Atorka Group hf

Consolidated Financial Statements 2005

Index

Atorka Group hf., Id no. 600390-2289
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The Board of Director´s and the CEO Report

Atorka Group hf (Atorka) is a progressive international investment company. Atorka's main investment strategy is to invest in companies, with strong cash flow generation, experienced management and growth potential, organic or external. Atorka looks, in general, to hold its investments for three to five years depending on an overall estimate for each given investment.

These Consolidated Financial Statements comprise the financial statement of the parent company Atorka Group hf and all it´s subsidiaries. They have been prepared in accordance with International Financial Accounting Standards and are covered by IFRS 1, First-time Adoption of IFRS. The total changes in Group´s shareholders equity, as a result of adoption of IFRS, is a ISK 169 million decrease.

In note 11 to the 2005 financial statement of Atorka Group hf (published 20 February 2006), it is stated that if the Company´s holdings in specific investment projects is not reduced, the assets, liabilites, revenues and expenses of these companies will be included in the financial statements as of the date of purchase, in line with IFRS no. 27 (Consolidated and separate financial statements). It has been established that this reduction did not take place; therefore, in accordance with this and a agreement with the Register of Annual Accounts, Atorka Group´s Board of Directors has decided to re-do the Company´s financial statements for 2005 and to prepare Consolidated Financial Statements for the Group. The effects is that net profit is 2,3 million lower and total equity is ISK 195,5 million higher than in previosly reported 2005 financial statement.

It is the Board's opinion that all information necessary to perceive the Group´s status as at 31 December 2005, its operational results for the period 1 January to 31 December 2005 and the Group's financial development is presented in the Consolidated Financial Statements. The Group´s net profit after taxes amounted to ISK 1.489 million and the Group´s equity amounted to ISK 9.940. For further information the Board of Directors and Chief Executive Officer refer to the 2005 Financial Statement Board of Director´s and the CEO Report (published 20 February 2006).

The Board of Directors and Chief Executive Officer of Atorka Group hf hereby ratify the Consolidated Financial Statements of Atorka Group hf for the year 2005 with their signatures.

Kópavogur, 30 March 2007.

Board of Directors of Atorka Group hf

Þorsteinn Vilhelmsson

Karl Axelsson

Hrafn Magnússon

Örn Andrésson

Ólafur Njáll Sigurðsson

Chief Executive Officer of Atorka Group hf

Magnús Jónsson

Independent Auditor´s Report

To the Shareholders and Board of Directors of Atorka Group hf

We have audited the accompanying consolidated financial statements of Atorka Group hf (the Group) and it´s subsidiaries which comprise the consolidated income statement for the year 2005 and the consolidated balance sheet as of 31 December 2005, statement of changes in equity and consolidated 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 as adopted by the EU. 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 accompanying consolidated financial statements give a true and fair view of the financial position of the Group as of 31 December 2005, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Reykjavík, 30 March 2007.

PricewaterhouseCoopers hf

Kristinn Freyr Kristinsson

Sighvatur Halldórsson

Consolidated Income Statement

	Notes	2005	2004
Financial Income			
Dividend income		219.279	746.141
Fair value changes on investments and other financial assets		1.722.177	3.021.897
Interest income and other related financial income	5	782.106	69.938
Interest expenses	5	(1.344.761)	(250.609)
Net financial income		1.378.800	3.587.367
Operating income			
Sales		16.288.242	0
Other operating income		740.863	0
Total operating income		17.029.105	0
Operating expenses			
Cost of sales, production - and processing cost		13.167.034	0
Administrative and other operating expenses		4.299.994	211.013
Total operating expenses		17.467.028	211.013
Net (loss) of disposal group held for sale		(19.327)	0
Reversal of badwill and impairment of goodwill	6	301.721	(140.000)
Profit before income tax		1.223.271	3.236.354
Income tax	8	265.793	(343.874)
Net profit		1.489.065	2.892.480
Attributable to:			
Equity holders of the company		1.484.660	2.892.480
Minority Interest		4.405	0
		1.489.065	2.892.480
Earnings per share	9		
Basic and diluted		0,54	1,16
Segment information	4		

The notes on pages 8 - 28 are an integral part of the consolidated financial statements.

Atorka Group hf. Consolidated financial statements 2005. Amounts in thousands of ISK

