

# Iceland Seafood International ehf.

---

Consolidated Financial Statements

---

## 2015

Iceland Seafood International ehf.  
Köllunarklettsvegi 2  
104 Reykjavík  
Iceland  
Reg. no. 611088-1329

---

# Iceland Seafood International ehf.

---

Consolidated Financial Statements

---

## 2015

### Table of Contents

|  |      |
|--|------|
| Independent Auditor's Report                   | 2    |
| Endorsement by the Board of Directors          | 3    |
| Consolidated Income Statement                  | 4    |
| Consolidated Balance Sheet                     | 5    |
| Consolidated Cash Flow Statement               | 6    |
| Notes to the Consolidated Financial Statements | 7-18 |

---

# Independent Auditor's Report

---

## To the Board of Directors and shareholders of Iceland Seafood International ehf.

We have audited the accompanying consolidated financial statements of Iceland Seafood International ehf., which comprise endorsement of the Board of Directors and CEO, balance sheet at 31 December 2015, income and cash flow statements for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's and the Board of Directors responsibility for the financial statements

Management and the Board of Directors are responsible for the preparation and fair presentation of these financial statements in accordance with generally accepted accounting principles in Iceland and for such internal control as management and the Board of Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's responsibility

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

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

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

### Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Iceland Seafood International ehf. as at 31 December 2015 and its financial performance and its cash flows for the year then ended in accordance with generally accepted accounting principles in Iceland.

Kópavogur, Iceland, April 25th 2016.

**Deloitte ehf.**

Knútur Þórhallsson  
State Authorized Public Accountant

## Endorsement by the Board of Directors and CEO

---

Iceland Seafood International ehf. is the holding company for a worldwide sales, production and marketing group for frozen, salted and fresh seafood. It is headquartered in Iceland and has operations in Iceland, the United Kingdom, France, Germany, Spain and the United States of America. The consolidated financial statements of Iceland Seafood International ehf. are prepared in accordance with generally accepted accounting principles in Iceland.

### Operations in 2015

Overall Group sales of EUR 258.4m were 2.5% ahead of the prior year, driven by strong growth in our Spanish and United Kingdom subsidiaries. Normalized Profit Before Tax of EUR 1.1m was down EUR 1.9m versus the prior year due to weaker results of the Icelandic subsidiary, at the same time Net Losses of EUR 0.2m were EUR 0.2m better than last year.

Although the majority of our activities in Iceland performed well in 2015, the business was affected by the sudden change in import legislation in Russia which created a challenging situation for pelagic fish leading to some write downs on inventory values. The business also suffered from an attempted fraud in Africa, incurring some costs in defending its position, these costs have been fully reflected in the income statement classified as exceptionals, although the Company is taking steps to seek recoveries of these costs. Other subsidiaries of the Group had a strong year in 2015, the Spanish subsidiary continued the strong performance, driven by sales and margin growth within the frozen segment and Iceland Seafood Barraclough maintained its strong profit growth from previous year.

According to the consolidated balance sheet total assets at year end 2015 amounted to EUR 80.9m compared to EUR 87.0m in 2014. Equity amounted to EUR 8.1m, resulting in equity ratio of 10.0% compared to a ratio of 9.6% at year-end 2014 whilst net debt of EUR 46.8m reduced by EUR 5.6m from the prior year position.

The Company incurs costs and revenue income in a number of different currencies, including, Euro, US dollar, Sterling and Japanese Yen, where appropriate it manages currency risk via utilisation of forward contracts and hedges. The average number of employees within operation was 275 in 2015.

### Dividends

The Board of Directors will submit a proposal to the Annual General Meeting that no dividend will be paid to shareholders.

### Ownership

At the balance sheet date the Group is 100% owned by International Seafood Holdings S.a.r.l. (ISH).

### Statement by the Board of Directors and CEO

It is the opinion of the Board of Directors and the CEO that these consolidated financial statements present all the information necessary to show the financial position of Iceland Seafood International ehf and its subsidiaries as of 31 December 2015 and of its financial performance and its cash flows for the year then ended. The Board of Directors and the CEO hereby confirm the consolidated financial statements of Iceland Seafood International ehf for the year 2015 with their signatures.

