Icelandic Group hf.

Consolidated Financial Statements
Year Ended 31 December 2007
in EUR

Icelandic Group hf.
Borgartún 27
105 Reykjavík
Iceland

Reg. no. 461296-2119

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Endorsement by the Board of Directors and the CEO

Operations in 2008

Icelandic Group´s consolidated financial statements for the year 2007 have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by EU. The financial statements comprise the consolidated financial statements of Icelandic Group hf. (the "Company") and its subsidiaries (the "Group"), which were 34 at 31 December 2007.

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

According to the income statement loss amounted to €29.3 million for the year The Group's income amounted to € 1,393.5 million for the year. According to the balance sheet total assets at year end amounted to €796.1 million and equity amounted to €132.3 million. The equity ratio of the Group was 16.6%.

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

Share capital and Articles of Association

The share capital amounted to €38.2 million at the end of the year, from which the Company held own shares in the amount of €1.5 million. The share capital is divided into shares of ISK 1, each with equal rights within a single class of shares listed on the OMX Nordic Exhange Iceland. The Board of Directors has the right to increase the share capital until December 2008 by up to ISK 1,663.3 million with the sale of new shares. The Board of Directors decides the rules of sale at each time, i.e. price, payments, subscription period etc.

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

Shareholders at the year end numbered 19,791, down from 21,122 at the beginning of the year. At the end of the year four shareholders held over 10% of outstanding shares, they are:

	Share
Fjárfestingarfélagið Grettir hf., Iceland	28.55%
FAB GmbH, Germany	20.38%
TM fé ehf., Iceland	13.13%
Landsbanki Luxembourg S.A., Luxembourg	12.92%

Magnús Þorsteinsson held 10.90% share at year-end, included in the share of Landsbanki Luxembourg S.A. above, which acts as custodian bank.

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

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

Statement by the Board of Directors and the CEO

The annual consolidated financial statements for the year ended 31 December 2007 have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and additional Icelandic disclosure requirements for consolidated financial statements of listed companies.

According to our best knowledge it is our opinion that the annual consolidated financial statements give a true and fair view of the consolidated financial performance of the Company for the financial year 2007, its assets, liabilities and consolidated financial position as at 31 December 2007 and its consolidated cash flows for the financial year 2007.

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

The Board of Directors and the CEO have today discussed the annual consolidated financial statements of Icelandic Group hf. for the year 2007 and confirm them by means of their signatures. The Board of Directors and the CEO recommend that the consolidated financial statements will be approved at the annual general meeting of Icelandic Group hf.

Reykjavík, 13 March 2008.

Board of Directors:

Magnús Þorsteinsson
Aðalsteinn Helgason
Guðmundur P. Davíðsson
Stefán Magnússon
Steingrímur H. Pétursson

CEO:

Finnbogi A. Baldvinsson

Independent Auditors' Report

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

We have audited the accompanying consolidated financial statements of Icelandic Group hf. and its subsidiaries ("the Group"), which comprise the consolidated balance sheet as at 31 December 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of Icelandic Group hf. as at 31 December 2007, 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, 13 March 2008.

KPMG hf.

Sæmundur Valdimarsson
Alexander G. Eðvardsson

Consolidated Income Statement for the Year 2007

	Notes	2007	2006
Sales		1,384,374	1,471,316
Cost of goods sold		(1,248,547)	(1,316,606)
Gross profit		135,827	154,710
Other operating income	8	9,138	10,587
Operating expenses	9	(146,621)	(160,533)
Share of (loss) profit of equity accounted investees, net of income tax		(398)	700
Operating (loss) profit		(2,054)	5,464
Finance income		18,111	9,474
Finance expenses		(46,598)	(33,479)
Net finance costs	14	(28,487)	(24,005)
Loss before income tax		(30,541)	(18,541)
Income tax	15.16	1,204	7,118
Loss for the year		(29,337)	(11,423)

Attributable to:

Equity holders of the Company		(29,798)	(11,373)
Minority interest		461	(50)
Loss for the year		(29,337)	(11,423)

Earnings per share:

Basic and diluted loss per share (each share is 1 Icelandic króna)	32	(0.0103)	(0.0040)

The notes on pages 10 to 46 are integral part of these consolidated financial statements

Consolidated Balance Sheet as at 31 December 2007

	Notes	2007	2006
Assets:			
Property, plant and equipment	17-21	118,421	124,403
Intangible assets	22	227,188	256,077
Investments in equity accounted investees	23	1,551	2,057
Other investments	24	7,409	14,998
Deferred tax assets	35	11,577	9,747
Total non-current assets		366,146	407,282
Inventories	25	242,532	299,157
Trade and other receivables	26	159,232	179,089
Cash and cash equivalents		28,153	21,222
Total current assets		429,917	499,468
Total assets		796,063	906,750
Equity:			
Share capital	27	36,661	36,912
Share premium	28	120,863	151,892
Reserves (deficit)	29-31	(27,563)	(12,564)
Total equity attributable to equity holders of the Company		129,961	176,240
Minority interest		2,369	1
Total equity		132,330	176,241
Liabilities:			
Loans and borrowings	33.34	187,996	219,752
Deferred income tax liability	35	7,446	8,430
Total non-current liabilities		195,442	228,182
Loans and borrowings	33.34	326,542	342,460
Trade and other payables	37	141,749	159,867
Total current liabilities		468,291	502,327
Total liabilities		663,733	730,509
Total equity and liabilities		796,063	906,750

The notes on pages 10 to 46 are integral part of these consolidated financial statements

Consolidated Statement of Changes in Equity

for the Year 2007

	Notes	Share capital	Share premium	Reserves (deficit)	Retained earnings	Minority interest	Total equity
2006							
Equity as at 1.1.2006		27,570	84,873	3,377	882	39	116,741
Currency fluctuations on subsidiaries not reporting in euros				(16,535)			(16,535)
Loss for the year					(11,373)	(50)	(11,423)
Total recognised income and expense				(16,535)	(11,373)	(50)	(27,958)
Transferred from share premium			(10,491)		10,491		0
Issued share capital		9,342	77,510				86,852
Own shares with put options not excercised				594			594
Minority interest, change						12	12
Equity as at 31.12.2006		36,912	151,892	(12,564)	0	1	176,241
2007							
Equity as at 1.1.2007		36,912	151,892	(12,564)	0	1	176,241
Currency fluctuations on subsidiaries not reporting in euros				(14,846)			(14,846)
Loss for the year					(29,798)	461	(29,337)
Total recognised income and expense				(14,846)	(29,798)	461	(44,183)
Transferred from share premium			(29,798)		29,798		0
Changes in fair value of cash flow hedges				(1,005)			(1,005)
Own shares with put options purchased		(251)	(1,231)	852			(630)
Minority interest, change						1,907	1,907
Equity as at 31.12.2007		36,661	120,863	(27,563)	0	2,369	132,330