Consolidated Balance Sheet

Assets	Notes	31.12 2005	1.1 2005
Non-current assets			
Property, plant and equipment	11	3.549.147	1.125.208
Goodwill and other intangible assets	12	5.867.809	2.891.716
Loans and receivables	14	219.543	1.391.760
Available for sale financial assets	24	2.511	0
Deferred income tax assets	19	248.238	88.945
		9.887.248	5.497.629
Current assets			
Inventories and construction in progress	13	2.642.020	671.370
Trade and other receivables	14	3.953.497	2.010.361
Financial assets at fair value through profit and loss	23	12.268.318	9.119.408
Derivative financial instruments	16	15.939	240.866
Cash and cash equivalents	15	2.809.732	4.406.133
		21.689.506	16.448.137
Assets in disposal group classified as held for sale		1.961.013	0
Total assets		33.537.766	21.945.766
Equity			
Capital and reserves attributable to equity holders of Atorka Group hf			
Share capital	21	2.741.737	2.732.398
Share premium		3.114.687	3.070.171
Fair value and other reserves	22	505.626	208.638
Retained earnings		3.569.502	2.957.914
		9.931.552	8.969.121
Minority interest		8.240	3.177
Total equity		9.939.792	8.972.298
Liabilities			
Non-current liabilities			
Borrowings	18	14.191.555	10.031.597
Deferred income tax liabilities	19	1.024.585	1.070.379
Retirement benefit obligations	29	56.136	27.526
		15.272.276	11.129.503
Current liabilities			
Trade and other payables	17	5.145.432	1.410.605
Current tax liabilities		98.770	63.627
Borrowings	18	1.438.254	339.882
Derivative financial instruments	16	4.378	29.850
		6.686.834	1.843.965
Liabilites in disposal group classified as held for sale		1.638.864	0
Total liabilities		23.597.974	12.973.468
Total equity and liabilities		33.537.766	21.945.766

The notes on pages 8 - 28 are an integral part of the consolidated financial statements.

Atorka Group hf. Consolidated financial statements 2005. Amounts in thousands of ISK

Consolidated Statement of Changes in Shareholders' Equity

	Share capital	Share premium	Fair value and other reserves	Retained earnings	Minority interest	Total
Balance at 31 December 2004	2.732.398	3.070.171	208.638	3.127.032	3.177	9.141.416
Adoption of IFRS (note 30)				(169.118)		(169.118)
Balance at 1 January 2005	2.732.398	3.070.171	208.638	2.957.914	3.177	8.972.298
Balance at 1 January 2005	2.732.398	3.070.171	208.638	2.957.914	3.177	8.972.298
Currency translation differences			189.652		658	190.309
Net profit				1.484.660	4.405	1.489.065
Total recognised income and expenses for 2005	0	0	189.652	1.484.660	5.063	1.679.374
Purchases of treasury shares	(572.879)	(2.810.225)				(3.383.104)
Sales of treasury shares	582.218	2.854.741		52.883		3.489.842
Contribution to legal reserve			107.337	(107.337)		
Dividend				(818.617)		(818.617)
Balance at 31 December 2005	2.741.737	3.114.687	505.626	3.569.502	8.240	9.939.792

The notes on pages 8 - 28 are an integral part of the consolidated financial statements.

Atorka Group hf. Consolidated financial statements 2005. Amounts in thousands of ISK

Consolidated Cash Flow Statement

	2005
Cash flows from operating activities	
Net profit	2.007.285
Adjustments for items not affecting cash	(2.636.411)
Changes in working capital	978.883
	349.757
Cash flows to investing activities	
Purchase of shares in companies / acquisition of subsidiaries	(18.483.892)
Proceeds from sale of shares in companies	9.761.204
Proceeds from sale of other securites	(25.485)
Purchase of property, plant and equipment	(541.900)
Purchase of intangibles	(62.082)
Loans made	1.388.551
Other changes	80.500
Proceeds from sale of PPE	153.894
	(7.729.210)
Cash flows from financing activities	
Proceeds from (purchase of) treasury shares	1.203.496
Proceeds from borrowings	8.008.363
Repayments of borrowings	(2.606.080)
Dividends paid to group shareholders	(818.618)
	5.787.161
Net decrease in cash and cash equivalents	(1.592.293)
Exchange gains/(losses) on cash and bank overdrafts	(4.109)
Cash and cash equivalents at beginning of year	4.406.133
Cash and cash equivalents at end of the year	2.809.732

Operating, investing and financing activities not affecting cash flows:

Purchase of shares	1.175.697

The notes on pages 8 - 28 are an integral part of the consolidated financial statements.

Atorka Group hf. Consolidated financial statements 2005. Amounts in thousands of ISK

Notes to the Consolidated Financial Statements

1. General information

Atorka Group hf (the Company) is a strategic investment company, listed on the Icelandic Stock Exchange. The Company invests in equity share capital both in Iceland and abroad. The Company´s main investment approach is to build controlling stakes in the companies it invests its capital. The Company also invests in stock on a no-controlling basis but on a much smaller scale.

These Consolidated Financial Statements comprise the financial statements of the Atorka Group hf and it´s subsidiaries ("the Group") as listed in note 27.

The Company is a limited liability company incorporated and domiciled in Iceland. The address of its registered office is Hlíðarsmári 1, Kópavogur.

These Consolidated Financial Statements have been approved for issue by the board of directors on 30 March 2007.

2. Summary of significant accounting policies

2.1 Basis of preparation

The financial statements of Atorka Group hf have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU. They are covered by IFRS 1, International Financial Reporting Standards, First-time Adoption of IFRS, because they are the Company´s first IFRS financial statements.

The accounting policies, as adopted by the EU, depart from full IFRS in a few standards, interpretations and amendments in some areas related to the Company´s operations:

IFRS 7, Financial Instruments: Disclosured, and a complementary Amendment to IAS 1, Presentation of Financial Statements - Capital Disclosures (effective from 1 January 2007). IFRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments. The Company assessed the impact of IFRS 7 and the amendment to IAS 1 and concluded that the main additional disclosures will be the sensitivity analysis to market risk and the capital disclosures required by the amendment of IAS 1.

