Eignarhaldsfélagið Bolar ehf.

Consolidated financial statements 2007

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Eignarhaldsfélagið Bolar ehf., Id. no. 690384-0789
Gunnarsbraut 12
620 Dalvík

The Board of Director's and CEO report

Main operation

Eignarhaldsfélagið Bolar ehf. is a private limited liability company domiciled in Dalvik, Iceland, operating three subsidiaries (the Group). The company is a wholly owned subsidiary of Atorka Group hf. which is listed on the Icelandic Stock Exchange.

Operation results

The Group operated two subsidiaries; one in Ålesund, Norway and one in St. John, New Brunswick, Canada. One of the subsidiaries manfacture and sell roto-moulded plastics products, mainly double walled insulated boxes for the fish and food industries and the other one produces fenders and buoys made of PVC as well as floats for nets and other products made of expanded plastics, bacell.

The total revenue of the Group in 2007 amounted to ISK 1,3 billion compared to ISK 1,7 billion in 2006. The decrease of the revenue is mainly contributed to fact that in the beginning of the year the company sold a subsidiary it had in Ålesund, Norway. EBITDAs of both the subsidiaries were positive and the EBITDA of the Group was ISK 121 million. The Group had a profit of ISK 64 million in 2007.

The Group's consolidated financial statements for 2007 were prepared as for 2006 in conformity with IFRS.

Appropriation of profit

The Board of Directors refers to the financial statements regarding appropriation of profit and suggests that no dividents will be paid this year.

Ownership

At year end there was one shareholder, Atorka Group hf.

The Board of Directors of Eignarhaldsfélagið Bolar hf and Managing Director hereby ratify the financial statements for the year 2007 with their signatures.

Kópavogur, 31 March 2008.

Board of Directors

Magnús Jónsson

Þorsteinn Vilhelmsson

Benedikt Olgeirsson

CEO

Geir Gunnlaugsson

Independent auditor’s report

To the Shareholders and Board of Directors of Eignarhaldsfélagið Bolar ehf

We have audited the accompanying consolidated financial statements of Eignarhaldsfélagið Bolar ehf (the Group) and it's subsidiaries which comprise the consolidated balance sheet as of 31 December 2007 and the consolidated income statement, statement of changes in equity and consolidated cash flow statement for the year then ended and a

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 2007, 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, 31 March 2008.

PricewaterhouseCoopers hf

Þórir Ólafsson

Davíð Búi Halldórsson

Consolidated Income Statement

	Note	2007	2006
Revenue		1.337.639	1.728.395
Cost of sales		(968.647)	(1.284.773)
Gross profit		368.992	443.622
Administrative expenses		(267.418)	(267.846)
Selling and marketing expenses		(56.008)	(147.041)
Research and development expenses		(12.723)	(23.393)
Other operating income		5.629	5.655
Operating profit		38.471	10.997
Finance costs - net	7	(95.613)	(53.456)
Loss before income tax		(57.142)	(42.459)
Income tax	8,16	121.450	(1.492)
Net profit (loss)		64.308	(43.951)
Attributable to:			
Equity holders of the company		64.308	(43.951)
Earnings per share for profit attributable to the equity holders of the company during the year			
- Basic and diluted	9	0,48	(0,32)

The notes on pages 8 to 19 are an integral part of these consolidated financial statements.

Eignarhaldsfélagið Bolar ehf. Consolidated Financial Statements 31 December 2007 Amounts in thousands of ISK

Consolidated Balance Sheet

	Note	2007	2006
Assets			
Non-current assets			
Property, plant and equipment	10	441.877	553.041
Goodwill and other intangible assets	11	58.209	148.098
Deferred income tax assets	16	131.046	126.232
Available-for-sale financial assets		226.373	202.873
Trade and other receivables		11.147	525.249
		868.651	1.555.493
Current assets			
Inventories	12	273.384	323.531
Trade and other receivables	13	812.993	334.981
Cash and cash equivalents		359.183	180.195
		1.445.560	838.707
Total assets		2.314.211	2.394.200
Equity			
Share capital		135.323	135.323
Share premium		150.627	150.627
Other reserves		52.767	38.164
Translation differences		8.189	4.052
Retained earnings		401.691	331.856
Total equity		748.597	660.022
Liabilities			
Non-current liabilities			
Borrowings	15	0	1.075.673
Retirement benefit obligations	17	24.538	47.464
Deferred income tax liabilities	16	24.450	145.539
		48.988	1.268.676
Current liabilities			
Trade and other payables	14	328.961	260.724
Current income tax liabilities		0	244
Borrowings	15	1.187.665	204.534
		1.516.626	465.502
Total liabilities		1.565.614	1.734.178
Total equity and liabilities		2.314.211	2.394.200

The notes on pages 8 to 20 are an integral part of these consolidated financial statements.

