósefsspítali .....	10	0	( 79,633)
Assets in excess of liabilities taken over from Rjóður .....		4	0
Change in payment balance with the Icelandic State Treasury:			
Allotment from the Icelandic State budget .....		( 36,478,200)	( 34,539,100)
Paid from the Icelandic State Treasury .....		36,476,325	34,368,286
<b>Net cash used in investing and financing activities</b>		<u>( 1,871)</u>	<u>( 250,447)</u>
Increase (decrease) in cash and cash equivalents .....		7,006	( 2,029)
Cash and cash equivalents at the beginning of the year .....		<u>16,953</u>	<u>18,981</u>
<b>Cash and cash equivalents at the end of the year</b>		<u>23,959</u>	<u>16,953</u>

# Notes to the Financial Statements

## Accounting policies

### 1. Basis of preparation:

The financial statements of Landspítali, the National University Hospital of Iceland (Landspítali) for the year 2012 are prepared in accordance with the Government Financial Reporting Act no. 88/1997, Financial Statements Act no. 3/2006, and the Regulation on the Presentation and Content of Financial Statements no. 696/1996.

According to the Government Financial Reporting Act, Group-A State Institutions are not allowed to capitalise items of property, plant and equipment but they are required to expense them in the year of acquisition. Institutions are in general not allowed to borrow funds or enter into long-term financial obligations without special authorisation. Authorisation has been obtained for the long-term liabilities which are disclosed in these financial statements.

### 2. Accounting and financial matters:

The books of Landspítali are kept by the Hospital in the coordinated accounting system for State Institutions. The Hospital handles itself all its finance matters, payroll and personnel management.

### 3. Taxes:

Landspítali does not pay income tax.

### 4. Recognition of revenues:

The revenues of the Hospital from patient care and other operations are in general recognised in the month in which they accrue. The total allotment from the Icelandic State budget is recognised in accordance with the provisions of the fiscal budget law and supplementary fiscal budget law.

### 5. Recognition of expenses:

The expenses of the Hospital are in general recognised in the month in which they are incurred. Accrued but unpaid expenses at year-end are recognised in the income statement and as liabilities in the balance sheet.

### 6. Inventories:

Inventories are measured at cost based on stocktaking, taking into account the precautionary provision for old goods.

### 7. Accounts receivable:

Accounts receivable are recognised in the balance sheet at nominal value, taking into account the allowance for estimated impairment losses on outstanding receivables.

### 8. Cash and cash equivalents:

Cash and cash equivalents consist of cash on hand and bank deposits.

### 9. Pension fund obligation:

The Hospital has unpaid pension fund obligation due to current and former employees of the institution. In accordance with accounting practices for Group-A State Institutions, this obligation is not recognised in the financial statements of Landspítali as the total pension fund obligation of State Institutions is recognised entirely by the Icelandic State Treasury.



## Notes to the Financial Statements

### 10. Equity:

Accumulated deficit of the Hospital amounted to ISK 2,951 million at year end. Following is the statement of changes in equity for the year 2012.

Accumulated deficit at 1 January 2012 .....	(	2,967,122)
Take-over of the capital of Rjóður at 1 January 2012 .....		4
Deficit before allotment from the Icelandic State budget .....	(	36,461,794)
Allotment from the Icelandic State budget for the year .....		<u>36,478,200</u>
Surplus for the year		<u>16,406</u>
		<u>16,406</u>
<b>Accumulated deficit at 31 December 2012</b>		<b><u>( 2,950,712)</u></b>

### 11. Accounts payable:

Accounts payable are recognised at nominal value plus accrued interest.

### Breakdowns and notes

### 12. Segment reporting:

Landspítali is organized as 13 separate operating units in the year 2012. Capital expenditure and acquisitions of equipment are included in other expenses. Expenses of each operating unit for the year 2012 are as follows.