The notes on pages 10 to 46 are integral part of these consolidated financial statements

Consolidated Statement of Cash Flows for the Year 2007

	Notes	2007	2006
Cash flows from operating activities:			
Operating (loss) profit		(2,054)	5,464
Difference between operating (loss) profit and cash from operations:			
Gain on sale of assets		(2,214)	(5,682)
Depreciation, amortisation and impairment losses	12	30,393	31,482
Share of loss (profit) of equity accounted investees		398	(700)
Change in operating assets and liabilities	40	30,696	(45,304)
Cash generated from (used in) operations		57,219	(14,740)
Interest income received		1,765	1,565
Interest expenses paid		(33,805)	(26,888)
Income tax paid		(1,387)	(2,770)
Net cash generated from (used in) operating activities		23,792	(42,833)
Cash flows from investing activities:			
Investment in property, plant and equipment		(19,838)	(26,654)
Proceeds from sale of property, plant and equipment		6,551	6,649
Investment in intangible assets		(886)	(15)
Acquisition of subsidiaries, net of cash acquired	6	(958)	3,484
Proceeds from sale of subsidiaries, net of cash disposed of		2,213	557
Investment in shares in associated companies		0	(3,126)
Proceeds from sale of shares in associated companies		0	2,649
Proceeds from sale of other companies		24,705	183
Increase in bonds and other receivables		388	3,706
Net cash from (used in) investing activities		12,175	(12,567)
Cash flows from financing activities:			
Purchase of own shares		(1,696)	0
Minority share in capital stock		0	(12)
Long-term debt proceeds		12,463	68,445
Long-term debt repaid		(48,189)	(39,773)
Short-term debt proceeds		10,213	19,534
Net cash (used in) from financing activities		(27,209)	48,194
Increase (decrease) in Cash and Cash Equivalents		8,758	(7,206)
Cash and Cash Equivalents at the beginning of the year		21,222	29,883
Effect of Exchange Rate Fluctuations of Cash Held		(1,827)	(1,455)
Cash and Cash Equivalents at the end of the year		28,153	21,222
Investing and financing activities not affecting cash flows	42		

The notes on pages 10 to 46 are integral part of these consolidated financial statements

Notes

1. ***Reporting entity***

Icelandic Group hf. is a company domiciled in Borgartún 27, Reykjavík, Iceland. The consolidated financial statements of the Company as at and for the year ended 31 December 2007 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities") and the Group´s interest in associates. The Group is involved in manufacturing and marketing of seafood in international markets (see note 6).

2. ***Basis of preparation***

a. ***Statement of compliance***

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

The financial statements were approved by the Board of Directors on 13 March 2008.

b. ***Basis of measurement***

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

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

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

c. ***Functional and presentation currency***

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

d. ***Use of estimates and judgements***

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

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

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 is included in the following notes:

* Note 7 - business combinations
* Note 22 - measurement of the recoverable amounts of cash-generating units containing goodwill

3. ***Significant accounting policies***

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

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

3. Cont.:

a. ***Basis of consolidation***

(i) *Subsidiaries*

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

(ii) *Associates (equity accounted investees)*

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

(iii) *Transactions eliminated on consolidation*

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

b. ***Foreign currency***

(i) *Foreign currency transactions*

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

(ii) *Foreign operations*

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

3. b. Contd.:

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

c. ***Financial instruments***

(i) *Non-derivative financial instruments*

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

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

Cash and cash equivalents comprise cash balances and call deposits.

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

Held-to-maturity investments

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

Financial assets at fair value through profit or loss

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

Other

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

(ii) *Derivative financial instruments*

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

Cash flow hedges

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

3. c. Contd.:

Economic hedges

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

(iii) *Share capital*

Ordinary shares

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

Repurchase of share capital (treasury shares)

When share capital recognised as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, is net of any tax effects, and is recognised as a deduction from equity. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to / from share premium.

Put option agreements

When the Company sells treasury shares to its employees with put options, i.e. the right to sell the shares back to the Company at the purchase price, the equity is not increased. The equity will be increased if the put option is not exercised. In the financial statements the nominal value of share capital and share premium is increased, but other reserves decreased. Respectively a liability is recognised among other liabilities, amounting to the sales price of the shares in question.

Purchase of shares in the Company by employees

Some employees of the Group have received 29 million shares in the Company in 2005. When the shares were purchased the employees signed promissory notes which will expire if the employees will continue to work for the Company for five years. The cost is expensed during the same period.

(iv) *Dividends*

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

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

(i) *Recognition and measurement*

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

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

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

3.d. Contd.:

(ii) *Subsequent costs*

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

(iii) *Depreciation*

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

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

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

e. ***Intangible assets***

(i) *Goodwill*

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

Acquisitions prior to 1 January 2004

The classification and accounting of business combinations that occurred prior to 1 January 2004 was not restated when preparing the Group's opening IFRS balance sheet as at 1 January 2004. In respect of acquisitions prior to this date, goodwill represents the amount recognised under the Group´s previous accounting framework, Icelandic 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.

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 measurements

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.

3. e. Contd.:

(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 accumulated impairment losses.

(iii) *Subsequent expenditure*

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

(iv) *Amortisation*

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

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

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, except for investment property, the leased assets are not recognised on the Group´s balance sheet. Investment property held under an operating lease is recognised on the Group´s balance sheet at its fair value.

g. ***Inventories***

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

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 effects on the estimated future cash flows of that asset.

3. h. Contd.:

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

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

All impairment losses are recognised in profit or loss.

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

(ii) *Non financial assets*

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

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). 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 the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying 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 assets carrying amount does no exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

i. ***Employee benefits***

(i) *Defined contribution plans*

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

3. Contd.:

(ii) *Share-based payment transactions*

The Company entered into an agreement with some of the Group's key personnel allowing them to buy shares in the Company from the Company at market price. The agreements state that the personnel involved have the right to sell the shares back to the Company. The fair value of the agreements has been calculated according to IFRS 2 and recognised among salary and salary-related expenses. The fair value is initially measured at grant date and spread over the period during which the employees earned the aforementioned right to sell.

j. ***Provisions***

A provision is recognised in the balance sheet 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.

