

Icelandic Group hf.  
Consolidated Financial Statements  
Year Ended 31 December 2012  
in euro

Icelandic Group hf.  
Borgartún 27  
105 Reykjavík  
Iceland  
Reg. no. 461296-2119

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# Endorsement and Statement by the Board of Directors and the CEO

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Icelandic Group's consolidated financial statements for the year 2012 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 21 at 31 December 2012.

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 total comprehensive income amounted to € 0.7 million for the year. The Group's income from continuing operations amounted to € 566.5 million for the year. According to the statement of financial position total assets at year end amounted to € 292.6 million and equity amounted to € 129.2 million. The equity ratio of the Group was 44.2%.

The Board of Directors will submit a proposal to the Annual General Meeting on dividend to shareholders. Reference is made to the financial statements regarding deployment of net profit and other changes in equity.

## **Acquisition of subsidiary**

In October 2012 Icelandic Group hf. acquired a fresh fish producer in Belgium, Gadus Fish NV.

## **Share capital and Articles of Association**

In end of October 2012 a shareholders' meeting accepted that the Company would split into an investment Company and operating Company. The demerger became legally effective as of 1 January 2012. The new investment Company took over € 75.0 million of assets and € 25.4 million of liabilities. The impact on the Group's equity as at 1 January 2012, was a decrease in equity ratio from 47.8% to 43.1%. The Company's Articles of Association were changed and the number of shares decreased from 2,072.0 million to 1,576.6 million or by 495.4 million. Treasury share number 157.6 million at year end 2012. The share capital amounted to € 8.1 million according to the statement of financial position. The share capital is divided into shares of ISK 1, each with equal rights within a single class of shares.

The Company's Board of Directors comprise five members 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 two. At the end of the year majority shareholder was Framtakssjóður Íslands slhf. with 99.99%

Further information on matters related to share capital is disclosed in note 27.

## **Statement by the Board of Directors and the CEO**

The annual consolidated financial statements for the year ended 31 December 2012 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.

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

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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 2012, its assets, liabilities and consolidated financial position as at 31 December 2012 and its consolidated cash flows for the financial year 2012.

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 2012 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, 4 March 2013.

Board of Directors:

Herdís Dröfn Fjeldsted

Árni Geir Pálsson

Ingunn B. Vilhjálmsdóttir

Jón Þorgeir Einarsson

Ævar Agnarsson

CEO:

Magnús Bjarnason

# Independent Auditors' Report

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

We have audited the accompanying consolidated financial statements of Icelandic Group hf., which comprise the consolidated statement of financial position as at 31 December 2012, the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

## **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, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

## **Auditors' Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 audit 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 2012, 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.

## **Report on the Board of Directors report**

Pursuant to the legal requirement under Article 106, Paragraph 1, Item 5 of the Icelandic Financial Statement Act No. 3/2006, we confirm that, to the best of our knowledge, the report of the Board of Directors accompanying the financial statements includes the information required by the Financial Statement Act if not disclosed elsewhere in the Financial Statements.

Reykjavík, 4 March 2013.

**KPMG ehf.**

Sæmundur Valdimarsson

Margret G. Flóvenz

# Consolidated Statement of Comprehensive Income for the year 2012

	Notes	2012	2011
<b>Continuing operations</b>			
Sales .....	10	566.487	524.731
Cost of goods sold .....		( 510.403)	( 480.201)
<b>Gross profit</b> .....		56.084	44.530
Other operating income .....	11	32	26
Operating expenses .....	12	( 51.649)	( 43.435)
<b>Operating profit</b> .....		4.467	1.121
Finance income .....		1.580	1.957
Finance costs .....		( 5.047)	( 5.312)
Net finance costs .....	15	( 3.467)	( 3.355)
<b>Profit (loss) before income tax</b> .....		1.000	( 2.234)
Income tax .....	16,17	( 662)	( 1.893)
<b>Profit (loss) for the year from continuing operations</b> .....		338	( 4.127)
<b>Discontinued operations</b>			
Profit from discontinued operation, net of income tax .....	7	0	48.319
<b>Profit for the year</b> .....		338	44.192
<b>Other Comprehensive Income</b>			
Foreign currency translation differences for foreign operation .....		319	2.501
Foreign currency translation differences reclassified to profit or loss .....		0	15.220
<b>Other comprehensive income for the year, net of income tax</b> .....		319	17.721
<b>Total comprehensive income for the year</b> .....		657	61.913

The notes on pages 11 to 40 are integral part of these financial statements

## Consolidated Statement of Comprehensive Income for the year 2012, contd.:

	Notes	2012	2011
<b>Profit for the year attributable to</b>			
Equity holders of the Company .....		338	44.172
Non-controlling interest .....		0	20
Profit for the year .....		338	44.192
<b>Total comprehensive income attributable to</b>			
Equity holders of the Company .....		657	61.913
Total comprehensive income for the year .....		657	61.913
<b>Earnings per share</b>			
Basic and diluted earnings per share (each share is 1 Icelandic króna) .....	32	0,0002	0,0162
<b>Earnings per share - continuing operations</b>			
Basic and diluted earnings (loss) per share (each share is 1 Icelandic króna) .	32	0,0002	( 0,0015)

The notes on pages 11 to 40 are integral part of these financial statements

# Consolidated Statement of Financial Position as at 31 December 2012

	Notes	2012	2011
<b>Assets</b>			
Property, plant and equipment .....	18-22	43.780	34.355
Intangible assets .....	23	57.028	47.466
Other investments .....	24	1.614	3.269
Deferred tax assets .....	35	1.876	381
Total non-current assets		<u>104.298</u>	<u>85.471</u>
Inventories .....	25	70.981	85.553
Trade and other receivables .....	26	67.466	54.257
Restricted cash .....		14.174	38.463
Cash and cash equivalents .....		35.644	109.295
Total current assets		<u>188.265</u>	<u>287.568</u>
<b>Total assets</b>		<u><u>292.563</u></u>	<u><u>373.039</u></u>
<b>Equity</b>			
Share capital .....	27	8.050	11.169
Share premium .....	28	78.054	108.296
Reserves .....	29-31	3.080	2.761
Retained earnings .....		39.998	55.903
Total equity		<u>129.182</u>	<u>178.129</u>
<b>Liabilities</b>			
Loans and borrowings .....	33,34	43.702	38.366
Deferred income tax liability .....	35	3.778	2.057
Total non-current liabilities		<u>47.480</u>	<u>40.423</u>
Loans and borrowings .....	33,34	31.398	73.236
Trade and other payables .....	36	84.503	81.251
Total current liabilities		<u>115.901</u>	<u>154.487</u>
Total liabilities		<u>163.381</u>	<u>194.910</u>
<b>Total equity and liabilities</b>		<u><u>292.563</u></u>	<u><u>373.039</u></u>

