1914 - 2009

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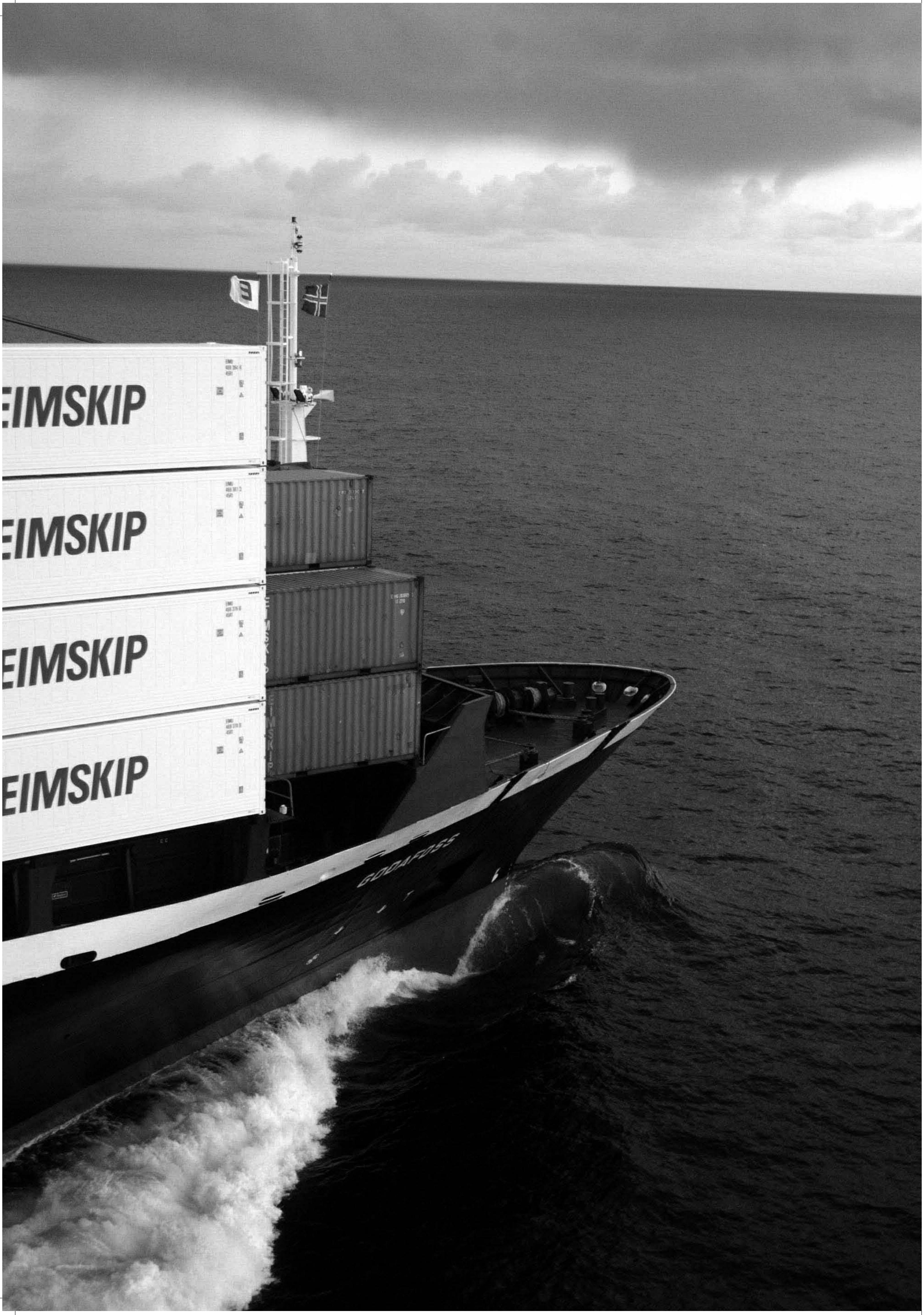
HF. EIMSKIPAFÉLAG ÍSLANDS

ANNUAL REPORT 2008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EIMSKIP'S FIRST CALENDAR 1928

Tryggvi Magnússon (June 6, 1900 – September 7, 1960) illustrated Eimskip's first calendar in 1928. He was born at Bær in Steingrímsfjörður in North-western Iceland.
He graduated from Akureyri secondary school (Gagnfræðaskólinn á Akureyri) in 1919 and then studied in Copenhagen for two years. He went to New York and studied portraiture at the League of Art from 1921-1922.

Tryggvi studied painting in Dresden from 1922-1923. In 1923 he moved to Reykjavík. Tryggvi was one of 7 founders of The Icelandic association of graphic designers.

Some say Tryggvi Magnússon was the first Icelandic illustrator able to make a living of his art. Tryggvi illustrated a book with Jóhannes úr Kötlum's Christmas poem, the

Historical Icelandic Playing Cards (Fornmannaspil), district escutcheons for Althing's 1000th anniversary in 1930 (Alþingishátíðin) and Iceland's coat of arms. He was most famous for the caricatures he drew as the leading illustrator at Spegillinn, humour magazine.

Endorsement and Statement by the Board of Directors and the CEO

The Consolidated Financial Statements of Hf. Eimskipafélag Íslands and its subsidiaries (the "Group") are prepared and presented in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU. The financial statements are presented in thousands of EUR.

In June 2008 the Board of Directors decided to write-off of all interest in the UK subsidiary Innovate HQ Ltd. The total amount of the write-off was EUR 71 million, which was fully written off in the second quarter as loss from discontinued operation. An amicable agreement was reached in July with former owners of Innovate to return 55.4 million shares in Hf. Eimskipafélag Íslands which they received as payment for the sale of Innovate in June 2007. The value of the returned shares reduced the write-off in the third quarter.

A loan in the amount of EUR 211 million which was a partial payment to Hf. Eimskipafélag Íslands for the sale of XL Leisure Group in 2006 was guaranteed by the Company. Following the fall of XL Leisure Group in September 2008 it became evident that the Company would be forced to make payments under the loan guarantee. As a result the total amount of the loan has been expensed among loss from discontinued operation in the income statement.

The aforementioned financial setbacks had a seriously negative effect on the Company's financial position. These facts in addition to the difficult economic environment resulted in the Company not being able to meet its finanical obligations. A standstill agreement was reached in October with the majority of the Company's creditors to allow the management necessary time to dispose of assets. As a response to that the management has decided to fundamentally restructure both the operations and balance sheet of the Group in order to create a sustainable capital structure for the business going forward and to secure the core operations of the retained business. A part of the restructuring process is to exit from the cold storage market in North-America and in Europe. The proceeds of these disposals are planned to reduce the overall debt burden of the Group. The management is planning to negotiate a restructuring of those obligations that remain after the asset disposals.

Net loss from continuing operation amounted to EUR 179 million for the Group. A loss from discontinued operation of EUR 466 million results in a net loss of EUR 645 million for the year ended 31 October 2008 according to the income statement. Total liabilities exceeded total assets by EUR 151 million at 31 October 2008 according to the balance sheet resluting in a negative equity position in the same amount. At period-end shareholders in Hf. Eimskipafélag Íslands numbered 19.934 compared to 21,900 at the beginning of the period. Two stockholders owned more than 10% share in the Company at the end of the period, Frontline Holding S.A. with 33.18% ownership and Fjárfestingafélagið Grettir ehf. with 33.15% share.

The Board of Directors does not propose a payment of dividend to shareholders in 2009.

Statement by the Board of Directors and the CEO

According to the best of our knowledge, it is our opinion that the annual consolidated financial statements give a true and fair view of the consolidated financial performance of the Group for the financial year 2008, its assets, liabilities and consolidated financial position as at 31 October 2008 and its consolidated cash flows for the financial year 2008.

Further, in our opinion the consolidated financial statements and the Endorsement by 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.

Endorsement and Statement by the Board of Directors and the CEO contd.:

The Board of Directors and the CEO have today discussed the annual consolidated financial statements of Hf. Eimskipafélag Íslands for the year 2008 and confirm them by means of their signatures. The Board of Directors and the CEO recommend that the consolidated financial statements be approved at the annual general meeting of Hf. Eimskipafélag Íslands.

Reykjavík, 29 January 2009.

Board of Directors:

Sindri Sindrason
Chairman

Orri Hauksson

Gunnar M. Bjorg

Tómas Ottó Hansson

Friðrik Jóhannsson

CEO:

Gylfi Sigfússon

Independent Auditors' Report

To the Board of Directors and Shareholders of Hf. Eimskipafélag Íslands

We have audited the accompanying Consolidated Financial Statements of Hf. Eimskipafélag Íslands and its subsidiaries (the "Group"), which comprise the Consolidated Balance Sheet as at 31 October 2008, and the Consolidated Income Statement, the Consolidated Statement of Changes in Equity and the Consolidated Statement of Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these Consolidated Financial Statements in accordance with International Financial Reporting Standards as adopted by the EU. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of Financial Statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the Financial Statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Financial Statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the Financial Statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting 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.