Reykjavík, April 25th 2016

**Board of Directors**

Benedikt Sveinsson  
Chairman

Mark Holyoake  
Board member

Ingi Jóhann Guðmundsson  
Board member

Helgi Anton Eiríksson  
Board member and CEO

Lee Mark Camfield  
Board member and COO

## Consolidated Income Statement 2015

|  | Notes | 2015          | 2014          |
|--|-------|---------------|---------------|
| Operating revenue .....  | 3     | 258.414       | 252.092       |
| Cost of sales .....  |       | (224.076)     | (216.743)     |
| <b>Gross profit</b>  |       | <b>34.338</b> | <b>35.349</b> |
| Other operating expenses .....                                 |       | (30.082)      | (29.370)      |
| Depreciation and amortization .....                            | 9, 10 | (772)         | (974)         |
| <b>Operating profit</b>  |       | <b>3.484</b>  | <b>5.005</b>  |
| Finance income .....   |       | 87            | 72            |
| Finance costs .....  |       | (2.113)       | (1.911)       |
| Exchange rate difference gain (loss) .....                     |       | (401)         | (246)         |
| Net finance costs .....  |       | (2.427)       | (2.085)       |
| <b>Normalized profit before tax</b>                            |       | <b>1.057</b>  | <b>2.920</b>  |
| Exceptional cost .....   | 5     | (697)         | (170)         |
| <b>Profit before tax</b>                                       |       | <b>360</b>    | <b>2.750</b>  |
| Income tax .....   | 6     | (281)         | (683)         |
| <b>Profit for the year from continuing operations</b>          |       | <b>79</b>     | <b>2.067</b>  |
| <b>Discontinued operations</b>                                 |       |               |               |
| Loss for the year from discontinued operations, post tax ..... | 7     | (252)         | (2.457)       |
| <b>Loss for the year</b>                                       |       | <b>(174)</b>  | <b>(390)</b>  |

## Consolidated Balance Sheet at 31 December 2015

| Assets   | Notes | 31.12.2015           | 31.12.2014           |
|--|-------|----------------------|----------------------|
| <b>Non-current assets</b>  |       |                      |                      |
| Property and equipment .....   | 9     | 8.735                | 8.971                |
| Intangible assets .....  | 10    | 9.193                | 8.814                |
| Investments .....  |       | 54                   | 8                    |
| Deferred tax assets .....  | 17    | 615                  | 371                  |
| Total non-current assets   |       | <u>18.597</u>        | <u>18.164</u>        |
| <b>Current assets</b>  |       |                      |                      |
| Inventories .....  | 12    | 22.893               | 23.723               |
| Trade receivables .....  | 13    | 33.317               | 37.376               |
| Other receivables .....  | 13    | 1.325                | 714                  |
| Cash and cash equivalents .....  | 13    | 2.475                | 1.575                |
| Total current assets   |       | <u>60.010</u>        | <u>63.388</u>        |
| Assets classified as held for sale .....                                   | 7     | 2.318                | 5.424                |
|  |       | <u>62.328</u>        | <u>68.812</u>        |
| <b>Total assets</b>  |       | <u><u>80.925</u></u> | <u><u>86.976</u></u> |
| <b>Equity and liabilities</b>  |       |                      |                      |
| <b>Equity</b>  |       |                      |                      |
|  | 14    |                      |                      |
| Share capital .....  |       | 13.442               | 13.442               |
| Statutory reserve .....  |       | 430                  | 430                  |
| Foreign currency translation reserves .....                                |       | (457)                | (510)                |
| Retained earnings .....  |       | (5.445)              | (5.271)              |
| Equity attrib. to equity holders of the parent .....                       |       | <u>7.970</u>         | <u>8.091</u>         |
| Minority interest associated with assets classified as held for sale ..... |       | 84                   | 296                  |
| <b>Total equity</b>  |       | <u>8.054</u>         | <u>8.387</u>         |
| <b>Non-current liabilities</b>   |       |                      |                      |
| Borrowings from financial institutions .....                               | 15    | 2.101                | 2.768                |
| Retirement benefit obligation .....  |       | 141                  | 123                  |
| Total non-current liabilities  |       | <u>2.242</u>         | <u>2.891</u>         |
| <b>Current liabilities</b>   |       |                      |                      |
| Trade and other payables .....   | 18    | 19.599               | 20.200               |
| Revolving credit facilities from financial institutions .....              | 16    | 46.396               | 50.471               |
| Current maturities of borrowings from financial institutions .....         | 15    | 744                  | 725                  |
| Other liabilities .....  | 18    | 2.928                | 3.534                |
| Total current liabilities  |       | <u>69.666</u>        | <u>74.930</u>        |
| Liabilities associated with assets classified as held for sale             | 7     | 963                  | 768                  |
| Total Liabilities  |       | <u>72.871</u>        | <u>78.589</u>        |
| <b>Total equity and liabilities</b>  |       | <u><u>80.925</u></u> | <u><u>86.976</u></u> |

