

Icelandic Group hf.
Consolidated Financial Statements
Year Ended 31 December 2009
in EUR

Icelandic Group hf.
Borgartún 27
105 Reykjavík

Reg. no. 461296-2119

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Endorsement and Statement by the Board of Directors and the CEO

Operations in 2009

Icelandic Group's consolidated financial statements for the year 2009 have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by EU. The financial statements comprise the consolidated financial statements of Icelandic Group hf. (the "Company") and its subsidiaries (the "Group"), which were 30 at 31 December 2009.

Icelandic Group hf. is a holding company for manufacturing and marketing companies specialising in seafood on international markets.

According to the statement of comprehensive income profit amounted to € 6.0 million for the year. The Group's income amounted to € 998.0 million for the year. According to the statement of financial position total assets at year end amounted to € 441.6 million and equity amounted to € 142.5 million. The equity ratio of the Group was 32.3%.

The Board of Directors proposes that no dividend will be paid to shareholders. Reference is made to the financial statements regarding deployment of net loss and other changes in equity.

Share capital and Articles of Association

The number of shares at year-end 2009 is ISK 2,794 million. The share capital amounted to € 16.7 million. The share capital is divided into shares of ISK 1, each with equal rights within a single class of shares.

The Board of Directors has the right to increase the share capital until December 2010 by up to ISK 1,658.1 million with the sale of new shares. The Board of Directors decides the rules of sale at each time, i.e. price, payments, subscription period etc.

The Company's Board of Directors comprise five members and one reserve member elected on the annual general meeting for a term of one year. Those persons willing to stand for election must give formal notice thereof to the Board of Directors at least five days before the annual general meeting. The Company's Articles of Association may only be amended at a legitimate shareholders' meeting, provided that amendments and their main aspects are clearly stated in the invitation to the meeting. A resolution will only be valid if it is approved by at least 2/3 of votes cast and is approved by shareholders controlling at least 2/3 of the share capital represented at the shareholders' meeting.

Shareholders at the year end numbered one, down from 19,587 at the beginning of the year. At the end of the year sole shareholder was Eignarhaldsfélagið IG ehf.

The Company's Board of Directors and Eignarhaldsfélagið IG ehf. jointly decided that other shareholders of the Company should be subject to shareholders' redemption of their shares. From 19 January 2009 Eignarhaldsfélagið IG ehf. owns 99,9996% of shares in Icelandic Group hf.

Further information on matters related to share capital is disclosed in note 26.

Endorsement and statement by the Board of Directors and the CEO, contd.:

Statement by the Board of Directors and the CEO

The annual consolidated financial statements for the year ended 31 December 2009 have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and additional Icelandic disclosure requirements for consolidated financial statements.

According to our best knowledge it is our opinion that the annual consolidated financial statements give a true and fair view of the consolidated financial performance of the Company for the financial year 2009, its assets, liabilities and consolidated financial position as at 31 December 2009 and its consolidated cash flows for the financial year 2009.

Further, in our opinion the consolidated financial statements and the endorsement of the Board of Directors and the CEO give a fair view of the development and performance of the Group's operations and its position and describes the principal risks and uncertainties faced by the Group.

The Board of Directors and the CEO have today discussed the annual consolidated financial statements of Icelandic Group hf. for the year 2009 and confirm them by means of their signatures. The Board of Directors and the CEO recommend that the consolidated financial statements will be approved at the annual general meeting of Icelandic Group hf.

Reykjavík, 26 March 2010.

Board of Directors:

Steinþór Baldursson
Guðmundur Kristjánsson
Gunnar Jónsson
Henrik Leth
Haraldur Jónsson

CEO:

Finnbogi A. Baldvinsson

Independent Auditors' Report

To the Board of Directors and Shareholder of Icelandic Group hf.

We have audited the accompanying consolidated financial statements of Icelandic Group hf. and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2009, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the 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 Consolidated 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 misstatements, 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 relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of 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 our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated 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 principles 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 opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of Icelandic Group hf. as at 31 December 2009, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Reykjavík, 26 March 2010.

KPMG hf.

Sæmundur Valdimarsson

Margret G. Flóvenz

Consolidated Statement of Comprehensive Income

for the year 2009

	Notes	2009	2008
Sales	7	997.459	1.190.604
Cost of goods sold		(874.626)	(1.074.009)
Gross profit		122.833	116.595
Other operating income	8	568	38
Operating expenses	9	(95.370)	(275.299)
Share of profit (loss) of equity accounted investees, net of income tax		24	(981)
Operating profit (loss)		28.055	(159.647)
Finance income		2.282	30.229
Finance costs		(17.920)	(32.334)
Net finance costs	14	(15.638)	(2.105)
Profit (loss) before income tax		12.417	(161.752)
Income tax	15,16	(6.229)	(3.083)
Profit (loss) for the year		6.188	(164.835)
Other Comprehensive Income			
Foreign currency translation differences for foreign operation		88	4.599
Reclassification relating to foreign operations disposed of in the year		(38)	0
Cash flow hedge		(248)	875
Income tax relating to cash flow hedge		57	(202)
Other comprehensive (loss) income for the year, net of tax		(141)	5.272
Total comprehensive income (loss) for the year		6.047	(159.563)
Profit (loss) for the year attributable to:			
Equity holders of the Company		5.634	(163.782)
Non-controlling interest		554	(1.053)
Profit (loss) for the year		6.188	(164.835)
Total comprehensive income (loss) attributable to:			
Equity holders of the Company		5.488	(158.722)
Non-controlling interest		559	(841)
Total comprehensive income (loss) for the year		6.047	(159.563)
Earnings per share:			
Basic and diluted earnings (loss) per share (each share is 1 Icelandic króna)	31	0,0020	(0,4040)

The notes on pages 10 to 43 are integral part of these financial statements

Consolidated Statement of Financial Position

as at 31 December 2009

	Notes	2009	2008
Assets:			
Property, plant and equipment	17-21	94.735	105.044
Intangible assets	22	63.363	65.884
Other investments	23	1.534	1.137
Deferred tax assets	34	5.710	9.867
Total non-current assets		165.342	181.932
Inventories	24	142.633	176.077
Trade and other receivables	25	108.344	124.039
Cash and cash equivalents		25.250	29.810
Total current assets		276.227	329.926
Total assets		441.569	511.858
 Equity:			
Share capital	26	16.733	16.733
Share premium	27	141.095	141.095
Reserves (deficit)	28-30	(23.022)	(22.876)
Retained earnings		5.634	0
Total equity attributable to equity holders of the company		140.440	134.952
Non-controlling interest		2.087	1.528
Total equity		142.527	136.480
 Liabilities:			
Loans and borrowings	32,33	80.178	137.379
Deferred income tax liability	34	8.044	5.700
Total non-current liabilities		88.222	143.079
Loans and borrowings	32,33	125.271	136.117
Trade and other payables	35	85.549	96.182
Total current liabilities		210.820	232.299
Total liabilities		299.042	375.378
Total equity and liabilities		441.569	511.858