The Company will apply IFRS 7 and the amendment to IAS 1 from annual periods beginning 1 January 2007.

The financial statements of the Company have been prepared in accordance with Icelandic Generally Accepted Accounting Principles (GAAP) until 31 December 2004. GAAP differs in some areas from IFRS. In preparing the financial statements, management has amended certain accounting and valuation methods applied in the GAAP financial statements to comply with IFRS. The comparative figures for 2004 were restated to reflect these adjustments where they were appropriate.

Reconciliation and descriptions of the impact of the transision from GAAP to IFRS on the Company´s equity, balance sheet and net income are provided in note 30.

The financial statements of the Company have been prepared under the historical cost convention, as modified by the revaluation of financial assets (including derivative instruments) at fair value through profit or loss.

The preparation of Consolidated Financial Statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Consolidated Financial Statements, are disclosed in Note 3.

Notes to the Consolidated Financial Statements

2.2 Group accounting

Subsidiaries

Subsidiaries, which are those entities in which the Group has an interest of more than one half of the voting rights or otherwise has power to govern the financial and operating policies are consolidated. The existence and effect of potential voting rights that are presently exercisable or presently convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date on which control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.3 Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments. Business segments are defined in note 4.

2.4 Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity ("the functional currency"). The consolidated financial statements are presented in Icelandic Króna (ISK), which is the Group´s functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Notes to the Consolidated Financial Statements

Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
(iii) all resulting exchange differences are recognised as a separate component of equity (cumulative translation adjustment).

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2.5 Non-current assets and disposal groups classified as held for sale

Disposal group represent a subsidiary which is held for sale. Liabilities connected with the disposal group are recognised as a special liability on the balance sheet. The presentation and measurement of these assets and liabilities are based on IFRS 5, Non-Current Assets Held for Sale and Discontinued Operation. Items included under non-current assets held for sale are recognised at the lower of carrying amount or fair value less cost to sell, taken into account the measurement requirement exception in IFRS 5.

2.6 Property, plant and equipment

Land and buildings comprise mainly factories and offices. All property, plant and equipment (PPE) is shown at cost less subsequent depreciation and impairment, except for land, which is shown at cost less impairment. Cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation on assets is calculated using the straight-line method to allocate the cost of each asset to its residual value over its estimated useful life, as follows:

Land and buildings	20-50 years
Production equipment	5-15 years
Other equipment	3-8 years

Major renovations are depreciated over the remaining useful life of the related asset or to the date of the next major renovation, whichever is sooner.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see note 2.8).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement. Borrowing costs are expensed as incurred.

Notes to the Consolidated Financial Statements

2.7 Intangible assets

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each of those cash-generating units represents the Group's investment in each country of operation by each primary reporting segment (note 2.3).

Research and development

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when it is probable that the project will be a success, considering its commercial and technological feasibility, and costs can be measured reliably. Other development expenditures are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Development costs that have a finite useful life and that have been capitalised are amortised from the commencement of the commercial production of the product on a straight-line basis over the period of its expected benefit, not exceeding five years.

Computer software

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (three to five years).

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include the software development employee costs and an appropriate portion of relevant overheads.

Other intangible assets

Expenditure to acquire patents, trademarks and licenses is capitalised and amortised using the straight-line method over their useful lives, but not exceeding 3 years. Intangible assets are not revalued.

2.8 Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Notes to the Consolidated Financial Statements

2.9 Investments

The Group classifies its investments in the following categories: loans and receivables and financial assets at fair value through profit or loss. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorized as held for trading. Assets in this category are classified as current assets if they are either held for trading or are expected to be realized within 12 months of the balance sheet date.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and with no intention of trading. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are included in receivables and prepayments in the balance sheet (see note 14).

Purchases and sales of investments are recognized on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Investments are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Realized and unrealized gains and losses, arising from changes in the fair value of the financial assets at fair value through profit or loss category, are included in the income statement in the period in which they arise.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same and discounted cash flow analysis refined to reflect the issuer's specific circumstances.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

2.10 Derivative financial instruments and hedging activities

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. Derivatives with a positive market value are capitalized but derivatives with negative market value are recorded as liability.

The Company has committed in derivatives to diminish its currency risk. All shifts in derivatives fair value are immediately declared to the income statement. The Company does not designate any derivative as an hedging instruments and therefore does not use hedge accounting based on the IFRS requirements.

Notes to the Consolidated Financial Statements

2.11 Inventories

Inventories are stated at the lower of cost or net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of finished goods and work in process comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity) but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses. Costs of inventories include the transfer from equity of gains/losses on qualifying cash flow hedges relating to inventory purchases. Provision is raised against slow moving items.

2.12 Construction contracts in progress

Contractual construction in progress are stated at its foreseeable sales price related to its percentage of completeness. If a loss on work in progress is foreseeable it is immediately charged to income.

2.13 Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

2.14 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

2.15 Share capital

Ordinary shares are classified as equity.

Where the Company or its subsidiaries purchases the Company's equity share capital, the consideration paid including any attributable incremental external costs net of income taxes is deducted from total shareholders' equity as treasury shares until they are cancelled. Where such shares are subsequently sold or reissued, any consideration received is included in shareholders' equity.