Eignarhaldsfélagið Bolar ehf. Consolidated Financial Statements 31 December 2007 Amounts in thousands of ISK

Consolidated statement of changes in equity

	Note	Share capital	Share premium	Other reserves	Transl. diff.	Retained earnings	Total
Balance at 1 January 2006		135.323	150.627		(34.239)	363.412	615.123
Adjustment to opening balance						12.395	12.395
		135.323	150.627	0	(34.239)	375.807	627.518
Net investment hedge				38.164			38.164
Currency translation diff.					38.291		38.291
Net profit (loss)						(43.951)	(43.951)
Total recognised income and expenses at 31 December 2006		0	0	38.164	38.291	(43.951)	32.504
Balance at 31 December 2006		135.323	150.627	38.164	4.052	331.856	660.022
Balance at 1 January 2007		135.323	150.627	38.164	4.052	331.856	660.022
Adjustment to opening balance						5.527	5.527
		135.323	150.627	38.164	4.052	337.383	665.549
Net investment hedge				14.603			14.603
Currency translation diff.					4.137		4.137
Net profit (loss)						64.308	64.308
Total recognised income and expenses at 31 December 2007		0	0	14.603	4.137	64.308	83.048
Balance at 31 December 2007		135.323	150.627	52.767	8.189	401.691	748.597

The notes on pages 8 to 20 are an integral part of these consolidated financial statements.

Eignarhaldsfélagið Bolar ehf. Consolidated Financial Statements 31 December 2007 Amounts in thousands of ISK

Consolidated Cash Flow Statement

	Note	2007	2006
Cash flows from operating activities			
Cash generated from operations:			
Net profit (loss)		64.308	(43.951)
Items not affecting cash:			
Depreciation	10	77.593	110.314
Amortisation	11	608	2.476
Other items		(97.065)	25.240
		45.444	94.079
Decrease (increase) in operating items:			
Inventories		(28.658)	(7.608)
Trade and other receivables		130.782	2.764
Current liabilities		150.631	(1.899)
Net cash generated from (to) operating activities		298.199	87.336
Cash flows from investing activities			
Acquisition of subsidiary, net of cash acquired		(270.000)	0
Purchase of property, plant and equipment (PPE)		(26.476)	(52.760)
Purchase of intangibles		0	(5.185)
Loans made		265.649	21.954
Proceeds from sale of shares		71.439	0
Purchase of shares		(23.500)	0
Net cash used in investing activities		17.112	(35.991)
Cash flows from financing activities			
Repayments of borrowings		(128.855)	(58.151)
Proceeds from borrowings		0	135.186
Net cash used in financing activities		(128.855)	77.035
Net increase in cash and cash equivalents		186.456	128.380
Cash and cash equivalents at beginning of year		180.195	46.564
Exchange gains (losses) on cash and bank overdrafts		(7.468)	5.251
Cash and cash equivalents at end of period		359.183	180.195
Other information			
Interest paid		185.539	202.509
Interest received		88.801	98.459
Income tax paid		244	0

Eignarhaldsfélagið Bolar ehf. Consolidated Financial Statements 31 December 2007 Amounts in thousands of ISK

Notes to the Consolidated Financial Statements

1. General information

Eignarhaldsfélagið Bolar ehf (the Company) is a limited liability company incorporated and domiciled in Iceland. The Eignarhaldsfélagið Bolar Group produces and sells roto-moulded plastics products. The company is subsidiary of Atorka Group hf which is listed on the OMX, The Nordic Exchange in Iceland.

These Consolidated Financial Statements comprise the financial statements of the Eignarhaldsfélagið Bolar ehf and it´s subsidiaries ("the Group").

These group consolidated financial statements were authorised for issue by the board of directors on 31 March 2008.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of Eignarhaldsfélagið Bolar ehf have been prepared in accordance with International Financial Reporting Standards. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings, available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies.