(i) *Restructuring*

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided for.

k. ***Revenue***

(i) *Goods sold*

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

Transfers of risks and rewards vary depending on the individual terms of the contract of sale.

(ii) *Other operating revenue*

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

l. ***Lease payments***

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

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

3. Contd.:

m. ***Finance income and expenses***

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

Finance expenses comprise interest expense on borrowings, unwinding of the discount on provisions, foreign currency losses, changes in the fair value of financial assets at fair value through profit or loss, impairment losses recognised on financial assets, and losses on hedging instruments that are recognised in profit or loss. All borrowing costs are recognised in profit or loss using the effective interest method.

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

n. ***Income tax***

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

A deferred tax asset is recognised 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.

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

o. ***Earnings per share***

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

p. ***Segment reporting***

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 returns 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.

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

q. ***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 December 2007, 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 2009 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 segments. The Group has not yet determined the potential effect of IFRS 8 on the consolidated financial statements.

IAS 1 Presentation of Financial Statements (revised in 2007) replaces IAS 1 Presentation of Financial Statements (revised in 2003) as amended in 2005. IAS 1 sets the overall requirements for the presentation of financial statements, guidelines for their structure and minimum requirements for their content. The main change in revised IAS 1 is a requirement to present all non-owner changes in equity either in a single statement of comprehensive income, or in an income statement plus in a statement of comprehensive income. Unlike under current IAS 1, it is not permitted to present components of comprehensive income in the statement of changes in equity. IAS 1 (revised in 2007), which becomes mandatory for the Group’s 2009 financial statements if endorsed by the EU, is expected to impact the presentation of the Group’s income statement and statement of changes in equity.

3. q. Contd.:

* 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, construcition or production of qualifing assets as part of the cost of that asset. The revised IAS 23 will become mandatory for the Group´s 2009 financial statements and will constitute a change in accounting policy for the Group. In accordance with the transitional provision the Group will apply the revised IAS 23 to qualifying assets for which capitalisation of borrowing costs commences on or after the effective date. It is not expected to have any impact on the consolidated financial statements.

* 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 2008 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 measurements issues that arise in accounting for public-to-private service concession arrangements. IFRIC 12, which becomes mandatory for the Group´s 2008 financial statements, is not expected to have any effect on the consolidated financial statements.

* IFRIC 13 *Customer Loyalty Programmes* adresses 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 2009 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, Mimimum 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 adresses when a MFR might give rise to a liability. IFRIC 14 will become mandatory for the Group´s 2008 financial statements, with retrospective application required. It is not expected to have any impact on the consolidated financial statements.

  The amendments to IFRS 2 *Share Based Payment – Vesting Conditions and Cancellations (January 2008)* clarify the definition of vesting conditions and the accounting treatment of cancellations. If endorsed by the EU, the amendments become mandatory for the Group’s 2009 financial statements, with retrospective application required. The amendments are not expected to have any effect on the consolidated financial statements of the Group.

3. q. Contd.:

IFRS 3 *Business Combinations* (revised in 2008) and amended *IAS 27 Consolidated and Separate Financial Statements* introduce changes to the accounting for business combinations and for non-controlling (minority) interest. The most significant changes from IFRS 3 (2004) and IAS 27 (2003) are the following:
- IFRS 3 (2008) applies also to business combinations involving only mutual entities and to business combinations achieved by contract alone;
- The definition of a business combination has been revised to focus on control;
- The definition of a business has been amended;
- Transaction costs incurred by the acquirer in connection with the business combination do not form part of the business combination transaction;
- Acquisitions of additional non-controlling equity interests after the business combination are accounted for as equity transactions;
- Disposals of equity interests while retaining control are accounted for as equity transactions.

IFRS 3 (revised in 2008) and amended IAS 27 will become mandatory for the Group's 2010 financial statements, if endorsed by the EU. The carrying amounts of any assets and liabilities that arose under business combinations prior to the application of IFRS 3 (revised in 2008) are not adjusted while most of the amendments to IAS 27 must be applied retrospectively. The Group has not yet determined the potential effect of IFRS 3 and amended IAS 27 on the consolidated financial statements.

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. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(i) *Property, plant and equipment*

The fair value of property, plant and equipment recognised as a result of a business combination is based on market values. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm´s length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

(ii) *Intangible assets*

The fair value of patents and trademarks acquired in a business combination is based on the discounted estimated royalty payments that have been avoided as a result of the patent or trademark being owned. The fair value of other intangible assets is based on the discounted cash flows expected to be derived form the use and eventual sale of the assets.

(iii) *Inventories*

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

4. Contd.:

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

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

(v) ***Derivatives***

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

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.

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

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

(vii) ***Share-based payment transactions***

The fair value of employee stock options is measured using a binomial lattice model. The fair value of share appreciation rights is measured using the Black-Scholes formula. Measurement inputs include share price on measurement date, excercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

5. *Financial risk management*

The Group has exposure to the following 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 disclosures are included throughout these consolidated financial statements.

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

5. Contd.:

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

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a finanical 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 in each country in which customer operate, has less of an influence on credit risk. Approximately 33% (2006: 33%) of the Group´s revenue is attributable to sales transactions with its five largest customers.

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

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

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

Guarantees

The Group´s policy is to provide financial guarantees only to subsidiaries. At 31 December 2007 guarantees amounting to €71.7 million were outstanding.

Liquidity risk

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

5. Contd.:

The Group uses activity-based costing to cost its products and services, which assists it in monitoring cash flow requirements and optimising its cash return on investments. Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. In addition, the Group maintains the following lines of credit amounting to €17.0 million that can be drawn down to meet short-term financing needs.

Market risk

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

Currency risk

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

Interest rate risk

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

Other market price risk

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

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 interest. The Board of Directors also monitors the level of dividends to ordinary shareholders.

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. The Group´s target is to achieve a return on capital of between 12.5 and 15.0 percent; in 2007 the return was negative by 16.7 percent (2006: negative by 5.7 percent). In comparison the weighted average interest expense on interest-bearing borrowings (excluding liabilities with imputed interest) was 7.2 percent (2006: 6.3 percent).

From time to time the Group purchases its own shares on the market; the timing of these purchases depends on market prices.

Segment Reporting

6. *Business segments*

The Group comprises the following main business segments:

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

Geographical segments

The production and sales and marketing segments are managed on a worldwide basis, but operate in four principal geographical areas, USA, United Kingdom, Continental Europe and Asia.