The notes on pages 10 to 43 are integral part of these financial statements

Consolidated Statement of Changes in Equity for the year 2009

	Share capital	Share premium	Reserves (deficit)	Retained earnings	Non- controlling interest	Total equity
Changes in equity in 2008:						
Equity as at 1.1.2008	36.661	120.863	(27.563)	0	2.369	132.330
Total comprehensive loss for the year			5.060	(163.782)	(841)	(159.563)
Own shares purchased	(206)	(804)				(1.010)
Decrease of nominal value of share capital	(35.722)	(117.642)		153.364		0
Issue of new share capital	16.000	144.000				160.000
Transferred from share premium		(10.045)	(373)	10.418		0
Issue of convertible bonds		4.723				4.723
Equity as at 31.12.2008	16.733	141.095	(22.876)	0	1.528	136.480
Changes in equity in 2009:						
Equity as at 1.1.2009	16.733	141.095	(22.876)	0	1.528	136.480
Total comprehensive income for the year			(146)	5.634	559	6.047
Equity as at 31.12.2009	16.733	141.095	(23.022)	5.634	2.087	142.527

The notes on pages 10 to 43 are integral part of these financial statements

Consolidated Statement of Changes in Equity

for the year 2009

	Share capital	Share premium	Reserves (deficit)	Retained earnings	Non- controlling interest	Total equity
Changes in equity 2008:						
Equity as at 1.1.2008	36.661	120.863	(27.563)	0	2.369	132.330
Currency fluctuations on subsidiaries not reporting in euros			4.387		212	4.599
Changes in fair value of cash flow hedges			673			673
Income and expense recognised directly in equity			5.060	0	212	5.272
Loss for the year				(163.782)	(1.053)	(164.835)
Total recognised income and expense for the period			5.060	(163.782)	(841)	(159.563)
Own shares purchased	(206)	(804)				(1.010)
Decrease of nominal value of share capital	(35.722)	(117.642)		153.364		0
Issue of new share capital	16.000	144.000				160.000
Transferred from share premium		(10.045)	(373)	10.418		0
Issue of convertible bonds		4.723				4.723
Equity as at 31.12.2008	16.733	141.095	(22.876)	0	1.528	136.480
Changes in equity in 2009:						
Equity as at 1.1.2009	16.733	141.095	(22.876)	0	1.528	136.480
Currency fluctuations on subsidiaries not reporting in euros			45		5	50
Changes in fair value of cash flow hedges			(191)			(191)
Income and expense recognised directly in equity			(146)		5	(141)
Profit for the year				5.634	554	6.188
Total recognised income and expense for the period			(146)	5.634	559	6.047
Equity as at 31.12.2009	16.733	141.095	(23.022)	5.634	2.087	142.527

The notes on pages 10 to 43 are integral part of these financial statements

Consolidated Statement of Cash Flows

for the year 2009

	Notes	2009	2008
Cash flows from operating activities:			
Operating profit (loss)		28.055	(159.647)
Difference between operating profit (loss) and cash from operations:			
Net (gain) loss on sale of assets .....	(	549)	1.565
Depreciation and amortisation	17,22	17.628	166.090
Share of (profit) loss of equity accounted investees .....	(	24)	981
Change in operating assets and liabilities	38	41.456	66.563
Cash generated from operations		<u>86.566</u>	<u>75.552</u>
Interest income received		876	2.699
Interest and finance costs paid .....	(	14.131)	(28.732)
Income tax paid .....	(	3.174)	0
Net cash generated from operating activities		<u>70.137</u>	<u>49.519</u>
Cash flows from investing activities:			
Investment in property, plant and equipment	17	(9.289)	(16.899)
Proceeds from sale of property, plant and equipment		1.891	6.222
Investment in intangible assets .....	(	744)	0
Net cash outflow on disposal of subsidiary	42	(229)	0
Decrease in bonds and other receivables		119	1.992
Net cash used in investing activities		<u>(8.252)</u>	<u>(8.685)</u>
Cash flows from financing activities:			
Increase in capital stock		0	160.000
Purchase of own shares		0	(1.010)
Long-term debt proceeds		806	31.419
Long-term debt repaid .....	(	12.562)	(38.409)
Short-term debt repaid .....	(	54.275)	(191.747)
Net cash used in financing activities		<u>(66.031)</u>	<u>(39.747)</u>
(Decrease) increase in cash and cash equivalents .....	(	4.146)	1.087
Effect of exchange rate fluctuations of cash held .....	(	414)	570
Cash and cash equivalents at 1 January		<u>29.810</u>	<u>28.153</u>
Cash and cash equivalents at 31 December		<u>25.250</u>	<u>29.810</u>

The notes on pages 10 to 43 are integral part of these financial statements

Notes

1. **Reporting entity**

Icelandic Group hf. is a company domiciled in Borgartún 27, Reykjavík, Iceland. The consolidated financial statements of the Company as at and for the year ended 31 December 2009 comprise the Company and its subsidiaries, together referred to as the "Group" and individually as "Group entities", and the Group's interest in associates. The Group is involved in manufacturing and marketing of seafood in international markets (see note 6).

2. **Basis of preparation**

a. **Statement of compliance**

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by EU.

The consolidated financial statements were approved by the Board of Directors on 26 March 2010.

b. **Basis of measurement**

The consolidated financial statements have been prepared on the historical cost basis except for the following:

- * Financial instruments at fair value though profit or loss are measured at fair value
- * Derivative financial instruments are measured at fair value

The methods used to measure fair values are discussed further in note 4.

c. **Functional and presentation currency**

The consolidated financial statements are presented in euro, which is the Company's functional currency. All financial information presented in euro has been rounded to the nearest thousand.

d. **Use of estimates and judgements**

The preparation of consolidated financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the consolidated financial statements is included in the following note 21 on measurement of the recoverable amounts of cash-generating units containing goodwill.

e. **Changes in accounting policies**

The financial statements are prepared using the same accounting policies as the previous year except in the area of revaluation of building discussed below. The presentation of the financial statements has been changed in accordance with new rules concerning presentation of financial statements.

The Group applies revised IAS 1, Presentation of Financial Statements (2007), which became effective as of 1 January 2009. As a result, the Company presents in the statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the statement of comprehensive income. Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on loss per share.

Notes, contd.:

2.e. Contd.:

The Group applies IFRS 8. *Operating Segments*, which became effective as of 1 January 2009. The Group presents a statement of segments based on internal reporting to managing director. Implementation of the standard does not change the presentation of business segments.