2.16 Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Notes to the Consolidated Financial Statements

2.17 Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

2.18 Employee benefits

Profit sharing and bonus plans

Under some circumstances, a liability for key employee benefits in the form of profit sharing and bonus plans is recognised in other provisions when there is no realistic alternative but to settle the liability and at least the following condition is met:

– there is a formal plan and the amounts to be paid are determined before the time of issuing the financial statements.

Liabilities for profit sharing and bonus plans are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

2.19 Revenue recognition

Revenue comprises the invoiced value for the sale of goods and services net of value-added tax, commissions and discounts, and after eliminating sales within the Group. Revenue from the sale of goods is recognised when significant risks and rewards of ownership of the goods are transferred to the buyer. Revenue from sales of goods is based on the stage of completion determined by reference to work performed to date as a percentage of total work to be performed.

Interest income is recognised on a time proportion basis, taking account of the principal outstanding and the effective rate over the period to maturity. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised either as cash is collected or on a cost–recovery basis as conditions warrant.

Dividends are recognised when the right to receive payment is established.

Notes to the Consolidated Financial Statements

2.20 Leases

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset or the lease term.

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

2.21 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

2.22 Share based compensation

The Company has entered in to share-based contracts with its employees which enable employees, to buy shares in the Company at market price. Under these contracts the employee has the right to receive, and the Company the obligation to pay a cash payment representing the shortfall between the market share price and the strike price according to the contract. These contracts are cash settled share based contract under IFRS 2. On each reporting date an obligation will be treated as a liability, if the fair value of the strike price under the contract exceeds the market price, and treated as an employee cost in the income statement.

3. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

(a) Estimated impairment of goodwill
The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2.7. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

(b) Income taxes
The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(c) Fair value of investments:
The Group reviews the fair value of all investments on every reporting date. The fair value of financial instruments that are not quoted in active markets are determined by using valuation techniques. Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of the area that created them. All models are certified before they are used, and models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practical, models use only observable data, however areas such as market risk, volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect reported fair value of financial instruments.

Notes to the Consolidated Financial Statements

4. Segment information

Business segments

At 31 December 2005, the Group is organised on a worldwide basis into three main business segments (industries): (1) Financial and investments, (2) Plastic industry and (3) Healthcare sector.

The financial and investment segment includes the parent company Atorka Group hf and Atorka ráðgjöf ehf.

The plastic industry segment includes Promens hf and Eignarhaldsfélagið Bolar hf and their subsidiaries.

The healthcare segment includes Líf hf, FH8 ehf and Eignarhaldsfélagið Parlogis ehf and their subsidiaries.

The segment results for the year 2005 are as follows:

	Financial & investm.	Plastic industry	Healthcare sector	Group
Total operating income	8	5.626.057	11.403.040	17.029.105
Operating expenses	612.568	5.559.805	11.294.655	17.467.028
Operating profit (loss)	(612.560)	66.252	108.384	(437.924)
Other financial income	1.612.555	(254.869)	21.115	1.378.800
Net loss of disp. group				(19.327)
Impairment of goodwill	(248.836)	550.557		301.721
Profit before tax				1.223.271
Income tax expense				265.793
Profit for the year				1.489.065

The segment assets and liabilities at 31 December 2005 and capital expenditure for the year then ended are as follows:

	Financial & investm.	Plastic industry	Healtcare sector	Elimination / unallocated	Group
Assets	22.155.808	11.246.448	7.494.236	(7.358.726)	33.537.766
Liabilites	12.045.935	8.096.697	6.333.486	(2.878.145)	23.597.974
Capital expenditure	0	473.419	81.082	0	554.501

Secondary reporting format - geographical segments

Operating income	**2005**
Iceland	13.977.246
Other countries	3.051.859
	17.029.105

Total Assets	
Iceland	28.612.218
Other countries	4.925.549
	33.537.767

Total assets are allocated based on where the assets are located.

Atorka Group hf. Consolidated financial statements 2005. Amounts in thousands of ISK

Notes to the Consolidated Financial Statements

5. Finance costs – net

	2005	2004
Interest expense:		
- bank borrowings	(1.328.510)	(250.609)
- net foreign exchange loss	(12.543)	0
- other interest expenses	(3.708)	0
Total interest expense	(1.344.761)	(250.609)
Interest income	341.299	69.938
Net foreign exchange transaction gains	440.807	0
Total interest income	782.106	69.938
Finance cost - net	(562.655)	(180.671)

6. Reversal of badwill, impairment of goodwill

	2005	2004
Impairment of goodwill	(248.836)	(140.000)
Reversal of badwill	550.557	0
	301.721	(140.000)

In 2005 a reversal of badwill net of ISK 301 million is included in the income statement. This amount is explained by the charge of ISK 249 million due to an impairment of goodwill relating to the merge with Afl fjárfestingarfélag hf and Isla ehf and an income of ISK 551 million due to a negative goodwill arising from the acquisition of Bonar Plastic France.