Standards and amendment effective in 2007
IFRS 7, 'Financial instruments: Disclosures', and the complementary amendment to IAS 1, 'Presentation of financial statements – Capital disclosures', introduces new disclosures relating to financial instruments and does not have any impact on the classification and valuation of the group's financial instruments, or the disclosures relating to taxation and trade and other payables.

At date of authorisation of these financial statements, the following standards were in issue but not effective:

	Effective date
IFRS 8 Operating Segments	1 January 2009

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the Company's accounting policies.

2.2 Consolidation

Subsidiaries
Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or 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 that 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, irrespective of the extent of any minority interest. 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. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Notes to the Consolidated Financial Statements

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 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.

2.4 Foreign currency translation

Functional and presentation currency
Items included in the financial statements of each of the Group’s entities are measured using the currency of the primary economic environment in which the entity operates (‘the functional currency’). The consolidated financial statements are presented in ISK, which is the Group´s 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 period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss.

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).

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders’ equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

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 Property, plant and equipment

Land and buildings comprise mainly factories and offices. Land and buildings are shown at fair value, based on periodic valuations by external independent valuers, less subsequent depreciation for buildings. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Notes to the Consolidated Financial Statements

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.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

Buildings	20-40 years
Machinery, tools and equipment	5-15 years

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.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the income statement. When revalued assets are sold, the amounts included in other reserves are transferred to retained earnings.

2.6 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 on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates and is tested for impairment as part of the overall balance. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. 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. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. Eignarhaldsfélagið Bolar ehf. allocates goodwill to each subsidiary.

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 licences 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.

Notes to the Consolidated Financial Statements

2.7 Impairment of non-financial assets

Assets that have an indefinite useful life, for example land, 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). Non financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.8 Financial assets

Available-for-sale financial assets
Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Receivables
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.

2.9 Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

Net investment hedge
Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Gains and losses accumulated in equity are included in the income statement when the foreign operation is partially disposed of or sold.

2.10 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. Provision is raised against slow moving items.

2.11 Trade 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 the receivables.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days (overdue) are considered indicators that the trade receivable is impaired. 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 original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within selling and marketing costs. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against selling and marketing costs in the income statement.

Notes to the Consolidated Financial Statements

2.12 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.

2.13 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.

2.14 Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.15 Borrowings

Borrowings are recognised 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.

2.16 Current and deferred income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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, the deferred income tax is not accounted for if it 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. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by thebalance 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 income 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 and associates, except where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future.

Notes to the Consolidated Financial Statements

2.17 Employee benefits

Pension obligations
Group companies operate various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The Group has both defined benefit and defined contribution plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan. Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability.

2.18 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Interest income
Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

Dividend income
Dividend income is recognised when the right to receive payment is established.

2.19 Leases

Leases in which 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.

2.20 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.

2.21 Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

Notes to the Consolidated Financial Statements

3. Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and price risk), credit risk, liquidity risk, cash flow risk and fair value interest-rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

3.1 Market risk

Foreign exchange risk
The group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the CAD dollar and the NOK krona.

Interest rate risk
The group's interest rate risk arises from long-term borrowings. Borrowings issued at fixed rates expose the group to fair value interest rate risk

At 31 December 2007, if interest rates on borrowings had been 100 basis points higher/lower with all other variables held constant, post-tax profit for the year would have been ISK 9,5 mill. lower/higher

3.2 Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group´s exposure to credit risk is limited to the carrying amount of financial assets recognised at the balance sheet date.

The following table represents a worst case scenario of credit risk exposure to the Company at 31 December 2007 and 2006. For on balance sheet assets, the exposures set out below are based on net carrying amounts as reported in the balance sheet:

	Maximum exposures	
	2007	**2006**
Trade and other receivables	824.139	860.230
Cash and cash equivalents	359.183	180.195
	1.183.322	1.040.425

3.3 Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

The table below analyses the group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows:

At 31 December 2007	**Less than 1 year**	**Between 1 and 2 year**	**Between 2 and 5 years**	**Over 5 Year**
Borrowings	1.187.665	0	0	0
Trade and other payables	328.961	0	0	0
	1.516.626	0	0	0
At 31 December 2006				
Borrowings	204.534	1.075.673	0	0
Trade and other payables	260.724	0	0	0
	465.258	1.075.673	0	0

4. Critical accounting estimates and judgments

Estimates and judgments 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.