3. *Significant accounting policies*

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

Certain comparative amounts have been reclassified to conform with the current year's presentation.

a. *Basis of consolidation*

(i) *Subsidiaries*

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

(ii) *Associates (equity accounted investees)*

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity. Associates are accounted for using the equity method (equity accounted investees) and are initially recognised at cost. The consolidated financial statements include the Group's share of the income and expenses and equity movements of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

(iii) *Transactions eliminated on consolidation*

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Notes, contd.:

3.a. Contd.:

b. **Foreign currency**

(i) *Foreign currency transactions*

Transactions in foreign currencies are translated at the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss.

(ii) *Foreign operations*

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to euro at exchange rates at the reporting date. The income and expenses of foreign operations are translated to euro at exchange rates at the date of transactions.

Foreign currency differences arising on translation are recognised in other comprehensive income. Since 1 January 2004, the Group's date of transition to IFRSs, such differences have been recognised in the foreign currency translation reserve (FCTR). When a foreign operation is disposed of, in part or in full, the relevant amount in the FCTR is transferred to profit or loss as part of the profit or loss on disposal.

c. **Financial instruments**

(i) *Non-derivative financial instruments*

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit and loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

Financial assets at fair value through profit or loss

An instrument is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the Group manages such investments and makes purchases and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Upon initial recognition, attributable transaction costs are recognised in profit or loss as incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

Held-to-maturity investments

If the Group has the positive intent and ability to hold debt securities to maturity, then they are classified as held-to-maturity. Held-to-maturity investments are measured at amortised cost using the effective interest method, less any impairment losses.

Notes, contd.:

3.c. Contd.:

Loan and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loan and receivable are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise trade and other receivables.

Cash and cash equivalents comprise cash balances and call deposits.

Accounting for finance income and expenses is discussed in note 3. m.

Other

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

(ii) *Derivative financial instruments*

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

Cash flow hedges

Changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognised directly in other comprehensive income to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognised in profit or loss.

Economic hedges

Hedge accounting is not applied to derivative financial instruments that economically hedge monetary assets and liabilities denominated in foreign currencies. Changes in the fair value of such derivatives are recognised in profit or loss as part of foreign currency gains and losses.

Other non-trading derivatives

When a derivative financial instrument is not held for trading, and is not designated in a qualifying hedge relationship, all changes in its fair value are recognised immediately in profit or loss.

(iii) *Share capital*

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of tax effects.

Notes, contd.:

3.c. Contd.:

Repurchase of share capital (treasury shares)

When share capital recognised as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognised as a deduction from equity. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity.

(iv) *Dividends*

Dividends are recognised as a decrease in equity in the period in which they are approved by the Company's shareholders.

d. **Property, plant and equipment**

(i) *Recognition and measurement*

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

(i) *Recognition and measurement, contd.:*

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within "other income" in profit and loss.

(ii) *Subsequent costs*

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) *Depreciation*

Depreciation is calculated over the depreciable amount, which is the cost of an asset, less its residual value.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term or their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated. The estimated useful lives for the current and comparative periods are as follows:

	Useful lives
Buildings	10-50 years
Other fixed assets	5-10 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Notes, contd.:

3. Contd.:

e. **Intangible assets**

(i) *Goodwill*

Goodwill (negative goodwill) arises up on the acquisition of subsidiaries.

Goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess is negative (negative goodwill), it is recognised immediately as income in profit or loss.

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses.

Acquisitions of minority interests

Goodwill arising on the acquisition of a minority interest in a subsidiary represents the excess of the cost of the additional investment over the carrying amount of the interest in the net assets acquired at the date of exchange.

(ii) *Other intangible assets*

Other intangible assets that have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses. Software is amortised over 2-10 years.

(iii) *Subsequent expenditure*

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit and loss when incurred.

(iv) *Amortisation*

Amortisation is calculated over the cost of the asset, less its residual value.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. The estimated useful lives for the current and comparative periods are as follows:

	Useful lives
Business relationship	5-20 years
Patents	3 years
Software	3 - 5 years

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Notes, contd.:

3. Contd.:

f. **Leased assets**

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and the leased assets are not recognised on the Group's statement of financial position.

g. **Inventories**

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories, production and conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity. The cost of inventory may include transfers from other comprehensive income of any gain or loss on qualifying cash flow hedges of foreign currency purchases of inventories.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

h. **Impairment**

(i) **Financial assets**

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset and that the loss event had a negative effect on the estimated future cash flows of that asset can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on a individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost the reversal is recognised in profit or loss.

Notes, contd.:

3. Contd.:

(ii) *Non financial assets*

The carrying amount of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the assets recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, recoverable amount is estimated at each reporting date.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). Goodwill acquired in a business combination is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

i. *Employee benefits*

(i) *Defined contribution plans*

A defined benefit plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

j. *Provisions*

A provision is recognised in the statement of financial position if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

Notes, contd.:

3. Contd.:

k. **Revenue**

(i) **Goods sold**

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenues is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs or the possible return of goods can be estimated reliably, there is no continuing management involvement with the goods and the amount of revenue can be measured reliably.

The timing of the transfers of risks and rewards vary depending on the individual terms of the contract of sale.

(ii) **Other operating revenue**

Other operating revenue comprises the gain on the sale of property, plant and equipment and other revenue.

l. **Lease payments**

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expenses and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

m. **Finance income and costs**

Finance income comprises interest income on funds invested, dividend income, changes in the fair value of financial assets at fair value through profit or loss, foreign currency gains, and gains on hedging instruments that are recognised in profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, foreign currency losses, changes in the fair value of financial assets at fair value through profit or loss, impairment losses recognised on financial assets, and losses on hedging instruments that are recognised in profit or loss. Borrowing costs that are not directly attributable to acquisition or construction of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis.

n. **Income tax**

Income tax comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Notes, contd.:

3.n. Contd.:

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

o. *Earnings per share*

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

p. *Segment reporting*

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segment's operating results are reviewed regularly by the Group's CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Inter-segment pricing is determined on an arm's length basis.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

Notes, contd.:

3. Contd.:

q. ***New standards and interpretations not yet adopted***

The Group has applied all International Financial Reporting Standards, amendments to standards and interpretations that the EU has adopted at year-end 2009 and are relevant to its operations. The Group has not adopted standards, amendments to standards and interpretations that are not yet effective for the year ended 31 December 2009, but can be adopted earlier. The effect on the consolidated financial statements of the Group has not been evaluated, but in the future direct cost related to business combination will be expensed as incurred, in accordance with amended IFRS 3, Business Combinations.