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

Business segments

2007	Production	Sales and marketing	Holding and servicing	Eliminations	Consolidated
Sales to external customers	974,091	406,323	3,960		1,384,374
Inter-segment sales	139,844	194,915	3,658	(338,417)	0
Total segment sales	1,113,935	601,238	7,618	(338,417)	1,384,374
Segment result	(8,567)	9,617	(2,706)		(1,656)
Net finance costs	(24,474)	(8,282)	4,269		(28,487)
Share of loss of equity accounted investees net of tax	0	0	(398)		(398)
(Loss) profit before income tax	(33,041)	1,335	1,165	0	(30,541)
Income tax	2,594	(961)	(429)		1,204
(Loss) profit for the year	(30,447)	374	736	0	(29,337)
Segment assets	768,447	132,444	97,053	(201,881)	796,063
Segment liabilities	536,787	154,474	173,199	(200,727)	663,733
Capital expenditure	20,048	646	30		20,724
Depreciation	15,659	1,114	121		16,894
Amortisation of intangible assets	1,560	124	7		1,691
Impairment losses on intangible assets	11,397	411	0		11,808

6. Contd.:

2006	Production	Sales and marketing	Holding and servicing	Eliminations	Consolidated
Sales to external customers	1,019,063	423,942	28,311	0	1,471,316
Inter-segment sales	128,784	205,618	7,021	(341,423)	0
Total segment sales	1,147,847	629,560	35,332	(341,423)	1,471,316
Segment result	(172)	4,306	630		4,764
Net finance costs	(20,981)	(5,670)	2,646	0	(24,005)
Share of profit of equity accounted investees net of tax	32	0	668	0	700
(Loss) profit before income tax	(21,121)	(1,364)	3,944	0	(18,541)
Income tax	7,396	(199)	(79)		7,118
(Loss) profit for the year	(13,725)	(1,563)	3,865	0	(11,423)
Segment assets	799,515	186,147	84,831	(163,743)	906,750
Segment liabilities	540,477	163,113	191,062	(164,143)	730,509
Capital expenditure	17,037	2,655	230	0	19,922
Depreciation	28,492	1,119	305	0	29,916
Amortisation of intangible assets	1,540	26	0	0	1,566

Geographical segments

2007	USA	UK	Continental Europe	Asia	Eliminations	Consolidated
Sales	341,161	417,875	554,897	408,858	(338,417)	1,384,374
Segment assets	183,174	195,852	468,112	150,806	(201,881)	796,063
Capital expenditure	1,459	6,092	9,840	3,333		20,724
2006						
Sales	369,304	487,006	552,573	403,856	(341,423)	1,471,316
Segment assets	149,643	195,578	658,472	90,739	(187,682)	906,750
Capital expenditure	4,684	6,557	6,941	1,740	0	19,922

Changes within the Group

7. On 1 January 2007 the Group purchased all shares in Sirius ehf. for €0.4 million. The company buys and sells salted fish. In the year 2007 the company contributed a loss of €0.2 million.

   In February the Group acquired 51% of the shares in Beihai Beilian Foods Industry Co. Ltd. China, a tilipia farming and processing company for €2.0 million. In the year 2007 the company contributed a profit of €947 thousand. If the acquisition had occured on 1 January 2007, management estimates that consolidated revenues would have been € 1,402 thousand higher and consolidated profit for the period would have been € 242 thousand higher. In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition occured on 1 January 2007.

   VGI ehf. was sold in April 2007. The sales price amounted to €2.4 million. In the first three months of 2007 the company contributed a profit of €0.4 million and revenues amounting to €4.0 million.

   The acquisition had the following effects on the Group´s assets and liabilities on acquisition date:

	Sirius ehf.	Beihai Beilian Foods Industry Co. Ltd.	VGI ehf.	Recognised values on acquisition
Property, plant and equipment	0	1,545	(35)	1,510
Intangible assets	0	325	(2,667)	(2,342)
Deferred tax assets	7	0	(8)	(1)
Inventories	350	3,678	(2,439)	1,589
Trade and other receivables	909	2,933	(2,609)	1,233
Cash and cash equivalents	114	1,343	(83)	1,374
Loans and borrowings	(1,364)	(4,991)	3,747	(2,608)
Trade and other payables	(29)	(991)	3,020	2,000
Net identifiable assets and liabilities	(13)	3,842	(1,074)	2,755
Minority interest	0	(1,883)	0	(1,883)
Business relationships on aquisition	398	43	0	441
(Cash aquired) / Cash disposed of	(114)	(1,343)	2,356	899
Acquisition of subsidiaries, net of cash acquired	271	659	1,282	2,212

   Pre-acquisition carrying amounts were determined based on applicable IFRSs immediately before the acquisition. The values of assets and liabilities recognised on acquisition are their estimated fair values (see note 4 for methods used in determining fair values).

Other income

8. Other income is specified as follows:

	2007	2006
Gain on sale of assets	2,199	3,528
Recognition of negative goodwill	0	1,789
Commission and other revenues	6,939	5,270
Other operating income, total	9,138	10,587

Operating expenses

9. Operating expenses are specified as follows:

	2007	2006
Salaries and salary-related expenses	62,188	59,765
Other operating expenses	68,723	84,382
Depreciation of operating assets and amortisation	3,902	16,386
Impairment losses	11,808	0
Total operating expenses	146,621	160,533

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

	2007	2006
Salaries	130,756	139,753
Other salary-related expenses	10,946	21,141
Total salaries and salary-related expenses	141,702	160,894
Average number of employees (full year equivalents)	4,828	4,781
Positions with the Group at the end of the year	4,941	4,638

Salaries and salary-related expenses are allocated as follows on items in the income statement:

	2007	2006
Cost of goods sold	79,514	101,129
Operating expenses	62,188	59,765
Total salaries and salary-related expenses	141,702	160,894

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

	Salaries and benefits	Number of shares at year-end, in million
Board of Directors:		
Magnús Þorsteinsson, Chairman of the Board	27.5	421.3
Aðalsteinn Helgason, Board Member	13.7	
Baldur Örn Guðnason, Board Member	13.7	
Guðmundur P. Davíðsson, Board Member	10.6	
Steingrímur H. Pétursson, Board Member	12.0	
Gunnlaugur Sævar Gunnlaugsson, former Board Member	3.4	
Jón Kristjánsson, former Board Member	3.4	
Páll Magnússon, alternative Board Member	1.0	

11. Contd.:

	Salaries and benefits	Number of shares at year-end, in million
Managing Directors:		
Finnbogi A. Baldvinsson, CEO	373.6	604.6
Ellert Vigfússon, CEO of Icelandic Asia	276.5	
Ævar Agnarsson, CEO of Icelandic USA	224.4	6.9
Björgólfur Jóhannsson, former CEO	367.3	

Included in the above list of shares held by management and directors are shares held by spouse and dependent children, as well as shares held by companies controlled by them.