Basis for qualified opinion

The Company has announced that it has failed to comply with certain financial covenants with respect to certain credit facilities and has been unable to meet some of its financial obligations. The Company has further announced that it has entered into stand-still arrangements with its main lenders. The Company is in the process of asset disposals where the proceeds will be used to reduce debt. Following the asset disposals the Company will enter into negotiations with its lenders to finalize financial restructuring. This situation indicates the existence of a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern and therefore it may be unable to realize its assets and discharge its liabilities in the normal course of business. The consolidated financial statements do not disclose this fact.

Qualified opinion

In our opinion, except for the omission of the information described in the basis for qualified opinion paragraph, the Consolidated Financial Statements give a true and fair view of the consolidated financial position of Hf. Eimskipafélag Íslands as at 31 October 2008, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Reykjavík, 29 January 2009.

KPMG hf.

Alexander G. Edvardsson

Ólafur Már Ólafsson

Consolidated Income Statement

For the year ended 31 October 2008

	Notes	2008	2007
Revenue		718.858	680.295
Cost of sales		(668.595)	(615.912)
Gross profit		50.263	64.383
Administrative expenses		(33.033)	(32.765)
Impairment of assets		(100.634)	0
Results from operating activities		(83.403)	31.618
Finance income		6.043	14.465
Finance expenses		(103.433)	(55.595)
Net finance expense	10	(97.390)	(41.130)
Share of the profit of equity accounted investees, net of income tax	15	3.496	19.766
(Loss) profit before income tax		(177.297)	10.254
Income tax	11	(4.917)	2.558
(Loss) profit from continuing operations		(182.214)	12.812
Loss from discontinued operations	7	(466.211)	(21.913)
Loss for the year		(648.425)	(9.101)
Attributable to:			
Equity holders of the Company		(655.463)	(16.480)
Minority interest		7.038	7.379
Loss for the year		(648.425)	(9.101)
Earnings per share			
Basic earnings per share (EUR)	22	(0,380)	(0,003)
Diluted earnings per share (EUR)	22	(0,321)	(0,003)
Continuing operations			
Basic earnings per share (EUR)	22	(0,103)	0,001
Diluted earnings per share (EUR)	22	(0,084)	0,001

The notes on pages 12 to 38 are an integral part of these Consolidated Financial Statements.

Amounts are in thousands of EUR

Consolidated Balance Sheet as at 31 October 2008

	Notes	2008	2007
Assets:			
Property, vessels and equipment	12	327.672	1.287.470
Intangible assets	13	30.632	93.551
Goodwill	14	151.830	436.677
Investments in equity accounted investees	15	229	1.424
Financial assets	16	77.890	67.398
Deferred tax assets	17	8.366	42.182
Total non-current assets		596.619	1.928.702
Inventories		4.681	8.306
Trade and other receivables	18	133.274	371.039
Receivable related to sold operations		9.159	80.973
Cash and cash equivalents	19	32.731	79.682
Assets classified as held for sale	20	1.167.391	0
Total current assets		1.347.236	540.000
Total assets		1.943.855	2.468.702
Equity:			
Share capital		20.720	21.849
Share premium		413.878	448.461
Reserves		(14.437)	(110.614)
(Accumulated feficit) Retained earnings		(575.128)	79.077
Total equity attributable to equity holders of the parent		(154.967)	438.773
Minority interest		20.730	12.502
Total equity	21	(134.237)	451.275
Liabilities:			
Convertible loan	23	67.248	76.471
Loans and borrowings	23	327.785	1.163.416
Provisions and other liabilities	24	5.883	55.200
Deferred income-tax liability	17	9.511	178.257
Total non-current liabilities		410.427	1.473.344
Loans and borrowings	23	433.796	239.289
Trade and other payables	25	321.935	304.794
Liabilities classified as held for sale	20	911.934	0
Total current liabilities		1.667.665	544.083
Total liabilities		2.078.092	2.017.427
Total equity and liabilities		1.943.855	2.468.702

The notes on pages 12 to 38 are an integral part of these Consolidated Financial Statements.

Amounts are in thousands of EUR

Consolidated Statement of Changes in Equity
as at 31 October 2008

	Share Capital	Share premium	Translation reserve	Share option reserve	Fair value reserve	Retained earnings	Total	Minority interest	Total equity
Changes in Equity 2007:									
Equity at 1 November 2006	20.873	410.936	(10.000)	599	(4.115)	95.557	513.850	23.780	537.630
Foreign currency translation differences for foreign operations			(64.618)				(64.618)	(867)	(65.485)
Net change in fair value of available-for-sale financial assets					(4.939)		(4.939)		(4.939)
Loss for the year						(16.480)	(16.480)	7.379	(9.101)
Total recognised income and expense			(64.618)	0	(4.939)	(16.480)	(86.037)	6.512	(79.525)
New shares issued	981	37.701					38.682		38.682
Purchase of treasury shares	(5)	(176)					(181)		(181)
Dividend paid to minority							0	(280)	(280)
Change in share option reserve, net of tax				659			659		659
Written put options transferred as liability				(28.200)			(28.200)		(28.200)
Recognised on acquisition of subsidiaries							0	(17.510)	(17.510)
Equity at 31 October 2007	21.849	448.461	(74.618)	(26.942)	(9.054)	79.077	438.773	12.502	451.275
Changes in Equity 2008:									
Equity at 1 November 2007	21.849	448.461	(74.618)	(26.942)	(9.054)	79.077	438.773	12.502	451.275
Foreign currency translation differences for foreign operations			65.806				65.806	216	66.022
Net change in fair value of available-for-sale assets					9.054		9.054		9.054
Loss for the year						(655.463)	(655.463)	7.038	(648.425)
Total recognised income and expense			65.806	0	9.054	(655.463)	(580.603)	7.254	(573.349)
Purchase of treasury shares	(1.129)	(34.583)		22.575			(13.137)		(13.137)
Dividend paid to minority							0	(162)	(162)
Change in share option reserve, net of tax				(1.258)		1.258	0		0
Recognised on acquisition of subsidiaries							0	1.136	1.136
Equity at 31 October 2008	20.720	413.878	(8.812)	(5.625)	0	(575.128)	(154.967)	20.730	(134.237)

The notes on pages 12 to 38 are an integral part of these Consolidated Financial Statements.

Amounts are in thousands of EUR

Consolidated Statement of Cash Flows
For the year ended 31 October 2008

	Notes	2008	2007
Cash flows from operating activities:			
Loss for the year		(648.425)	(9.101)
Adjustments for:			
Depreciation and impairment of assets		53.341	59.279
Amortisation and impairment of intangible property, vessels and equipment		97.383	8.204
Capital gains on sale of assets		(1.394)	(3.841)
Gain on sale of subsidiaries/associated companies		(3.496)	(19.766)
Net finance expense		97.390	41.130
Change in deferred taxes		(602)	(2.574)
Loss from discontinued operation		447.252	19.162
Other changes		1.228	5.929
		42.677	98.422
Changes in current assets and liabilities:			
Inventories, change		(417)	952
Receivables, change		79.630	94.567
Short-term liabilities, change		7.815	37.286
Change in current assets and liabilities		87.028	132.805
Interest paid		(67.388)	(80.117)
Interest received		5.512	12.450
Taxes paid		(2.331)	(3.257)
Net cash from operating activities		65.498	160.303
Cash flows to investing activities:			
Investments in property, vessels and equipment		(47.716)	(103.044)
Proceeds from the sale of property, vessels and equipment		4.411	274.621
Investments in intangible assets		(11.614)	(8.055)
Investments in shares in other companies		(3.065)	(1.303.841)
Other changes		22.420	(21.588)
Net cash used in investing activities		(35.564)	(1.161.907)
Cash flows (to) from financing activities:			
Purchase of treasury shares		(1.150)	(182)
Contribution from minority shareholders less dividend received		785	3.220
Proceeds from long-term borrowings		38.148	1.622.015
Repayment of long-term borrowings		(130.931)	(616.109)
Short-term borrowing, change		49.666	(86.058)
Net cash (used) provided by financing activities		(43.482)	922.886
Discontinued operations:			
Net cash from operating activities		(31.371)	46.348
Net cash from (to) investing activities		114.083	(155.910)
Net cash (to) from financing activities		(96.176)	95.581
Cash balance of subsidiaries classified as held for sale		(19.342)	0
		(32.806)	(13.981)
Decrease in cash and cash equivalents		(46.354)	(92.699)
Cash and cash equivalents at the beginning of the year		79.682	180.025
Effects of exchange rate fluctuations on cash and held		(597)	(7.644)
Cash and cash equivalents at the end of the year		32.731	79.682

The notes on pages 12 to 38 are an integral part of these Consolidated Financial Statements.