4. ***Determination of fair values***

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(i) ***Property, plant and equipment***

The fair value of property, plant and equipment recognised as a result of a business combination is based on market values. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably and willingly.

(ii) ***Intangible assets***

The fair value of trademarks acquired in a business combination is based on the discounted estimated royalty payments that have been avoided as a result of the trademark being owned. The fair value of business relationships acquired in a business combination is determined using the multiperiod excess earnings method. The fair value of other intangible assets is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets.

(iii) ***Inventories***

The fair value of inventories acquired in a business combination is determined based on its estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

(iv) ***Trade and other receivables***

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. The fair value is determined for disclosure purposes.

(v) ***Derivatives***

The fair value of forward exchange contracts is based on their listed market price, if available. If a listed market price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate based on government bonds.

(vi) ***Non-derivative financial liabilities***

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases the market rate of interest is determined by reference to similar lease agreements.

5. *Financial risk management*

The Group has exposure to the following risks from its use of financial instruments:

- * Credit risk
- * Liquidity risk
- * Market risk
- * Operational risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has commended the CEO day to day developing and monitoring of the Group's risk management policies.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base, including the default risk of the industry and country in which customer operate, has less of an influence on credit risk. Approximately 36% (2008: 31%) of the Group's revenue is attributable to sales transactions with its five largest customers.

The Group has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, when available, and in some cases bank references. Purchase limits are established for each customer, which represents the maximum open amount. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on a prepayment basis.

Most of the Group's customers have been transacting with the Group for many years, and losses have occurred infrequently. In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or legal entity, whether they are a wholesale, retail or end-user customer, geographic location, industry, aging profile, maturity and existence of previous financial difficulties.

Notes, contd.:

5. Contd.:

Trade and other receivables, contd.:

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments. The main components of this allowance are a specific loss components that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

Guarantees

The Group's policy is to provide financial guarantees only to subsidiaries. At 31 December 2009 guarantees provided to subsidiaries amounting to € 73.0 million (2008: € 102.0 million) were outstanding. Guarantees provided to others amounted to € 0 (2008: € 4.0 million).

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group uses activity-based costing to cost its products and services, which assists it in monitoring cash flow requirements and optimising its cash return on investments. Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. In addition, the Group maintains lines of credit amounting to €64.9 million (2008: € 53.5 million) that can be drawn down to meet short-term financing needs.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of Group entities, primarily the euro (€), but also the Sterling (GBP) and U.S. Dollars (USD). The currencies in which these transactions primarily are denominated are GBP, Swiss franc (CHF), Canadian dollar (CAD) and USD.

Interest rate risk

Most of the Group's borrowings are on a floating rate basis.

Other market price risk

Other market price risk is limited, as the Group's investments in held-to-maturity bonds and shares at fair value through profit or loss is immaterial part of the Group's operations.

Notes, contd.:

5. Contd.:

Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Group's operations.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Group defines as result from operating activities divided by total shareholders' equity, excluding non-controlling interest. The Board of Directors also monitors the level of dividends to ordinary shareholders.

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. The Group's target is to achieve a return on capital of between 12.5 and 15.0 percent; in 2009 the return was positive by 4.3 percent (2008: negative by 106.3 percent). In comparison the weighted average interest expense on interest-bearing borrowings, excluding liabilities with imputed interest, was 3.5 percent (2008: 5.3 percent).

Notes, contd.:

Operating segments

6. Business segments

The Group comprises the following main reportable segments:

- * *Production:* Processing seafood into value added products.
- * *Sales and marketing:* Sales and marketing of seafood without further processing.
- * *Holding and servicing:* Parent company and companies that provide logistic and quality service to other group companies.

Business segments

2009	Production	Sales and marketing	Holding and servicing	Eliminations	Consolidated
Sales to external customers	740.916	256.034	509		997.459
Inter-segment sales	47.053	93.719	2.536	(143.308)	0
Total segment sales	787.969	349.753	3.045	(143.308)	997.459
Segment result	24.834	4.086	(889)	0	28.031
Net finance costs	(11.524)	(325)	(3.789)		(15.638)
Share of profit of equity accounted investees, net of tax	0	0	24		24
Profit (loss) before income tax	13.310	3.761	(4.654)	0	12.417
Income tax	(7.088)	472	387		(6.229)
Profit (loss) for the year	6.222	4.233	(4.267)	0	6.188
Segment assets	425.684	137.882	18.555	(140.552)	441.569
Segment liabilities	289.506	142.484	7.761	(140.709)	299.042
Capital expenditure	9.677	356	0		10.033
Depreciation	14.798	906	59		15.763
Amortisation of intangible assets	1.747	118	0		1.865

Notes, contd.:

6. Contd.:

2008	Production	Sales and marketing	Holding and servicing	Eliminations	Consolidated
Sales to external customers	814.790	374.668	1.146		1.190.604
Inter-segment sales	84.530	157.519	3.856	(245.905)	0
Total segment sales	899.320	532.187	5.002	(245.905)	1.190.604
Segment result	(66.591)	2.734	(94.809)		(158.666)
Net finance costs	(20.491)	(9.469)	27.855		(2.105)
Share of loss of equity accounted investees, net of tax	0	0	(981)		(981)
Loss before income tax	(87.082)	(6.735)	(67.935)	0	(161.752)
Income tax	4.985	(6.015)	(2.053)		(3.083)
Loss for the year	(82.097)	(12.750)	(69.988)	0	(164.835)
Segment assets	484.003	174.246	35.737	(182.128)	511.858
Segment liabilities	356.201	170.780	25.668	(177.271)	375.378
Capital expenditure	15.716	1.058	125		16.899
Depreciation	15.821	793	71		16.685
Amortisation of intangible assets	825	66	4		895
Impairment losses on intangible assets	60.206	0	88.304		148.510

Notes, contd.:**Sales**

7. Sales is specified as follows:

	2009	2008
Sales	992.946	1.184.776
Commission	4.513	5.828
Sales, total	<u>997.459</u>	<u>1.190.604</u>

Other income

8. Other operating income is specified as follows:

	2009	2008
Gain on sale of assets	568	38
Other operating income, total	<u>568</u>	<u>38</u>

Operating expenses

9. Operating expenses are specified as follows:

	2009	2008
Salaries and salary-related expenses	48.146	53.208
Loss on sale of assets	19	1.610
Other operating expenses	41.106	67.183
Depreciation of operating assets and amortisation of intangible assets	6.099	4.788
Impairment losses	0	148.510
Total operating expenses	<u>95.370</u>	<u>275.299</u>

10. Salaries and salary-related expenses are specified as follows:

	2009	2008
Salaries	94.552	106.757
Salary-related expenses	9.688	9.020
Total salaries and salary-related expenses	<u>104.240</u>	<u>115.777</u>
Average number of employees (full year equivalents)	4.071	4.227
Positions with the Group at the end of the year	3.710	4.106

