

Icelandic Group hf.
Consolidated Financial Statements
Year Ended 31 December 2010
in euro

Icelandic Group hf.
Borgartún 27
105 Reykjavík

Reg. no. 461296-2119

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Endorsement and Statement by the Board of Directors and the CEO

Operations in 2010

Icelandic Group's consolidated financial statements for the year 2010 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 31 at 31 December 2010.

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 € 14.4 million for the year. The Group's income amounted to € 1.0 billion for the year. According to the statement of financial position total assets at year end amounted to € 479.4 million and equity amounted to € 156.9 million. The equity ratio of the Group was 32.7%.

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

Share capital and Articles of Association

The number of shares at year-end 2010 is ISK 2,794 million. The share capital amounted to € 16.7 million. The share capital is divided into shares of ISK 1, each with equal rights within a single class of shares.

The 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 Eignarhaldsfélagið IG ehf. with 99.9996% The ultimate parent company at year end was NBI hf., which majority shareholder is the Icelandic state. In January 2011 Framtakssjóður Íslands slhf. became the ultimate parent company of the Group with 81.0% share.

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

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

Statement by the Board of Directors and the CEO

The annual consolidated financial statements for the year ended 31 December 2010 have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and additional Icelandic disclosure requirements for consolidated financial statements.

According to our best knowledge it is our opinion that the annual consolidated financial statements give a true and fair view of the consolidated financial performance of the Company for the financial year 2010, its assets, liabilities and consolidated financial position as at 31 December 2010 and its consolidated cash flows for the financial year 2010.

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 2010 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, 10 March 2011.

Board of Directors:

Herdís Dröfn Fjeldsted

Brynjólfur Bjarnason

Henrik Leth

Steinþór Baldursson

Þór Hauksson

CEO:

Brynjólfur Bjarnason

Independent Auditors' Report

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

We have audited the accompanying consolidated financial statements of Icelandic Group hf., which comprise the consolidated statement of financial position as at 31 December 2010, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the 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 2010, 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, 10 March 2011.

KPMG ehf.

Sæmundur Valdimarsson

Margret G. Flóvenz

Consolidated Statement of Comprehensive Income

for the year 2010

	Notes	2010	2009
Sales	7	999.567	997.459
Cost of goods sold		(871.707)	(874.626)
Gross profit		127.860	122.833
Other operating income	8	962	568
Operating expenses	9	(103.245)	(95.370)
Share of profit of equity accounted investees, net of income tax		31	24
Operating profit		25.608	28.055
Finance income		828	2.282
Finance costs		(10.888)	(17.920)
Net finance costs	14	(10.060)	(15.638)
Profit before income tax		15.548	12.417
Income tax	15,16	(9.464)	(6.229)
Profit for the year		6.084	6.188
Other Comprehensive Income			
Foreign currency translation differences for foreign operation		8.587	88
Reclassification relating to foreign operations disposed of in the year		0	(38)
Cash flow hedge		(374)	(248)
Income tax relating to cash flow hedge		112	57
Other comprehensive income (loss) for the year, net of tax		8.325	(141)
Total comprehensive income for the year		14.409	6.047
Profit for the year attributable to:			
Equity holders of the Company		6.097	5.634
Non-controlling interest		(13)	554
Profit for the year		6.084	6.188
Total comprehensive income attributable to:			
Equity holders of the Company		14.139	5.488
Non-controlling interest		270	559
Total comprehensive income for the year		14.409	6.047
Earnings per share:			
Basic and diluted earnings per share (each share is 1 Icelandic króna)	31	0,0022	0,0020