Amounts are in thousands of EUR

1930

Guðmundur Vilhjálmsson replaced Emil Nielsen as Eimskip's executive director. In the fall Dettifoss became the company's sixth ship.

In Iceland:
- Althing's 1000th anniversary.
- Hotel Borg opened.
- RÚV, The Icelandic National Broadcasting Service, started operation.

1934

The country's major newspapers kindly remembered the company's 20th anniversary. The labour movement was not so kind. This spring labour leaders tried to hinder the company's services in Northern Iceland.

In Iceland:
- A powerful earthquake in Eyjafjörður.
- Happdrætti Háskóla Íslands, the national lottery, founded in Reykjavík.
- Laws for product sales approved at Althing.

Notes to the Consolidated Financial Statements

1. Reporting entity

Hf. Eimskipafélag Íslands (the "Company") is a company domiciled in Iceland. The address of the Company's registered office is Korngardar 2, 104 Reykjavík. The Consolidated Financial Statements of the Company as at and for the year ended 31 October 2008 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associated companies. The Company is an investment company focused on investments in shipping and logistic services (see note 5). Hf. Eimskipafélag Íslands is listed on the Icelandic Stock Exchange OMX.

When an operation is classifed as a discontinued operation, the comparative income statement and cash flow is re-presented as if the operation had been discontinued from the start of the comparative period. Comparative amounts in the Balance sheet have not been represented. During the year Innovate HQ, Versacold and Daalimpex were classified as discontinued operation.

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 the EU.

The Financial Statements were approved and authorised for issue by the Company's Board of Directors on 29 January, 2009.

b. Basis of measurement

The Consolidated Financial Statements have been prepared on the historical cost basis except for available-for-sale financial assets which are measured at estimated fair value.

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

c. Functional and presentation currency

These Consolidated Financial Statements are presented in EUR, which is the Company's functional currency. All financial information presented in EUR has been rounded to the nearest thousand.

d. Use of estimates and judgements

The preparation of 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 estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

Note 14 – measurement of the recoverable amounts of cash-generating units containing goodwill
Note 17 – utilisation of tax losses
Note 23 – accounting for an arrangement containing a lease
Note 25 – capital commitments and contingencies

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 current year's presentation. In addition, the comparative Income Statement has been represented as if an operation discontinued during the current year had been discontinued from the start of the comparative year (see note 7).

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 presently 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 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 exsist when the Group holds between

1939

As the Germans invaded Poland in September they started a war that would affect the whole world. Traditional sailing routes became highly dangerous and markets around the world were closed.

In Iceland:

- Sigurgeir Sigurðsson ordained the bishop of Iceland.
- Þjórsárdalur archaeological find.
- The first generating unit in Laxárvirkjun, hydropower station, commissioned.

1944

Eimskip's finances were better than ever which caused a stir in the country. But when a German submarine sank Goðafoss in November the company had the nation's sympathy. 24 people were killed in the attack.

In Iceland:

- Iceland became a republic.
- Sveinn Björnsson voted the first president of Iceland.
- Loftleiðir airlines founded in Reykjavík.

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 (including any long-term investments) is reduced to nil and the 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.

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, except for differences arising on the retranslation of available-for-sale equity investments.

(ii) *Foreign operations*

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to EUR at foreign exchange rates at the reporting date. The income and expenses of foreign operations are translated to EUR at the average exchange rate for the year. Foreign currency differences are recognised directly in equity. When a foreign operation is disposed of, in part or full, the relevant amount in the foreign currency translation reserve is transferred to profit or loss.

c. Financial instruments

(i) *Non-derivative financial instruments*

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

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

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Accounting for finance income and expense is discussed in note 3 (m).

Held-to-maturity investments

When 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, less any impairment losses.

Other

Other non-derivative financial instruments are measured at amortised cost, less any impairment losses.

(ii) Derivative financial instruments

The Group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures. Derivatives are recognised initially at fair value. Subsequent to initial recognition, derivatives are measured at fair value and changes therein are recognised in the Income Statement.

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

(iii) *Share capital*
Ordinary shares
Ordinary shares are classified as equity. Incremental costs directly attributable to issue of ordinary shares and shares options are recognised as a deduction from equity.

Repurchase of share capital (treasure shares)
When share capital recognised as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity. When treasury shares are sold subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to/from share premium.

d. Property, vessels, aircraft and equipment

(i) *Recognition and measurement*

Items of vessels, property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. The cost of property and equipment at 1 January 2004, the date of transition to IFRSs, was determined by reference to its fair value at that date.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use. 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, vessels and equipment have different useful lives, they are accounted for as separate items (major components).

(ii) *Subsequent costs*
The cost of replacing part of an item of vessels, property 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, vessels, aircraft and equipment are recognised in profit or loss as incurred.

(iii) *Depreciation*
Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of vessels, property and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. The estimated useful lives for the current and comparative periods are as follows:

Buildings	15 - 50 years
Vessels	5 - 14 years
Equipment	3 - 10 years

Depreciation methods, useful lives and residual value are reviewed annually.

e. Intangible assets

(i) *Goodwill*
Goodwill arises on the acquisition of subsidiaries and associates.

Acquisitions prior to 1 January 2004
As part of its transition to IFRSs, the Group elected to restate only those business combinations that occurred on or after 1 January 2004. In respect of acquisitions prior to 1 January 2004, goodwill represents the amount recognised under the Group's previous accounting framework, IS-GAAP.

Acquisitions on or after 1 January 2004
For acquisitions on or after 1 January 2004, 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 in profit or loss.

1959

Eimskip shipping contracted from the year before due to increased competition.

In Iceland:

- Sigurbjörn Einarsson ordained the bishop of Iceland.
- Ólafur Thors formed his fifth government.
- The first Cod War.

1963

Eimskip invested in two small shipping vessels from Denmark and signed a contract with the Aalborg shipyard to buy two larger shipping vessels.

In Iceland:

- Surtsey island formed in a volcanic eruption.
- Bjarni Benediktsson became Iceland's prime minister.
- Lyndon B. Johnson, vice president of the USA, visited the country.

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

Subsequent measurement
Goodwill is measured at cost less accumulated impairment losses. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment.

(ii) *Other intangible assets*
Other intangible assets that are acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortisation and 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 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:

Software	3 - 5 years
Customer relations	7 years
Market related intangibles	10 years
Other intangibles	5 years

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 in the Group's balance sheet.

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 and bringing them to their existing location and condition. 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 is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

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. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value.

Individually significant financial assets are tested for impairment on an 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. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to 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 and available-for-sale financial assets that are debt securities, the reversal is recognised in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in equity.

1967

One of Eimskip's two warehouses in Borgartún burned down with enormous damage to both Eimskip and its clients. Long strikes and economic struggles also affected the company.

In Iceland:
- Conflagration in Reykjavík.
- The Icelandic national soccer team faced its biggest loss, 14-2 against Denmark.
- Gullfaxi, the country's first jet arrived.

1972

Constructions began in Sundahöfn and Eimskip signed a contract with the city council for the future use of the area, for the company's warehouses and anchorage for years to come.

In Iceland:
- Bobby Fischer won the World Chess Championship against Boris Spassky.
- The artist Jóhannes Kjarval passed away.
- Iceland's territorial waters reached 50 miles.

(ii) *Non - financial assets*

The carrying amounts 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, the asset's 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 are grouped together into smallest group of assets that generates cash inflows from continuing use that are largely independent of cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from 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 amount 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.

Non-current assets held for sale

Non-current assets that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets are measured at the lower of their carrying amount and fair value less cost to sell. Any impairment loss on a disposal group is first allocated to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to inventories, financial assets and deferred tax assets, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

i. Employee benefits

(i) *Defined contribution plans*

A defined contribution 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 expense in profit or loss when they are due.

(ii) *Termination benefits*

Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Group has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

j. Provisions

A provision is recognised 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.

k. Revenue

(i) *Services*

Revenue from sale of commodity and service is recognised in the Income Statement when significant part of the risk and benefit is transferred to the buyer. Revenue is not recognised in the Income Statement if there is uncertainty about collection or related cost.

1979

Eimskip's new president Hörður Sigurgestsson began his work with a detailed revision of the company's operation and policy.

In Iceland:
- The Grease frenzy hit Reykjavík.
- Flugleiðir airlines bought a DC-10 jet.
- Vietnamese fugitives arrived to settle in Iceland.