The notes on pages 11 to 40 are integral part of these financial statements

## Consolidated Statement of Changes in Equity for the year 2012

	Attributable to owners of the Company					Non- controlling interest	Total equity	
	Notes	Share capital	Share premium	Reserves (deficit)	Retained earnings			Total
<b>Changes in equity in 2011</b>								
Equity as at 1.1.2011 .....		16.733	141.095	( 14.980)	11.731	154.579	2.357	156.936
Purchase of own shares .....	25	(5.564)	(32.799)			( 38.363)		( 38.363)
Total comprehensive income for the year .....				17.741	44.172	61.913	0	61.913
Acquisition of non-controlling interest .....							(219)	( 219)
Disposal of non-controlling interest .....							(2.138)	( 2.138)
<b>Equity as at 31.12.2011 .....</b>		<b>11.169</b>	<b>108.296</b>	<b>2.761</b>	<b>55.903</b>	<b>178.129</b>	<b>0</b>	<b>178.129</b>
<b>Changes in equity in 2012</b>								
Equity as at 1.1.2012 .....		11.169	108.296	2.761	55.903	178.129	0	178.129
Demerger of the Company .....		(3.119)	(30.242)		( 16.243)	(49.604)		( 49.604)
Total comprehensive income for the year .....				319	338	657		657
<b>Equity as at 31.12.2012 .....</b>		<b>8.050</b>	<b>78.054</b>	<b>3.080</b>	<b>39.998</b>	<b>129.182</b>	<b>0</b>	<b>129.182</b>

The notes on pages 11 to 40 are integral part of these financial statements

# Consolidated Statement of Cash Flows for the year 2012

	Notes	2012	2011
<b>Cash flows from operating activities</b>			
Operating profit .....		4.467	8.860
Difference between operating profit and cash from operations:			
Net (gain) loss on sale of assets .....	(	23)	30
Depreciation and amortisation .....	14	7.417	12.915
Share of profit of equity accounted investees .....	(	9)	( 12)
Change in operating assets and liabilities .....	40	5.905	( 16.487)
Cash generated from operations		17.757	5.306
Interest income received .....		1.193	447
Interest and finance costs paid .....	(	3.793)	( 6.712)
Income tax paid .....	(	1.555)	( 1.242)
Net cash provided by (used in) operating activities		13.602	( 2.201)
<b>Cash flows from investing activities</b>			
Investment in property, plant and equipment .....	18	( 9.169)	( 13.312)
Proceeds from sale of property, plant and equipment .....		65	369
Investment in intangible assets .....	(	885)	( 2.132)
Acquisition of subsidiaries, net of cash acquired .....	8	( 13.560)	0
Net cash inflow on disposal of subsidiary .....	7	0	151.314
Investment in shares in other companies .....	(	12)	0
Restricted cash .....		22.705	( 37.438)
Decrease (increase) in bonds and other receivables .....		1.120	( 1.309)
Net cash provided by investing activities		264	97.492
<b>Cash flows from financing activities</b>			
Purchase of own shares .....		0	( 38.363)
Net cash outflow as a result of demerger .....	(	75.000)	0
Long-term debt proceeds .....		9.100	897
Long-term debt repaid .....	(	6.021)	( 14.224)
Short-term debt, change .....	(	15.775)	39.364
Net cash used in financing activities		( 87.696)	( 12.326)
<b>(Decrease) increase in cash and cash equivalents</b> .....	(	73.830)	82.965
<b>Effect of exchange rate fluctuations on cash held</b> .....		179	246
<b>Cash and cash equivalents at 1 January</b> .....		109.295	26.084
<b>Cash and cash equivalents at 31 December</b> .....		35.644	109.295
<b>Financing activities not affecting cash flows:</b>			
Long term loan transferred as a result of demerger .....	(	25.397)	0

The notes on pages 11 to 40 are integral part of these financial statements

# Notes

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## 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 2011 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 4 March 2013.

### 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 note 23 on measurement of the recoverable amounts of cash-generating units containing goodwill.

## 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.

## Notes, contd.:

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### **a. Basis of consolidation**

#### **(i) Business combinations**

Business combinations are accounted for using the acquisition method as at the acquisition date - i.e. when control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Transactions costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

If share-based payments awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards) and relate to past services, then all or portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based value of the replacement awards compared with the market-based value of the acquiree's awards and the extent to which the replacement awards relate to past and/or future service.

#### **(ii) 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.

## Notes, contd.:

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### **3. Significant accounting policies, contd.:**

#### **a. Basis of consolidation, contd.:**

##### **(iii) 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.

##### **(iv) 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.

#### **b. Foreign currency**

##### **(i) Foreign currency transactions**

Transactions in foreign currencies are translated to 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, and presented in the foreign currency translation reserve in equity. However, if the operation is a non-wholly-owned subsidiary, then the relevant proportionate share of translation difference is allocated to the non-controlling interests. When a foreign operations is disposed of such that control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

## Notes, contd.:

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### 3. Significant accounting policies, contd.

#### c. Financial instruments

##### (i) Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, restricted cash, cash and cash equivalents, loans and borrowings, and trade and other payables. Financial assets and liabilities are recognised on the date that they are originated.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or 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 sales 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.

##### *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.

##### *Restricted cash*

Restricted cash comprise cash balances with maturities of three months or more from the reporting date.

##### *Cash and cash equivalents*

Cash and cash equivalents comprise cash balances and call deposits.

##### *Other*

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

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

##### (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.

## Notes, contd.:

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### 3. Significant accounting policies, contd.:

#### c. Financial instruments, contd.:

##### (ii) Derivative financial instruments, contd.:

###### *Other non-trading derivatives*

When a derivative financial instruments 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 is recognised as a deduction from equity, net of tax effects.

###### *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 and capitalised borrowing costs. 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.