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

Consolidated Statement of Financial Position as at 31 December 2010

	Notes	2010	2009
Assets:			
Property, plant and equipment	17-21	103.947	94.735
Intangible assets	22	64.864	63.363
Other investments	23	1.400	1.534
Deferred tax assets	34	3.710	5.710
Total non-current assets		173.921	165.342
Inventories	24	168.029	142.633
Trade and other receivables	25	111.393	108.344
Cash and cash equivalents		26.084	25.250
Total current assets		305.506	276.227
Total assets		479.427	441.569
 Equity:			
Share capital	26	16.733	16.733
Share premium	27	141.095	141.095
Reserves (deficit)	28-30	(14.980)	(23.022)
Retained earnings		11.731	5.634
Total equity attributable to equity holders of the company		154.579	140.440
Non-controlling interest		2.357	2.087
Total equity		156.936	142.527
 Liabilities:			
Loans and borrowings	32,33	101.663	80.178
Deferred income tax liability	34	8.321	8.044
Total non-current liabilities		109.984	88.222
Loans and borrowings	32,33	110.224	125.271
Trade and other payables	35	102.283	85.549
Total current liabilities		212.507	210.820
Total liabilities		322.491	299.042
Total equity and liabilities		479.427	441.569

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

Consolidated Statement of Changes in Equity for the year 2010

	Share capital	Share premium	Reserves (deficit)	Retained earnings	Non- controlling interest	Total equity
Changes in equity in 2009:						
Equity as at 1.1.2009	16.733	141.095	(22.876)	0	1.528	136.480
Total comprehensive loss for the year			(146)	5.634	559	6.047
Equity as at 31.12.2009	<u>16.733</u>	<u>141.095</u>	<u>(23.022)</u>	<u>5.634</u>	<u>2.087</u>	<u>142.527</u>
Changes in equity in 2010:						
Equity as at 1.1.2010	16.733	141.095	(23.022)	5.634	2.087	142.527
Total comprehensive income for the year			8.042	6.097	270	14.409
Equity as at 31.12.2010	<u>16.733</u>	<u>141.095</u>	<u>(14.980)</u>	<u>11.731</u>	<u>2.357</u>	<u>156.936</u>

No dividends were paid in 2009 and 2010.

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

Consolidated Statement of Cash Flows

for the year 2010

	Notes	2010	2009
Cash flows from operating activities:			
Operating profit		25.608	28.055
Difference between operating profit and cash from operations:			
Net gain on sale of assets .....	(	425)	(549)
Depreciation and amortisation	17,22	16.256	17.628
Share of profit of equity accounted investees .....	(	31)	(24)
Change in operating assets and liabilities	39	(1.375)	41.456
Cash generated from operations		40.033	86.566
Interest income received		938	876
Interest and finance costs paid .....	(	10.812)	(14.131)
Income tax paid .....	(	5.330)	(3.174)
Net cash generated from operating activities		24.829	70.137
Cash flows from investing activities:			
Investment in property, plant and equipment	17	(20.923)	(9.289)
Proceeds from sale of property, plant and equipment		653	1.891
Investment in intangible assets .....	(	735)	(744)
Net cash outflow on disposal of subsidiary		0	(229)
Decrease in bonds and other receivables		460	119
Net cash used in investing activities		(20.545)	(8.252)
Cash flows from financing activities:			
Long-term debt proceeds		7.757	806
Long-term debt repaid .....	(	15.556)	(12.562)
Short-term debt proceeds (repaid)		2.581	(54.275)
Net cash used in financing activities		(5.218)	(66.031)
Decrease in cash and cash equivalents		(934)	(4.146)
Effect of exchange rate fluctuations on cash held		1.768	(414)
Cash and cash equivalents at 1 January.....		25.250	29.810
Cash and cash equivalents at 31 December		26.084	25.250

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

Notes

1. **Reporting entity**

Icelandic Group hf. is a company domiciled in Borgartún 27, Reykjavík, Iceland. The consolidated financial statements of the Company as at and for the year ended 31 December 2010 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 10 March 2011.

b. **Basis of measurement**

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

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

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

c. **Functional and presentation currency**

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

d. **Use of estimates and judgements**

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

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

Information about critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the consolidated financial statements is included in the following note 22 on measurement of the recoverable amounts of cash-generating units containing goodwill.

Notes, contd.:

3. *Significant accounting policies*

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

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

a. *Basis of consolidation*

(i) *Subsidiaries*

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

(ii) *Associates (equity accounted investees)*

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

(iii) *Transactions eliminated on consolidation*

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

Notes, contd.:

3.a. Contd.:

b. **Foreign currency**

(i) *Foreign currency transactions*

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

(ii) *Foreign operations*

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

Foreign currency differences arising on translation are recognised in other comprehensive income, 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 differences is allocated to the non-controlling interests. When a foreign operation 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.

c. **Financial instruments**

(i) *Non-derivative financial instruments*

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables. 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 and loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

Financial assets at fair value through profit or loss

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

Held-to-maturity investments

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

Notes, contd.:

3.c. Contd.:

Loan and receivables

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

Loans and receivables comprise trade and other receivables.