Eignarhaldsfélagið Bolar ehf. Consolidated Financial Statements 31 December 2007 Amounts in thousands of ISK

Notes to the Consolidated Financial Statements

5. Segment information

Secondary reporting format - geographical segments

	2007	2006
Revenue		
Europe	608.489	581.186
North America	649.638	920.269
Other countries	79.512	226.940
	1.337.639	1.728.395

Revenue is allocated based on the country in which the customer is located.

Total Assets		
Iceland	1.233.984	1.401.646
Europe	613.753	571.093
North America	466.474	421.461
	2.314.211	2.394.200

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

Capital expenditure		
Iceland	10.742	4.537
Europe	11.883	52.432
North America	3.851	915
	26.476	57.884

Capital expenditure is allocated based on where the assets are located.

6. Employee benefit expense

	2007	2006
Wages	278.275	259.137
Related expenses	77.775	100.798
	356.050	359.935
Number of employees	95	117

7. Finance costs – net

	2007	2006
Financial expenses:		
- bank borrowings	(154.983)	(164.830)
- other interest expenses	(32.309)	(39.743)
Total financial expenses	(187.292)	(204.573)
Financial income:		
Interest income	88.801	98.459
Net foreign echange transaction gains	2.878	52.658
Total financial income	91.679	151.117
Finance costs - net	(95.613)	(53.456)

8. Income tax expense

	2007	2006
Current tax	0	7.030
Deferred tax	(121.450)	(5.538)
	(121.450)	1.492

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Notes to the Consolidated Financial Statements

8. Income tax expense (cont.)

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:

	2007	2006
Profit (loss) before tax	(57.142)	(42.459)
Tax calcul. at domestic tax rates applicable to profits in the respective countries	(10.286)	(7.643)
Effect of subsidiaries not subject to deferred taxation	(110.808)	0
Utilisation of tax losses	3.023	11.611
Effect of changing domestic tax rate	(3.379)	(2.476)
	(121.450)	1.492

9. Earnings per share

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

	2007	2006
Net profit (loss) attributable to shareholders of the company	64.308	(43.951)
Weighted average number of ordinary shares in issue	135.323	135.323
Basic and diluted earnings per share	0,48	(0,32)

10. Property, plant and equipment

	Land & buildings	Production equipment	Other equipment	Total
At 1 January 2006				
Cost	364.618	728.818	358.970	1.452.406
Accumulated depreciation	(154.612)	(502.362)	(247.432)	(904.406)
Net book amount	210.006	226.456	111.538	548.000
Year ended 31 December 2006				
Opening net book amount	210.006	226.456	111.538	548.000
Exchange differences	(4.792)	59.085	8.363	62.656
Additions	4.537	27.726	20.497	52.760
Disposals	0	0	(61)	(61)
Depreciation charge	(14.030)	(55.083)	(41.201)	(110.314)
Closing net book amount	195.721	258.184	99.136	553.041
At 31 December 2006				
Cost	364.363	815.629	387.769	1.567.761
Accumulated depreciation	(168.642)	(557.445)	(288.633)	(1.014.720)
Net book amount	195.721	258.184	99.136	553.041
Year ended 31 December 2007				
Opening net book amount	195.721	258.184	99.136	553.041
Exchange differences	0	(1.717)	(893)	(2.610)
Additions	829	18.526	7.116	26.471
Disposals of subsidiary	0	(57.431)	0	(57.431)
Depreciation charge	(11.812)	(48.408)	(17.374)	(77.594)
Closing net book amount	184.738	169.154	87.985	441.877
At 31 December 2007				
Cost	365.192	761.179	393.991	1.520.362
Accumulated depreciation	(180.454)	(592.025)	(306.006)	(1.078.485)
Net book amount	184.738	169.154	87.985	441.877

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Notes to the Consolidated Financial Statements