Several employees of the Group have received 29 million shares in the Company. When the shares were purchased the employees signed promissory notes which will expire if the employees will continue to work for the Company for five years.

12. The Group's depreciation charge in the income statement is specified as follows:

	2007	2006
Depreciation of property, plant and equipment, see note 17	16,894	29,916
Amortisations of intangible assets, see note 22	1,691	1,566
Impairment of intangible assets, see note 22	11,808	0
Total	30,393	31,482

Depreciation is allocated as follows on operating items:

	2007	2006
Cost of goods sold	15,710	15,096
Operating expenses	14,683	16,386
Total	30,393	31,482

Auditors' Fees

13. Auditors' fees are specified as follows:

	2007	2006
Audit of the financial statements	1,244	933
Review of interim financial statements	57	133
Other services	81	142
Total auditors' fees	1,382	1,208
Thereof remuneration to others than KPMG in Iceland	1,155	1,089

Notes, contd.:

Net finance costs

14. Net finance costs are specified as follows:

	2007	2006
Interest income	1,262	1,277
Dividend income	186	56
Fair value changes on shares in other companies	15,554	2,280
Gain on sale of shares	1,109	0
Net currency gain	0	5,861
Finance income, total	18,111	9,474
Interest expenses	(38,999)	(31,964)
Net currency loss	(7,599)	0
Loss on sale of shares	0	(1,515)
Finance expenses, total	(46,598)	(33,479)
Net finance costs	(28,487)	(24,005)

Income tax expense

15. Income tax recognised in the income statement are specified as follows:

	2007	2006
Income tax payable for the year	583	3,912
Deferred income tax expense:		
Origination and reversal of temporary differences	0	(6,124)
Benefit of tax losses recognized	(1,787)	(4,906)
Deferred tax expense total	(1,787)	(11,030)
Total income tax in the income statement excluding income tax of equity accounted investees	(1,204)	(7,118)
Share of income tax of equity accounted investees	(142)	87
Total income tax expense	(1,346)	(7,031)

16. Effective tax rate is specified as follows:

		2007		2006
Loss for the year		(29,337)		(11,423)
Total income tax expense		(1,204)		(7,118)
Loss excluding income tax		(30,541)		(18,541)
Income tax using Icelandic corporation tax rate	18.0%	5,523	18.0%	3,337
Effect of tax rate in foreign juridictions	3.7%	1,119	23.0%	4,265
Non-deductable expenses	(0.8%)	(259)	(2.8%)	(522)
Other items	(16.5%)	(5,037)	(0.3%)	(49)
Effective tax rate	4.3%	1,346	37.9%	7,031

Property, plant and equipment

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

Cost or deemed cost	Buildings and land	Other operating assets	Total
Balance at 1 January 2006	52,424	116,713	169,137
Purchases during the year	10,551	16,103	26,654
Disposals	(8,889)	(16,700)	(25,589)
Acquisition	25,978	26,742	52,720
Exchange rate differences	(2,101)	(3,667)	(5,768)
Balance at 31 December 2006	77,963	139,191	217,154
Purchases during the year	3,384	16,454	19,838
Disposals	(7,983)	(29,002)	(36,985)
Acquisition	10	1,505	1,515
Exchange rate differences	(3,192)	(8,422)	(11,614)
Balance at 31 December 2007	70,182	119,726	189,908
Depreciation and impairment losses			
Balance at 1 January 2006	14,271	69,834	84,105
Acquisitions through business combinations	673	2,459	3,132
Depreciation	12,813	17,103	29,916
Disposals	(6,590)	(14,311)	(20,901)
Exchange rate differences	(1,106)	(2,395)	(3,501)
Balance at 31 December 2006	20,061	72,690	92,751
Depreciation	3,145	13,749	16,894
Disposals	(12,678)	(19,845)	(32,523)
Exchange rate differences	(911)	(4,724)	(5,635)
Balance at 31 December 2007	9,617	61,870	71,487
Carrying amounts			
1.1.2006	38,153	46,879	85,032
31.12.2006	57,902	66,501	124,403
31.12.2007	60,565	57,856	118,421
Depreciation ratios	2-10%	10-20%	

Finance leases

18. Equipment and machinery for which the Group has concluded lease agreements are capitalized despite the ownership right of the lessor according to the agreements. The remaining balance of the lease agreements amounted to €6,743 thousand at year-end 2007 (2006: €6,339 thousand).

Operating leases

19. The Group has entered into operating lease contracts for machinery and production equipment. Commitments from these contracts are not included in the balance sheet.

Mortgages and Guarantees

20. Mortages and guarantees for debt with a remaining balance of €164,282 thousand (2006: €115,848 thousand) were registered against the Group´s assets at year-end 2007.

Insurance value

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

	2007	2006
Insurance value of buildings	115,529	122,819
Book value of buildings	60,565	57,902
Insurance value of other operating assets	164,719	161,830
Book value of other operating assets	57,856	66,501

Intangible assets

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

	Goodwill	Trademarks	Business relationships	Other intangible assets	Total
Cost					
Balance at 1.1 2006	163,593	6,780	2,604	2,754	175,731
Purchases during the year	0	15	0	0	15
Acquisitions during the year	59,486	22,791	14,817	1,367	98,461
Disposals	(5,316)	(4)	0	(155)	(5,475)
Exchange rate differences	(8,113)	(688)	(255)	(146)	(9,202)
Balance at 31.12.2006	209,650	28,894	17,166	3,820	259,530
Purchases during the year	226	0	0	172	398
Acquisitions during the year	0	0	436	955	1,391
Disposals	(2,523)	(14)	(169)	(1,003)	(3,709)
Exchange rate differences	(14,353)	(637)	(306)	(254)	(15,550)
Balance at 31.12.2007	193,000	28,243	17,127	3,690	242,060