Cash and cash equivalents

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.

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 and share options are recognised as a deduction from equity, net of tax effects.

Notes, contd.:

3.c. Contd.:

Repurchase of share capital (treasury shares)

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

(iv) *Dividends*

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

d. ***Property, plant and equipment***

(i) *Recognition and measurement*

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that is directly attributable to the acquisition of the asset 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 income" in profit and loss.

(ii) *Subsequent costs*

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

(iii) *Depreciation*

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

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

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

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

Notes, contd.:

3. Contd.:

e. **Intangible assets**

(i) *Goodwill*

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

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

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses.

(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 and loss when incurred.

(iv) *Amortisation*

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

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

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

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

Notes, contd.:

3. Contd.:

f. **Leased assets**

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

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

g. **Inventories**

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

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

h. **Impairment**

(i) **Financial assets**

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

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

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

All impairment losses are recognised in profit or loss.

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

Notes, contd.:

3. Contd.:

(ii) *Non financial assets*

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

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

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

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

i. *Employee benefits*

Defined contribution plans

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

j. *Provisions*

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

Notes, contd.:

3. Contd.:

k. **Revenue**

(i) **Goods sold**

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

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

(ii) **Other operating revenue**

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

l. **Lease payments**

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

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

m. **Finance income and costs**

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

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

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

3.n. Contd.:

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

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

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

o. *Earnings per share*

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

p. *Segment reporting*

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

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

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

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

Notes, contd.:

3. Contd.:

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

The Group has applied all International Financial Reporting Standards, amendments to standards and interpretations that the EU has adopted at year-end 2010 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 2010, 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.

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 37% (2009: 36%) of the Group's revenue is attributable to sales transactions with its five largest customers.

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

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

Notes, contd.:

5. Contd.:

Trade and other receivables, contd.:

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

Guarantees

The Group's policy is to provide financial guarantees only to subsidiaries. At 31 December 2010 guarantees provided to subsidiaries amounting to € 73.5 million (2009: € 73.0 million) were outstanding.

Liquidity risk

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

The Group uses activity-based costing to cost its products and services, which assists it in monitoring cash flow requirements and optimising its cash return on investments. Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. In addition, the Group maintains lines of credit amounting to €36.0 million (2009: € 64.9 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) and U.S. Dollars (USD). The currencies in which these transactions primarily are denominated are GBP, Swiss Francs (CHF), Canadian dollar (CAD) and USD.

Interest rate risk

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

Other market price risk

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

Notes, contd.:

5. Contd.:

Operational risk

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

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

Capital management

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

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. The Group's target is to achieve a return on capital of between 12.5 and 15.0 percent; in 2010 the return was 3.9 percent (2009: 4.3 percent). In comparison the weighted average interest expense on interest-bearing borrowings, excluding liabilities with imputed interest, was 4.6 percent (2009: 3.5 percent).

Notes, contd.:

Operating segments

6. The Group comprises the following main reportable segments:

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

Business segments

2010

	Production	Sales and marketing	Holding and servicing	Eliminations	Consolidated
Sales to external customers	731.386	268.064	117		999.567
Inter-segment sales	64.826	92.539	2.786	(160.151)	0
Total segment sales	796.212	360.603	2.903	(160.151)	999.567
Segment result	27.780	(239)	(1.964)	0	25.577
Net finance costs	(6.890)	(3.634)	464		(10.060)
Share of profit of equity accounted investees, net of tax	0	0	31		31
Profit (loss) before income tax	20.890	(3.873)	(1.469)	0	15.548
Income tax	(9.724)	(24)	284		(9.464)
Profit (loss) for the year	11.166	(3.897)	(1.185)	0	6.084
Segment assets	408.169	114.533	19.544	(62.819)	479.427
Segment liabilities	242.653	128.456	14.597	(63.215)	322.491
Capital expenditure	20.983	566	109		21.658
Depreciation	14.096	644	51		14.791
Amortisation of intangible assets	1.341	124	0		1.465