1985

The government sold its 5% share in Eimskip to Sjóvá-tryggingafélag Íslands hf. One of Eimskip's main competitors, Hafskip, went bankrupt.

In Iceland:
- Hólmfríður Karlsdóttir selected Miss World.
- The Icelandic National Broadcasting Services lost their prerogative to broadcasting.

Revenue from services rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed.

l. Lease payment

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 expense 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. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

***m.* Finance income and expense**

Finance income comprises interest income on funds invested including available-for-sale financial assets, dividend income, gains on the disposal of available-for-sale financial assets 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.

Finance expense comprises 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. All borrowing costs are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on net basis.

n. Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income 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.

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 goodwill, 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 they probably will not reverse in the foreseeable future.

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 here 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 the intent to settle current tax liabilities and asset basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference 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.

o. Discontinued operations

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon 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 income statement is re-presented as if the operation had been discontinued from the start of the comparative period.

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, which comprise convertible loans and share options granted to employees.

q. Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. Segment information is presented in respect of the Group's business and geographical segments. The Group's primary format for segment reporting is based on business segments. The business segments are determined based on the Group's management and internal reporting structure.

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. Unallocated items comprise mainly investments (other than investment property) and related revenue, loans and borrowings and related expenses, corporate assets (primarily the Company's headquarters) and head office expenses, and income tax assets and liabilities.

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

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

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 October 2008, and have not been applied in preparing these Consolidated Financial Statements.

- IFRS 8 Operating Segments introduces the "management approach" to segment reporting. IFRS 8, which becomes mandatory for the Group's 2010 financial statements, will require the disclosure of segment information based on the internal reports regularly reviewed by the Group's Chief Operating Decision Maker in order to assess each segment's performance and to allocate resources to them. Currently the Group presents segment information in respect of its business and geographical segments (see note 6). Under the management approach, the Group will present segment information in respect of Logistics, Shipping and Discontinued.
- Revised IAS 23 Borrowing Costs removes the option to expense borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The revised IAS 23 will become mandatory for the Group's 2010 financial statements and will constitute a change in accounting policy for the Group. In accordance with the transitional provisions the Group will apply the revised IAS 23 to qualifying assets for which capitalisation of borrowing costs commences on or after the effective date.

- IFRIC 11 IFRS 2 – Group and Treasury Share Transactions requires a share-based payment arrangement in which an entity receives goods or services as consideration for its own equity instruments to be accounted for as an equity-settled share-based payment transaction, regardless of how the equity instruments are obtained. IFRIC 11 will become mandatory for the Group's 2009 financial statements, with retrospective application required. It is not expected to have any impact on the Consolidated Financial Statements.

- IFRIC 12 Service Concession Arrangements provides guidance on certain recognition and measurement issues that arise in accounting for public-to-private service concession arrangements. IFRIC 12, which becomes mandatory for the Group's 2009 financial statements, is not expected to have any effect on the Consolidated Financial Statements.

- IFRIC 13 Customer Loyalty Programmes addresses the accounting by entities that operate, or otherwise participate in, customer loyalty programmes for their customers. It relates to customer loyalty programmes under which the customer can redeem credits for awards such as free or discounted goods or services. IFRIC 13, which becomes mandatory for the Group's 2010 financial statements, is not expected to have any impact on the Consolidated Financial Statements.

- IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction clarifies when refunds or reductions in future contributions in relation to defined benefit assets should be regarded as available and provides guidance on the impact of minimum funding requirements (MFR) on such assets. It also addresses when a MFR might give rise to a liability. IFRIC 14 will become mandatory for the Group's 2009 financial statements, with retrospective application required. The Group has not yet determined the potential effect of the interpretation.

1994

Eimskip's 80th anniversary. 1994 was a good year for the company and its market situation was stronger than ever. The company opened its office in Tallinn, Estonia.

In Iceland:
- A provisional legislation ended a long sailors' strike.
- The republic's 50th anniversary.
- Ingibjörg Sólrún Gísladóttir became the Reykjavík city mayor.

1996

In April Eimskip was rewarded the President of Iceland's Award for Export Achievement. The company presented a new sailing schedule and the container ship Brúarfoss arrived in Reykjavík.

In Iceland:
- Natural catastrophe at Skeiðarársandur.
- Ólafur Ragnar Grímsson elected the president of Iceland.
- Dagur and Tíminn newspapers merged in Dagur-Tíminn.

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, vessels and equipment*

The fair value of property, vessels and equipment recognised as a result of a business combination is based on market values. The market value of property, vessels and equipment 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 arms length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The market value of items of equipment is based on the quoted market prices for similar items.

(ii) *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.

(iii) *Deriv*atives

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.

The fair value of interest rate swaps is based on broker quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.

5. Financial risk management

Overview

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

- credit risk
- liquidity risk
- market 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 disclosure 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 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, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Board of Directors oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

Credit risk

Credit risk is the 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 and investment securities.

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 customers operate, has less influence on credit risk. No single customer accounts for more than 10% of the Group's revenue from sales transactions. Geographically, there is some concentration of credit risk.

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

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 existance of previous financial difficulties.

Goods that are shipped or transported may be with-held until payment for service rendered has been received. The Group usually does not require collateral in respect to trade and other receivable.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in repect of trade and other receivable and investments. The main components of this allowance are a specific loss component 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.

Liquidity risk
Liquidity risk is the risk that the Group will not be able to meet is 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.

Eimskip, the parent company, has been the ultimate holding company for a portfolio of transportation related assets. Due to losses on investment and difficult economic environment the Company has failed to comply with certain financial covenants with respect to certain credit facilities and has been unable to meet some of its financial obligations and has enered into a stand-still agreement with its creditors to allow the Company time to dispose of assets. As a response to that the management has decided to fundamentally restructure both the operations and balance sheet of the Group in order to create a sustainable capital structure for the business going forward and to secure the core operations of the retained business. Following the disposal of assets the management plans to negotiate a restructuring of those obligations that remain in early 2009. The objective of the financial restructuring is to address the postion of the creditors of the parent company.

Market risk
Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices 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 exposure within acceptable parameters, while optimising the return.

The Group buys and sells derivatives, and also incurs financial liabilities, in order to manage market risks. All such transactions are carried out within the guidelines set by management.

Currency risk
The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in currency other that the respective functional currencies of the Group entities, primarely the euro (EUR), but also the U.S. dollar (USD), the Canadian dollar (CAD) and the Icelandic krona (ISK). The currencies in which these transactions primarily are denominated are EUR, USD, CAD and ISK.

The Groups investments in subsidiaries are usually not hedged as those currency positions are considered to be long-term in nature.

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 net operating income divided by total shareholders' equity, excluding minority interests.

6. Segment reporting

Business segments

The Group comprises the following main business segments:

Logistics:	Trucking, warehousing and coldstore operations.
Shipping:	All transportation in vessels operated by the Group.
Discontinued:	Warehouse and distribution operation in North America, UK and Europe. (In 2007: Aviation services).

Geographical segments

In presenting information on the basis of geographical segments, segment revenue and assets are based on the geographical location of assets.

Notes, contd.:

6. Segment reporting

Business segments

For the year 2008

	Logistics	Shipping	Dis-continued	Consoli-dated	Dis-continued	Consoli-dated
Revenue	111.906	606.952	848.489	1.567.347	(848.489)	718.858
Expenses	(102.277)	(560.547)	(750.896)	(1.413.720)	750.896	(662.824)
EBITDA	9.629	46.405	97.593	153.627	(97.593)	56.034
Depreciation and impairment	(1.369)	(138.068)	(139.325)	(278.762)	139.325	(139.437)
EBIT	8.260	(91.663)	(41.732)	(125.135)	41.732	(83.403)
Net financing expense				(218.670)	121.280	(97.390)
Share of the profit of equity accounted investees				3.496	0	3.496
Income tax				17.111	(22.028)	(4.917)
Discontinued operation				(325.227)	(140.984)	(466.211)
Loss for the year				(648.425)	0	(648.425)

For the year 2007

	Logistics	Shipping	Dis-continued	Consoli-dated	Dis-continued	Consoli-dated
Revenue	71.370	608.924	778.311	1.458.605	(778.311)	680.294
Expenses	(67.104)	(551.888)	(714.476)	(1.333.468)	714.476	(618.992)
EBITDA	4.266	57.036	63.835	125.137	(63.835)	61.302
Depreciation	(306)	(29.378)	(41.815)	(71.499)	41.815	(29.684)
EBIT	3.960	27.658	22.020	53.638	(22.020)	31.618
Net financing expense				(65.711)	24.581	(41.130)
Share of the profit of equity accounted investees				19.766	0	19.766
Income tax				1.705	853	2.558
Discontinued operation				(18.499)	(3.414)	(21.913)
Profit for the year				(9.101)	0	(9.101)