7. Employee benefit expense

	2005	2004
Wages	2.673.911	14.840
Related expenses	452.134	1.984
	3.126.045	16.824

	2005	2004
Staff costs analyses as follows in the income statement:		
Cost of sales, production - and processing cost	1.370.726	0
Administrative and other operating expenses	1.755.319	16.824
	3.126.045	16.824
Number of employees	4.566	2

8. Income tax expense

	2005	2004
Current tax	32.512	331.489
Deferred tax	(298.305)	12.385
	(265.793)	343.874

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated companies as follows:

	2005	2004
Profit before tax	1.223.271	3.236.354
Tax calcul. at domestic tax rates applicable to profits in the respective countries	219.969	582.544
Income not subject to tax	(485.762)	(238.670)
Tax charge	(265.793)	343.874

Atorka Group hf. Consolidated financial statements 2005. Amounts in thousands of ISK

Notes to the Consolidated Financial Statements

9. Earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to shareholders by the weighted average number of outstanding shares in issue during the period, excluding ordinary shares purchased by the Company and held as treasury shares.

	2005	2004
Net profit attributable to shareholders	1.484.660	2.892.480
Weighted average number of outstanding shares in issue	2.737.067	2.509.889
Earnings per share, basic and diluted	0,54	1,16

10. Dividend per share

The dividends paid in 2005 and 2004 were 818,6 million ISK and 178,7 million ISK respectively or ISK 0,3 per share in 2005 and ISK 0,1 per share in 2004.

11. Property, plant and equipment

	Land & buildings	Other equipment	Total
At 31 December 2004			
Cost	541.473	1.824.366	2.365.839
Accumulated depreciation	(176.414)	(1.064.217)	(1.240.631)
Net book amount	365.059	760.149	1.125.208
Year ended 31 December 2005			
Opening net book amount	365.059	760.149	1.125.208
Business combination / new subsidiaries	1.894.111	1.135.305	3.029.416
Exchange differences	(4.496)	(17.180)	(21.676)
Additions	59.163	495.338	554.501
Disposals	(389.066)	(448.858)	(837.924)
Depreciation charge	(41.893)	(258.484)	(300.377)
Closing net book amount	1.882.876	1.666.271	3.549.147
At 31 December 2005			
Cost	2.067.288	2.694.353	4.761.641
Accumulated depreciation	(184.832)	(1.027.662)	(1.212.494)
Net book amount	1.882.456	1.666.691	3.549.147

Atorka Group hf. Consolidated financial statements 2005. Amounts in thousands of ISK

Notes to the Consolidated Financial Statements

12. Intangible assets

	Goodwill	Other intangibles	Total
At 31 December 2004			
Cost	3.025.106	6.610	3.031.716
Accumulated depreciation	(139.012)	(988)	(140.000)
Net book amount	2.886.094	5.622	2.891.716
Year ended 31 December 2005			
Opening net book amount	2.886.094	5.622	2.891.716
Additions / new subsidiaries	3.460.073	68.958	3.529.031
Exchange differences	(4.422)	(855)	(5.277)
Disposals	(532.199)	(2)	(532.201)
Impairment / Amortisation charge	(14.110)	(1.350)	(15.460)
Closing net book amount	5.795.436	72.373	5.867.809
At 31 December 2005			
Cost	5.773.300	151.656	5.924.956
Accumulated depreciation	(13.415)	(43.732)	(57.147)
Net book amount	5.759.885	107.924	5.867.809

13. Inventories

	2005	2004
Inventories for resale	1.922.587	430.312
Production inventories	719.433	241.058
	2.642.020	671.370

14. Trade and other receivables

	2005	2004
Trade receivables – net	2.966.656	838.559
Other receivables and prepayments	1.206.384	2.563.562
	4.173.040	3.402.121
Less non-current portion	(219.543)	(1.391.760)
Current portion	3.953.497	2.010.361

15. Cash and cash equivalents

	2005	2004
Cash at bank and in hand	2.809.732	4.406.133

Atorka Group hf. Consolidated financial statements 2005. Amounts in thousands of ISK

Notes to the Consolidated Financial Statements

16. Derivative financial instruments

At the end of the year the Group has engaged in derivative contracts. They are presented among assets or liabilities depending on whether market value is positive or negative.

	31 December 2005		31 December 2004	
	Assets	Liabilities	Assets	Liabilities
Forward foreign exchange contracts - held for trading	15.939	4.378	240.866	29.850

Gains in equity on forward foreign exchange contracts as of 31 December 2005 will be released to the income statement at various dates up to twelve months from the balance sheet date.

17. Trade and other payables

	2005	**2004**
Trade payables	2.494.005	591.584
Other payables	2.651.427	819.022
	5.145.432	1.410.605

18. Borrowings

	2005
Non-current:	
Bank borrowings	14.191.555
Current:	
Bank overdrafts	28.497
Bank borrowings	1.409.757
	1.438.254
Total borrowings	15.629.809

Liabilities in currency:	Finance lease liabilities	Other borrowings	Total 2006
Liabilities in CHF	0	143.545	143.545
Liabilities in EUR	0	2.054.286	2.054.286
Liabilities in GBP	0	84.659	84.659
Liabilities in ISK, index linked	0	10.905.490	10.905.490
Liabilities in ISK, non index linked	0	1.317.555	1.317.555
Liabilities in JPY	0	51.052	51.052
Liabilities in NOK	0	75.282	75.282
Liabilities in USD	0	965.845	965.845
Liabilities in other currency	1.782	30.311	32.093
	1.782	15.628.027	15.629.809
Current maturates	(1.782)	(1.436.472)	(1.438.254)
	0	14.191.555	14.191.555