Notes, contd.:

6. Contd.:

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

Notes, contd.:**Sales**

7. Sales is specified as follows:

	2010	2009
Sales	993.541	992.946
Commission	6.026	4.513
Sales, total	<u>999.567</u>	<u>997.459</u>

Other income

8. Other operating income is specified as follows:

	2010	2009
Gain on sale of assets	640	568
Other income	322	0
Other operating income, total	<u>962</u>	<u>568</u>

Operating expenses

9. Operating expenses are specified as follows:

	2010	2009
Salaries and salary-related expenses	50.104	48.146
Loss on sale of assets	81	19
Other operating expenses	47.819	41.106
Depreciation of operating assets and amortisation of intangible assets	5.241	6.099
Total operating expenses	<u>103.245</u>	<u>95.370</u>

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

	2010	2009
Salaries	95.213	94.552
Salary-related expenses	9.659	9.688
Total salaries and salary-related expenses	<u>104.872</u>	<u>104.240</u>
Average number of employees (full year equivalents)	3.653	4.071
Positions with the Group at the end of the year	3.796	3.710

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

Cost of goods sold	54.766	56.094
Operating expenses	50.106	48.146
Total salaries and salary-related expenses	<u>104.872</u>	<u>104.240</u>

Notes, contd.:

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

	Salaries and benefits
Board of Directors:	
Herdís Dröfn Fjeldsted, Chairman of the Board from 10 February 2011	0,0
Brynjólfur Bjarnason, former Chairman of the Board and Board Member	0,0
Steinþór Baldursson, former Chairman of the Board and Board Member	0,0
Þór Hauksson, Board Member	0,0
Henrik Leth, Board Member	11,5
Guðmundur Kristjánsson, former Board Member	11,5
Gunnar Jónsson, former Board Member	11,5
Haraldur Jónsson, former Board Member	11,5
Friðrik Jóhannsson, former Board Member	2,5
Einar Valur Kristjánsson, former deputy Board Member	8,7
Managing Director:	
Finnbogi A. Baldvinsson, former CEO	350,0

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

	2010	2009
Depreciation of property, plant and equipment, see note 17	14.791	15.763
Amortisations of intangible assets, see note 22	1.465	1.865
Total	<u>16.256</u>	<u>17.628</u>
Depreciation, amortisation and impairment loss is allocated as follows on operating items:		
Cost of goods sold	11.015	11.529
Operating expenses	5.241	6.099
Total	<u>16.256</u>	<u>17.628</u>

Auditors' Fees

13. Auditors' fees are specified as follows:

	2010	2009
Audit of the financial statements	774	950
Review of interim financial statements and other services	428	328
Total auditors' fees	<u>1.202</u>	<u>1.278</u>
Thereof remuneration to others than KPMG in Iceland	<u>998</u>	<u>1.064</u>

Notes, contd.:

Net finance costs

14. Net finance costs are specified as follows:

	2010	2009
Interest income	413	554
Dividend income	298	8
Gain on sale of shares	117	696
Net currency gain	0	1,024
Finance income, total	828	2,282
Interest expenses	(10,552)	(13,834)
Loss on sale of subsidiary	0	(4,086)
Net currency loss	(336)	0
Finance costs, total	(10,888)	(17,920)
Net finance costs	(10,060)	(15,638)

Income tax expense

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

	2010	2009
Current tax expense	1,303	441
Deferred tax expense	8,161	5,788
Total income tax in profit or loss	9,464	6,229

16. Effective tax rate is specified as follows:

	2010	2009
Profit for the year	6,084	6,188
Total income tax	9,464	6,229
Profit excluding income tax	15,548	12,417
Income tax using Icelandic corporation tax rate ...	18,0% (2,799)	15,0% (1,863)
Effect of tax rate in foreign jurisdictions	29,8% (4,638)	25,3% (3,144)
Non-deductable expenses	0,4% (62)	1,9% (242)
Other items	12,6% (1,965)	7,9% (980)
Effective tax rate	60,9% (9,464)	50,2% (6,229)