22. Contd.:

	Goodwill	Trademarks	Business relationships	Other intangible assets	Total
Amortisations and impairment losses					
Balance at 1.1.2006	3,531	0	256	901	4,688
Amortisation for the year	0	2	1,038	526	1,566
Disposals	(3,200)	6	0	501	(2,693)
Exchange rate difference	(34)	0	(44)	(30)	(108)
Balance at 31.12.2006	297	8	1,250	1,898	3,453
Amortisation for the year	0	5	1,213	473	1,691
Impairment loss	11,397	0	411	0	11,808
Disposals	0	0	0	(877)	(877)
Exchange rate differences	(826)	0	(189)	(188)	(1,203)
Balance at 31.12.2007	10,868	13	2,685	1,306	14,872
Carrying amounts					
1.1.2006	160,062	6,780	2,348	1,853	171,043
31.12.2006	209,353	28,886	15,916	1,922	256,077
31.12.2007	182,132	28,230	14,442	2,384	227,188
Depreciations ratios			5-20%	4-15%	

Amortisation and impairment charge

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

Impairment testing for cash generating units containing goodwill

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

The recoverable amount of cash generating unit in USA was estimated based on its value in use. Based on the assessment the carrying amount of goodwill was determined to be €11,397 thousand higher than its recoverable amount and an impairment loss was recognised. The recoverable amount of business relationships in Sirius ehf. was estimated based on its value in use. An impairment loss amounting to €411 thousand was recognised.

The aggregate carrying amounts of goodwill allocated to each unit are as follows:	2007	2006
Seachill Ltd.	53,623	58,553
Pickenpack Hussmann & Hahn GmbH	44,639	44,639
Icelandic USA Inc.	35,595	51,607
Sjóvík ehf.	25,793	28,796
Icelandic Scandinavia ApS	12,971	12,971
Coldwater UK Ltd.	9,169	10,025
Fiskval ehf.	342	330
VGI ehf.	0	2,432
Total goodwill	182,132	209,353

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

22. Contd.:

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

The anticipated annual real revenue growth rate included in the cash flow projection was 2.0% to 14.6% for the years 2008 to 2012 and 2.0% for the future growth rate.

A post-tax discount rate of 5.7% to 10.5% was applied in determining the recoverable amount of the units. The discount rate was estimated based on the companies weighted average cost of capital, which was based on an industry average of debt leveraging.

The above estimates are particularly sensitive in the following areas:

* An increase of 1 percentage point in the discount rate used would have increased the impairment loss by €24.7 million.
* A 10 percent decrease in future planned EBITDA would have increased the impairment loss by € 21.9 million.

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

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

Equity accounted investees

23. The carrying amount of the Group's investments in equity accounted investees are specified as follows:

	Share	2007	Share	2006
Maru Seafood P/F, Faroe Islands	33.0%	1,355	33.0%	1,879
Coldwater Shellfish Ltd., UK	50.0%	0	50.0%	0
Clarke Icelandic Partners Ltd., Canada	50.0%	196	50.0%	178
Total investments in associates		1,551		2,057

At year-end the Group's accumulated share in the loss of Coldwater Shellfish Ltd. is higher than the carrying amount, therefor the carrying amount is reduced to nil. The difference reduces a loan to the company.

Financial informations on equity accounted investees 2007 - 100%:

	Assets	Liabilities	Equity	Income	Profit (loss)
Maru Seafood P/F, Faroe Islands	35,160	(31,055)	4,105	31,978	(1,488)
Coldwater Shellfish Ltd., UK	1,598	(2,588)	(990)	5,043	(84)
Clarke Icelandic Partners Ltd. Can ..	414	(21)	393	21	17
Total	37,172	(33,664)	3,508	37,042	(1,555)

23. Contd.:

Financial informations on equity accounted investees 2006 - 100%:

	Assets	Liabilities	Equity	Income	Profit (loss)
Maru Seafood P/F, Faroe Islands	36,226	(30,632)	5,594	26,202	(162)
Coldwater Shellfish Ltd., UK	1,810	(2,793)	(983)	4,626	64
Clarke Icelandic Partners Ltd. Can ..	781	(425)	356	2,025	1,575
Total	38,817	(33,850)	4,967	32,853	1,477

Other investments

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

	2007	2006
Held-to-maturity investments	5,931	4,074
Financial assets designated at fair value through profit or loss	2,393	11,062
	8,324	15,136
Current maturities	(915)	(138)
Total other investments	7,409	14,998

Held-to-maturity investments have interest rates of 5.3% to 15.2% (2006: 5.3% to 6.5%) and mature in 1 to 7 years.

The financial assets designated at fair value through profit and loss are equity securities that otherwise would have been classified as available-for-sale.

The Group´s exposure to credit, currency and interest rate risks related to other investments is disclosed in note 37.

Inventories

25. Inventories are specified as follows:

	2007	2006
Raw material and work in process	130,437	154,857
Finished goods	112,095	144,300
Total inventories	242,532	299,157

Trade and other receivables

26. Trade and other receivables are specified as follows:

	2007	2006
Trade receivables	141,276	159,291
Other receivables	14,703	15,686
Prepaid expenses	3,253	4,112
Total trade and other receivables	159,232	179,089

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

Equity

27. ***Issued shares***

The Company's total number of shares according to its Articles of Association are 2,893 million (2006: 2,893 million). Issued shares at year-end numbered 2,893 million (2006: 2,893 million) and is all paid for. The owners of ordinary shares are entitled to dividends as declared from time to time and are entitled to one vote per share of one ISK at meetings of the Company.

The Company concluded put option agreements with key employees in the year 2004. The agreements allowed the employees to purchase shares in the Parent Company at market value from the Company. The employees had put option on the shares which allowed them to sell them back to Company according to clauses in the agreements. The total number of shares in question amounted nil (2006: 15 million) at the rate of ISK 6.4. These contracts were settled in September 2007. The price of the put option amounted to nil (2006: €852 thousand) and therefore equity was reduced by this amount at year end 2006.