## Consolidated Statement of Cash Flows 2015

|   | Notes | 2015           | 2014            |
|---|-------|----------------|-----------------|
| <b>Cash flows from operating activities</b>                                   |       |                |                 |
| Operating profit .....  |       | 3.484          | 5.005           |
| Depreciation and amortization .....   |       | 772            | 974             |
| Exceptionals .....  |       | (697)          | (170)           |
| Gain on sale of property and equipment .....                                  |       | (22)           | (27)            |
| Exchange rate difference .....  |       | (571)          | (473)           |
| Increase/(decrease) in calculated long-term obligations and other items ..... |       | (136)          | (150)           |
| <b>Operating cash flow before movement in working capital</b>                 |       | <b>2.830</b>   | <b>5.159</b>    |
| (Increase)/decrease in inventories .....                                      |       | 831            | (3.864)         |
| (Increase)/decrease in operating assets .....                                 |       | 3.448          | (504)           |
| Increase/(decrease) in operating liabilities .....                            |       | (678)          | 1.177           |
| <b>Cash generated (to) from operations</b>                                    |       | <b>6.430</b>   | <b>1.968</b>    |
| Interest received .....   |       | 87             | 72              |
| Interest paid .....   |       | (2.113)        | (1.912)         |
| Income taxes paid .....   |       | (1.055)        | (1.034)         |
| <b>Net cash (to) from continued operations</b>                                |       | <b>3.350</b>   | <b>(906)</b>    |
| <b>Net cash from (to) discontinued operations</b>                             |       | <b>3.030</b>   | <b>11.027</b>   |
| <b>Net cash from (to) operating activities</b>                                |       | <b>6.380</b>   | <b>10.121</b>   |
| <b>Cash flows from investing activities</b>                                   |       |                |                 |
| Investment in property, equipment and intangible assets .....                 | 9, 10 | (454)          | (541)           |
| Other investments .....   |       | (47)           |                 |
| Proceeds from disposal of property and equipment .....                        |       | 40             | 74              |
| <b>Net cash from investing activities</b>                                     |       | <b>(461)</b>   | <b>(467)</b>    |
| <b>Net cash before financing activities</b>                                   |       | <b>5.919</b>   | <b>9.654</b>    |
| <b>Cash flows from financing activities</b>                                   |       |                |                 |
| Proceeds (payments) from long term borrowings, net .....                      | 15    | (751)          | (718)           |
| Drawdown/(Repayment) of the revolving credit facility, net .....              |       | (4.075)        | (10.904)        |
| Paid dividend to minority shareholders .....                                  |       | (194)          |                 |
| <b>Net cash from financing activities</b>                                     |       | <b>(5.020)</b> | <b>(11.622)</b> |
| Net incr. (decr.) in cash and cash equivalents .....                          |       | 900            | (1.968)         |
| Cash and cash equival. at the beg. of the year .....                          |       | 1.575          | 3.543           |
| <b>Cash and cash equivalents at the end of period</b>                         |       | <b>2.475</b>   | <b>1.575</b>    |

# Notes

---

## 1. General information

Iceland Seafood International ehf. (the Group) is a private limited Company and complies with the Icelandic private limited companies law no. 138/1994.

The principal activities of the Group are disclosed in the Endorsement by the Board of Directors and CEO.

## 2. Significant accounting policies

### Basis of preparation

The consolidated financial statements of Iceland Seafood International ehf. for the year 2015 are prepared according to generally accepted accounting principles in Iceland. Cost method is used in the consolidated financial statements and it is prepared according to the same accounting principles as for the previous year. The consolidated financial statements are prepared in Euro (EUR), which is the functional currency of the Group.

The principal accounting policies adopted are set out below.

### Estimates and decisions

At the making of the annual report, the management, in accordance with laws on financial statements, need to make decisions, estimate and draw conclusions which affect assets and liabilities at the reporting date, information in the notes and income and cost. All conclusions and estimates are based on knowledge and experience and other relevant factors and make up the basis for decisions made on book value of assets and liabilities which can not be ascertained by any other mean. Changes to accounting estimates are recognised in the period they incur.

The subsidiary Iceland Seafood Barraclough Ltd in the UK changed its accounting method in 2015, when their financial statements were prepared for the first time in accordance with International Financial Reporting Standards. As adoption of the new standards do not have material impact on prior year numbers when comes to the consolidated financial statements, comparative figures for 2014 have not been restated. The impacts are taken into account in 2015 figures. Impacts related to individual items in income statement and balance sheet are explained at relevant sections of the notes.

### Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Group and entities controlled by the Group (its subsidiaries). Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The consolidated financial statements have been prepared in accordance with the purchase method. When ownership of a subsidiary is less than 100% minority interest in profit/loss for the year and equity at end of period are identified separately. When minority interests are minor or negative and the Group holds the obligation they are not identified.

In acquisitions of subsidiaries their assets and liabilities are estimated at fair values at the acquisition date. If costs are in excess of the fair value of assets and liabilities a goodwill is recognised. The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation. Where necessary adjustments are made to the financial statement of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

### Investments in subsidiaries

Subsidiaries are companies where the Parent Company has full control over the entity. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Investments in subsidiaries are accounted under the equity method, investments in subsidiaries are carried in the balance sheet at cost as adjusted for post-acquisition changes in the Company's share of the net assets of the subsidiary, less any impairment in the value of individual investments.