Salaries and salary-related expenses are allocated as follows on items in the profit or loss:

Cost of goods sold	56.094	62.569
Operating expenses	48.146	53.208
Total salaries and salary-related expenses	<u>104.240</u>	<u>115.777</u>

Notes, contd.:

11. Salaries and fringe benefits paid to the Board of Directors and key management for their work for companies within the group and ownership in the Company are specified as follows:

	Salaries and benefits
Board of Directors:	
Steinþór Baldursson, Chairman of the Board	0,0
Guðmundur Kristjánsson, Board Member	7,0
Gunnar Jónsson, Board Member	7,0
Haraldur Jónsson, Board Member	4,6
Henrik Leth, Board Member	7,0
Friðrik Jóhannsson, former Chairman of the Board	13,9
Águst Helgi Leósson, former Board Member	2,3
Managing Director:	
Finnbogi A. Baldvinsson, CEO	350,0

12. The Group's depreciation charge in profit or loss is specified as follows:

	2009	2008
Depreciation of property, plant and equipment, see note 17	15.763	16.685
Amortisations of intangible assets, see note 22	1.865	895
Impairment of intangible assets, see note 22	0	148.510
Total	<u>17.628</u>	<u>166.090</u>

Depreciation, amortisation and impairment loss is allocated as follows on operating items:

	2009	2008
Cost of goods sold	11.529	12.792
Operating expenses	6.099	153.298
Total	<u>17.628</u>	<u>166.090</u>

Auditors' Fees

13. Auditors' fees are specified as follows:

	2009	2008
Audit of the financial statements	950	1.238
Review of interim financial statements	48	70
Other services	280	122
Total auditors' fees	<u>1.278</u>	<u>1.430</u>
Thereof remuneration to others than KPMG in Iceland	<u>1.064</u>	<u>1.190</u>

Notes, contd.:**Net finance costs**

14. Net finance costs are specified as follows:

	2009	2008
Interest income	554	1.164
Dividend income	8	0
Debt relief	0	27.324
Gain on sale of shares	696	0
Net currency gain	1.024	1.741
Finance income, total	<u>2.282</u>	<u>30.229</u>
Interest expenses	(13.834)	(31.039)
Fair value changes on shares in other companies	0	(945)
Loss on sale of subsidiary (see note 42)	(4.086)	(350)
Finance costs, total	<u>(17.920)</u>	<u>(32.334)</u>
Net finance costs	<u>(15.638)</u>	<u>(2.105)</u>

Income tax expense

15. Income tax recognised in profit or loss are specified as follows:

	2009	2008
Income tax payable for the year	<u>441</u>	<u>1.964</u>
Deferred income tax expense:		
Origination and reversal of temporary differences	(55)	10
Benefit of tax losses recognized	5.843	1.109
Deferred tax expense total	<u>5.788</u>	<u>1.119</u>
Total income tax in profit or loss	<u>6.229</u>	<u>3.083</u>

16. Effective tax rate is specified as follows:

	2009	2008
Profit (loss) for the year	6.188	(164.835)
Total income tax	<u>6.229</u>	<u>3.083</u>
Profit (loss) excluding income tax	<u>12.417</u>	<u>(161.752)</u>
Income tax using Icelandic corporation tax rate ...	15,0% (1.863)	15,0% 24.263
Effect of tax rate in foreign jurisdictions	25,3% (3.144)	3,8% 6.214
Non-deductable expenses	1,9% (242)	(20,4%) (32.925)
Other items	7,9% (980)	(0,4%) (635)
Effective tax rate	<u>50,2% (6.229)</u>	<u>(1,9%) (3.083)</u>

Notes, contd.:

Property, plant and equipment

17. Property, plant and equipment and their depreciation is specified as follows:

Cost or deemed cost	Buildings and land	Other operating assets	Total
Balance at 1 January 2008	70.182	119.726	189.908
Purchases during the year	3.519	13.380	16.899
Disposals	(2.263)	(10.004)	(12.267)
Exchange rate differences	(4.367)	(13.982)	(18.349)
Balance at 31 December 2008	67.071	109.120	176.191
Reclassifications	1.236	(2.234)	(998)
Purchases during the year	1.034	8.255	9.289
Disposal of subsidiary	(4.024)	(6.235)	(10.259)
Other disposals	(789)	(3.260)	(4.049)
Exchange rate differences	512	3.107	3.619
Balance at 31 December 2009	65.040	108.753	173.793
Depreciation and impairment losses			
Balance at 1 January 2008	9.617	61.870	71.487
Depreciation	3.331	13.354	16.685
Disposals	(458)	(6.756)	(7.214)
Exchange rate differences	(876)	(8.935)	(9.811)
Balance at 31 December 2008	11.614	59.533	71.147
Reclassifications	0	(1.044)	(1.044)
Depreciation	3.270	12.493	15.763
Disposal of subsidiary	(1.251)	(4.667)	(5.918)
Other disposals	(218)	(2.612)	(2.830)
Exchange rate differences	123	1.817	1.940
Balance at 31 December 2009	13.538	65.520	79.058
Carrying amounts			
1.1.2008	60.565	57.856	118.421
31.12.2008	55.457	49.587	105.044
31.12.2009	51.502	43.233	94.735
Depreciation ratios	2-10%	10-20%	

Finance leases

18. Equipment and machinery for which the Group has concluded lease agreements are capitalized despite the ownership right of the lessor according to the agreements. The remaining balance of the lease agreements amounted to € 3,997 thousand at year-end 2009 (2008 € 5,664 thousand).

Notes, contd.:

Operating leases

19. The Group has entered into operating lease contracts for machinery and production equipment. Commitments from these contracts are not included in the statement of financial position.

Mortgages and Guarantees

20. Mortgages and guarantees for debt with a remaining balance of € 62,989 thousand (2008: € 59,558 thousand) were registered against the Group's assets at year-end 2009.