For the year 2008	Logistics	Shipping	Dis-continued	Unallocated assets	Consoli-dated
Segment assets	64.133	695.706	1.167.391	16.625	1.943.855
Segment liabilities	57.163	879.595	911.934	229.399	2.078.091
Capital expenditure	13.289	46.041	78.097		137.427
For the year 2007					
Segment assets	1.441.701	931.606		95.395	2.468.702
Segment liabilities	1.580.113	433.341		3.973	2.017.427
Capital expenditure	47.962	99.931			147.893

Geographical segments

For the year 2008	North Atlantic	Europe	Baltic	Americas and Pacific	Asia	Consoli-dated
Revenue from external customers	320.372	85.317	231.453	15.397	66.319	718.858
Segment assets	558.460	94.218	112.599	1.132.104	46.475	1.943.856
Capital expenditure	38.477	630	7.564	194	12.466	59.331
For the year 2007						
Revenue from external customers	329.152	435.869	207.001	455.103	31.480	1.458.605
Segment assets	694.979	404.224	94.679	1.271.153	3.667	2.468.702
Capital expenditure	89.498	9.268	9.351	39.178	599	147.894

Amounts are in thousands of EUR

Notes, contd.:

7. Discontinued operations

In september 2008 the board of directors decided to sell it´s warehouse and disributions operations in North-America and Europe. All assets and liabilities of these operations are classified as held-for-sale in the balance sheet. In June 2008 the Group wrote off all of its investment in Innovate Holdings HQ which was a part of its logistics business. (2007; the Group sold its Aviation operation.)

Loss attributable to the discontinued operation is specified as follows:

	2008	2007
Result of discontinued operations		
Revenue	848.489	1.068.894
Expenses	(823.313)	(1.071.448)
Result from operating activities	25.176	(2.554)
Impairment loss	(66.908)	0
Net finance expense	(121.280)	(24.581)
Claims, guarantees and loss on disposal of discontinued operation	(325.227)	0
Income tax	22.028	4.267
Result from operating activities, net of income tax	(466.211)	(22.868)
Gain on the sale of discontinued operations	0	955
Loss for the period	(466.211)	(21.913)
Basic earning per share	(0,268)	(0,010)
Diluted earnings per share	(0,233)	(0,009)
Cash flows from (used in)		
Net cash (to) from operating activities	(31.371)	46.348
Net cash from (to) investing activities	114.083	(155.910)
Net cash from (to) financing activities	(96.176)	95.581
Net cash (used) in discontinued operations	(13.464)	(13.981)

	31.10.2008	31.10.2007
Effect of the disposal of Innovate (2007 Air Atlanta) on the financial position of the Group		
Intangible assets	84.484	10.121
Property, vessels, aircraft and equipment	35.689	230.178
Financial assets	3.344	9.685
Deferred tax assets	0	13.298
Inventories	605	7.157
Trade and other receivables	47.020	51.710
Cash and cash equivalents	7.309	1.798
Assets classified as held for sale	0	52
Loans and borrowings	(36.690)	(185.162)
Trade and other payables	(83.117)	(100.392)
Net identifiable assets and liabilities	58.644	38.445

Amounts are in thousands of EUR

Notes, contd.:

8. Acquisitions of subsidiaries and minority interests

Business combination

On 1 November 2007, the Group acquired 60% share in Shandong Luyi Container Transportation Co., Ltd. The name of the company was changed to Eimskip Container Depot Co., Ltd. This acquisition had the following effect on the Group's assets and liabilities on the date of acquisition:

Equipment	1.766
Intangible assets	5
Inventories	28
Trade and other receivables	825
Cash and cash equivalents	243
Interest-bearing borrowings	(506)
Trade and other payables	(949)
Net identifiable assets and liabilities	1.412
Goodwill on acquisition	2.552
Minority interest	564
Total consideration paid	3.400
Cash acquired	(243)
Net cash outflow	3.157

The goodwill recognised on the acquisition is attributable mainly to the skills and technical talent of the acquired business's work force and the synergies expected to be achieved from integrating the companies into the Group's existing business.

9. Salaries and related expenses

(i) Salaries and related expenses are specified as follows:	2008	2007
Salaries	83.382	81.447
Contribution to defined contribution plans	12.853	11.277
Other salaries - related expenses	6.040	3.435
Equity-settled share-based payment transactions	0	703
	102.275	96.862
Average number of positions	2.139	2.142
Number of employees at year-end	2.141	2.195

In 2007 the Group issued a stock option plan for key personnal. In 2008 it became clear that the stock options would not be exercised due to the fall of share price in Hf. Eimskipafelag Islands. The stock options were therefore charged fully to the income statement and all disclosures regarding the stock options are excluded from the financial statements for 2008.

Amounts are in thousands of EUR

Notes, contd.:

9. Salaries and related expenses, contd.:

(ii) Payment of salaries to key executives for work performed for the companies within the Group and their ownership in the Company are specified as follows:

Board of Directors:	Salaries and benefits	Number of shares owned (´000)
Sindri Sindrason, Chairman	57	38.951
Orri Hauksson	13	
Friðrik Jóhannsson	13	
Tomas Otto Hansson	13	
Magnus Thorsteinsson	9	622.725
Eggert Magnusson	5	3.057
CEO's:		
Baldur Gudnason	505	
Stefan Agust Magnusson	587	
Gylfi Sigfusson	188	
Other members of key management (6)	964	1.450

The shares owned by Board members are either owned by them personally or through holding companies.

In February 2008, Baldur Gudnason resigned as CEO, and was temporarily replaced by Stefan Agust Magnusson. In May 2008 Gylfi Sigfusson took over as CEO.

(iii) Fees to Auditors:	2008	2007
Audit of Financial Statements	656	962
Review of Financial Statements	220	283
Other services	49	121
	925	1.366

The amount includes payments to elected auditors of all companies within the Group.

10. Finance income and expense

	2008	2007
Finance income is specified as follows:		
Interest income	5.990	14.374
Dividends received	54	91
	6.043	14.465
Finance expense is specified as follows:		
Interest on long-term loans	(60.723)	(44.910)
Borrowing fees	(2.649)	(428)
Other interest	(14.189)	(5.163)
Net foreign exchange loss	(25.873)	(5.094)
	(103.434)	(55.595)
Net finance expense	(97.391)	(41.130)

Amounts are in thousands of EUR

Notes, contd.:

11. Income tax

(i) The effective income tax rate of the Group for the year was minus 2,8% compared to an income of 24,9% last year. The difference between the expected and effective income tax rate for the year is attributable to the following major factors:

In May 2008 the Icelandic Parliament approved a decrease in the income tax rate from 18% to 15% as of 1 January 2008. Due to this the deferred tax liability at year-end 2007 has decreased by 1 million. The decrease is recognised as a reduction of income tax in the income statement.

The parent company was operated with a taxable loss for the year that is not recognized among deferred tax assets at year-end due to uncertainty on the realization of the tax asset against future taxable income. As a result the effect is reported as non deductable expense in the reconciliation of effective tax rate shown below.

An income tax expense is recognized in the consolidated income statement despite loss before income tax. Some subsidiaries within the Group have taxable income where income tax is recognized while the parent company has a taxable loss where deferred tax asset is not recognized as an income.

Further the fluctuations in effective income tax rates in the Income Statement is explained by different geographical composition of profit or loss before taxes in individual companies.

(ii) Income tax recognised in the income statement:

	2008	2007
Current tax expense:	30.6.1905	29.6.1905
Current period	5.992	(16.322)
Adjustment for prior periods	(209)	(29)
	5.783	(16.351)
Deferred tax:		
Origination and reversal of temporary differences	(185)	14.313
Change in tax rate	1.300	268
Recognition of previously unrecognised tax losses	35	1.893
Other changes	(2.015)	(2.681)
	(866)	13.793
Income tax excluding tax on the effects of discontinued operation and share of income tax of equity accounted investees	4.917	(2.558)
Income tax from continuing operations	4.917	(2.558)
Income tax from discontinued operations (excluding gain on sale)	12.194	9.383
Total income tax	17.111	6.825

(iii) Reconciliation of effective tax rate:

		2008		2007
(Loss) profit before income tax		(177.297)		10.254
Income tax using the Company's domestic tax rate	15%	(26.158)	15,0%	1.538
Effect of tax rates in foreign jurisdictions	0,3%	(501)	(46,3%)	(4.743)
Non-deductable expenses	(18,3%)	32.443	14,2%	1.453
Tax exempt income	0,1%	(146)	0,9%	96
Effect of tax losses not utilised	1,1%	(1.897)	0,8%	86
Under / over provided	(0,6%)	1.102	0,0%	0
Other differences	0,0%	74	(9,6%)	(988)
Effective tax	(2,8%)	4.917	(24,9%)	(2.558)