Notes, contd.:

Property, plant and equipment

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

Cost or deemed cost	Buildings and land	Other operating assets	Total
Balance at 1 January 2009	67.071	109.120	176.191
Reclassifications	1.236 (	2.234) (	998)
Purchases during the year	1.034	8.255	9.289
Disposal of subsidiary	(4.024) (	6.235) (	10.259)
Other disposals	(789) (	3.260) (	4.049)
Exchange rate differences	512	3.107	3.619
Balance at 31 December 2009	65.040	108.753	173.793
Reclassifications	6 (	93) (	( 87)
Purchases during the year	7.543	14.199	21.742
Disposals	(376) (	3.374) (	3.750)
Exchange rate differences	2.022	3.247	5.269
Balance at 31 December 2010	74.235	122.732	196.967
Depreciation and impairment losses			
Balance at 1 January 2009	11.614	59.533	71.147
Reclassifications	0 (	1.044) (	1.044)
Depreciation	3.270	12.493	15.763
Disposal of subsidiary	(1.251) (	4.667) (	5.918)
Other disposals	(218) (	2.612) (	2.830)
Exchange rate differences	123	1.817	1.940
Balance at 31 December 2009	13.538	65.520	79.058
Reclassifications	6 (	93) (	( 87)
Depreciation	3.328	11.463	14.791
Disposals	(277) (	2.746) (	3.023)
Exchange rate differences	353	1.928	2.281
Balance at 31 December 2010	16.948	76.072	93.020
Carrying amounts			
1.1.2009	55.457	49.587	105.044
31.12.2009	51.502	43.233	94.735
31.12.2010	57.287	46.660	103.947
Depreciation ratios	2-10%	10-20%	

Finance leases

18. Equipment and machinery for which the Group has concluded lease agreements are capitalized despite the ownership right of the lessor according to the agreements. The remaining balance of the lease agreements amounted to € 257 thousand at year-end 2010 (2009:€ 3,997 thousand).

Notes, contd.:

Operating leases

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

Mortgages and Guarantees

20. Mortgages and guarantees for debt with a remaining balance of € 63,798 thousand (2009: € 62,989 thousand) were registered against the Group's assets at year-end 2010.

Insurance value

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

	2010	2009
Insurance value of buildings	123.745	115.142
Book value of buildings	57.287	51.502
Insurance value of other operating assets	72.067	67.524
Book value of other operating assets	46.660	43.233

Intangible assets

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

	Goodwill	Trademarks	Business relationships	Other intangible assets	Total
Cost					
Balance at 1.1 2009	180.943	28.495	17.257	3.422	230.117
Reclassification	0	0	107	203	310
Purchases during the year	0	0	182	562	744
Disposal of subsidiary	(12.980)	(1.848)	(4.574)	0	(19.402)
Exchange rate differences	2.585	(130)	(53)	35	2.437
Balance at 31.12.2009	170.548	26.517	12.919	4.222	214.206
Purchases during the year	0	0	150	583	733
Exchange rate differences	10.870	432	229	148	11.679
Balance at 31.12.2010	181.418	26.949	13.298	4.953	226.618

Notes, contd.:

22. Contd.:

	Goodwill	Trademarks	Business relationships	Other intangible assets	Total
Amortisations and impairment losses					
Balance at 1.1.2009	140.336	18.416	3.870	1.611	164.233
Reclassification	0	0	54	212	266
Amortisation for the year	0	0	1.236	629	1.865
Disposal of subsidiary	(12.980)	0	(1.678)	0	(14.658)
Exchange rate differences	(877)	0	(19)	33	(863)
Balance at 31.12.2009	126.479	18.416	3.463	2.485	150.843
Amortisation for the year	0	0	819	646	1.465
Exchange rate differences	9.285	0	83	78	9.446
Balance at 31.12.2010	135.764	18.416	4.365	3.209	161.754
Carrying amounts					
1.1.2009	40.607	10.079	13.387	1.811	65.884
31.12.2009	44.069	8.101	9.456	1.737	63.363
31.12.2010	45.654	8.533	8.933	1.744	64.864
Depreciations ratios			5-20%	4-15%	

Amortisation and impairment charge

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

Impairment testing for cash generating units containing goodwill

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

Notes, contd.:

22. Contd.:

The aggregate carrying amounts of goodwill allocated to each unit are as follows:	2010	2009
Seachill Ltd.	45.452	43.896
Fiskval ehf.	202	173
Total goodwill	<u>45.654</u>	<u>44.069</u>

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

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

The anticipated annual real revenue growth rate included in the cash flow projection was minus 11.8% to plus 7.0% for the years 2011 to 2015. Future growth ranged between 1.0% and 2.0%.