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 operating income" in profit or 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:

## Notes, contd.:

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### 3. Significant accounting policies, contd.:

#### d. Property, plant and equipment, cont.:

##### (iii) Depreciation, contd.:

	<b>Useful lives</b>
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.

#### 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.

##### (ii) Other intangible assets

Other intangible assets that have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

##### (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 or 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:

	<b>Useful lives</b>
Business relationship .....	5 - 20 years
Software .....	3 - 5 years

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

## Notes, contd.:

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### 3. Significant accounting policies, 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.:

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### **3. Significant accounting policies, contd.:**

#### **h. Impairment, 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**

##### **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.:

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### **3. Significant accounting policies, 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, share of profit of equity accounted investees 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 as either finance income or finance cost depending on whether foreign currency movements are in net gain or net loss position.

#### **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.:

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### **3. Significant accounting policies, contd.:**

#### **n. Income tax, 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. 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. Discontinued operations**

Classification as a discontinued operation occurs on disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative statement of comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative year.

#### **p. 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.

#### **q. 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 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.:

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### **3. Significant accounting policies, contd.:**

#### **r. 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 2012 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 2012, but can be adopted earlier. The effect on the consolidated financial statements of the Group has not been evaluated.

#### **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.

## Notes, contd.:

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### 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 58% (2011: 55%) of the Group's sales from continuing operations 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.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. 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.

## Notes, contd.:

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### 5. Financial risk management, contd.:

#### *Guarantees*

The Group's policy is to provide financial guarantees only to subsidiaries. At 31 December 2012 guarantees provided to subsidiaries amounting to € 17.4 million (2011: € 40.7 million) were outstanding.

#### **Liquidity risk**

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

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 € 14.7 million (2011: € 6.9 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 Pound Sterling (GBP), U.S. Dollars (USD), Japanese Yen (JPY) and Norwegian Krone (NOK). The currencies in which these transactions primarily are denominated are GBP, USD and JPY.

#### *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.

#### **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.

## Notes, contd.:

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### 5. Financial risk management, contd.:

#### **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 2012 the return from operations was positive by 0.4 percent (2011: negative by 1.7 percent from continuing operations). In comparison the weighted average interest expense on interest-bearing borrowings, excluding liabilities with imputed interest, was 4.6 percent (2011: 3.3 percent).

## Notes, contd.:

### 6. Operating 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.

<b>Business segments</b>						
<b>2012</b>	<b>Production</b>	<b>Sales and marketing</b>	<b>Holding and servicing</b>	<b>Discontinued operations</b>	<b>Eliminations</b>	<b>Consolidated</b>
Sales to external customers .....	358.610	207.461	416	0		566.487
Inter-segment sales .....	24.242	9.405	2.288	0	( 35.935)	0
Total segment sales .....	<u>382.852</u>	<u>216.866</u>	<u>2.704</u>	<u>0</u>	<u>( 35.935)</u>	<u>566.487</u>
Segment result .....	9.667	( 810)	( 4.390)	0	0	4.467
Net finance costs .....	( 25)	( 2.309)	( 1.133)	0	0	( 3.467)
Profit (loss) before income tax .....	9.642	( 3.119)	( 5.523)	0	0	1.000
Income tax .....	( 2.563)	1.094	807	0	0	( 662)
Profit (loss) for the year .....	<u>7.079</u>	<u>( 2.025)</u>	<u>( 4.716)</u>	<u>0</u>	<u>0</u>	<u>338</u>
Segment assets .....	176.031	79.077	71.272	0	( 33.817)	292.563
Segment liabilities .....	72.019	48.450	76.729	0	( 33.817)	163.381
Capital expenditure .....	9.561	362	131	0	0	10.054
Depreciation and amortisation .....	6.967	312	138	0	0	7.417
<b>2011</b>						
Sales to external customers .....	269.022	255.628	81	352.183		876.914
Inter-segment sales .....	6.769	33.687	2.457	74.208	( 117.121)	0
Total segment sales .....	<u>275.791</u>	<u>289.315</u>	<u>2.538</u>	<u>426.391</u>	<u>( 117.121)</u>	<u>876.914</u>
Segment result .....	6.269	887	( 6.035)	7.738	0	8.859
Net finance costs .....	142	( 2.208)	( 1.289)	( 3.934)	0	( 7.289)
Profit (loss) before income tax .....	6.411	( 1.321)	( 7.324)	3.804	0	1.570
Income tax .....	( 1.935)	( 587)	629	( 4.866)	0	( 6.759)
Gain on sale of operation less cumulative translation differences ..	0	0	0	49.381	0	49.381
Profit (loss) for the year .....	<u>4.476</u>	<u>( 1.908)</u>	<u>( 6.695)</u>	<u>48.319</u>	<u>0</u>	<u>44.192</u>
Segment assets .....	138.714	110.532	146.461	0	( 22.668)	373.039
Segment liabilities .....	54.724	85.137	77.717	0	( 22.668)	194.910
Capital expenditure .....	5.979	303	94	9.068	0	15.444
Depreciation and amortisation .....	6.586	546	182	5.601	0	12.915

## Notes, contd.:

### 7. Discontinued operation

In June 2011 the Group sold its subsidiaries in Germany and France. The sale was concluded at the end of August 2011. In December 2011 the Group sold its subsidiaries in USA and China. The sale was concluded at 19 December 2011.

#### Results of discontinued operation

	2011
Sales .....	352.183
Cost of goods sold .....	( 296.077)
Gross profit .....	56.106
Other operating income .....	4
Operating expenses .....	( 48.372)
Operating profit .....	7.738
Finance income .....	243
Finance costs .....	( 4.177)
Net finance costs .....	( 3.934)
Profit before income tax .....	3.804
Income tax .....	( 4.866)
Loss from discontinued operations .....	( 1.062)
Gain on sale of discontinued operations .....	68.012
Reversal of intra-group generated trademark .....	( 3.411)
Translation difference reclassified from other comprehensive income .....	( 15.220)
Profit from discontinued operation, net of income tax .....	48.319
Basic and diluted earnings per share .....	0,0177

#### Cash flows from discontinued operation

Net cash generated from operating activities .....	3.782
Net cash used in investing activities .....	( 8.945)
Net cash provided by financing activities .....	4.801
Net cash flow for the year .....	( 362)

#### Effect of disposal on the financial position of the Group

Property, plant and equipment .....	( 72.756)
Intangible assets .....	( 19.076)
Other investments .....	( 232)
Deferred tax assets .....	( 1.306)
Inventories .....	( 110.340)
Trade and other receivables .....	( 60.465)
Cash and cash equivalents .....	( 11.236)
Loans and borrowings, non-current .....	52.564
Deferred income tax liability .....	4.987
Loans and borrowings, current .....	79.948
Trade and other payables .....	38.551
Net assets and liabilities .....	( 99.361)
Consideration received, satisfied in cash .....	162.550
Cash and cash equivalents disposed of .....	( 11.236)
Net cash inflow .....	151.314

Expenses related to the disposal of the subsidiaries are included in the results of discontinued operations.