Annual maturates of non-current liabilities:

Year 2006	0	409.491	409.491
Year 2007	0	1.715.862	1.715.862
Year 2008	0	1.488.295	1.488.295
Year 2009	0	700.161	700.161
Later	0	9.877.746	9.877.746
	0	14.191.555	14.191.555

Atorka Group hf. Consolidated financial statements 2005. Amounts in thousands of ISK

Notes to the Consolidated Financial Statements

19. Deferred income tax

Deferred income taxes are calculated in full on temporary differences under the liability method.

Deferred income 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 the deferred income taxes relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, are shown in the consolidated balance sheet:

	2005
Deferred tax assets	(248.238)
Deferred tax liability	1.024.585
	776.347

The gross movement on the deferred income tax account is as follows:

Beginning of year	981.434
Exchange differences and changes within the group	(66.577)
Income statement charge	(265.793)
Less current tax	(10.772)
Other changes	138.054
End of year	776.347

Deferred income tax liability (assets) analyses on the following items:

Non-current assets	1.205.005
Taxable loss carried forward	(428.659)
	776.347

20. Commitments

House rental agreement

In the year 2004 two companies in the Healthcare segment signed a 15 year non-cancellable house rental agreement one for Krókhals 14 and the other for Lyngháls 13 in Reykjavík. These properties are fully occupied by operating companies within the Healthcare segment. Terms and conditions are usual and customary.

21. Share capital

Summary of share capital:	2005	2004
Total authorized number of shares	2.773.650	2.773.650
Treasury shares	(31.913)	(41.252)
	2.741.737	2.732.398

Atorka Group hf. Consolidated financial statements 2005. Amounts in thousands of ISK

Notes to the Consolidated Financial Statements

22. Fair value and other reserves

	Legal reserve	Cumulative translation adjustment	Total
Balance at 1 January 2005	208.638	0	208.638
Currency translation differences		189.652	189.652
Contribution to legal reserve	107.337		107.337
Balance at 31 December 2005	315.975	189.652	505.626

23. Financial assets at fair value through profit and loss

	2005	**2004**
Domestic		
Listed	7.860.635	4.948.960
Unlisted	206.076	158.072
	8.066.711	5.107.032
Foreign		
Listed	4.114.832	3.874.671
Unlisted	0	36.698
	4.114.832	3.911.369
Domestic bonds	86.775	101.007
Total	12.268.318	9.119.408

Changes in fair values of financial assets at fair value through profit and loss are recorded in fair value changes on investments and other financial assets in the income statement.

24. Available-for-sale investments

Beginning of year	0
Additions	2.511
End of year	2.511

Available-for-sale investments are unlisted equity securities traded on inactive markets.

Atorka Group hf. Consolidated financial statements 2005. Amounts in thousands of ISK

Notes to the Consolidated Financial Statements

25. Business combination

In March 2005 the Group acquired 100% of the share capital of Austurbakki hf. and in September 2005 the Group acquired 100% of the share capital of Bonar Plastics.

The details of the net assets acquired and goodwill are as follows:

	Austurbakki	Bonar Plastics	Total
Cash paid	392.887	2.970.051	3.362.938
Direct costs relating to the acquisition	0	186.938	186.938
Fair value of shares issued	392.887	0	392.887
Total purchase consideration	785.774	3.156.988	3.942.763
Fair value of net assets acquired	(294.112)	(3.329.865)	(3.623.977)
Goodwill / (badwill)	491.662	(172.877)	318.785

26. Related party transactions

The Company has not granted any loans to the members of the Board of Directors or to the top management persons. That includes also all companies owned by these persons.

Management salaries and benefits

Compensation to top management for their work for the Group and their shares in the Company are as follows:

	Wages and benefits	Shares at the end of year
Magnús Jónsson, CEO of Atorka Group hf	14.050	385.758
Þorsteinn Vilhelmsson, chairman	3.400	989.945
Hrafn Magnússon, board member	600	175
Karl Axelsson, board member	2.250	1.300
Örn Andrésson, board member	600	52.494
Styrmir Þór Bragason, former managing director	200.697	0
Two former board members	3.650	48.201
Two managing directors	13.274	70.000
	238.521	1.547.873

Shares at the end of the year refers to holdings in the name of the parties in question themselves, their spouses, children who are not financially competent or legal entities in which they are involved.

Included in the compensation to the former managing director is cost due to a settlement of stock option agreement amounted to ISK 160 million.

CEO and managing directors worked part time of the year 2005 by the Company.

In the year 2005 the Company entered in to a contractual relationship with the CEO and the two managing directors. Orginally these contracts were based on put option rights on purchased shares in the Company. These contracts have been amended and now these key employees of the Company have the right to receive, and the Company the obligation to pay, cash payment representing the shortfall between the market share price and the strike price according to the contract. This obligation will be active in a three years pro-rata vesting period starting from the contract date of 30 September and 28 December 2005.