A post-tax discount rate between 6.3% and 7.3% 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 at year-end 2010.

A 10 percent decrease in future planned EBITDA would not result in impairment loss at year-end 2010.

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

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

Other investments

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

	2010	2009
Held-to-maturity investments	1.119	1.619
Equity accounted investees	226	195
Financial assets designated at fair value through profit or loss	166	74
	<u>1.511</u>	<u>1.888</u>
Current maturities	(111)	(354)
Total other investments	<u>1.400</u>	<u>1.534</u>

Held-to-maturity investments have interest rates of 5.3% to 6.5% (2009: 4.0% to 6.5%) and mature in 1 to 4 years.

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

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

Notes, contd.:

Inventories

24. Inventories are specified as follows:

	2010	2009
Raw material and work in process	79.965	63.233
Finished goods	88.064	79.400
Total inventories	<u>168.029</u>	<u>142.633</u>

Trade and other receivables

25. Trade and other receivables are specified as follows:

	2010	2009
Trade receivables	98.372	95.263
Other receivables	10.873	10.555
Prepaid expenses	2.148	2.526
Total trade and other receivables	<u>111.393</u>	<u>108.344</u>

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

Equity

26. *Issued shares*

The Company's total number of shares according to its Articles of Association are 2,794 million (2009: 2,794 million). Issued shares at year-end numbered 2,794 million (2009: 2,794 million) and is all paid for. The owners of ordinary shares are entitled to dividends as declared from time to time and are entitled to one vote per share of one ISK at meetings of the Company.

27. *Share premium*

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

28. *Translation reserve*

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

29. *Hedging reserve*

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

Notes, contd.:

30. *Other reserves*

Other reserves are specified as follows:	2010	2009
Translation reserve	(14.195)	(22.499)
Hedging reserve	(785)	(523)
Other reserves total	(14.980)	(23.022)

Earnings per share

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

Basic earnings per share:	2010	2009
Profit for the year attributable to equity holders of the parent	6.097	5.634
Weighted average number of ordinary shares	2.793.865	2.793.865
Earnings per share of ISK 1	0,0022	0,0020

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

Loans and borrowings

32. Loans and borrowings are specified as follows:

2010	Non-current	Current	
Currency	liabilities	liabilities	Total
EUR	73.279	22.806	96.085
GBP	40.997	4.813	45.810
USD	7.641	23.559	31.200
JPY	938	25.557	26.495
CNY	0	7.366	7.366
ISK	2.558	0	2.558
NOK	0	2.356	2.356
CHF	17	0	17
Loans and borrowings, total	125.430	86.457	211.887
Current maturities of non-current liabilities	(23.767)	23.767	0
Loans and borrowings according to the balance sheet	101.663	110.224	211.887

Notes, contd.:

32. Contd.:

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

Property, plant and equipment, inventory and accounts receivable have been pledged against loans the amount of € 200.7 million (2009: € 194.7 million)

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

	2010	2009
Year 2010	-	49.388
Year 2011	23.767	7.905
Year 2012	69.500	41.514
Year 2013	6.588	4.821
Year 2014	5.418	5.640
Year 2015	17.514	15.380
Subsequent	2.643	4.918
Non-current loans and borrowings including current maturities	125.430	129.566