## Notes, contd.:

### 8. Demerger of the Company

In end of October 2012 a shareholders' meeting accepted that the Company would split into an investment company and operating company. The demerger became legally effective as of 1 January 2012. The new investment company took over € 75.0 million of assets and € 25.4 million of liabilities. The impact on the Group's equity as at 1 January 2012, was a decrease in equity ratio from 47.8% to 43.1%.

#### Results of demerger

Finance income .....	972
Finance costs .....	( 1.117)
Net finance costs .....	<u>( 145)</u>

#### Cash flows as a result of demerger

Net cash used in financing activities .....	( 75.000)
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#### Investing and financing activities not affecting cash flows

Long term loan transferred as a result of demerger .....	25.397
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#### Effect of disposal on the financial position of the Group

Cash and cash equivalents .....	( 47.000)
Restricted cash .....	( 28.000)
Loans and borrowings, non-current .....	25.397
Net assets and liabilities .....	<u>( 49.603)</u>

### 9. Acquisition of subsidiary

#### Business combination

In October 2012 the Group acquired all shares in Gadus Fish NV, Belgium, for € 17.8 million. The company is a fresh fish producer. In the three months to 31 December 2012 the subsidiary contributed revenue of € 18.4 million and profit of € 0.6 million. If the acquisition had occurred on 1 January 2012, management estimates that consolidated revenue would have been € 615 million and consolidated profit for the year € 1.2 million. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the acquisition date would have been the same if the acquisition had occurred on 1 January 2012.

The following summarises the major classes of consideration transferred, and the recognised amounts of assets acquired and liabilities assumed at the acquisition date.

	Fair value
Property, plant and equipment .....	6.251
Inventories .....	2.974
Trade and other receivables .....	7.684
Cash and cash equivalents .....	3.440
Deferred income tax liability .....	( 243)
Trade and other payables .....	( 8.369)
Net assets .....	<u>11.737</u>
Goodwill .....	4.164
Customer relationships .....	3.730
Non-Compete Agreements .....	110
Deferred income tax liability .....	( 1.912)
	<u>17.829</u>
Satisfied by:	
Cash .....	17.000
Deferred consideration .....	829
Total consideration .....	<u>17.829</u>

If new information obtained within one year from the acquisition date about facts and circumstances that existed at the acquisition date identifies adjustments to the above amounts, or any additional provisions that existed at the acquisition date, then the acquisition accounting will be revised.

Net cash outflow in respect of the acquisition comprises of:

Cash consideration .....	17.000
Cash and cash equivalents acquired .....	( 3.440)
Net cash outflow .....	<u>13.560</u>

The Group incurred acquisition-related costs of € 0.7 million related to external legal fees and due diligence costs. These costs have been included in operating expenses in the consolidated statement of comprehensive income.

## Notes, contd.:

### 10. Sales

Sales is specified as follows:

	Continuing operations		Discontinued operations		Total	
	2012	2011	2012	2011	2012	2011
Sales .....	565.918	524.169	0	349.033	565.918	873.202
Commission .....	569	562	0	3.150	569	3.712
Sales, total .....	566.487	524.731	0	352.183	566.487	876.914

### 11. Other income

Other operating income is specified as follows:

	Continuing operations		Discontinued operations		Total	
	2012	2011	2012	2011	2012	2011
Net gain (loss) on sale of assets .....	23	23	0	4	23	27
Shares of profit of equity accounted investees, net of income tax .....	9	3	0	0	9	3
Other operating income, total .....	32	26	0	4	32	30

### 12. Operating expenses

Operating expenses are specified as follows:

	2012	2011
Salaries and salary-related expenses .....	26.765	23.161
Other operating expenses .....	22.882	18.171
Depreciation of operating assets and amortisation and impairment losses of intangible assets .....	2.002	2.103
Total operating expenses .....	51.649	43.435

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

	Continuing operations		Discontinued operations		Total	
	2012	2011	2012	2011	2012	2011
Salaries .....	53.575	41.682	0	27.929	53.575	69.611
Salary-related expenses .....	3.835	3.499	0	3.569	3.835	7.068
Total salaries and salary-related expenses .....	57.410	45.181	0	31.498	57.410	76.679

Average number of employees (full year equivalents) .....	1.838	3.030
Positions with the Group at the end of the year .....	1.864	1.595

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

	Continuing operations		Discontinued operations		Total	
	2012	2011	2012	2011	2012	2011
Cost of goods sold .....	30.645	22.020	0	14.982	30.645	37.002
Operating expenses .....	26.765	23.161	0	16.516	26.765	39.677
Total salaries and salary-related expenses .....	57.410	45.181	0	31.498	57.410	76.679

Salaries and fringe benefits paid to the Board of Directors and key management for their work for companies within the Group are specified as follows:

	2012	2011
<b>Board of Directors:</b>		
Herdís Dröfn Fjeldsted, Chairman of the Board* .....	36	26
Árni Geir Pálsson, Board Member .....	19	1
Ingunn Björk Vilhjálmisdóttir, Board Member .....	19	5
Jón Þorgeir Einarsson, Board Member .....	13	0
Ævar Agnarsson, Board Member .....	0	0
Brynjólfur Bjarnason, former Chairman of the Board and former Board Member .....	0	9
Egill Tryggvason, alternative Board Member and former Board Member* .....	8	4
Steinþór Baldursson, former Board Member .....	5	14
Þór Hauksson, former Board Member* .....	0	11
Henrik Leth, former Board Member .....	0	9
<b>Managing Director:</b>		
Magnús Bjarnason, former Board Member - CEO from 19 December 2012 .....	8	0
Lárus Ásgeirsson, former Board Member and CEO to 2 December 2012 .....	182	38

\* The salaries of three Board Members are paid to Framtakssjóður Íslands slhf.