Atorka Group hf. Consolidated financial statements 2005. Amounts in thousands of ISK

Notes to the Consolidated Financial Statements

The nominal amount of shares related to the contracts with the three key employees are in total 115 million ISK and the CEO holds ISK 45 millions but the two managing directors ISK 35 million each. The market price on the contract date was was 6,05 per share and the strike price, when exerciseable, will represent that price plus accrued interest calculated from the contract date. The accounting treatment of this contract in the 2005 financial statements is based on cash settled share based contract under IFRS 2 and on each reporting date an obligation will be treated as a liability if the fair value of the strike price under the contract exceeds the market price on the reporting date. At year end 2005 no obligation exits.

27. Principal subsidiaries

At the period-end the Company owned the following subsidiaries that are all included in the consolidation.

Name of subsidiary	Location	Ownership	Principal activity
Eignarhaldsfélag Icepharma ehf	Iceland	100%	Holding company
Icepharma hf	Iceland	100%	Operating company
Eignarhaldsfélag Parlogis ehf	Iceland	100%	Holding company
Parlogis hf	Iceland	100%	Operating company
Eignarhaldsfélag AIB ehf	Iceland	100%	Holding company
A. Karlsson hf	Iceland	100%	Operating company
Besta ehf	Iceland	100%	Operating company
UAB Ilsanta	Lithuania	100%	Operating company
Líf hf	Iceland	100%	Holding company
Atorka ráðgjöf ehf	Iceland	100%	Holding company
Austurbakki hf	Iceland	100%	Operating company
Promens hf	Iceland	84%	Holding company
Promens International BV	Holland	100%	Holding company
Sæplast Asía	Hong Kong	100%	Operating company
Sæplast Dalvík	Iceland	100%	Operating company
Sæplast Holland	Holland	100%	Operating company
Sæplast India	India	79%	Operating company
Sæplast UK	UK	100%	Operating company
Tempra ehf	Iceland	100%	Operating company
Tæknimenn ehf	Iceland	100%	Operating company
Eignarhaldsfélagið Bolar hf	Iceland	100%	Holding company
Sæplast Canada Ltd	Canada	100%	Operating company
Sæplast Norge AS	Norway	100%	Operating company
Sæplast Alesund	Norway	100%	Operating company

At year end 2004 Atorka Group gained control over Líf hf and Sæplast hf. Líf hf and Sæplast hf are not included in the 2004 Income Statement.

28. Fees to Auditors

	2005	2004
Audit of financial statements	14.144	1.052
Review of interim financial statements	8.749	1.403
Other services	16.198	2.671
	39.091	5.126

Atorka Group hf. Consolidated financial statements 2005. Amounts in thousands of ISK

Notes to the Consolidated Financial Statements

29. Retirement benefit obligations

	2005
Balance sheet obligation	
Pension benefits	56.136
Income statement charge	
Pension benefits	9.029

The amounts recognised in the income statement are as follows:

Current service cost	8.788
Interest cost	4.511
Expected return on plan assets	(4.222)
Net actuarial losses recognised during the year	(81)
Past service cost	33
Total	9.029

Atorka Group hf. Consolidated financial statements 2005. Amounts in thousands of ISK

Notes to the Consolidated Financial Statements

30. Transition to International Financial Reporting Standards (IFRS)

30.1 Basis of the transition

30.1.1 Application of IFRS 1

The consolidated financial statements for the year ended 31 December 2005 will be the first annual consolidated financial statements that comply with IFRS. These consolidated financial statements have been prepared as described in Note 2.1. The Company has applied IFRS 1 in preparing these financial statements.

The transition date for the Company is 1 January 2004. The Company prepared its opening IFRS balance sheet at that date. The reporting date of these financial statements is 31 December 2005. The Company´s IFRS adoption date is 1 January 2005.

In preparing these financial statements in accordance with IFRS 1, the Company must restate all its assets and liabilities retroactively in accordance with IFRS.

30.1.2 Exceptions from full retrospective application - elected by the Company

The Company has elected to apply the following optional exemptions from full retrospective application.

(a) Designation of financial assets
The Company reclassified various securities as financial assets at fair value through profit and loss.

(b) Exemption from restatement of comparatives for IAS 32 and IAS 39.
The Company has elected to apply this exemption. It applies previous GAAP rules to derivatives, financial assets and financial liabilities and to hedging relationships for the 2004 comparative information. The adjustments required for differences between GAAP and IAS 32 and IAS 39 are determined and recognized at 1 January 2005.

30.1.3 Exceptions from full retrospective application followed by the Company

(a) Estimates exception
Estimates under IFRS at 1 January 2004 should be consistent with estimates made for the same date under previous GAAP, unless there is evidence that those estimates were in error.

(b) Assets held for sale and discontinued operations exception
IFRS 5 is applied from 1 January 2005 and onward, i.e. assets held for sale and discontinued operations are recognized in accordance with IFRS 5 only from 1 January 2005.

30.2 Reconciliation between IFRS and GAAP

The following reconciliation provides a quantification of the effect of the transition to IFRS.