Amounts are in thousands of EUR

Notes, contd.:

12. Property, vessels, aircraft and equipment

Property, vessels, aircraft and equipment are specified as follows:

Cost	Land and buildings	Vessels	Containers and equipment	Aircraft	Total
Balance at 1 November 2006	118.754	127.530	113.737	155.712	515.733
Acquisitions through business combinations	1.050.242	13.616	189.736		1.253.594
Other additions	18.144	46.951	38.904	201.450	305.449
Sales and disposals during the year	(186.612)	(8.201)	(14.705)	(311.243)	(520.761)
Currency adjustments during the year					0
Balance at 31 October 2007	927.578	179.474	320.489	0	1.427.541
Balance at 1 November 2007	927.578	179.474	320.489	0	1.427.541
Acquisitions through business combinations (see note 7)	(4.963)		2.385		(2.578)
Other additions	32.113	27.883	(5.625)		54.371
Assets classified as held for sale	(700.274)		(159.432)		(859.706)
Sales and disposals during the year	(139.010)	(7.152)	(22.307)		(168.469)
Currency adjustments during the year	4.049	3.839	2.771		10.659
Balance at 31 October 2008	119.493	204.044	138.280	0	461.818
Depreciation and impairment losses					
Balance at 1 November 2006	17.110	33.807	43.167	67.126	161.210
Sales and disposals during the year	(11.754)	(5.714)	(2.938)	(75.757)	(96.163)
Depreciation for the year	17.505	10.867	30.379	32.459	91.210
Currency adjustments during the year	(409)	(120)	8.171	(23.828)	(16.186)
Balance at 31 October 2007	22.452	38.840	78.779	0	140.071
Balance at 1 November 2007	22.452	38.840	78.779	0	140.071
Assets classified as held for sale	(47.893)		(35.488)		(83.381)
Sales and disposals during the year	8.051	(5.347)	898		3.602
Depreciation and impairment for the year	24.840	22.190	35.699		82.729
Currency adjustments during the year	13.134	3.839	(25.849)		(8.877)
Balance at 31 October 2007	20.584	59.522	54.039	0	134.144
Carrying amounts					
At 1 November 2006	101.644	93.723	70.570	88.586	354.523
At 31 October 2007	905.126	140.634	241.710	0	1.287.470
At 31 October 2008	98.909	144.522	84.241	0	327.672

Impairment charge

Impairment on vessels and buildings amounted to EUR 11 m is allocated to impairment of assets in the Income Statement.

Amounts are in thousands of EUR

Notes, contd.:

13. Intangible assets

Intangible assets, amortisation and impairment losses are specified as follows:

Cost	Software	Market and customer related	Total
Balance at 1 November 2006	11.224	0	11.224
Currency adjustments during the year	396	(3.155)	(2.759)
Acquisition through business combinations	3.900	87.487	91.387
Additions during the year	8.055	0	8.055
Balance at 31 October 2007	21.679	84.332	106.011
Balance at 1 November 2007	21.679	84.332	106.011
Currency adjustments during the year	(22)	2.415	2.393
Acquisitions through business combinations (see note 7)	5	0	5
Additions during the year	666	63.415	64.080
Assets classified as held for sale	(4.236)	(118.207)	(122.443)
Sales and disposals during the year	(75)	(50)	(125)
Balance at 31 October 2008	18.017	31.905	49.921
Amortisation and impairment losses			
Balance at 1 November 2006	338	0	338
Currency adjustments during the year	67	(501)	(434)
Amortisation for the year	4.368	8.378	12.746
Sales and disposals during the year	(190)	0	(190)
Balance at 31 October 2007	4.583	7.877	12.460
Balance at 1 November 2007	4.583	7.877	12.460
Currency adjustments during the year	(4.114)	17.829	13.715
Amortisation and impairment for the year	2.620	57.029	59.649
Assets classified as held for sale	(1.428)	(69.198)	(70.626)
Sales and disposals during the year	4.100	(9)	4.092
Balance at 31 October 2008	5.762	13.528	19.290
Carrying amounts			
At 1 November 2006	10.886	0	10.886
At 31 October 2007	17.096	76.455	93.551
At 31 October 2008	12.255	18.377	30.632

Amortisation and impairment charge

The amortisation is allocated to the cost of sales in the Income Statement.

14. Goodwill

Goodwill, amortisation and impairment losses are specified as follows:	2008	2007
Balance at 1 November	436.677	245.009
Currency adjustments during the year	(740)	(24.790)
Recognised on acquisition of subsidiaries	2.552	246.096
Sales during year	0	(10.318)
Impairment loss	(77.976)	(1.117)
Reallocated to intangible assets and other assets	4.555	(18.203)
Disposal of subsidiaries	(55.855)	0
Classified to assets held for sale	(157.383)	0
Balance at 31 October	151.830	436.677

Amounts are in thousands of EUR

Notes, contd.:

14. Goodwill, contd.:

	2008	2007
The impairment of goodwill classified by operational categories, is specified as follows:		
Logistics	15.976	0
Shipping	62.000	1.117
	77.976	1.117

Impairment testing for cash-generating units

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

	2008	2007
The aggregated carrying amounts of goodwill allocated to each unit are as follows:		
Logistics	2.823	230.331
Shipping	149.007	206.346
Total	151.830	436.677

Amortisation and impairment charge

The amortisation is allocated to the cost of sales in the Income Statement.

Impairment test

At the end of the fiscal year, impairment tests were performed on the Company's goodwill. When evaluating the impairment, an expected discounted cash flow, was used. When calculating present value, an interest rate corresponding to the weighted average of financial expenses was used, i.e. costs due to liabilities and equity, taxes provided. If fair value of goodwill (current expected cash flow) results in being lower than the book value, the difference will be recognised as expense in the Income Statement. According to test results, the goodwill has suffered an impairment loss amounting to EUR 78 million during year 2008. The impairment is due to a coldstore operation in the Netherlands and the vessel and transportation buissness on Group level.

Cash flows were projected based on the next year's business plan and expected growth in the next 4 years. Cash flows for future periods is extrapolated using a constant growth rate. The anticipated annual revenue growth rate in the cash flow projection was zero for 2009 and 2010 and 2.5% for the years 2011-2012.

The discount rate of 13-14% was applied in determining the recoverable amount of the unit. The discount rate was estimated based on the companies weighted average cost of capital.

15. Equity accounted investees

The Group’s share of profit in its equity accounted investees for the year was EUR 3 million (2007: EUR 20
Summary financial information for equity accounted investees:

2008	Ownership	Balance at the beginning of the year	Acquisitions/ sales during the year	Share in net profit / (loss) of associate	Other adjustments	Balance at the end of the year
Freshport BV, Holland	25%	100		119		219
Euro Container Line AS, Norway	50%	1.305	(4.633)	3.377	(49)	0
Shares in other associates	-	19	(9)			10
Total		1.424	(4.642)	3.496	(49)	229

The gain on sale of the company is also included in share of net profit from Euro Container Line AS.

Amounts are in thousands of EUR

Notes, contd.:

15. Equity accounted investees

2007	Ownership	Balance at the beginning of the year	Acquisitions/ sales during the year	Share in net profit / (loss) of associate	Other adjustments	Balance at the end of the year
Daalimpex BV, Holland	40%	15.420			(15.420)	0
Harbour Grace, Inc., Canada	25%	560			(560)	0
Freshport BV, Holland	25%	0		100		100
Traxx Interconti. BV, Hollar	20%	89	(89)			0
Euro Container Line AS, Norway	50%	0		1.328	(23)	1.305
Avion Aircraft Trading ehf.	49%	2.288	(20.612)	18.324		0
Shares in 2 other associates	-	14			5	19
Total		2.951	(20.701)	19.752	(15.998)	1.424

The associates use other reporting dates than the Group and the share in net profit/loss are adjusted accordingly.

During the year 2007 Daalimpex BV and Harbour Grace Inc. became subsidiaries and were reclassified.

The gain on sale of the company is also included in share of net profit from Euro Container Line AS.