## Notes, contd.:

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

	2012	2011
Depreciation of property, plant and equipment, see note 18 .....	6.770	11.872
Amortisations of intangible assets, see note 23 .....	647	847
Impairment losses of intangible assets, see note 23 .....	0	196
Total .....	<u>7.417</u>	<u>12.915</u>

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

Cost of goods sold .....	5.415	4.999
Operating expenses .....	2.002	2.103
Discontinued operations .....	0	5.813
Total .....	<u>7.417</u>	<u>12.915</u>

### 15. Net finance costs

Net finance costs are specified as follows:

	2012	2011
Interest income .....	865	514
Dividend income .....	0	137
Fair value changes on shares in other companies .....	0	691
Gain on sale of shares .....	269	0
Net currency gain .....	446	615
Finance income, total .....	<u>1.580</u>	<u>1.957</u>
Interest expenses .....	( 4.992)	( 5.312)
Fair value changes on shares in other companies .....	( 55)	0
Finance costs, total .....	<u>( 5.047)</u>	<u>( 5.312)</u>
Net finance costs .....	<u>( 3.467)</u>	<u>( 3.355)</u>

### 16. Income tax expense

Income tax recognised in profit or loss is specified as follows:

	2012	2011
Current tax expense .....	2.676	2.163
Deferred tax expense .....	( 2.014)	( 270)
Total income tax in continuing operations .....	662	1.893
Income tax in discontinued operations .....	0	4.866
Total income tax expense .....	<u>662</u>	<u>6.759</u>

### 17. Effective tax rate for continuing operations is specified as follows:

	2012	2011
Profit (loss) for the year from continuing operations .....	338	( 4.127)
Total income tax .....	662	1.893
Profit (loss) excluding income tax .....	<u>1.000</u>	<u>( 2.234)</u>
Income tax using Icelandic corporation tax rate .....	20,0% ( 200)	20,0% 447
Effect of tax rate in foreign jurisdictions .....	44,2% ( 442) ( 93,2%) ( 2.081)	
Non-deductable expenses .....	2,0% ( 20) ( 0,4%) ( 8)	
Other items .....	0,0% 0 ( 11,2%) ( 251)	
Effective tax rate .....	<u>66,2% ( 662) ( 84,7%) ( 1.893)</u>	

The main reason for fluctuations in effective income tax rate in the statement of comprehensive income is explained by different geographical composition of profit or loss before taxes in individual companies and periods, tax assets that are not capitalized and presentation of transactions in the statement of comprehensive income between continuing and discontinuing operations.

## Notes, contd.:

### 18. Property, plant and equipment

Property, plant and equipment is specified as follows:

	Buildings and land	Other operating assets	Total
<b>Cost or deemed cost</b>			
Balance at 1 January 2011 .....	74.235	122.732	196.967
Reclassifications .....	91 (	239) (	148)
Purchases during the year .....	824	12.488	13.312
Disposals of subsidiaries .....	( 55.511)	( 69.547)	( 125.058)
Other disposals .....	0 (	648) (	648)
Exchange rate differences .....	1.065	2.139	3.204
Balance at 31 December 2011 .....	20.704	66.925	87.629
Acquisitions of subsidiaries .....	8.388	5.532	13.920
Purchases during the year .....	1.153	8.016	9.169
Disposals .....	0 (	2.493) (	2.493)
Exchange rate differences .....	476	1.649	2.125
Balance at 31 December 2012 .....	30.721	79.629	110.350
<b>Depreciation and impairment losses</b>			
Balance at 1 January 2011 .....	16.948	76.072	93.020
Reclassifications .....	0 (	115) (	115)
Depreciation .....	2.415	9.457	11.872
Disposal of subsidiaries .....	( 14.688)	( 37.614)	( 52.302)
Other disposals .....	0 (	436) (	436)
Exchange rate differences .....	304	931	1.235
Balance at 31 December 2011 .....	4.979	48.295	53.274
Acquisitions of subsidiaries .....	3.831	3.838	7.669
Depreciation .....	652	6.118	6.770
Disposals .....	0 (	2.450) (	2.450)
Exchange rate differences .....	116	1.191	1.307
Balance at 31 December 2012 .....	9.578	56.992	66.570
<b>Carrying amounts</b>			
1.1.2011 .....	57.287	46.660	103.947
31.12.2011 .....	15.725	18.630	34.355
31.12.2012 .....	21.143	22.637	43.780
Depreciation ratios .....	2-10%	10-20%	

### 19. Finance leases

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 € 770 thousand at year-end 2012 (2011: € 47 thousand).

### 20. Operating leases

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.

### 21. Mortgages and Guarantees

Mortgages and guarantees for debt with a remaining balance of € 34,954 thousand (2011: € 38,290 thousand) were registered against the Group's property, plant and equipment at year-end 2012.

### 22. Insurance value

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

	2012	2011
Insurance value of buildings .....	44.818	36.587
Book value of buildings .....	21.143	15.725
Insurance value of other operating assets .....	63.260	56.577
Book value of other operating assets .....	22.637	18.630

## Notes, contd.:

### 23. Intangible assets

The Group's intangible assets are specified as follows:

	Goodwill	Trademarks	Business relationships	Other intangible assets	Total
<b>Cost</b>					
Balance at 1.1.2011 .....	181.418	26.949	13.298	4.953	226.618
Purchases during the year .....	0	0	567	1.565	2.132
Disposals .....	( 124.156)	( 26.936)	( 12.629)	( 3.843)	( 167.564)
Exchange rate differences .....	1.573	0	13	60	1.646
Balance at 31.12.2011 .....	58.835	13	1.249	2.735	62.832
Acquisitions of subsidiaries .....	4.164		3.730	110	8.004
Purchases during the year .....	0	0	26	859	885
Disposals .....	0	0	( 272)	( 532)	( 804)
Exchange rate differences .....	1.638	0	147	1.227	3.012
Balance at 31.12.2012 .....	64.637	13	4.880	4.399	73.929
<b>Amortisations and impairment losses</b>					
Balance at 1.1.2011 .....	135.764	18.416	4.365	3.209	161.754
Reclassification .....	0	0	246	426	672
Amortisation and impairment losses for the year .....	196	0	318	529	1.043
Disposal of subsidiary .....	( 124.160)	( 18.404)	( 3.962)	( 1.962)	( 148.488)
Exchange rate differences .....	327	0	13	45	385
Balance at 31.12.2011 .....	12.127	12	980	2.247	15.366
Amortisation for the year .....	0	0	193	454	647
Disposals .....	0	0	( 272)	( 532)	( 804)
Exchange rate differences .....	333	0	131	1.228	1.692
Balance at 31.12.2012 .....	12.460	12	1.032	3.397	16.901
<b>Carrying amounts</b>					
1.1.2011 .....	45.654	8.533	8.933	1.744	64.864
31.12.2011 .....	46.708	1	269	488	47.466
31.12.2012 .....	52.177	1	3.848	1.002	57.028
Depreciations ratios .....			5-33%	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 amounting to € 196 thousand in 2011 is recognised in 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.

The aggregate carrying amounts of goodwill allocated to each unit are as follows:

	2012	2011
Seachill Ltd. ....	48.013	46.708
Gadus Fish NV .....	4.164	0
Total goodwill .....	52.177	46.708

## Notes, contd.:

### 23. Intangible assets, contd.:

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 11.0% to plus 9.4% for the years 2013 to 2017. Future growth ranged between 1.0% and 2.0%. A long term growth rate into perpetuity has been determined as the lower of the nominal GDP rates for the country in which the division is based and the long-term compound annual growth rate in EBITDA estimated by management.

A post-tax discount rate between 9.2% and 9.5% was applied in determining the recoverable amount of the respective cash generating units. The discount rate was estimated based on the industry's capital structure and risk profile along with company specific metrics.

An increase of 1 percentage point in the discount rate used would not result in impairment loss on intangible assets at year-end 2012.

A 10 percent decrease in future planned EBITDA would not result in impairment loss on intangible assets at year-end 2012.

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

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

### 24. Other investments

The Group's other investments are specified as follows:

	2012	2011
Held-to-maturity investments .....	1.652	2.996
Equity accounted investees .....	950	890
Financial assets designated at fair value through profit or loss .....	121	168
	<u>2.723</u>	<u>4.054</u>
Current maturities .....	( 1.109)	( 785)
Total other investments .....	<u>1.614</u>	<u>3.269</u>

Held-to-maturity investments have interest rates of 5.3% to 8.0% (2011: 5.3% to 6.5%) and mature in 1 to 3 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 37.

### 25. Inventories

Inventories are specified as follows:

	2012	2011
Raw material and work in process .....	39.681	29.174
Finished goods .....	31.300	56.379
Total inventories .....	<u>70.981</u>	<u>85.553</u>

## Notes, contd.:

### 26. Trade and other receivables

Trade and other receivables are specified as follows:

	2012	2011
Trade receivables .....	61.985	50.220
Other receivables .....	3.614	2.533
Prepaid expenses .....	1.867	1.504
Total trade and other receivables .....	<u>67.466</u>	<u>54.257</u>

The Group's exposure to credit and currency risk and impairment losses related to trade and other receivables are disclosed in note 37.

### Equity

### 27. Issued shares

The Company's total number of shares according to its Articles of Association are 1,577 million (2011: 2,072 million). Issued shares at year-end numbered 1,577 million (2011: 2,072 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.

The Company's Articles of Association were changed in October 2012 due to demerger (see note 8) and the number of shares decreased from 2,072.0 million to 1,576.6 million or by 495.4 million. The Company held 157.6 million treasury shares at the year end (2011: 207.1 million shares).

### 28. 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 less payments above nominal value that the Company has paid for treasury shares. 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.

### 29. Translation reserve

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

### 30. 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.

### 31. Other reserves

Other reserves at year-end 2012 and 2011 comprise Translation reserve.

### 32. Earnings per share

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:

<b>Earnings per share:</b>	<b>2012</b>	<b>2011</b>
Profit for the year attributable to equity holders of the parent .....	<u>338</u>	<u>44.172</u>
Weighted average number of ordinary shares .....	<u>1.790.487</u>	<u>2.733.710</u>
Earnings per share of ISK 1 .....	0,0002	0,0162
<b>Earnings per share - continuing operations:</b>		
Profit (loss) for the year attributable to equity holders of the parent .....	<u>338</u> (	<u>4.127)</u>
Weighted average number of ordinary shares .....	<u>1.790.487</u>	<u>2.733.710</u>
Earnings (loss) per share of ISK 1 .....	0,0002 (	0,0015)

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.

## Notes, contd.:

### 33. Loans and borrowings

Loans and borrowings are specified as follows:

<b>2012</b>	<b>Non-current liabilities</b>	<b>Current liabilities</b>	<b>Total</b>
Currency			
GBP .....	35.344	4.990	40.334
EUR .....	11.982	9.276	21.258
JPY .....	696	8.876	9.572
USD .....	0	1.517	1.517
NOK .....	1.904	0	1.904
ISK .....	515	0	515
Loans and borrowings, total .....	50.441	24.659	75.100
Current maturities of non-current liabilities .....	( 6.739)	6.739	0
Loans and borrowings according to statement of financial position .....	43.702	31.398	75.100
<b>2011</b>			
GBP .....	38.290	8.320	46.610
EUR .....	2.196	10.885	13.081
JPY .....	998	22.454	23.452
NOK .....	1.802	328	2.130
ISK .....	1.077	25.252	26.329
Loans and borrowings, total .....	44.363	67.239	111.602
Current maturities of non-current liabilities .....	( 5.997)	5.997	0
Loans and borrowings according to statement of financial position .....	38.366	73.236	111.602

Property, plant and equipment, shares in subsidiary, inventory, accounts receivable and part of restricted cash have been pledged against loans the amount of €68.4 million (2011: €76.8 million).