# Notes

---

## 2. Significant accounting policies (continued)

### Goodwill

Goodwill is recognised as an asset and reviewed for impairment at each balance sheet date. The amount of impairment is calculated using discounted expected future cash flows. The discount rate applied to these cash flows is based on weighted average cost of capital, which represents the cost of debt and equity after taxation. Impairment charges are measured on the basis of comparison of estimated fair values (discounted expected future cash flows) with corresponding book values and recognised in profit and loss.

### Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is considered as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition.

Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the group is committed to a sale plan involving the loss of control of a subsidiary, all the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets (and disposals groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

### Discontinued operations

Classification as discontinued operation occurs on disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as discontinued operation, the comparative statement of the income statement is re-presented as if the operation had been discontinued from the start of the comparative year. Transactions between continued and discontinued operations are treated as between unrelated parties.

### Risk management

The Group's Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework, with regards to market risk, credit risk, liquidity risk and operational risk. The objective of the Group's risk policies is to manage and control risk exposures within acceptable level, while optimising the return. Where appropriate the Group uses credit insurance and foreign currency contracts to control credit and market risk.

### Revenue recognition

Revenue from sale of goods and rendering of services are recognised when earned as required by generally accepted accounting principles. Sale of goods are recognised when goods are delivered and the Group has transferred to the buyer the significant risks and rewards of ownership of the goods. Revenue from rendering of services is recognised when the service is provided. Revenue are shown in the income statement net of discount.

Interest income is accrued over time, by reference to the principal outstanding and at the interest rate applicable.

### Cost of sales

Cost of sales is the combination of cost of goods sold and sales costs, including impairment losses and write-off to trade receivables.

## Notes

### 2. Significant accounting policies (continued)

#### Foreign currencies

Transactions in foreign currencies are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in such currencies are retranslated at the rates prevailing on the balance sheet date. Profits and losses arising on exchange are included in net profit or loss for the period.

|           | Average exchange rate |        | Year-End exchange rate |            |
|-----------|-----------------------|--------|------------------------|------------|
|           | 2015                  | 2014   | 31.12.2015             | 31.12.2014 |
| EUR ..... | 1,0000                | 1,0000 | 1,0000                 | 1,0000     |
| USD ..... | 0,9020                | 0,7539 | 0,9181                 | 0,8247     |
| GBP ..... | 1,3787                | 1,2409 | 1,3548                 | 1,2858     |
| ISK ..... | 0,0069                | 0,0065 | 0,0071                 | 0,0065     |

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in Euro using exchange rates prevailing on the balance sheet date. Income and expense items of foreign operations, are translated at the average exchange rates for each month. Translation differences from foreign operations are posted to translation reserves among equity. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

#### Transaction cost

Transaction costs are capitalized and amortised over the term of the loans to which they relate to.

#### Taxation

Income tax is calculated and recognised in the consolidated financial statements. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible.

The tax currently payable is income tax that is likely to be paid within the next 12 months for taxable income of the year and corrections in income tax for previous years.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. The difference is due to different assumptions in calculation of income tax.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized.

#### Property and equipment

Property and equipment are recognised as an asset when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured in a reliable manner. Property and equipment which qualifies for recognition as an asset is initially measured at cost. The cost of a property and equipment comprises its purchase price and any directly attributable cost of bringing the asset to working condition for its intended use.

## Notes

---

### 2. Significant accounting policies (continued)

The depreciable amount of the asset is allocated on a fixed annual percentage of the historical cost over its useful life, less residual value.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

#### Other intangible assets

Other intangible assets are recognised only if it is probable that the asset will generate future economic benefits and the cost of the asset can be measured reliably. Intangible assets include business agreements, trademarks and software. These intangible assets will be amortized on a straight-line basis over their useful life. The amortization charge for each period is recognised as expense.

#### Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Recoverable amount is the higher of fair value less costs to sell and value in use. 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 specified to the asset. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses on cash generating units reduces first goodwill, and after that to reduce other assets. Impairment losses are recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. Impairment loss on goodwill is not reversed.

#### Inventories

Inventories are stated at the lower of cost or net realisable value, after taking obsolete and defective goods into consideration. Cost comprises direct materials and, where applicable, direct labour costs and those overhead expenses that have been incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

#### Trade receivables

Trade receivables are valued at nominal value less an allowance for doubtful accounts. The allowance is deducted from trade receivable in the balance sheet and does not represent a final write-off.

#### Bank loans and other non-current liabilities

Bank loans and other non-current liabilities are valued at nominal value less payments made and the remaining nominal balance is adjusted by exchange rate or index, if applicable. Interest expense is accrued on a periodical basis, based on the principal outstanding and at the interest rate applicable. Transaction costs are recognised in profit or loss in the year they incur.

## Notes

### 2. Significant accounting policies (continued)

#### Trade payables

Trade payables are valued at nominal value and trade payable in other currencies have been booked at the exchange rates prevailing on the balance sheet date.

#### Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation.