30.2.1 Reconciliation of equity	1.1 2004	31.12 2004
Equity under previous GAAP	4.093.739	9.141.416
Subsidiary included in consolidation according to IAS 27	0	(169.118)
Total equity under IFRS	4.093.739	8.972.298

Subsidiary which was 100% owned by the Company, Isla ehf, is included in the consolidated financial statements. Previously, Isla ehf was accounted at cost. The effect of these changes is ISK 169 million reduction in equity 31 December 2004.
The Company gained control over Isla ehf on 1 October 2004. Isla ehf was merged into the Company on 1 January 2005.

Atorka Group hf. Consolidated financial statements 2005. Amounts are in thousands of ISK

Notes to the Consolidated Financial Statements

30.2.2 Reconciliation of equity 1 January 2005

Previous GAAP				IFRS	
Assets		**Change in valuation**	**Change in presentation**		**Assets**
					Non-current assets
			1.125.208	1.125.208	PPE
Goodwill	273.892	(19.794)	2.637.618	2.891.716	Goodwill
			1.391.760	1.391.760	Loans and other receivables
			88.945	88.945	Deferred tax assets
	273.892	(19.794)	5.243.531	5.497.629	
					Current assets
			671.370	671.370	Inventories
Other securities	91.770	9.236	(101.006)		Financial assets at fair
Shares in companies	11.843.648	(170.000)	(2.554.240)	9.119.407	value through profit and loss
Longterm debt to relat. company	710.198		(710.198)		
Subordinated loan to related company	100.030		(100.030)		
Forward rate exch derivatives	211.016		29.850	240.866	Derivative financial instruments
Current assets and prep. exp.	409.818	(96.033)	1.696.576	2.010.360	Loans and other receivables
Cash and cash equivalents	3.389.674	58.857	957.602	4.406.133	Cash and cash equivalents
	16.756.155	(197.941)	(110.078)	16.448.136	
Total assets	17.030.047	(217.735)	5.133.453	21.945.766	**Total assets**
Equity and liabilities					**Equity and liabilities**
Equity					**Equity**
Share capital	2.764.476	(32.078)		2.732.398	Share capital
Share premium	3.160.213	(90.042)		3.070.171	Share premium
Legal reserve	208.638			208.638	Legal reserve
Accumul. comprehensive income	1.549.139	(48.478)	(1.500.661)		
Retained earnings	1.455.773	1.480	1.500.661	2.957.914	Retained earnings
	9.138.239	(169.118)	0	8.969.121	
Minority interest	0		3.177	3.177	Minority interest
Total equity	9.138.239	(169.118)	3.177	8.972.299	**Total equity**
Liabilities					**Non-current liabilities**
Subordinated loan	428.571		9.603.026	10.031.597	Borrowings
Deferred income tax liability	614.850	(48.618)	504.147	1.070.380	Tax liabilities
			27.526	27.526	Retirement benefit oblig.
	1.043.421	(48.618)	10.134.700	11.129.503	
Unpaid dividend	62.223		(62.223)		
Domestic liabilities	1.500.000		(1.500.000)		**Current liabilities**
Domestic index linked liabilities	5.039.161		(4.699.279)	339.882	Borrowings
Accrued liabilities	247.003		1.163.601	1.410.604	Trade and other payables
			63.627	63.627	Current tax liabilites
			29.850	29.850	Derivative financial instruments
	6.848.387	0	(5.004.423)	1.843.964	
Total liabilities	7.891.808			12.973.467	**Total liabilities**
Total equity and liabilities	17.030.047	(217.735)	5.133.454	21.945.766	**Total equity and liabilities**

Atorka Group hf. Consolidated financial statements 2005. Amounts are in thousands of ISK

Notes to the Consolidated Financial Statements

30.2.3 Reconciliation of net income for the year 2004

Adoption of IFRS has a small impact on income for the year 2004. The presentation of the income statement has changed

Previous GAAP		Change in presentation	Change in valuation	IFRS	
Financial income (expenses)					**Financial income**
Interest income, index and foreign exchange adjustments	267.144	(199.012)	1.806	69.938	Interest income and other related financial income
Dividend income	746.141			746.141	Dividend income
Interest expenses	(250.609)			(250.609)	Interest expenses
		3.021.897		3.021.897	Fair value changes on investments and other financial assets
	762.676			3.587.367	
Realized profit on shares	1.399.282	(1.399.282)			
Net financial income	2.161.958			3.587.367	**Net financial income**
Operating expenses					**Operating expenses**
Administration cost	147.844		63.169	211.013	Administrative and other oper. exp.
Other operating expenses	63.169		(63.169)	0	
Impairment of goodwill	140.000	(140.000)			
	351.013			211.013	
		(140.000)		(140.000)	Impairment of goodwill
Net earnings before tax	1.810.945			3.236.354	**Net profit before taxes**
Income tax	(87.300)	(256.249)	(325)	(343.874)	Income tax
Net earnings	1.723.645			2.892.480	**Net profit**
Other comprehensive income					
Unrealized gain on shares	1.423.603	(1.423.603)			
Income tax	(256.249)	256.249			
	1.167.354				
Comprehensive income posted to stockholders´ equity	2.890.999	0	1.481		

Atorka Group hf. Consolidated financial statements 2005. Amounts are in thousands of ISK