28. ***Share premium***

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

29. ***Translation reserve***

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

30. ***Hedging reserve***

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

31. ***Other reserves***

Other reserves are specified as follows:	2007	2006
Own shares sold with put options	0	(852)
Translation reserve	(26,931)	(12,085)
Hedging reserve	(1,005)	0
Statutory reserve	373	373
Other reserves total	(27,563)	(12,564)

Earnings per share

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

Basic earnings per share:

	2007	2006
Loss for the year attributable to equity holders of the parent	(29,798)	(11,373)
Shares at the beginning of the year	2,891,875	2,168,091
Effect of purchased and sold own shares	(10,768)	0
Share increase in January, April and May 2006	0	689,488
Weighted average number of ordinary shares	2,881,107	2,857,579
Loss per share of ISK 1	(0.0103)	(0.0040)

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

Loans and borrowings

33. Loans and borrowings are specified as follows:

2007 Currency	Non-current liabilities	Current liabilities	Total
EUR	111,921	136,466	248,387
GBP	61,698	96,174	157,872
USD	8,164	25,950	34,114
JPY	3,729	20,615	24,344
DKK	14,195	6,815	21,010
CHF	775	10,983	11,758
CAD	0	9,182	9,182
CNY	0	3,634	3,634
NOK	0	2,782	2,782
SEK	0	1,455	1,455
Loans and borrowings, total	200,482	314,056	514,538
Current maturities of non-current liabilities	(12,486)	12,486	0
Loans and borrowings according to the balance sheet	187,996	326,542	514,538

33. Contd.:

2006 Currency	Non-current liabilities	Current liabilities	Total
EUR	128,681	92,225	220,906
USD	11,375	127,230	138,605
GBP	92,424	36,256	128,680
DKK	13,913	11,089	25,002
JPY	3,930	17,945	21,875
CHF	802	11,140	11,942
CAD	0	8,567	8,567
NOK	0	3,370	3,370
ISK	1,697	84	1,781
SEK	0	1,484	1,484
Loans and borrowings, total	252,822	309,390	562,212
Current maturities of non-current liabilities	(33,070)	33,070	0
Loans and borrowings according to the balance sheet	219,752	342,460	562,212

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

	2007	2006
Year 2007	-	33,070
Year 2008	12,486	14,837
Year 2009	23,073	27,742
Year 2010	22,084	63,721
Year 2011	38,276	40,654
Year 2012	20,546	21,744
Subsequent	84,017	51,054
Non-current loans and borrowings including current maturities	200,482	252,822

Deferred tax assets and liabilities

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

	Deferred tax assets	Deferred tax liability	Total
Balance at 1.1.2006	(1,396)	5,196	3,800
Deferred tax liability acquired	0	7,646	7,646
Income tax	(8,309)	1,191	(7,118)
Income tax payable 2007 on 2006 activities	0	(3,912)	(3,912)
Exchange rate difference, prepaid tax and other changes	(42)	(1,691)	(1,733)
Balance at 31.12.2006	(9,747)	8,430	(1,317)
Income tax	(2,696)	1,492	(1,204)
Income tax payable 2008 on 2007 activities	0	(583)	(583)
Exchange rate difference, prepaid tax and other changes	866	(1,893)	(1,027)
Balance at 31.12.2007	(11,577)	7,446	(4,131)

35. Contd.:

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

	2007	2006
Property, plant and equipment	5,790	9,335
Intangible assets	5,758	2,856
Shares in other companies	133	0
Tax losses carried forward	(9,586)	(8,830)
Other items	(6,226)	(4,678)
Net income tax asset at year-end	(4,131)	(1,317)

No income tax is recognised in equity.

Restructuring

36. Icelandic USA Inc., subsidiary of Icelandic Group, decided at year-end 2006 to close the company's Cambridge, Maryland, production facility by year end 2007. The decision to close the plant was based on its ability to fill projected product manufacturing and distribution needs using the company's Newport News, Virginia, production facility and a newly completed distribution center also located in Newport News. Looking to the future, the closure was expected to provide critical production and distribution efficiencies. € 12,733 thousand was charged to the income statement. The closing resulted in a much improved cost structure for Icelandic USA. The restructuring was completed in 2007 with the sale of the production facility in Cambridge at the end of the year and the inventories and trademarks of Ocean to Ocean.

During 2006 the production of frozen products was transferred to Pickenpack Gelmer, France, from Coldwater Seafood UK in Grimsby, which now specialises in the manufacture of chilled and frozen ready meals. Due to the restructuring of Coldwater € 1,614 thousand was charged to the income statement in 2006. The restructuring was completed in 2007.

Icelandic France SAS went through a restructuring process in the year 2006. The company had three offices in France; in Paris, Evry and Marseille. A decision was made in 2006 to close all offices and move the operation solely to Paris. Cost due to the closures as well as inventory write down amount to 2,800 thousand in the year 2006. The restructuring was completed in 2007.

Trade and other payables

36. Trade and other payables are specified as follows:

	2007	2006
Trade payables	102,728	114,710
Taxes for the year	583	256
Other payables	38,438	44,901
Total trade and other payables	141,749	159,867

Financial instruments

Exposure to credit risk

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

	2007	2006
Held-to-maturity investments	5,931	4,074
Financial assets at fair value through profit or loss	2,393	11,062
Loans and receivables	158,317	178,951
Cash and cash equivalents	28,153	21,222
	194,794	215,309

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

Domestic	11,131	7,540
United Kingdom	30,472	32,853
Continental Europe	60,085	65,157
USA	26,447	36,884
Asia	13,141	16,857
	141,276	159,291

The Group´s five most significant customers account for €33.4 million of the trade receivables carrying amount at 31 December 2007 (2006: €33.5 million).

Impairment losses

The aging of accounts receivables at the reporting date was:

	2007		2006	
		Gross impairment		Gross impairment
Past due 0-30 days	91,145	0	84,805	0
Past due 31-90 days	41,911	870	60,418	150
Past due 91-180 days	3,533	592	7,686	476
Past due 181-360 days	2,500	428	3,186	976
More than one year	2,857	609	3,309	758
	141,946	2,499	159,404	2,360

38. Contd.:

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

	2007	2006
Provision at 1 January	2,360	2,054
Actual losses during the year	(38)	(266)
Provision for the year	358	656
Exchange rate difference	(181)	(84)
Provision at 31 December	2,499	2,360

Liquidity risk

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

	Carrying amount	Contractual cash flows	Less than 1 year	1-2 years	2-5 years	More than 5 years
31 December 2007						
Non-derivative finanancial liabilities						
Loans and borrowings Non-current	200,202	252,240	26,499	36,213	133,790	55,738
Loans and borrowings Current	314,056	336,040	336,040	0	0	0
Trade and other payables	141,749	141,749	141,749	0	0	0
	656,007	730,029	504,288	36,213	133,790	55,738
31 December 2006						
Non-derivative finanancial liabilities						
Loans and borrowings Non-current	252,822	315,276	48,239	28,022	161,849	77,166
Loans and borrowings Current	309,390	329,938	329,938	0	0	0
Trade and other payables	159,867	159,867	159,867	0	0	0
	722,079	805,081	538,044	28,022	161,849	77,166

38. Contd.:

Currency risk

Exposure to currency risk

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

31 December 2007

	GBP	CHF	CAD	USD	Other
Trade receivables	3,617	9	270	6,604	9,503
Loans and borrowings	(12,884)	(11,758)	(9,182)	(4,502)	(12,572)
Trade payables	(2,884)	0	(22)	(10,257)	(4,358)
Gross balance sheet exposure	(12,151)	(11,749)	(8,934)	(8,155)	(7,427)

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2007	2006	2007	2006
GBP	0.6838	0.6814	0.7335	0.6709
CHF	1.6424	1.5733	1.6548	1.6071
CAD	1.4663	1.4250	1.4439	1.5289
USD	1.3679	1.2566	1.4705	1.3166

Sensitivity analysis

A 10 percent strengthening of the euro against the above mentioned currencies at 31 December would have increased pre-tax profit or loss by €4,832 thousand. This analysis assumes that all other variables, in particular interest rates, remain constant.