### 3. Operating revenue

Operating revenue from continuing operations is as follows for geographical area:

|                     | 2015           | 2014           |
|---------------------|----------------|----------------|
| Europe .....        | 228.397        | 220.954        |
| Asia .....          | 4.134          | 7.568          |
| North America ..... | 15.414         | 10.773         |
| Other markets ..... | 10.469         | 12.797         |
|                     | <u>258.414</u> | <u>252.092</u> |

### 4. Salaries and other employee expenses

Salaries and other employee expenses from continuing operations:

|                               | 2015          | 2014          |
|-------------------------------|---------------|---------------|
| Salaries .....                | 10.891        | 10.447        |
| Other employee expenses ..... | 2.179         | 1.961         |
|                               | <u>13.070</u> | <u>12.408</u> |

Salaries are expensed within other operating expenses and cost of goods sold.

Salaries and other employee expenses from discontinued operations:

|                               |            |            |
|-------------------------------|------------|------------|
| Salaries .....                | 86         | 653        |
| Other employee expenses ..... | 18         | 249        |
|                               | <u>104</u> | <u>902</u> |

Average number of positions:

|  |     |     |
|--|-----|-----|
| Average number of positions from continued operations .....    | 275 | 275 |
| Average number of positions from discontinued operations ..... | 2   | 22  |

Salaries and benefits paid to the Board of Directors and key management for their work for companies within the Group was EUR 946 thousands in 2015 compared to EUR 909 thousands in 2014.

## Notes

### 5. Exceptionals

In 2015 the business suffered from an attempted fraud in Africa related to sale of Mackerel, where export documents were stolen when transported from Iceland to collection bank in Ghana. Total costs incurred by this incident amounted EUR 680 thousands and have fully been reflected in the Income Statement classified as exceptionals, although the Company is taking steps to seek recoveries of these costs.

During the year the Group made retirement agreements with a number of employees, estimated cost associated with this amounts to EUR 17 thousands. The duration of these agreements are within one year.

### 6. Income tax

The total charge for the year can be reconciled to the accounting profit as follows:

|   | 2015   |        | 2014   |        |
|---|--------|--------|--------|--------|
|   | Amount | %      | Amount | %      |
| Profit before tax from continued operations .....   | 360    |        | 2.750  |        |
| Income tax using Icelandic corporate tax rate ..... | (72)   | 20,0%  | (550)  | 20,0%  |
| Effect of tax rate in foreign jurisdictions .....   | (181)  | -50,4% | (287)  | -10,4% |
| Tax losses not capitalized .....                    | (58)   | -16,0% | (76)   | -2,8%  |
| Utilisation of tax losses .....                     | 13     | 3,5%   | 245    | 8,9%   |
| Other adjustments .....                             | 17     | 4,7%   | (15)   | -0,6%  |
| Income tax from continuing operations .....         | (281)  | -78,2% | (683)  | -24,8% |
| Income tax from discontinued operations .....       | 0      | 0,0%   | (30)   | -1,1%  |
| Income tax expensed .....                           | (281)  | -78,2% | (713)  | -25,9% |

### 7. Discontinued operation

In 2013 the Board of Directors made the decision to exit the frozen retail operation at Iceland Seafood GmbH, which carried a large part to Group's activities in Germany. The withdrawal was largely completed during 2014 and 2015. After which the Company will retain its fresh fish sales to non-retail customers.

During 2014 the Company sold the trading assets of IS Hellas. After the sale IS Hellas has ceased operations and has been kept as non active company from year end 2014.

#### Analysis of profit/(loss) for the year from discontinued operations:

|  | 2015    | 2014     |
|--|---------|----------|
| Operating revenue .....  | 6.293   | 29.011   |
| Cost of sales .....  | (5.852) | (28.109) |
| Gross profit .....   | 441     | 902      |
| Sales expenses .....   | (388)   | (1.691)  |
| Other operating expenses .....                                   | (212)   | (1.132)  |
| Depreciation and amortization .....                              | 0       | (15)     |
| Finance costs .....  | (101)   | (531)    |
| Loss before tax from discontinued operations .....               | (260)   | (2.467)  |
| Income tax expense .....   | 0       | (30)     |
| Minority interest .....  | 8       | 40       |
| Loss for the year from discontinued operations, net of tax ..... | (252)   | (2.457)  |

## Notes

### 7. Discontinued operation (continued)

#### Analysis of assets and liabilities associated with discontinued operations:

| <b>Assets:</b>  | 2015         | 2014         |
|---|--------------|--------------|
| Property and equipment .....  | 139          | 139          |
| Other intangibles .....   | 1            | 2            |
| Inventories .....   | 741          | 1.968        |
| Trade receivables .....   | 1.177        | 2.120        |
| Other receivables .....   | 88           | 285          |
| Cash and cash equivalents .....   | 172          | 910          |
| Assets classified as held for sale .....  | <u>2.318</u> | <u>5.424</u> |
| <b>Liabilities:</b>   |              |              |
| Trade payables .....  | 670          | 459          |
| Other liabilities .....   | 293          | 310          |
| Liabilities directly associated with assets classified as held for sale .....       | <u>963</u>   | <u>768</u>   |
| Minority interest directly associated with assets classified as held for sale ..... | <u>84</u>    | <u>296</u>   |
| <b>Net assets directly associated with discontinued operations</b>                  | <u>1.271</u> | <u>4.359</u> |

### 8. Dividends

As in the year 2014 no dividend was paid to shareholders in the year 2015. In respect of the current year, no dividend will be paid to shareholders in the year 2016.