Insurance value

21. Insurance and book value at year-end were as follows:

	2009	2008
Insurance value of buildings	115.142	100.749
Book value of buildings	51.502	55.457
Insurance value of other operating assets	67.524	137.338
Book value of other operating assets	43.233	49.587

Intangible assets

22. The Group's intangible assets are specified as follows:

	Goodwill	Trademarks	Business relationships	Other intangible assets	Total
Cost					
Balance at 1.1 2008	193.000	28.243	17.127	3.690	242.060
Disposals	0	0	0	(47)	(47)
Exchange rate differences	(12.057)	252	130	(221)	(11.896)
Balance at 31.12.2008	180.943	28.495	17.257	3.422	230.117
Reclassification	0	0	107	203	310
Purchases during the year	0	0	182	562	744
Disposal of subsidiary	(12.980)	(1.848)	(4.574)	0	(19.402)
Exchange rate differences	2.585	(130)	(53)	35	2.437
Balance at 31.12.2009	170.548	26.517	12.919	4.222	214.206

Notes, contd.:

22. Contd.:

	Goodwill	Trademarks	Business relationships	Other intangible assets	Total
Amortisations and impairment losses					
Balance at 1.1.2008	10.868	13	2.685	1.306	14.872
Amortisation for the year	0	0	644	251	895
Impairment losses	130.107	18.403	0	0	148.510
Disposals	0	0	0	(39)	(39)
Exchange rate differences	(639)	0	541	93	(5)
Balance at 31.12.2008	140.336	18.416	3.870	1.611	164.233
Reclassification	0	0	54	212	266
Amortisation for the year	0	0	1.236	629	1.865
Disposal of subsidiary	(12.980)	0	(1.678)	0	(14.658)
Exchange rate differences	(877)	0	(19)	33	(863)
Balance at 31.12.2009	126.479	18.416	3.463	2.485	150.843
Carrying amounts					
1.1.2008	182.132	28.230	14.442	2.384	227.188
31.12.2008	40.607	10.079	13.387	1.811	65.884
31.12.2009	44.069	8.101	9.456	1.737	63.363
Depreciations ratios			5-20%	4-15%	

Amortisation and impairment charge

The amortisation is allocated to the cost of inventory and is recognised in cost of goods sold as inventory is sold. The impairment loss is recognised in other operating expense in profit or loss.

Impairment testing for cash generating units containing goodwill

For the purpose of impairment testing, goodwill is allocated to the Group's operating entities which represent the lowest level within the Group, at which the goodwill is monitored for internal management purposes.

Notes, contd.:

22. Contd.:

The aggregate carrying amounts of goodwill allocated to each unit are as follows:	2009	2008
Seachill Ltd.	43.896	40.423
Fiskval ehf.	173	184
Total goodwill	<u>44.069</u>	<u>40.607</u>

The value in use of each unit was determined by discounting the future cash flows generated from the continuing use of the unit and was based on the following key assumptions:

Cash flows were projected based on actual operating results and a five year business plan for each unit approved by management. Cash flows for future periods were extrapolated using a constant growth rate.

The anticipated annual real revenue growth rate included in the cash flow projection was minus 13.2% to plus 4.3% for the years 2010 to 2014 and 2.0% for the future growth rate.

A post-tax discount rate of 7.9% to 10.2% was applied in determining the recoverable amount of the units. The discount rate was estimated based on the companies weighted average cost of capital, which was based on an industry average of debt leveraging.

An increase of 1 percentage point in the discount rate used would not result in impairment loss at year-end 2009.

A 10 percent decrease in future planned EBITDA would not result in impairment loss at year-end 2009.

All the carrying amount of goodwill is related to the production companies.

Trademarks purchased and aquired are capitalised by the Group's production companies.

Other investments

23. The Group's other investments are specified as follows:

	2009	2008
Held-to-maturity investments	1.619	1.172
Equity accounted investees	195	171
Financial assets designated at fair value through profit or loss	74	79
	<u>1.888</u>	<u>1.422</u>
Current maturities	(354)	(285)
Total other investments	<u>1.534</u>	<u>1.137</u>

Held-to-maturity investments have interest rates of 4.0% to 6.5% (2008: 4.0% to 6.5%) and mature in 1 to 5 years.

The financial assets designated at fair value through profit and loss are equity securities.

The Group's exposure to credit, currency and interest rate risks related to other investments is disclosed in note 36.

Notes, contd.:

Inventories

24. Inventories are specified as follows:

	2009	2008
Raw material and work in process	63.233	86.573
Finished goods	79.400	89.504
Total inventories	<u>142.633</u>	<u>176.077</u>

Trade and other receivables

25. Trade and other receivables are specified as follows:

	2009	2008
Trade receivables	95.263	112.508
Other receivables	10.555	8.933
Prepaid expenses	2.526	2.598
Total trade and other receivables	<u>108.344</u>	<u>124.039</u>

The Group's exposure to credit and currency risk and impairment losses related to trade and other receivables are disclosed in note 36.

Equity

26. *Issued shares*

The Company's total number of shares according to its Articles of Association are 2,794 million (2008: 2,794 million). Issued shares at year-end numbered 2,794 million (2008: 2,794 million) and is all paid for. The owners of ordinary shares are entitled to dividends as declared from time to time and are entitled to one vote per share of one ISK at meetings of the Company.

27. *Share premium*

Share premium represents excess of payments above nominal value (ISK 1 per share) that shareholders have paid for shares sold by the Company. According to Icelandic Companies Act, 25% of the nominal share capital must be held in reserve which can not be paid out as dividend to shareholders.

28. *Translation reserve*

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

29. *Hedging reserve*

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

Notes, contd.:

30. *Other reserves*

Other reserves are specified as follows:	2009	2008
Translation reserve	(22.499)	(22.544)
Hedging reserve	(523)	(332)
Other reserves total	(23.022)	(22.876)

Earnings per share

31. The calculation of basic earnings per share was based on the profit attributable to shareholders of the Parent Company and a weighted average number of shares outstanding during the year calculated as follows:

Basic earnings per share:	2009	2008
Profit (loss) for the year attributable to equity holders of the parent	5.634	(163.782)
Shares at the beginning of the year	2.793.865	2.893.248
Effect of purchased and sold own shares	0	(2.031)
Effect of reduction in number of shares	0	(2.835.383)
Effect of share increase in November 2008	0	349.600
Weighted average number of ordinary shares	2.793.865	405.434
Gain (loss) per share of ISK 1	0,0020	(0,4040)

Diluted earnings per share is equal to basic earnings per share as the Company has not entered into share options agreements and has no convertible loans.