	<b>2012</b>	<b>2011</b>
Office of the Chief Executive Officer .....	368,470	314,903
Division of Human Resources .....	162,002	154,197
Division of Finance and Information .....	779,650	765,923
Division of Facilities and Operational Services .....	4,217,770	3,912,733
Division of Science, Education and Innovation .....	306,101	285,940
Division of Internal Medicine Services .....	10,024,039	9,294,440
Division of Surgical Services .....	9,375,166	8,617,744
Division of Mental Health Services .....	3,283,148	3,127,592
Division of Women and Children Services .....	4,640,236	4,135,373
Division of Diagnostic Medicine Services .....	4,044,845	3,792,166
Division of Emergency Services .....	2,854,091	2,354,594
Chief Medical and Chief Nursing Executives, Clinical Support Services .....	<u>292,210</u>	<u>434,649</u>
	40,347,730	37,190,254
Other expenses .....	<u>370,831</u>	<u>999,439</u>
<b>Total</b>	<b><u>40,718,561</u></b>	<b><u>38,189,693</u></b>

## Notes to the Financial Statements

### 13. Service income:

Service income consists of the Hospital's income from clinical services to individuals, other hospitals and clinics, and from leasing of various assistive devices due to illnesses. Revenue from these services increased from the year 2011 by 12.6%

	<b>2012</b>	<b>2011</b>
Diagnostic tests .....	1,234,283	1,163,043
Outpatients and emergency division patients .....	615,259	589,379
Per diem payments and income from uninsured patients .....	434,479	430,419
Consulting services, other .....	567,534	379,776
Assistive devices and other sold services .....	221,632	165,667
<b>Total</b>	3,073,187	2,728,284

### 14. Other income:

Other income of the Hospital consists of various items, other than income from clinical services. This income increased between years by 28.2%.

Meal sold in staff canteen .....	105,595	2,703
Research and development projects .....	124,060	94,959
Other sold services .....	100,164	87,973
Contributions from public entities .....	56,532	76,002
Contributions and gifts .....	155,626	228,249
Sale of goods .....	156,096	83,422
Rental income .....	81,949	83,241
Other income .....	275,321	166,784
<b>Total</b>	1,055,343	823,333

### 15. S-labelled medication:

The Icelandic Health Insurance Agency (IHIA) covers the cost of S-labelled medication to outpatients. S-labelled medication are those medications solely intended for hospital use. Landspítali handles purchases of the medication but reclaims the cost from the Icelandic Health Insurance Agency.

S-labelled medication, sales to IHIA excluding VAT and handling fee .....	4,346,477	3,919,017
S-labelled medication, mark-up and preparation fee .....	100,011	84,773
S-labelled medication, reclaimable costs .....	(4,346,477)	(3,919,020)
<b>Total</b>	100,011	84,770

### 16. Salaries and related expenses:

Salary related expenses of Landspítali increased from the previous year by 6.5%.

Daytime wages .....	16,819,622	15,685,108
Overtime .....	2,327,558	1,781,568
Additional salaries .....	3,645,346	3,467,747
Other salaries .....	537,379	823,528
Salary related expenses .....	5,480,424	5,303,177
<b>Total</b>	28,810,329	27,061,128

## Notes to the Financial Statements

In 2012 the average full-time equivalent employees at Landspítali were 3,643 compared to 3,641 in the year 2011. In the year 2012, employees numbered 4,596 on average each month in either part-time or full-time occupation, compared to 4,524 in the year 2011. The calculation takes into account all employees on payroll.

### 17. Cost of goods used:

The following breakdown shows the various items of goods purchased, including changes in inventories where applicable. The cost of goods used increases between years by 12.9%. Note no. 24 includes information on inventory at the end of the years 2011 and 2012.

	<b>2012</b>	<b>2011</b>
Medical and nursing goods .....	3,400,165	2,877,850
Medication .....	1,404,627	1,331,550
Reagents and other laboratory supplies .....	789,796	747,847
	<u>5,594,588</u>	<u>4,957,247</u>
Food .....	535,143	416,265
Electricity and fuel .....	358,777	316,462
Subscriptions, books and office supplies .....	149,731	173,175
Construction supplies .....	87,339	98,284
Linen, clothing and sanitary products .....	168,194	146,552
	<u>1,299,184</u>	<u>1,150,738</u>
<b>Total</b>	<u>6,893,772</u>	<u>6,107,986</u>

### 18. Acquired services and rental expenses:

Purchase of services and rental expenses amounted to a total of ISK 2,942 million in the year 2012. This item increases between years by 0.8%. The biggest cost items are acquired consulting services and contractor services in addition to rental and licence fees.