### 9. Property and equipment

| <b>Continuing operations</b>    | Property<br>and land | Other operating<br>assets | Total<br>2015 | Total<br>2014 |
|---------------------------------|----------------------|---------------------------|---------------|---------------|
| <b>Cost or valuation</b>        |                      |                           |               |               |
| At beginning of year.....       | 5.675                | 9.297                     | 14.972        | 14.416        |
| Additions.....                  |                      | 451                       | 451           | 531           |
| Exchange rate difference.....   | 41                   | 242                       | 283           | 372           |
| Disposals.....                  |                      | (192)                     | (192)         | (347)         |
| At end of year.....             | <u>5.716</u>         | <u>9.798</u>              | <u>15.514</u> | <u>14.972</u> |
| <b>Accumulated depreciation</b> |                      |                           |               |               |
| At beginning of year.....       | 715                  | 5.287                     | 6.001         | 5.323         |
| Depreciation.....               | 116                  | 741                       | 857           | 855           |
| Exchange rate difference.....   | 3                    | 91                        | 94            | 123           |
| Disposals.....                  |                      | (174)                     | (174)         | (300)         |
| At end of year.....             | <u>834</u>           | <u>5.944</u>              | <u>6.778</u>  | <u>6.001</u>  |
|                                 | Property<br>and land | Other operating<br>assets | Total<br>2015 | Total<br>2014 |
| <b>Carrying Amount</b>          |                      |                           |               |               |
| At year beginning.....          | 4.960                | 4.010                     | 8.971         | 9.093         |
| At year end.....                | <u>4.881</u>         | <u>3.854</u>              | <u>8.735</u>  | <u>8.971</u>  |
| Depreciation rates .....        | 2-10%                | 2-50%                     |               |               |

## Notes

### 9. Property and equipment (continued)

| <b>Discontinued operations</b>  | Property and land | Other operating assets | Total 2015 | Total 2014 |
|---------------------------------|-------------------|------------------------|------------|------------|
| <b>Cost or valuation</b>        |                   |                        |            |            |
| At beginning of year.....       | 139               | 174                    | 313        | 1,255      |
| Addition.....                   |                   |                        |            | 6          |
| Disposals.....                  |                   |                        |            | (715)      |
| Other.....                      |                   |                        |            | (233)      |
| At end of year.....             | <u>139</u>        | <u>174</u>             | <u>313</u> | <u>313</u> |
| <b>Accumulated depreciation</b> |                   |                        |            |            |
| At beginning of year.....       |                   | 174                    | 174        | 779        |
| Depreciation.....               |                   |                        |            | 15         |
| Disposals.....                  |                   |                        |            | (620)      |
| At end of year.....             | <u>0</u>          | <u>174</u>             | <u>174</u> | <u>174</u> |
|                                 | Property and land | Other operating assets | Total 2015 | Total 2014 |
| <b>Carrying Amount</b>          |                   |                        |            |            |
| At year beginning.....          | <u>139</u>        |                        | <u>139</u> | <u>476</u> |
| At year end.....                | <u>139</u>        |                        | <u>139</u> | <u>139</u> |

Depreciation and amortization in the income statement is as follows:

|   | 2015       | 2014       |
|---|------------|------------|
| Depreciation of property and equipment.....     | 857        | 855        |
| Change in accounting method in UK.....          | (103)      | 0          |
| Amortization of other intangibles.....          | 11         | 106        |
| Amortization of capitalized long term cost..... | 7          | 13         |
|   | <u>772</u> | <u>974</u> |

### 10. Intangible assets

| <b>Continuing operations</b>           | Goodwill     | Other intangible assets | 2015         | 2014         |
|--|--------------|-------------------------|--------------|--------------|
| At beginning of year.....              | 8,784        | 30                      | 8,814        | 8,806        |
| Additions.....                         |              | 2                       | 2            | 10           |
| Exchange rate difference.....          | 79           |                         | 79           | 105          |
| Sold and disposal.....                 |              |                         | 0            | (1)          |
| Change in accounting method in UK..... | 206          |                         | 206          |              |
| Amortization.....                      | 103          | (11)                    | 92           | (106)        |
| At end of the year.....                | <u>9,172</u> | <u>21</u>               | <u>9,193</u> | <u>8,814</u> |