Loans and borrowings

32. Loans and borrowings are specified as follows:

2009	Non-current liabilities	Current liabilities	Total
Currency			
EUR	76.317	18.991	95.308
GBP	43.446	1.447	44.893
USD	6.357	27.400	33.757
JPY	769	21.640	22.409
CNY	0	4.470	4.470
ISK	2.658	0	2.658
NOK	0	1.935	1.935
CHF	19	0	19
Loans and borrowings, total	129.566	75.883	205.449
Current maturities of non-current liabilities	(49.388)	49.388	0
Loans and borrowings according to the balance sheet	80.178	125.271	205.449

Notes, contd.:

32. Contd.:

2008 Currency	Non-current liabilities	Current liabilities	Total
EUR	82.179	22.141	104.320
USD	7.615	75.349	82.964
GBP	40.211	6.358	46.569
JPY	3.941	19.518	23.459
DKK	7.190	2.843	10.033
ISK	2.834	0	2.834
CNY	0	2.399	2.399
NOK	0	918	918
Loans and borrowings, total	143.970	129.526	273.496
Current maturities of non-current liabilities	(6.591)	6.591	0
Loans and borrowings according to the balance sheet	137.379	136.117	273.496

Property, plant and equipment, inventory and accounts receivable have been pledged against loans the amount of € 194.7 million (2008: € 257.5 million)

33. Non-current loans and borrowings are payable as follows:

	2009	2008
Year 2009	-	6.591
Year 2010	49.388	53.285
Year 2011	7.905	7.777
Year 2012	41.514	38.262
Year 2013	4.821	3.273
Year 2014	5.640	28.309
Subsequent	20.298	6.473
Non-current loans and borrowings including current maturities	129.566	143.970

Deferred tax assets and liabilities

34. Deferred tax asset and liabilities are specified as follows:

	Deferred tax assets	Deferred tax liability	Total
Balance at 1.1.2008	(11.577)	7.446 (	4.131)
Income tax	302	2.781	3.083
Income tax payable 2009 on 2008 activities	0 (	1.964) (	1.964)
Exchange rate difference, prepaid tax and other changes	1.408 (	2.563) (	1.155)
Balance at 31.12.2008	(9.867)	5.700 (	4.167)
Income tax	1.662	4.567	6.229
Income tax payable 2010 on 2009 activities	(224) (	216) (	440)
Exchange rate difference, prepaid tax and other changes	2.719 (	2.007) (	712
Balance at 31.12.2009	(5.710)	8.044	2.334

Notes, contd.:

34. Contd.:

The deferred income tax liability (asset) is attributable to the following items:

	2009	2008
Property, plant and equipment	6.017	3.847
Intangible assets	2.545	2.624
Tax losses carried forward	(1.814)	(7.897)
Other items	(4.414)	(2.741)
Net income tax liability (asset) at year-end	<u>2.334</u>	<u>(4.167)</u>

Trade and other payables

35. Trade and other payables are specified as follows:

	2009	2008
Trade payables	62.409	69.012
Taxes for the year	440	1.964
Other payables	22.700	25.206
Total trade and other payables	<u>85.549</u>	<u>96.182</u>

Financial instruments

Exposure to credit risk

36. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2009	2008
Held-to-maturity investments	1.619	1.343
Financial assets at fair value through profit or loss	74	79
Loans and receivables	105.782	121.441
Cash and cash equivalents	25.250	29.810
	<u>132.725</u>	<u>152.673</u>

The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:

Domestic	30	1.282
United Kingdom	24.701	15.742
Continental Europe	46.657	56.788
USA	12.792	15.670
Asia	11.083	23.026
	<u>95.263</u>	<u>112.508</u>

The Group's five most significant customers account for € 263 million of the trade receivables carrying amount at 31 December 2009 (2008: € 24.2 million).

Notes, contd.:

36. Contd.:

Impairment losses

The aging of accounts receivables at the reporting date was:

	2009		2008	
	Gross	Impairment	Gross	Impairment
Past due 0-30 days	74.755	97	78.776	129
Past due 31-90 days	18.690	368	27.960	488
Past due 91-180 days	1.207	130	3.459	338
Past due 181-360 days	449	27	3.152	201
More than one year	1.176	392	506	189
	<u>96.277</u>	<u>1.014</u>	<u>113.853</u>	<u>1.345</u>

Provision for losses on trade and other receivables are specified as follows:

	2009	2008
Provision at 1 January	1.345	2.499
Actual losses during the year	20 (	22)
Changes in provision for the year	(360) (	1.185)
Exchange rate difference	9	53
Provision at 31 December	<u>1.014</u>	<u>1.345</u>

Liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

	Carrying amount	Contractual cash flows	Less than 1 year	1-2 years	2-5 years	More than 5 years
31 December 2009						
Non-derivative financial liabilities						
Non-current						
loans and borrowings	129.566	138.701	53.830	10.618	55.998	18.255
Current loans and borrowings .	75.883	79.298	79.298	0	0	0
Trade and other payables	85.549	85.549	85.549	0	0	0
	<u>290.998</u>	<u>303.548</u>	<u>218.677</u>	<u>10.618</u>	<u>55.998</u>	<u>18.255</u>

Notes, contd.:

36. Contd.:

	Carrying amount	Contractual cash flows	Less than 1 year	1-2 years	2-5 years	More than 5 years
31 December 2008						
Non-derivative financial liabilities						
Non-current						
loans and borrowings	143.970	172.267	15.229	61.528	58.728	36.782
Current loans and borrowings .						
Current	129.526	137.298	137.298	0	0	0
Trade and other payables						
	96.182	96.182	96.182	0	0	0
	<u>369.678</u>	<u>405.747</u>	<u>248.709</u>	<u>61.528</u>	<u>58.728</u>	<u>36.782</u>

Currency risk

Exposure to currency risk

The Group's exposure to foreign currency risk was as follows based on notional amounts:

31 December 2009

	GBP	CHF	CAD	USD	Other
Trade receivables	25.459	0	0	20.888	4.886
Loans and borrowings	0	0	0	0	0
Trade payables	(27.493)	0	(25)	(11.251)	(4.643)
Gross balance sheet exposure	<u>(2.034)</u>	<u>0</u>	<u>(25)</u>	<u>9.637</u>	<u>243</u>

31 December 2008

Trade receivables	2.173	0	0	6.323	9.237
Loans and borrowings	(4.578)	0	0	(3.341)	(4.371)
Trade payables	(1.473)	0	0	(6.879)	(2.936)
Gross balance sheet exposure	<u>(3.878)</u>	<u>0</u>	<u>0</u>	<u>(3.897)</u>	<u>1.930</u>

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2009	2008	2009	2008
GBP	0,8902	0,7996	0,8919	0,9686
CHF	1,5103	1,5795	1,4755	1,4921
CAD	1,5838	1,5624	1,5567	1,7151
USD	1,3965	1,4465	1,4396	1,4057

Notes, contd.:

36. Contd.:

Sensitivity analysis

A 10 percent strengthening of the euro against the above mentioned currencies at 31 December would have increased pre-tax profit or loss by € 782 thousand (2008: € 58 thousand). This analysis assumes that all other variables, in particular interest rates, remain constant.

A 10 percent weakening of the euro against the above currencies at 31 December would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

Interest rate risk

Profile

At the reporting date the interest rate profile of the Group's interest bearing financial instruments was:

	Carrying amount	
	2009	2008
Fixed rate instruments		
Financial assets	1.619	1.343
Financial liabilities	0 (	78.185)
	<u>1.619</u>	<u>(76.842)</u>
Variable rate instruments		
Financial liabilities	(205.449)	(195.311)

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore a change in interest rates at the reporting date would not affect profit or loss.