Consulting services .....	819,656	873,412
Contractor services .....	888,318	855,183
Rental and licence fees .....	458,240	461,074
Travel, meetings and hospitality .....	307,390	272,788
Acquired transportation .....	262,914	257,547
Transportation services .....	94,180	97,318
Other .....	111,056	102,247
	<u>2,941,754</u>	<u>2,919,569</u>
<b>Total</b>		

## Notes to the Financial Statements

### 19. Other operating expenses:

Other operating expenses consist among others of levy on real estate and other public levies, intra-mural research grants and acquisition of various minor equipment. The cost increases between years by 29.0%.

	<b>2012</b>	<b>2011</b>
Levies and insurance .....	383,371	372,066
Intra-mural grants for research and quality projects .....	249,385	165,285
Tools, equipment and spare parts .....	484,183	327,084
Various irregular expenses .....	80,821	63,788
<b>Total</b>	1,197,760	928,223

### 20. Capital expenditure and improvements:

The capital expenditure of the Hospital consists among others of acquisition of various equipment and real estate, in addition to improvements to buildings and land.

Tools and equipment .....	566,979	774,194
Improvements of furnishings and facilities .....	219,217	314,363
Reconstruction of buildings and external improvements .....	74,262	55,777
Fire safety .....	7,111	21,411
Other .....	7,377	7,042
<b>Total</b>	874,946	1,172,787

### 21. Finance income and (expenses):

Interest income arises mainly from accounts receivable. The receivables, including interest receivable, are written down at year-end due to known or predicted risk of loss, see further note no. 26.

Interest income .....	38,755	30,193
Foreign exchange difference .....	( 4,607)	( 3,930)
Interest expense .....	( 5,922)	( 7,290)
<b>Total</b>	28,226	18,973

### 22. Allocated funds and operations:

The Icelandic State budget for the year 2012 allocated ISK 36,275.6 million to Landspítali. In a supplementary budget for 2012 was this amount increased by ISK 202.6 million mainly due to increased costs of labor. Thus, the total amount of state funds allocated to Landspítali in the year 2012 was ISK 36,478.2 million.

	<b>Fiscal</b>	<b>Allocated</b>	<b>Financial</b>	<b>Difference</b>
	<b>budget law</b>	<b>funds</b>	<b>statements</b>	
Salaries and related expenses .....	( 29,104,000)	( 28,847,667)	( 28,810,329)	37,338
Other operating expenses and interest .....	( 9,859,600)	( 14,875,019)	( 11,005,060)	3,869,959
Capital expenditure and improvements .....	( 564,000)	( 743,621)	( 874,946)	( 131,325)
Revenues from patient care and other operations .....	3,252,000	7,988,107	4,228,541	( 3,759,566)
<b>Total</b>	( 36,275,600)	( 36,478,200)	( 36,461,794)	16,406

## Notes to the Financial Statements

### 23. Shares:

Landspítali holds shares in the Icelandic University Research Network. The shareholding is recognised at nominal value. In addition, the Hospital holds shares in eight private limited liability companies in Iceland and one in Latvia, all of which are defined as entrepreneurial start-up companies. Landspítali has acquired the shares without direct monetary payment but received them as consideration for creation of facilities, temporary work contribution of employees or by assignment of rights. There is significant uncertainty about the real financial value of most of those shares. The shares are not recognised in the balance sheet.

### 24. Inventories:

The book value of the inventories of the Hospital increases by 23.5% between the years 2011 and 2012. The change between years is mainly due to the recording of stock of S-labelled medication. Inventories at year-end 2012 are measured at cost, taking into account 7.5% precautionary provision for old goods.

	<b>2012</b>	<b>2011</b>
Medical and nursing supplies .....	195,648	175,366
Medication .....	149,685	80,764
Research and radiology supplies .....	258,076	227,379
Supplies .....	41,833	41,298
Food .....	16,557	10,958
<b>Total</b>	<b>661,799</b>	<b>535,765</b>

### 25. Accounts receivable:

Accounts receivable arise mainly from services sold to the Icelandic Health Insurance Agency, health care providers and individual patients. The following table specifies the outstanding receivables at year-end by main types of debtors.