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

	<b>2012</b>	<b>2011</b>
Year 2012 .....	-	5.997
Year 2013 .....	6.739	36.619
Year 2014 .....	7.502	426
Year 2015 .....	4.825	229
Year 2016 .....	4.495	11
Year 2017 .....	6.925	1.081
Subsequent .....	19.955	0
Non-current loans and borrowings including current maturities .....	50.441	44.363

## Notes, contd.:

### 35. Deferred tax assets and liabilities

Deferred tax asset and liabilities are specified as follows:

	Deferred tax assets	Deferred tax liability	Net
Balance at 1.1.2011 .....	( 3.710)	8.321	4.611
Disposals of discontinued operations .....	1.306	( 4.987)	( 3.681)
Income tax on continuing and discontinued operations .....	( 19)	6.777	6.758
Income tax payable 2012 on 2011 activities .....	( 58)	( 440)	( 498)
Exchange rate difference, prepaid tax and other changes .....	2.099	( 7.614)	( 5.515)
Balance at 31.12.2011 .....	( 381)	2.057	1.676
Income tax on continuing and discontinued operations .....	( 1.528)	2.190	662
Income tax payable 2013 on 2012 continuing activities .....	0	( 1.667)	( 1.667)
Exchange rate difference, prepaid tax and other changes .....	33	1.198	1.231
Balance at 31.12.2012 .....	( 1.876)	3.778	1.902

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

	2012	2011
Property, plant and equipment .....	3.790	1.890
Tax losses carried forward .....	( 1.253)	12
Other items .....	( 635)	( 226)
Net income tax liability at year-end .....	1.902	1.676

### 36. Trade and other payables

Trade and other payables are specified as follows:

	2012	2011
Taxes for the year .....	64.822	61.326
Other payables .....	1.667	498
Total trade and other payables .....	84.503	81.251

### Financial instruments

### 37. Exposure to credit risk

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

	2012	2011
Held-to-maturity investments .....	1.652	2.996
Loans and receivables .....	64.489	52.753
Restricted cash .....	14.174	38.463
Cash and cash equivalents .....	35.644	109.295
	115.959	203.507

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

	2012	2011
United Kingdom .....	29.749	27.337
Continental Europe .....	25.226	15.501
Asia .....	6.738	7.370
USA .....	135	0
Iceland .....	137	12
	61.985	50.220

The Group's five most significant customers for continuing operations account for € 24.4 million of the trade receivables carrying amount at 31 December 2012 (2011: € 22.1 million).

## Notes, contd.:

### 37. Financial instruments, contd.:

#### Impairment losses

The aging of accounts receivables at the reporting date was:

	2012		2011	
	Gross	Impairment	Gross	Impairment
Past due 0-30 days .....	54.817	168	41.299	54
Past due 31-90 days .....	6.807	350	7.250	49
Past due 91-180 days .....	453	77	1.373	426
Past due 181-360 days .....	189	158	534	366
More than one year .....	1.057	585	825	166
	<u>63.323</u>	<u>1.338</u>	<u>51.281</u>	<u>1.061</u>

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

	2012	2011
Provision at 1 January .....	1.061	1.598
Changes in provision for the year .....	336 (	492)
Exchange rate difference .....	( 59)	( 45)
Provision at 31 December .....	<u>1.338</u>	<u>1.061</u>

#### Exposure to 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
<b>31 December 2012</b>						
<b>Non-derivative financial liabilities</b>						
Non-current loans and borrowings .....	43.702	48.752	12.917	15.439	19.617	779
Current loans and borrowings .....	31.398	32.055	32.055	0	0	0
Trade and other payables .....	84.503	84.503	84.503	0	0	0
	<u>159.603</u>	<u>165.310</u>	<u>129.475</u>	<u>15.439</u>	<u>19.617</u>	<u>779</u>

#### 31 December 2011

#### Non-derivative financial liabilities

Non-current loans and borrowings .....	38.366	39.762	0	37.809	807	1.146
Current loans and borrowings .....	73.236	74.727	74.727	0	0	0
Trade and other payables .....	81.251	81.251	81.251	0	0	0
	<u>192.853</u>	<u>195.740</u>	<u>155.978</u>	<u>37.809</u>	<u>807</u>	<u>1.146</u>

## Notes, contd.:

### 37. Financial instruments, contd.:

#### Exposure to currency risk

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

	ISK	GBP	USD	Other
<b>31 December 2012</b>				
Cash and ash equivalents .....	6	277	2.958	2.445
Restricted cash .....	0	1.870	8.818	0
Trade receivables .....	0	111	2.989	1.512
Loans and borrowings .....	0	0	( 1.518)	( 3.081)
Trade payables .....	0	( 13)	( 3.990)	( 1.093)
Gross balance exposure .....	<u>6</u>	<u>2.245</u>	<u>9.257</u>	<u>( 217)</u>

#### 31 December 2011

Cash and cash equivalents .....	1.398	1.382	88.240	163
Restricted cash .....	0	0	37.438	0
Trade receivables .....	375	119	3.005	978
Loans and borrowings .....	( 25.282)	0	0	( 105)
Trade payables .....	( 5.061)	( 70)	( 7.059)	( 188)
Gross balance exposure .....	<u>( 28.570)</u>	<u>1.431</u>	<u>121.624</u>	<u>848</u>

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2012	2011	2012	2011
GBP .....	0,8110	0,8677	0,8155	0,8382
JPY .....	102,5885	110,8558	113,5833	100,2088
NOK .....	7,4784	7,7985	7,3702	7,7865
DKK .....	7,4447	7,4517	7,4614	7,4349
USD .....	1,2858	1,3908	1,3185	1,2939
ISK .....	160,4792	161,0038	169,3300	158,4000

#### Sensitivity analysis

A 10 percent strengthening of the euro against the above mentioned currencies at 31 December would have decreased pre-tax profit € 1.129 thousand (2011: decreased pre-tax profit by € 9.533 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	
	2012	2011
<b>Variable rate instruments</b>		
Financial assets .....	49.818	147.758
Financial liabilities .....	( 72.639)	( 94.976)
	<u>( 22.821)</u>	<u>52.782</u>

## Notes, contd.:

### 37. Financial instruments, contd.:

#### 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.

#### 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 2011.

	Profit or loss	
	100bp increase	100bp decrease
<b>31 December 2012</b>		
Variable rate instruments .....	228	( 228)
Cash flow sensitivity (net) .....	228	( 228)
<b>31 December 2011</b>		
Variable rate instruments .....	528	( 528)
Cash flow sensitivity (net) .....	528	( 528)