16. Financial assets

Non-current financial assets	2008	2007
Interest-bearing bonds	79.756	48.984
Other financial assets	6.850	25.415
Current maturities	(8.716)	(7.001)
	77.890	67.398

17. Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

2008	Assets	Liabilities	Net
Intangible assets	216	(2.853)	(2.637)
Operating fixed assets	(2.972)	(4.975)	(7.947)
Receivables	950	0	950
Long-term liabilities	96	(1.684)	(1.589)
Employee benefits	0	0	0
Current liabilities	120	0	120
Other	94	0	94
Tax loss carry-forwards	9.864	0	9.864
Total tax assets (liabilities)	8.367	(9.512)	(1.145)
Set off tax	(1)	1	0
Net tax assets (liabilities)	8.366	(9.511)	(1.145)

Amounts are in thousands of EUR

Notes, contd.:

17. Deferred tax assets and liabilities, contd.:

2007

	Assets	Liabilities	Net
Intangible assets	7.240	(11.469)	(4.229)
Operating fixed assets	2	(152.884)	(152.882)
Receivables	114	0	114
Long-term liabilities	13.406	(4.925)	8.481
Employee benefits	2.262	0	2.262
Current liabilities	6.036	(8.210)	(2.174)
Other	3.589	(6.160)	(2.571)
Tax loss carry-forwards	14.905	19	14.924
Total tax assets (liabilities)	47.554	(183.629)	(136.075)
Set off tax	(5.372)	5.372	0
Net tax assets (liabilities)	42.182	(178.257)	(136.075)

Movement in temporary differences during the year

2008	Balance at 1 November	Recognised in profit and loss	Recognised in equity	Acquired in business combinations (discontinued operation)	Effect of movements in foreign exchange rates	Balance 31 October
Intangible assets	(4.229)	1.263	0	315	13	(2.637)
Operating fixed assets	(152.882)	8.824	0	136.123	(12)	(7.947)
Receivables	114	(147)	0	997	(13)	950
Long-term liabilities	8.481	(600)	0	(9.461)	(8)	(1.589)
Employee benefits	2.262	0	0	(2.262)	0	0
Current liabilities	(2.174)	106	0	2.174	14	120
Other	(2.571)	110	(1.811)	4.392	(26)	94
Tax loss carry-forwards	14.924	(554)	0	(4.507)		9.864
Tax assets and (liabilities)	(136.075)	9.002	(1.811)	127.771	(32)	(1.145)

2007	Balance at 1 November	Recognised in profit and loss	Recognised in equity	Acquired in business combinations (discontinued operation)	Effect of movements in foreign exchange rates	Balance 31 October
Intangible assets	(25)	(1.640)	(3.241)	730	(53)	(4.229)
Operating fixed assets	(10.963)	36.587	2.408	(177.272)	(3.642)	(152.882)
Receivables	1.149	(17)		(1.022)	4	114
Long-term liabilities	(162)	10.615	488	(3.222)	762	8.481
Employee benefits	132	(372)		2.428	74	2.262
Current liabilities	39	688	(79)	(2.768)	(54)	(2.174)
Other	1.878	(1.099)	(151)	(3.288)	89	(2.571)
Tax loss carry-forwards	17.945	(29.189)	281	26.736	(849)	14.924
Tax assets and (liabilities)	9.993	15.573	(294)	(157.678)	(3.669)	(136.075)

Amounts are in thousands of EUR

Notes, contd.:

18. Trade and other receivables

Trade and other receivables are specified as follows:	2008	2007
Trade receivable, par value	121.059	272.174
Prepaid expense	1.131	33.600
Current maturities of long-term notes	8.716	16.895
Other receivables	13.905	56.567
Impairment losses	(11.536)	(8.197)
Trade and other receivables total	133.275	371.039

The impairment loss recognised in the income statement in the current year was EUR 8 million. (2007: EUR 2,5 million.)

19. Cash and cash equivalents

Cash and cash equivalents are specified as follows:

	2008	2007
Bank balances	32.731	67.481
Marketable securities	0	12.201
Cash and cash equivalents	32.731	79.682
Cash restricted to use by the Group	0	(8.918)
Cash available for use by the Group	32.731	70.764

20. Assets and liabilities classified as held for sale

Assets classified as held for sale are specified as follows:

	2008
Assets	
Fixed assets	756.209
Intangible assets	51.817
Goodwill	157.384
Financial assets	1.583
Deferred tax asset	63.597
Inventories	6.070
Trade and other receivables	111.389
Cash and cash equivalents	19.342
Assets classified as held for sale total	1.167.391
Liabilities	
Loans and borrowings	592.579
Tax liability	148.663
Provisions	31.402
Trade and other payables	128.772
Bank loans	10.519
Liabilities classified as held for sale total	911.934

Amounts are in thousands of EUR

Notes, contd.:

21. Capital and reserves

The Company's capital stock is nominated in Icelandic kronur. The nominal value of each share is one ISK and one vote is attached to each share. The EUR amount of capital stock was 21 million at year-end 2008 (2007: EUR 22

	Number of shares in thousands	EUR
Outstanding capital stock at 1 November 2006	1.758.420	20.873
Proceeds from sale of new shares	83.110	981
Trading with treasury shares	(493)	(5)
Outstanding capital stock at 1 November 2007	1.841.037	21.849
Purchase of treasury shares	(124.206)	(1.129)
On issue at the end of the year	1.716.831	20.720

Share premium

Share premium represents excess of payment above nominal value that shareholders have paid for shares sold by the Company.

Translation reserve

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

Share option reserve

The share option reserve represents the liability the Company has toward its employees regarding share-based-

Hedging reserve

The Group had no hedge accounting in force on 31 October 2008.

Fair value reserve

The fair value reserve comprises the cumulative net change in fair value of available-for-sale financial assets until the investment is disposed of.

Dividend

The Company has neither paid dividend nor declared payments of dividend.

22. Earnings per share

Basic earnings per share

The calculation of basic and diluted earnings per share at 31 October 2008 was based on the loss attributable to ordinary shareholders of the parent company of 652 million (2007: loss 16 million) and a weighted average number of ordinary shares outstanding of 1.739 million (2007: 1.803 million), calculates as follows:

	2008			2007		
In thousands EUR	Continuing operations	Discon-tinued operations	Total	Continuing operations	Discon-tinued operations	Total
Net profit (loss) attributable to ordinary shareholders	(189.252)	(466.211)	(655.463)	2.019	(18.499)	(16.480)

Notes, contd.:

22. Earnings per share, contd.:

Basic earnings per share, contd.:

	2008 '000	2007 '000
Issued ordinary shares at the beginning of the year	1.841.037	1.754.135
Effect of shares issued	0	48.481
Effect of trading with own shares	(101.643)	926
Weighted average number of ordinary shares at 31 October	1.739.394	1.803.542

Diluted earnings per share

The calculation of basic and diluted earnings per share at 31 October 2008 was based on the loss attributable to ordinary shareholders of the parent company of 642 million (2007: loss 5 million) and a weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares of 1.739 million (2007: 1.955 million), calculates as follows:

	2008			2007		
In thousands EUR	Continuing operations	Discon-tinued operations	Total	Continuing operations	Discon-tinued operations	Total
Net profit attributable to ordinary shareholders (basic)	(189.252)	(466.211)	(655.463)	2.019	(18.499)	(16.480)
Interest on convertible bond, net of tax	10.255		10.255	11.821	0	11.821
	(178.997)	(466.211)	(645.208)	13.840	(18.499)	(4.659)

	2008 '000	2007 '000
Weighted average number of ordinary shares (basic)	1.739.394	1.803.541
Effect of convertible bonds	202.833	151.225
Weighted average number of ordinary shares (diluted) at 31 October	1.942.227	1.954.766

The average market value of the Company’s shares for purposes of calculating the dilutive effect of share options was based on quoted market prices for the period that the options were outstanding.

23. Loans and borrowings

This note provides information about the contractual terms of the Group’s loans and borrowings. For more information about the Group’s exposure to foreign currency risk, see note 5:

Non-current loans and borrowings at the end of the year consist of the following:	2008	2007
Convertible loan	67.248	76.471
Loans and borrowings	327.785	1.163.416
	395.033	1.239.887

Notes, contd.:

23. Loans and borrowings, contd.:

	Nominal interest 2008	Carrying amount 2008	Nominal interest 2007	Carrying amount 2007
Loans in EUR	4,0-7,6%	595.508	4,0-7,0%	455.460
Loans in CAD	6,2-15%	68.177	4,7-15%	422.219
Loans in USD	3,4-11,6%	23.022	4,8-8,0%	326.163
Loans in ISK	5,25-18,8%	28.880	5,3-16,5%	118.578
Loans in GBP	7,16-8,0%	5.683	4,8-9,1%	39.826
Loans in CHF	2,8-4,67%	27.284	2,5-4,1%	25.857
Loans in JPY	2,6-3,4%	17.916	2,0-2,4%	13.419
Loans in other currencies	8-9,29%	38.156	6,0-6,8%	14.365
		804.624		1.415.887
Current maturities		(409.593)		(176.000)
		395.031		1.239.887

Aggregated annual maturities are as follows:	2008	2007
On demand or within 12 months	409.593	176.000
Between one and five years	358.078	1.148.081
Subsequent years	36.954	91.806
	804.624	1.415.887

Collateral of loans and borrowings is specified as follows:

	2008	2007
Convertible loan	67.248	83.648
Loans with collateral in fixed assets	202.784	828.449
Loans with collateral in accounts receivable and stocks	140.341	262.846
Unsecured bond issued, no collateral	394.251	240.944
Total	804.624	1.415.887

The holder of the convertible loan has the unilateral right to demand that the debt shall be converted to common shares of the Company at the price ISK 40 per share.