Amortization rates..... 0-10% 10-33%

| <b>Discontinued operations</b> | 2015     | 2014     |
|--------------------------------|----------|----------|
| At beginning of year.....      | 2        | 7        |
| Additions.....                 | 0        | 1        |
| Sold and disposal.....         | (1)      | (6)      |
| At end of year.....            | <u>1</u> | <u>2</u> |

## Notes

### 11. Investments in subsidiaries and associates

|                                       | Country | Proportion of ownership | Principal activity |
|---------------------------------------|---------|-------------------------|--------------------|
| <b>Shares in associates</b>           |         |                         |                    |
| Iceland Seafood ehf. ....             | Iceland | 100,00%                 | Sale of seafood    |
| Iceland Seafood S.L. ....             | Spain   | 100,00%                 | Sale of seafood    |
| - Union Islandia Pleamar S.L. ....    | Spain   | 55,00%                  | Non active         |
| Iceland Seafood Barraclough Ltd. .... | UK      | 100,00%                 | Sale of seafood    |
| - F. Barraclough Ltd. ....            | UK      | 100,00%                 | Non active         |
| - Havelok Ltd. ....                   | UK      | 67,00%                  | Sale of seafood    |
| Iceland Seafood France S.A.S. ....    | France  | 100,00%                 | Sale of seafood    |
| ISG Iceland Seafood GmbH ....         | Germany | 100,00%                 | Sale of seafood    |
| ISI Seafood Inc. ....                 | USA     | 100,00%                 | Sale of seafood    |
| Iceland Seafood Hellas S.A. ....      | Greece  | 66,00%                  | Non active         |

### 12. Inventories

|                                     | 31.12.2015    | 31.12.2014    |
|-------------------------------------|---------------|---------------|
| Raw materials .....                 | 5.947         | 5.946         |
| Finished goods .....                | 17.687        | 19.744        |
|                                     | <u>23.634</u> | <u>25.690</u> |
| Reclassified as held for sale ..... | (741)         | (1.968)       |
|                                     | <u>22.893</u> | <u>23.723</u> |

Inventories with a carrying amount of EUR 23,6 million (2014: EUR 25,7 million) have been pledged as security for certain of the Group's bank loans.

### 13. Other financial assets

#### Trade receivables

|   | 31.12.2015    | 31.12.2014    |
|---|---------------|---------------|
| Receivables .....                               | 34.494        | 39.496        |
| Receivables reclassified as held for sale ..... | (1.177)       | (2.120)       |
|   | <u>33.317</u> | <u>37.376</u> |

Trade receivables with a carrying amount of EUR 34,5 million (2014: EUR 39,5 million) have been pledged as security for certain of the Group's bank loans.



## Notes

### 13. Other financial assets (continued)

#### Other receivables

|                                     | 31.12.2015   | 31.12.2014 |
|-------------------------------------|--------------|------------|
| Other receivables .....             | 1.413        | 999        |
| Reclassified as held for sale ..... | (88)         | (285)      |
|                                     | <u>1.325</u> | <u>714</u> |

#### Cash and cash equivalents

The Group's cash and cash equivalent consist of bank balances.

|                                     | 31.12.2015   | 31.12.2014   |
|-------------------------------------|--------------|--------------|
| Bank balances .....                 | 2.647        | 2.485        |
| Reclassified as held for sale ..... | (172)        | (910)        |
|                                     | <u>2.475</u> | <u>1.575</u> |

### 14. Equity

Share capital is specified as follows, where each share has a face value of one Icelandic Krona (ISK) and carries one vote:

|                                     | Shares               | Ratio         | Amount        |
|-------------------------------------|----------------------|---------------|---------------|
| Issued and outstanding shares ..... | 1.169.629.510        | 91,9%         | 13.442        |
| Treasury shares .....               | 102.693.490          | 8,1%          | 1.130         |
| Share capital at year end .....     | <u>1.272.323.000</u> | <u>100,0%</u> | <u>14.572</u> |

Equity is as follows:

|                                   | Share capital | Statutory reserve | Translation reserve | Retained earnings | Total        |
|-----------------------------------|---------------|-------------------|---------------------|-------------------|--------------|
| 2014                              |               |                   |                     |                   |              |
| Equity 1.1.2014 .....             | 13.442        | 430               | (413)               | (4.881)           | 8.578        |
| Translation of subsidiaries ..... |               |                   | (97)                |                   | (97)         |
| Net profit/(loss) .....           |               |                   |                     | (390)             | (390)        |
| Equity 31.12.2014 .....           | <u>13.442</u> | <u>430</u>        | <u>(510)</u>        | <u>(5.271)</u>    | <u>8.091</u> |
| 2015                              |               |                   |                     |                   |              |
| Equity 1.1.2015 .....             | 13.442        | 430               | (510)               | (5.271)           | 8.091        |
| FV of Hedge .....                 |               |                   | 146                 |                   | 146          |
| Translation of subsidiaries ..... |               |                   | (93)                |                   | (93)         |
| Net profit/(loss) .....           |               |                   |                     | (174)             | (174)        |
| Equity 31.12.2015 .....           | <u>13.442</u> | <u>430</u>        | <u>(457)</u>        | <u>(5.445)</u>    | <u>7.970</u> |