Health Care organizations .....	209,309	136,683
The Icelandic Health Insurance Agency .....	607,685	330,319
Private parties .....	608,159	504,090
Firms and various institutions .....	207,870	143,580
Other receivables .....	195,354	168,367
<b>Total receivables</b>	<b>1,828,377</b>	<b>1,283,039</b>
Impairment of receivables .....	(189,035)	(155,339)
	<b>1,639,342</b>	<b>1,127,700</b>

### 26. Impairment of accounts receivable:

Accounts receivable are written down at year-end in order to meet known or predicted impairment losses. The allowance for impairment at year-end and changes thereto during the year are specified as follows:

		<b>2012</b>
Allowance for impairment at 1 January 2012 .....		155,339
Receivables written-off during the year 2012 .....	(	82,946)
Impairment loss for the year 2012 .....		116,642
Allowance for impairment at 31 December 2012 .....		189,035

## Notes to the Financial Statements

### 27. The Icelandic State Treasury:

The payment balance of Landspítali with the Icelandic State Treasury is especially disclosed in the balance sheet. This balance shows a difference between the allotment from the Icelandic State budget and the payments from the Icelandic State Treasury to the Hospital. At year-end the liability of the Hospital towards the Icelandic State Treasury amounted to ISK 2,365 million. The balance and transactions with the Icelandic State Treasury were as follows:

	<b>2012</b>
Balance at 1 January 2012 .....	(2,366,788)
Allotment from the Icelandic State budget .....	36,478,200
Received payments .....	<u>(36,476,325)</u>
Balance at 31 December 2012 .....	<u>( 2,364,913)</u>

### 28. Accounts payable:

Accounts payable arise mainly from acquisitions of medication and other goods from suppliers.

### 29. Five year operating overview:

The accompanying overview shows the development in the financial performance and position of the Hospital during the years 2008-2012 (price level of each year).

#### Overview of the income statement and balance sheet for the years 2008-2012, at the price level of each year:

*Amounts are in ISK million*

	2012	2011	2010	2009	2008
<b>Income statement</b>					
Revenues .....	4,229	3,636	3,392	3,594	2,953
Expenses .....	( 39,815)	( 36,998)	( 35,277)	( 37,803)	( 39,539)
Capital expenditure and improvements .....	( 875)	( 1,173)	( 1,188)	( 1,020)	( 999)
Expenses in excess of revenues (	36,462)	( 34,534)	( 33,074)	( 35,229)	( 37,585)
Total allotment from the Icelandic State budget .....	<u>36,478</u>	<u>34,539</u>	<u>33,145</u>	<u>33,890</u>	<u>36,399</u>
Surplus (deficit) of the year	<u>16</u>	<u>5</u>	<u>71</u>	<u>( 1,339)</u>	<u>( 1,186)</u>
<b>Balance sheet</b>					
Financial investments .....	3	3	3	3	3
Current assets .....	<u>2,325</u>	<u>1,680</u>	<u>1,705</u>	<u>2,294</u>	<u>1,779</u>
Total assets	<u>2,327</u>	<u>1,683</u>	<u>1,708</u>	<u>2,297</u>	<u>1,782</u>
Capital .....	( 2,951)	( 2,967)	( 2,890)	( 2,960)	( 1,622)
Other equity .....	183	183	180	180	180
Short-term liabilities .....	<u>5,095</u>	<u>4,467</u>	<u>4,417</u>	<u>5,077</u>	<u>3,223</u>
Total equity and liabilities	<u>2,328</u>	<u>1,683</u>	<u>1,708</u>	<u>2,297</u>	<u>1,782</u>

## Notes to the Financial Statements

### 30. Special funds:

Landspítali provides diverse services to various non-profit organisations, special funds and projects which are related to the hospital and its operations. These services include cash-management, accounting and payroll. The financials of these parties are not part of the accounting of Landspítali.