Deferred tax assets and liabilities

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

	Deferred tax	Deferred tax	Total
	assets	liability	
Balance at 1.1.2009	(9.867)	5.700 (	4.167)
Income tax	1.662	4.567	6.229
Income tax payable 2010 on 2009 activities	(224)	(216)	(440)
Exchange rate difference, prepaid tax and other changes	2.719	(2.007)	712
Balance at 31.12.2009	(5.710)	8.044	2.334
Income tax	(302)	9.766	9.464
Income tax payable 2011 on 2010 activities	(503)	(800)	(1.303)
Exchange rate difference, prepaid tax and other changes	2.805	(8.689)	(5.884)
Balance at 31.12.2010	(3.710)	8.321	4.611

Notes, contd.:

34. Contd.:

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

	2010	2009
Property, plant and equipment	6.159	6.017
Intangible assets	2.240	2.545
Tax losses carried forward	(6.422)	(1.814)
Other items	2.634	(4.414)
Net income tax liability (asset) at year-end	<u>4.611</u>	<u>2.334</u>

Trade and other payables

35. Trade and other payables are specified as follows:

	2010	2009
Trade payables	77.669	62.409
Taxes for the year	1.303	440
Other payables	23.311	22.700
Total trade and other payables	<u>102.283</u>	<u>85.549</u>

Financial instruments

Exposure to credit risk

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

	2010	2009
Held-to-maturity investments	1.119	1.619
Financial assets at fair value through profit or loss	166	74
Loans and receivables	109.134	105.782
Cash and cash equivalents	26.084	25.250
	<u>136.503</u>	<u>132.725</u>

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

Domestic	225	30
United Kingdom	24.639	24.701
Continental Europe	44.767	46.657
USA	20.325	12.792
Asia	8.416	11.083
	<u>98.372</u>	<u>95.263</u>

The Group's five most significant customers account for € 260 million of the trade receivables carrying amount at 31 December 2010 (2009: € 26.3 million).

Notes, contd.:

36. Contd.:

Impairment losses

The aging of accounts receivables at the reporting date was:

	2010		2009	
	Gross	Impairment	Gross	Impairment
Past due 0-30 days	82.504	156	74.755	97
Past due 31-90 days	14.887	150	18.690	368
Past due 91-180 days	880	388	1.207	130
Past due 181-360 days	615	485	449	27
More than one year	1.084	419	1.176	392
	<u>99.970</u>	<u>1.598</u>	<u>96.277</u>	<u>1.014</u>

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

	2010	2009
Provision at 1 January	1.014	1.345
Actual (gains) losses during the year	(109)	20
Changes in provision for the year	636 (	360)
Exchange rate difference	57	9
Provision at 31 December	<u>1.598</u>	<u>1.014</u>

Liquidity risk

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

	Carrying amount	Contractual cash flows	Less than 1 year	1-2 years	2-5 years	More than 5 years
31 December 2010						
Non-derivative financial liabilities						
Non-current						
loans and borrowings	125.430	135.049	25.090	63.510	41.899	4.550
Current loans and borrowings .	86.457	88.683	88.683	0	0	0
Trade and other payables	102.283	102.283	102.283	0	0	0
	<u>314.170</u>	<u>326.015</u>	<u>216.056</u>	<u>63.510</u>	<u>41.899</u>	<u>4.550</u>

Notes, contd.:

36. Contd.:

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

Currency risk

Exposure to currency risk

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

31 December 2010

	GBP	CAD	USD	Other
Trade receivables	176	0	4.427	2.343
Loans and borrowings	0	0 (	3.147) (	2.688)
Trade payables	(379)	0 (	6.905) (	1.111)
Gross balance exposure	<u>(203)</u>	<u>0 (</u>	<u>5.625) (</u>	<u>1.456)</u>

31 December 2009

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

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2010	2009	2010	2009
GBP	0,8585	0,8902	0,8614	0,8919
CHF	1,3832	1,5103	1,2513	1,4755
CAD	1,3669	1,5838	1,3343	1,5567
USD	1,3260	1,3965	1,3362	1,4396

Notes, contd.:

36. Contd.:

Sensitivity analysis

A 10 percent strengthening of the euro against the above mentioned currencies at 31 December would have increased pre-tax profit € 1,729 thousand (2009: loss € 782 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	
	2010	2009
Fixed rate instruments		
Financial assets	495	1.619
Financial liabilities	15.508	0
	<u>16.003</u>	<u>1.619</u>
Variable rate instruments		
Financial liabilities	192.287	205.449
	<u>192.287</u>	<u>205.449</u>

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 2009.