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

Interest rate risk

Profile

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

	Carrying amount	
	2007	2006
Fixed rate instruments		
Financial assets	5,016	3,936
Financial liabilities	(91,459)	(109,824)
	(86,443)	(105,888)
Variable rate instruments		
Financial liabilities	(423,079)	(452,388)

38. Contd.:

Fair value sensitivity analysis for fixed rate instruments

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

A change of 100 basis points in interest rates would have decreased pre-tax profit or loss by €4,230 thousand (2006: €4,524 thousand).

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have decreased equity and pre-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2006.

	Profit or loss	
	100bp increase	100bp decrease
31 December 2007		
Variable rate instruments	4,230	4,230
Cash flow sensitivity (net)	4,230	4,230
31 December 2006		
Variable rate instruments	4,524	4,524
Cash flow sensitivity (net)	4,524	4,524

Fair values versus carrying amounts

The fair values of finanical assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

	31 December 2007		31 December 2006	
	Carrying amount	Fair value	Carrying amount	Fair value
Held-to-maturity investments	5,931	5,813	4,074	4,074
Financial assets designated at fair value through profit or loss	2,393	2,393	11,062	11,062
Loans and receivables	159,232	159,232	179,089	179,089
Cash and cash equivalents	28,153	28,153	21,222	21,222
Loans and borrowings, non current	(187,996)	(181,216)	(219,752)	(217,898)
Loans and borrowings, current	(326,542)	(325,209)	(342,460)	(339,612)
Trade and other payables	(141,749)	(141,749)	159,867	159,867
Gross balance sheet exposure	(460,578)	(452,583)	(346,765)	(182,196)

Operating leases

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

	2007	2006
Less than one year	3,826	4,231
Between one and five years	9,970	12,809
More than five years	369	518
	14,165	17,558

Statement of Cash Flows

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

	2007	2006
Inventories, decrease (increase)	40,834	(17,844)
Trade and other receivables, (increase) decrease	(4,796)	15,170
Trade and other payables, decrease	(5,342)	(42,630)
Net changes in working capital	30,696	(45,304)

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

	2007	2006
Loss for the year	(29,337)	(11,423)
Difference between loss and cash flows from operations:		
Profit from sales of assets	(3,586)	(3,857)
Depreciations, amortisation and impairment losses	30,393	31,482
Loss (profit) of equity accounted investees	398	(700)
Fair value changes on shares in other companies	(16,063)	0
Income tax	(3,382)	(12,784)
Other items	(763)	(3,823)
Net changes in working capital	(22,340)	(1,105)

42. Investing and financing activities not affecting cash flows:

	2007	2006
Investments in subsidiaries	0	(104,496)
Issue of share capital	0	86,852
Short-term borrowings	0	17,644

Related parties

43. ***Identity of related parties***

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

Transactions with key management personnel

Directors of the Company and their relatives control 20.7% of the voting shares of the Company (2006: 20.5%). Members of the Group's key management hold no put options to sell (2006: 15 million) shares to the Company.

Other related party transactions

Associates

During the year ended 31 December 2007, associates purchased goods from the Group in the amount of €761 thousand (2006: €843 thousand) and at 31 December 2007 associates owed the Group €3,917 thousand (2006: € 3,931 thousand) and the Group owed associates €1,863 thousand (2006: €898 thousand). The Group purchased goods and services from associates in the amount of €10,534 thousand (2006: €10,356 thousand). Transactions with associates are priced on an arm's length basis. During the year ended 31 December 2007, the associated companies paid nil dividend (2006: nil) to the Group.

Group entities

44. Subsidiaries numbered 34 at year-end (2006: 33) and are all included in the consolidated financial statements. They are:

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

Other issues

45. The Board of Directors of Icelandic Group hf. emhasizes on maintaining good corporate governance according to the guidelines issue by the OMX Nordic Exchange Iceland. The Board of Directors has set guidelines regarding corporate governance with regard to its operations laying down the sphere of competence of the board of directors and its scope of work vis-à-vis the managing director. These guidelines contain i.a. rules regarding the procedure at Board meetings, rules regarding the competence of directors to participate in discussion and handling matters, confidentiality rules, rules regarding the divulging of information by the managing director to the directors etc. The guidelines include specific clauses with reference to rules on insider trading and the treatment of insider information according to laws on securities trading, the rules of the Financial Supervisory Authorities in Iceland and internal Company rules. The Board's guidelines also include detailed clauses regarding the flow of information to the Board and performance measurement in accordance with article 2.3. in the guidelines issued by the OMX Nordic Exchange Iceland.

    Minority of the board members of the company is considered independent towards the Company as defined by the OMX Nordic Exchange Iceland, article 2.6. Minority of the board members is also independent of large shareholders in the Company according to article 2.5.

    No sub-committees are organised with the Company's board of directors.

    A formal share option programme has not been put in place and therefore such a programme has not been approved by shareholders meeting.

    In light of the above-mentioned it is clear that operations of Icelandic Group hf. is not in full coordination with the guidelines issued by the OMX Nordic Exchange Iceland regarding corporate governance.

Financial Ratios

46. Financial ratios for the consolidated financial statements:

	2007	2006
Current ratio	0.92	0.99
Equity ratio	16.6%	19.4%
Return on equity	(16.7%)	(5.7%)
Internal value	3.61	4.77
Change in price per share from the beginning of the year	(32.0%)	(20.8%)
Price per share (ISK)	5.17	7.60
Market value of the company (EUR)	164,465	233,054
EBITDA	28,338	36,946
EBITDA ratio	2.0%	2.5%