A change of 100 basis points in interest rates would have increased pre-tax profit or loss by € 16 thousand (2008: decreased by € 768 thousand).

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have decreased pre-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2008.

	Profit or loss	
	100bp increase	100bp decrease
31 December 2009		
Variable rate instruments	2.054	2.054
Cash flow sensitivity (net)	<u>2.054</u>	<u>2.054</u>
31 December 2008		
Variable rate instruments	1.809	1.809
Cash flow sensitivity (net)	<u>1.809</u>	<u>1.809</u>

Notes, contd.:

36. Contd.:

Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

	31 December 2009		31 December 2008	
	Carrying amount	Fair value	Carrying amount	Fair value
Held-to-maturity investments	1.619	1.619	1.172	1.172
Financial assets designated at fair value				
through profit or loss	74	74	79	79
Loans and receivables	107.990	107.990	123.754	123.754
Cash and cash equivalents	25.250	25.250	29.810	29.810
Loans and borrowings, non-current	(80.178)	(76.971)	(137.379)	(137.379)
Loans and borrowings, current	(125.271)	(120.260)	(136.117)	(133.586)
Trade and other payables	(85.549)	(85.549)	(96.182)	(94.651)
Gross balance sheet exposure	(156.065)	(147.847)	(214.863)	(210.801)

Operating leases

37. Non-cancellable operating lease rentals are payable as follows:

	2009	2008
Less than one year	4.978	4.895
Between one and five years	7.988	10.680
More than five years	3.064	4.466
	<u>16.030</u>	<u>20.041</u>

Statement of Cash Flows

38. Changes in operating assets and liabilities in the statement of cash flows are specified as follows:

	2009	2008
Inventories, decrease	33.906	64.223
Trade and other receivables, decrease	16.523	28.317
Trade and other payables, decrease	(8.973)	(25.977)
Net changes in working capital	<u>41.456</u>	<u>66.563</u>

Notes, contd.:

39. Cash flows from operating activities are specified as follows:

	2009	2008
Profit (loss) for the year	6.188 (	164.835)
Difference between loss and cash flows from operations:		
Profit from sales of assets	(549)	1.565
Profit on sale of other shares	(696)	0
Loss on sale of subsidiary (see note 42)	4.085	0
Depreciations, amortisation and impairment losses	17.628	166.090
(Profit) loss of equity accounted investees	(24)	981
Fair value changes on shares in other companies	0	1.193
Income tax	6.658	417
Other items	(316)	962
Net changes in working capital	<u>32.974</u> (	<u>20.951</u>)

Related parties

40. *Identity of related parties*

The Group has a related party relationship with its subsidiaries, associates, and with its directors and executive officers.

Transactions with key management personnel

Directors of the Company and their relatives control 0.0% of the voting shares of the Company (2008: 0.4%).

The Group's CEO loaned one subsidiary EUR 1.2 million.

Other related party transactions

Associates

During the year ended 31 December 2009, associates purchased goods from the Group in the amount of € 519 thousand (2008: € 390 thousand) and at 31 December 2009 associates owed the Group € 41 thousand (2008: € 311 thousand) and the Group owed associates nil (2008: € 553 thousand). The Group purchased goods and services from associates in the amount of € 1,628 thousand (2008: € 7,86 thousand). Transactions with associates are priced on an arm's length basis. During the year ended 31 December 2009, the associated companies paid nil dividend (2008: nil) to the Group.

Notes, contd.:

Group entities

41. Subsidiaries numbered 30 at year-end (2008: 34) and are all included in the consolidated financial statements. They are:

	Share		Share
Beihai Beilian Foods Industry Inc., China	51%	Icelandic Northwest Inc, USA	85%
Coldwater Seafood (UK) Ltd., UK	100%	Icelandic Services ehf., Iceland	100%
Dalian Three Star Seafood Co. Ltd, China	98%	Icelandic UK Ltd., UK	100%
Ecomsa S.A., Spain	100%	Icelandic USA Inc., USA	100%
Fiskval ehf., Iceland	100%	IFP Trading Ltd., UK	100%
Gadus B.V., The Netherlands	100%	Marinus ehf., Iceland	100%
Icelandic Asia Inc., S-Korea	99%	OTO L.L.C., USA	100%
Icelandic Boulogne Sur Mer, France	100%	Pickenpack Assets GmbH, Germany ..	100%
Icelandic China Trading Co. Ltd., China	100%	Pickenpack H&H GmbH, Germany ...	100%
Icelandic France S.A.S., France	100%	Pickenpack H&H S.a.r.l., France	100%
Icelandic Group UK Ltd., UK	100%	Seachill Ltd., UK	100%
Icelandic Holding Germany GmbH, Germany	100%	Sirius ehf., Iceland	100%
Icelandic Iberica S.A., Spain	100%	Sjóvík ehf. (Blue-Ice), Iceland	100%
Icelandic Japan K.K., Japan	100%	Verwaltungg. HFP GmbH, Germany .	100%
Icelandic Norway AS, Norway	100%	Westfalia-Strenz F. GmbH, Germany .	100%

Disposal of subsidiary

42. On 22 December 2009, the Group disposed of Icelandic Scandinavia Aps.

Consideration received:

	2009
Consideration received in cash and cash equivalents	1.126
Deferred payment	269
Value of earn-out conditions	134
	<hr/>
	1.529

Notes, contd.:

42. Contd.:

Analysis of assets and liabilities over which control was lost:

	2009
Cash and cash equivalents	1.355
Trade receivables	2.274
Inventories	4.312
Property, plant and equipment	4.341
Intangible assets	4.744
Deferred tax asset	194
Other non-current assets	5
Payables	(2.706)
Other current liabilities	(3.020)
Borrowings	(5.789)
Deferred tax liabilities	(57)
Net assets disposed of	<u>5.653</u>

Loss on disposal of subsidiary:

Consideration received	1.529
Net assets disposed of	(5.653)
Cumulative exchanges difference in respect of the net assets of the subsidiary reclassified from equity on loss of control of subsidiary	38
	<u>(4.086)</u>

Net cash outflow on disposal of subsidiary

Consideration received in cash and cash equivalents	1.126
Less: cash and cash equivalents	(1.355)
Net cash outflow	<u>(229)</u>

Financial Ratios

43. Financial ratios for the consolidated financial statements:

	2009	2008
Current ratio	1.31	1.42
Equity ratio	32.3%	26.7%
Return on equity	4.3%	(106.3%)
Internal value	8.52	8.16
EBITDA	45.683	6.443
EBITDA ratio	4.6%	0.5%