#### 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 2012		31 December 2011	
	Carrying amount	Fair value	Carrying amount	Fair value
Held-to-maturity investments .....	1.652	1.652	2.996	2.996
Financial assets designated at fair value through profit or loss .....	121	121	168	168
Loans and receivables .....	64.488	64.488	51.968	51.968
Restricted cash .....	14.174	14.174	38.463	38.463
Cash and cash equivalents .....	35.644	35.644	109.295	109.295
Loans and borrowings, non-current .....	( 43.702)	( 45.060)	( 38.366)	( 39.762)
Loans and borrowings, current .....	( 31.398)	( 32.055)	( 73.236)	( 74.727)
Trade and other payables .....	( 84.503)	( 84.503)	( 81.251)	( 81.251)
Gross balance exposure .....	( 43.524)	( 45.539)	10.037	7.150

### 38. Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2012	2011
Less than one year .....	685	484
Between one and five years .....	1.361	954
Total non-cancellable operating lease rentals .....	2.046	1.438

## Notes, contd.:

### 39. Contingent liabilities

Previous consolidated financial statements have disclosed a contingent tax liability in respect of investigation into the tax deductability of historic payments into employee incentive schemes relating to subsidiary, prior to its acquisition by the Group. This matter has now been successfully resolved. All liabilities in respect of the investigation have been settled with funds provided by the original vendors of the subsidiary as per the provisions set out in the sale and purchase agreement. The net effect to the Group's profit and loss account and balance sheet is nil.

### 40. Statement of Cash Flows

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

	2012	2011
Inventories, decrease (increase) .....	16.870 (	21.873)
Trade and other receivables, increase .....	( 3.760) (	14.001)
Trade and other payables, (decrease) increase .....	( 7.205)	19.387
Net changes in working capital .....	<u>5.905</u> (	<u>16.487</u> )

### 41. Cash flows from operating activities are specified as follows:

	2012	2011
Profit for the year .....	338	44.192
Difference between gain and cash flows from operations:		
(Profit) loss from sales of assets .....	( 23)	30
Profit on sale of subsidiaries .....	0 (	68.012)
Profit on sale of shares in other companies .....	( 269)	0
Translation differences reclassified from other comprehensive income .....	0	15.220
Reversal of intra-group generated trademark .....	0	3.411
Depreciations, amortisation and impairment losses .....	7.417	12.915
Profit of equity accounted investees .....	( 9) (	12)
Other items .....	( 1.486)	374
Net changes in working capital .....	<u>5.968</u>	<u>8.118</u>

### 42. Related parties

#### Identity of related parties

Parties are considered to be related if one party has the ability to directly or indirectly control the other party or exercise significant influence over the party in making financial or operational decisions. The Group's related parties include: Key management personnel, close family members of key management personnel and entities which are controlled, significantly influenced by or for which significant voting power is held by key management personnel or their close family members, subsidiaries and associates. 99,99% of the Company is owned by Framtakssjóður Íslands slhf., which is in majority ownership of Icelandic pension funds.

#### Transactions with related parties

The Group has transactions with related parties. Transaction with such parties are made in the ordinary course of business and on substantially the same terms as comparable transactions with other parties.

#### Transactions with key management personnel

Executive directors of the Group and their relatives control none of the voting shares of the Company (2011: none). Information on salaries and benefits of management paid for their work for the Company are disclosed in note 13.

#### Other related party transactions

A part of the parties defined as related parties have carried out general transactions with the Group. Terms and condition of the transactions are on an arm's length basis and at year end are classified as such. The Group purchased consulting services amounting to €52 thousand from Odix ehf. (2011: €90 thousand) owned by former Board Member Steinþór Baldursson.

## Notes, contd.:

### 43. Group entities

Subsidiaries numbered 21 at year-end (2011: 19) and are all included in the consolidated financial statements. They are:

31 December 2012		Share			Share
Coldwater Seafood (UK) Ltd., UK .....	100%		Icelandic Iberica S.A., Spain .....		100%
Ecomsa S.A., Spain .....	100%		Icelandic Italy S.A.R.L., Italy .....		100%
Fiskval ehf., Iceland .....	100%		Icelandic Japan K.K., Japan .....		100%
Gadus B.V., The Netherlands .....	100%		Icelandic Norway AS, Norway .....		100%
Gadus NV, Belgium .....	100%		Icelandic Produit de la Mer, France .....		100%
Gadus Fish NV, Belgium .....	100%		Icelandic Services ehf., Iceland .....		100%
Icelandic Acquisition Ltd., UK .....	100%		Icelandic Trademark ehf., Iceland .....		100%
Icelandic Asia Inc., S-Korea .....	100%		Icelandic UK Ltd., UK .....		100%
Icelandic China Trading Co. Ltd., China .....	100%		IFP Trading Ltd., UK .....		100%
Icelandic Group UK Ltd., UK .....	100%		Seachill Ltd., UK .....		100%
Icelandic Hong Kong Ltd., Hong Kong .....	100%				
<b>31 December 2011</b>					
Coldwater Seafood (UK) Ltd., UK .....	100%		Icelandic Japan K.K., Japan .....		100%
Ecomsa S.A., Spain .....	100%		Icelandic Norway AS, Norway .....		100%
Fiskval ehf., Iceland .....	100%		Icelandic Services ehf., Iceland .....		100%
Gadus B.V., The Netherlands .....	100%		Icelandic Trademark ehf., Iceland .....		100%
Icelandic Asia Inc., S-Korea .....	100%		Icelandic UK Ltd., UK .....		100%
Icelandic China Trading Co. Ltd., China .....	100%		IFP Trading Ltd., UK .....		100%
Icelandic Group UK Ltd., UK .....	100%		Marinus ehf., Iceland .....		100%
Icelandic Hong Kong Ltd., Hong Kong .....	100%		Seachill Ltd., UK .....		100%
Icelandic Iberica S.A., Spain .....	100%		Sirius ehf., Iceland .....		100%
Icelandic Italy S.A.R.L., Italy .....	100%				

### 44. Financial Ratios

Financial ratios for the consolidated financial statements:	2012	2011
Current ratio .....	1.62	1.86
Equity ratio .....	44.2%	47.8%
Return on equity .....	0.4%	28.4%
Internal value .....	16.05	15.95
EBITDA (2011: continuing operations including transactions with discontinued operations) .....	11.884	13.161
EBITDA ratio (2011: continuing operations including transactions with discontinued operations) .....	2.1%	2.5%