## Notes

### 15. Non current liabilities

| <b>Borrowings from financial institutions:</b>      | <u>31.12.2015</u> | <u>31.12.2014</u> |
|---|-------------------|-------------------|
| At year beginning .....                             | 2.768             | 3.378             |
| Changes during the year .....                       | <u>77</u>         | <u>115</u>        |
| At year end .....                                   | <u>2.845</u>      | <u>3.493</u>      |
| Current maturities of non-current liabilities ..... | <u>(744)</u>      | <u>(725)</u>      |
|   | <u>2.101</u>      | <u>2.768</u>      |

The increase in 2015 is due to currency movements, no new long term borrowings were made during the year.

Instalments of non-current liabilities are specified as follows:

|                         |              |              |
|-------------------------|--------------|--------------|
| Instalments 2015 .....  |              | 725          |
| Instalments 2016 .....  | 744          | 721          |
| Instalments 2017 .....  | 749          | 726          |
| Instalments 2018 .....  | 754          | 731          |
| Instalments 2019 .....  | 460          | 590          |
| Instalments later ..... | <u>138</u>   | <u>0</u>     |
|                         | <u>2.845</u> | <u>3.493</u> |

### 16. Revolving credit facility from financial institutions

The Group's main financing is a multi-currency revolving credit facility with a maximum amount of EUR 65 million. The facility is secured with pledges over inventories, receivables, intellectual property rights and shares in subsidiaries. The loan agreement was extended in January 2016 and is due for renewal in November 2018.

### 17. Deferred tax assets/(-liabilities)

|  | Deferred tax<br>assets | Deferred tax<br>liability | Net        |
|--|------------------------|---------------------------|------------|
| Balance at 1.1.2014 .....                  | 318                    | (137)                     | 181        |
| Calculated tax for the year 2014 .....     | 37                     | (185)                     | (148)      |
| Income tax payable for the year 2015 ..... | 156                    | 185                       | 341        |
| Other Items .....                          | <u>(140)</u>           | <u>137</u>                | <u>(3)</u> |
| Balance at 1.1.2015 .....                  | 371                    | 0                         | 371        |
| Calculated tax for the year 2015 .....     | 165                    | 0                         | 165        |
| Income tax payable for the year 2016 ..... | 62                     | 0                         | 62         |
| Other Items .....                          | 17                     | 0                         | 17         |
| Balance at 31.12.2015 .....                | <u>615</u>             | <u>0</u>                  | <u>615</u> |

The deferred income tax assets are attributable to the following items:

|   | <u>31.12.2015</u> | <u>31.12.2014</u> |
|---|-------------------|-------------------|
| Property, plant and equipment .....       | (444)             | (289)             |
| Tax losses .....                          | 574               | 357               |
| Other short term timing differences ..... | 485               | 303               |
| Net income tax assets at year end .....   | <u>615</u>        | <u>371</u>        |

## Notes

### 18. Trade and other payables

#### Trade payable

|                                     | 31.12.2015    | 31.12.2015    |
|-------------------------------------|---------------|---------------|
| Trade payables .....                | 20.269        | 20.659        |
| Reclassified as held for sale ..... | (670)         | (459)         |
|                                     | <u>19.599</u> | <u>20.200</u> |

#### Other current liabilities

|                                     | 31.12.2015   | 31.12.2015   |
|-------------------------------------|--------------|--------------|
| Other liabilities .....             | 3.221        | 3.844        |
| Reclassified as held for sale ..... | (293)        | (310)        |
|                                     | <u>2.928</u> | <u>3.534</u> |

### 19. Related parties

Related parties are those parties which have considerable influence over the Company, directly or indirectly, including parent company, owners or their families, large investors, key employees and their families and parties that are controlled or dependent on the Company, i.e. affiliates and joint ventures. The Company is 100% owned by International Seafood Holdings S.a.r.l.

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

|   | Purchases of<br>goods / services | Sales of<br>goods/services | Assets | Liabilities  |
|---|----------------------------------|----------------------------|--------|--------------|
| Transactions with related parties outside the Group<br>in the year 2015 ..... | 17.909                           |                            |        | 1.052        |
|   | <u>17.909</u>                    |                            |        | <u>1.052</u> |

|   | Purchases of<br>goods/services | Sales of<br>goods/services | Assets | Liabilities  |
|---|--------------------------------|----------------------------|--------|--------------|
| Transactions with related parties outside the Group<br>in the year 2014 ..... | 15.471                         |                            |        | 1.247        |
|   | <u>15.471</u>                  |                            |        | <u>1.247</u> |

### 20. Approval of consolidated financial statements

The consolidated financial statements were approved by the Board of Directors and authorised for issue on April 25th 2016.