Finance lease liabilities

Finance lease liabilities are payable as follows:

	2008			2007		
	Minimum lease payments	Interest	Principal	Minimum lease payments	Interest	Principal
Less than one year	18.173	266	17.907	15.025	2.060	12.965
Between one and five years	39.445	825	38.620	39.907	7.437	32.469
More than five years	2.389	135	2.254	36.412	11.677	24.735
	60.007	1.227	58.781	91.344	21.174	70.169

Amounts are in thousands of EUR

Notes, contd.:

24. Provisions

	Onerous contracts	Other	Total
Balance at 1 November 2007	13.149	42.051	55.200
Provisions made during the period		5.628	5.628
Provisions reversed during the period	(13.149)	(10.392)	(23.541)
Currency adjustments		(2)	(2)
Transferred to liabilities classified as held for sale		(31.402)	(31.402)
Balance at 31 October 2008	0	5.883	5.883

25. Trade and other payables

Trade and other payables are attributable to the following:	2008	2007
Account payable	56.971	115.748
Other payables	40.688	189.046
Provisions and claims	224.276	0
Total	321.935	304.794

26. Financial instruments

Credit risk

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:

	Note	Carrying amount 2008	2007
Held to maturity investments	16	79.756	48.984
Financial assets at fair value	16	6.850	25.415
Loans and receivables	18	133.275	371.039
Cash and cash equivalents	19	32.731	79.682
		252.612	525.120

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

	Carrying amount 2008	2007
North Atlantic	172.283	209.426
Europe	16.627	169.070
Baltic	42.033	30.685
America	7.885	106.217
Asia	13.784	9.722
	252.612	525.120

Amounts are in thousands of EUR

Notes, contd.:

26. Financial instruments, cont.:

Impairment risk

The aging of trade receivables ath the reporting date was:

	Gross	Impairment
Not past due	69.902	1.024
Past due 0 - 30 days	15.826	1.090
Past due 31 - 120 days	14.832	1.473
More than 120 days	12.462	7.949
	113.023	11.536

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

Balance at 1.11	7.634
Impairment loss recognised and translation difference	3.902
Balance at 31.10	11.536

The notes regarding IFRS 7 have not been prepared in complete compliance to that standard. The Company has entered into stand-still arrangements with its main lenders to allow the management necessary time to dispose of assets and repay debt. As a response to that the management has decided to fundamentally restructure both the operations and balance sheet of the Group in order to create a sustainable capital structure for the business going forward. Under these conditions it has been difficult to obtain appropriate information in order to calculate and reveal those notes. Considering also the concept of materiality means that a specific disclosure requirement in a Standard or an Interpretation need not be satisfied if the information is not material.

27. Operating leases

Leases as lessee

Non-cancellable operating lease rentals are payable as follows for the coming fiscal year:	2008	2007
Less than one year	59.817	83.983
Between one and five years	191.004	283.870
More than five years	509.576	1.062.205
	760.397	1.430.058
Discontinued operation	(750.177)	(1.424.702)
Total	10.220	5.356

The Group leases a number of warehouses, trucks and equipment under operating leases. The leases typically run for a period of 3 - 10 years and for the warehouses (discontinued) up to 20 years.

Amounts are in thousands of EUR

Notes, contd.:

28. Capital commitments

The Company was Guarantor to lessors for lease payments of eight aircraft to former subsidiary XL Airways in the UK. Claims due to these guarantees have been estimated and expensed among loss from discontinued operations in the income statement and posted as other payables at year-end in the Balance Sheet (see note 25).

The Company was a guarantor of loans taken by its former subsidiary, Air Atlanta Icelandic, amounting to USD 184 million at 31 October 2008. The gurarntees are against bank loans that are mainly secured by aircraft. The Company was also a guarantor of a loan taken by its former subsidiary Air Atlanta Aero Engeneering which amounted to EUR 5 million at 31 October 2008.

The Containership business is currently owned 65% by Eimskip and 35% by Container Finance. In February 2009 Container Finance has the right to put its 35% shareholding to Eimskip based on a pre-determined formula.

29. Related parties

The Company's related parties are subsidiaries (see note 31), and associated companies (see note 15). Intercompany transactions are elimineted on colidation and transactions with associated companies are minimal.

30. Group entities

At year-end the Company owned directly nine subsidiaries that are all included in the consolidation. The direct subsidiaries further owned 130 subsidiaries at year-end. The subsidiaries that are included in the Group are as follows:

	Country of incorporation	Ownership Interest	
		2008	**2007**
TVG - Zimsen ehf.	Iceland	100%	100%
Eimskip Tango ehf. (Parent of Versacold International Corp.)	Iceland	100%	100%
Eimskip Atlas Canada Inc.	Canada	-	100%
Eimskip USA Inc.	USA	100%	100%
Eimskip UK Ltd.	England	100%	100%
Eimskip Nederland BV	Holland	100%	100%
P/F Faroe Ship	Faroe Islands	100%	100%
Harbour Grace CS Inc.,	Canada	51%	51%
Continaership OY	Finland	65%	65%

31. Subsequent events

There are no material subsequent events that have not been disclosed in the Financial Statements.

Amounts are in thousands of EUR

Notes, contd.:

32. Corporate restructuring

The Company has for a number of years been the ultimate holding company for a growing portfolio of transportation related assets. These investments were acquired at high purchase prices but most did not deliver the level of performance expected during the acquisition processes and few of the expected synergies between the assets have been delivered to date.

New loans were taken to satisfy the acquisition of majority of the acquired investments. As a result the Company became very levereged and vulnerable to changes in the international capital markets. The Company suffered severe losses due to the closure of its UK subsidiary Innovate HQ Ltd. and the fall of the XL Leisure Group in the year 2008. These facts and the Company's disadvantageous financing plus the difficult economic environment affected the Company in such a way that it became unable to meet its financial obligations.

A stand-still arrangements were reached in October with the majority of the Company's creditors to allow the management necessary time to dispose of assets. The management has decided to fundamentally restructure both the operations and balance sheet of the Group in order to create a sustainable capital structure for the business going forward and to secure the core operations of the retained business. A part of the restructuring process is to exit from the cold storage market in North-America and in Europe. The proceeds of these disposals are planned to reduce the overall debt burden of the Group. The management is planning to negotiate a restrucutring of those obligations that remain afther the asset dsoposals.

33. Other matters

The former CEO of the Company, Baldur Guðnason, has filed a suit against the Company demanding that the appendix to his Employment Contract made February 20, 2008 is honoured. The Company halted all payments to him in May 2008 as the Company's board of directors decided to investigate his departure and the Company's legal status against him. If he will be successful in his law suit the Company has to pay approximately EUR 1.3 million in the form of salaries and contribution to his pension fund for the period 1 May 2008 to 20 February 2010.

Unauditied information

Quarterly Statements

The Company's operations are specified as follows by quarters:

	Q 1 2008	Q 2 2008	Q 3 2008	Q 4 2008	Total 2008
Revenue	171.915	183.489	188.297	175.157	718.858
Cost of sales	(162.172)	(163.459)	(169.173)	(173.791)	(668.595)
Gross profit	9.743	20.031	19.123	1.366	50.263
Administrative expenses	(7.328)	(10.450)	(8.102)	(7.153)	(33.033)
Impairment of assets	0	0	0	(100.633)	(100.633)
Operating profit (loss)	2.414	9.581	11.021	(106.420)	(83.403)
Financial income and expenses	(10.021)	(41.066)	(24.369)	(21.934)	(97.390)
Share of the profit of associates	(86)	328	321	2.933	3.496
Pre-tax profit	(7.693)	(31.157)	(13.027)	(125.421)	(177.297)
Income tax	151	3.911	(1.397)	(7.582)	(4.917)
Loss from continuing operations	(7.542)	(27.245)	(14.424)	(133.003)	(182.214)
Loss from discontinued operations	(31.346)	(73.587)	(5.308)	(355.970)	(466.211)
Loss for the period	**(38.888)**	**(100.832)**	**(19.732)**	**(488.973)**	**(648.425)**
EBITDA from continuing operations	11.765	19.692	20.487	4.090	56.034
EBITDA from discontinuing operations	30.431	20.322	20.642	26.198	97.593
EBITDA total	**42.196**	**40.014**	**41.129**	**30.288**	**153.627**

Amounts are in thousands of EUR