11. Intangible assets

	Goodwill	Other intangibles	Total
At 1 January 2006			
Cost	117.818	8.694	126.512
Accumulated depreciation	(2.809)	(1.178)	(3.987)
Net book amount	115.009	7.516	122.525
Year ended 31 December 2006			
Opening net book amount	115.009	7.516	122.525
Additions	0	5.185	5.185
Exchange differences	21.385	1.479	22.864
Impairment / Amortisation charge	0	(2.476)	(2.476)
Closing net book amount	136.394	11.704	148.098
At 31 December 2006			
Cost	139.203	15.358	154.561
Accumulated depreciation	(2.809)	(3.654)	(6.463)
Net book amount	136.394	11.704	148.098
Year ended 31 December 2007			
Opening net book amount	136.394	11.704	148.098
Exchange differences	(2.510)	114	(2.397)
Disposals of subsidiary	(86.885)	0	(86.885)
Impairment / Amortisation charge	0	(608)	(608)
Closing net book amount	46.999	11.210	58.209
At 31 December 2007			
Cost	69.157	12.387	81.544
Accumulated depreciation	(22.158)	(1.177)	(23.335)
Net book amount	46.999	11.210	58.209

12. Inventories

	2007	2006
Raw materials	99.733	134.518
Finished goods	173.651	189.013
	273.384	323.531

13. Trade and other receivables

	2007	2006
Trade receivables	278.118	247.690
Less: provision for impairment of trade receivables	(23.555)	(21.308)
Trade receivables - net	254.563	226.382
Other receivables	558.430	108.599
Total trade and other receivables	812.993	334.981

Movements on the group provision for impairment of trade receivables are as follows:

At 1 January	21.308	25.813
Provision for receivables impairment	2.247	0
Amounts recovered during the year	0	(4.505)
At 31 December	23.555	21.308

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Notes to the Consolidated Financial Statements

14. Trade and other payables

	2007	2006
Trade payables	234.630	92.118
Other payables	94.331	168.606
	328.961	260.724

15. Borrowings

	2007	2006
Non-current:		
Bank borrowings	0	1.075.673
Current:		
Bank borrowings	1.187.665	190.861
Other	0	13.673
	1.187.665	204.534
Total borrowings	1.187.665	1.280.207
Liabilities in currency:		
Liabilities in ISK	1.135.858	1.089.346
Liabilities in NOK	51.807	190.861
	1.187.665	1.280.207

16. Deferred income tax

At 31 December 2007 deferred tax liability is not recognised for temporary differences related to an investment in subsidiaries because the company controls whether the liability will be incurred and it is satisfied that it will not be incurred in the foreseeable future.

	2007	2006
Deferred tax assets	(131.046)	(126.232)
Deferred tax liability	24.450	145.539
	(106.596)	19.307
The gross movement on the deferred income tax account is as follows:		
Beginning of year	19.307	24.369
Exchange differences	(4.454)	(6.310)
Income statement charge	(121.450)	1.492
Less current tax	0	(244)
End of year	(106.596)	19.307
Deferred income tax liability (assets) analyses on the following items:		
Non-current assets	10.830	9.414
Taxable loss carried forward	(152.372)	(134.479)
Deferred tax on gain on sale of financial assets	38.054	144.936
Other items	(3.108)	(564)
	(106.596)	19.307

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Notes to the Consolidated Financial Statements

17. Retirement benefit obligations

	2007	2006
Balance sheet obligation		
Pension benefits	24.538	47.464
The movement in the liability recognised in the balance sheet is as follows:		
Beginning of the year	47.464	56.136
Disposals	(23.082)	0
Exchange differences	549	(9.754)
Total expense charged in the income statement	2.478	13.285
Contributions paid	(2.871)	(12.203)
End of the year	24.538	47.464

	2007	2006
Income statement charge		
Current service cost	1.572	12.422
Interest cost	906	5.924
Expected return on plan assets	0	(5.060)
Total	2.478	13.286

18. Principal subsidiaries

Bolar 2 ehf	Iceland
Provinor AS	Norway
Sæplast Canada ltd	Canada

All subsidiaries are wholly owned. All holdings are in the ordinary share capital of the entity concerned.

19. Fees to Auditors

Fees to auditors of the parent company were as follows:	2007	2006
Audit of financial statements	1.657	1.502
Other services	1.870	1.944
	3.527	3.446

20. Pledges, securities and guarantees

As guarantees for borrowings from Nordea in Norway the company has pledged trade receivables and inventories in Provinor AS.

21. 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.

There were no salaries to the members of the Board of Directors or the management personnel of the parent company other than the following:

Þorsteinn Vilhelmsson	300

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