	Profit or loss	
	100bp increase	100bp decrease
31 December 2010		
Variable rate instruments	1.923	1.923
Cash flow sensitivity (net)	<u>1.923</u>	<u>1.923</u>
31 December 2009		
Variable rate instruments	2.054	2.054
Cash flow sensitivity (net)	<u>2.054</u>	<u>2.054</u>

Notes, contd.:

36. Contd.:

Fair values versus carrying amounts

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

	31 December 2010		31 December 2009	
	Carrying amount	Fair value	Carrying amount	Fair value
Held-to-maturity investments	1.119	1.119	1.619	1.619
Financial assets designated at fair value				
through profit or loss	166	166	74	74
Loans and receivables	109.134	109.134	107.990	107.990
Cash and cash equivalents	26.084	26.084	25.250	25.250
Loans and borrowings, non-current	(101.663)	(103.112)	(80.178)	(76.971)
Loans and borrowings, current	(110.224)	(111.005)	(125.271)	(120.260)
Trade and other payables	(102.283)	(102.283)	(85.549)	(85.549)
Gross balance sheet exposure	(177.667)	(179.897)	(156.065)	(147.847)

Operating leases

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

	2010	2009
Less than one year	4.526	4.978
Between one and five years	5.951	7.988
More than five years	2.160	3.064
	<u>12.637</u>	<u>16.030</u>

38. Contingent liabilities

A subsidiary is currently in discussions with tax authorities who are challenging the tax deductibility of historic payments into employee incentive schemes. The potential liability of the subsidiary is considered to be in the order of € 12 - 13 million, including penalties and interest. The Group has not provided for any tax due. Under the sale agreement this amount is recoverable from the former shareholders of the subsidiary.

Notes, contd.:

Statement of Cash Flows

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

	2010	2009
Inventories, (increase) decrease	(15.862)	33.906
Trade and other receivables, (increase) decrease	(117)	16.523
Trade and other payables, decrease (increase)	14.604	(8.973)
Net changes in working capital	(1.375)	41.456

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

	2010	2009
Profit for the year	6.084	6.188
Difference between loss and cash flows from operations:		
Profit from sales of assets	(425)	(549)
Loss on sale of subsidiary	0	4.085
Profit on sale of shares in other companies	(117)	(696)
Depreciations, amortisation and impairment losses	16.256	17.628
Profit of equity accounted investees	(31)	(24)
Income tax	2.802	6.658
Other items	1.269	(316)
Net changes in working capital	25.838	32.974

Related parties

41. *Identity of related parties*

The company's related parties consist of shareholders that control or have significant influence on the company, subsidiaries, associates, board member and management. The company is 99.9996% owned by Eignarhaldsfélagið IG ehf. at year-end 2010, which is owned by NBI hf., the parent company of Eignarhaldsfélagið IG ehf. NBI hf. is owned by the Icelandic State.

Transactions with key management personnel

Executive directors of the Company and their relatives control none of the voting shares of the Company (2009: none).

The Group's former CEO loaned one subsidiary € 1.2million, which was repaid in 2010.

Notes, contd.:

41. Contd.:

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 company's debt with NBI hf. amounted to around € 74.2 million at year end 2010. Interest payments to the bank amounted to € 2.8 million in the year.

Associates

During the year ended 31 December 2010, associates purchased goods from the Group in the amount of nil (2009: € 519 thousand) and at 31 December 2010 associates owed the Group nil (2009: € 41 thousand) and the Group owed associates nil (2009: nil). The Group purchased goods and services from associates in the amount of nil (2009: € 1,628 thousand). Transactions with associates are priced on an arm's length basis.

Group entities

42. Subsidiaries numbered 31 at year-end (2009: 30) and are all included in the consolidated financial statements. They are:

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

Notes, contd.:

Financial Ratios

43. Financial ratios for the consolidated financial statements:

	2010	2009
Current ratio	1.44	1.31
Equity ratio	32.7%	32.3%
Return on equity	3.9%	4.3%
Internal value	9.38	8.52
EBITDA	41.864	45.683
EBITDA ratio	4.2%	4.6%