These special funds can be mainly divided into two categories:

#### *Funds operating according to confirmed charter or fund rules*

This group contains 10 legal entities and 63 funds. Among the largest individual funds are funds related to the hospital's children's division. Bank accounts pertaining to these special funds are 51 in total and the deposit balance at year-end 2012 amounts to a total of ISK 569.1 million.

#### *Research and science projects*

A number of research groups and individual scientists hold responsibility for funds related to various independent research and science projects. The number of bank accounts associated with these projects at year-end 2012 was 202. Deposit balances on individual bank accounts range from a few thousand Icelandic krona up to ISK 48.1 million. In total, balances on these accounts at year-end 2012 amounted to ISK 521.3 million.

### 31. Off-balance sheet assets:

The real estate and other items of property, plant and equipment of Landspítali are not capitalised in the balance sheet, which is in accordance with provisions for Group-A Institutions in the Government Financial Reporting Act no. 88/1997. The taxation value and fire insurance value of the real estate of Landspítali at year-end 2012 are specified in the accompanying breakdown.

	Taxation value	Fire insurance value
Hringbraut .....	10,641,587	16,223,435
Fossvogur .....	4,666,205	7,675,330
Landakot .....	1,301,610	2,058,210
Kopavogur .....	1,105,250	1,122,700
Kleppur .....	1,774,196	1,476,240
Vífilsstaðir .....	745,873	1,087,815
Grensas .....	708,760	1,102,550
Tunguhals .....	394,950	523,950
Employees' vacation houses .....	159,574	263,819
Other assets .....	1,897,950	2,490,720
<b>Total</b>	<u>23,395,955</u>	<u>34,024,769</u>

Other items of property, plant and equipment of Landspítali which are not capitalised in the balance sheet consist mainly of medical equipment and technical infrastructure of the Hospital. Note no. 32 provides information about the financial obligations of Landspítali at year-end due to acquisition of various equipment. A register of assets is kept in accordance with legal requirements.

## Notes to the Financial Statements

### 32. Off-balance sheet obligations:

#### *Accrued leave and other salary related vacation rights*

Unredeemed accrued vacation of employees for the period from May to December 2012 has been calculated but not recognised in the financial statements according to accounting practices for Icelandic State Institutions. The same applies to the special vacation right of employees of the Hospital. Obligations due to accrued vacation and other employees' vacation rights at year-end 2012 are specified in the accompanying breakdown. These obligations are calculated so as to include salary related expenses.

	2012	2011
Vacation.....	2,116,261	2,018,685
Leave due to extended working hours .....	579,456	589,740
Leave due to irregular working hours .....	224,251	229,132
	<u>2,919,968</u>	<u>2,837,557</u>

#### *Contracts*

The Hospital has entered into asset leasing and operating lease contracts for financing the acquisition of items of property, plant and equipment and the outstanding balances of these obligations are not recognised in the financial statements. Instalments are expensed upon payment. Asset and operating lease contracts are in most cases in foreign currency, resulting in significant foreign exchange risk inherent in these obligations. In addition to these financing contracts, the Hospital has entered into various binding long-term software and service agreements for information systems. The main types of obligations are disclosed in the accompanying breakdown at present value and total payables over the next three years.

	Obligation 31.12.2012	2013	Payable 2014	2015
Computer equipment .....	118.989	49.001	40.343	36.014
Medical and other equipment .....	620.306	143.955	101.303	88.811
Total for equipment	<u>739.295</u>	<u>192.956</u>	<u>141.646</u>	<u>124.825</u>
Software and service agreements .....	578.620	217.047	215.430	171.506
<b>Total</b>	<u>1.317.915</u>	<u>410.003</u>	<u>357.076</u>	<u>296.331</u>

#### *Recalculation of purchase and finance lease contracts:*

Following the rulings by the Supreme Court of Iceland, uncertainty prevails over the possible recalculation by financing companies of four purchase and finance lease contracts in foreign currencies concluded by Landspítali in the last decade to finance the acquisition of equipment. Landspítali has always paid on time all instalments of the loan agreements. No obligation has been recognised in the financial statements due to this uncertain recalculation.

#### *Facility rental*

Landspítali has entered into several rental agreements with various terms. The financial obligations of the Hospital due to these contracts for the next three years amount to ISK 518.2 million at year-end 2012.









