Iceland Seafood International hf.

Consolidated Financial Statements

2016

Iceland Seafood International hf.
Köllunarklettsvegi 2
104 Reykjavík
Iceland

Reg. no. 611088-1329

Contents

Independent Auditor´s Report

To the Board of Directors and Shareholders of Iceland Seafood International hf.

Opinion

We have audited the Consolidated Financial Statements of Iceland Seafood International hf. for the year ended December 31, 2016 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows for the year then ended and the Notes to the Consolidated Financial Statements, including a summary of significant accounting policies.

In our opinion, the accompanying Consolidated Financial Statements give a true and fair view of the consolidated financial position of Iceland Seafood International hf. as at December 31, 2016, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and additional requirements in the Icelandic Financial Statement Act.

Basis of Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor´s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of Iceland Seafood International hf. in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the Icelandic Institute of State Authorized Public Accountants, Code of Ethics (FLE Code) and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Consolidated Financial Statements of the current period. These matters were addressed in the context of our audit of the Consolidated Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of goodwill

Goodwill comprise 11,8% of total assets of the Group.

As required by the applicable accounting standards, management conducts annual impairment tests to assess the recoverability of the carrying value of goodwill. This is performed using discounted cash flow models. As disclosed in note 12, there are a number of key sensitive judgements made in determining the inputs into these models which include:
- Revenue growth
- Expected future margins and
- The discount rate applied to the projected future cash flows

Accordingly, the impaiment test of these assets is considered to be a key audit matter.

How our audit addressed the key audit mater

We focused our testing of the impairment of goodwill on the key assumptions made by management. Our audit procedures included:

Engaging our internal specialists to assist with:
- Critically evaluating whether the model used by management to calculate the value in use of the individual Cash Generating Units complies with the requirements of IAS 36 Impairment of Assets.
- Validating the assumptions used to calculate the discount rates and recalculating these rates.
- Analysing the future projected cash flows used in the models to determine whether they are reasonable and supportable given the current economic climate and expected future performance of the Cash Generating Unit.
- Subjecting the key assumption to sensitivity analyses.
- Comparing the projected cash flows, including the assumptions relating to revenue growth rates and operating margins, against historical performance to test the accuracy of management´s projections.

We also reviewed the disclosures presented in note 12 to the Consolidated Financial Statements to confirm compliance with the requirements within IAS 36.

Other information

The Board of Directors and the CEO are responsible for the other information. The other information comprises the Endorsement by the Board of Directors and CEO.

Our opinion on the Financial Statements does not cover the other information and we do not express any form of assurance conclusion thereon, except the confirmation regarding the Endorsement by the Board of Directors and CEO as stated below.

In connection with our audit of the Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

In accordance with Paragraph 2 article 104 of the Icelandic Financial Statement Act no. 3/2006, we confirm to the best of our knowledge that the accompanying Endorsement by the Board of Directors and CEO includes all information required by the Icelandic Financial Statement Act that is not disclosed elsewhere in the Financial Statements.

Responsibilities of the Board of Directors and the CEO for the Consolidated Financial Statements

The Board of Directors and the CEO are responsible for the preparation and fair presentation of the Consolidated Financial Statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and additional requirements in the Icelandic Financial Statement Act, and for such internal control as the Board of Directors and the CEO determines is necessary to enable the preparation of Consolidated Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Consolidated Financial Statements, the Board of Directors and the CEO are responsible for assessing Iceland Seafood International hf.´s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors and the CEO either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Auditor´s Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the Consolidated Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor´s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Consolidated Financial Statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Consolidated Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Iceland Seafood International hf.'s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Consolidated Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Consolidated Financial Statements, including the disclosures, and whether the Consolidated Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropirate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated and separate financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely respnsible for our audit opinion.

We communicate with the Board of Directors and the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors and the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors and the Audit Committee, we determine those matters that were of most significance in the audit of the Consolidated Financial Statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication

Kópavogur, 28. March 2017

Deloitte ehf.

Knútur Þórhallsson	Björn Helgi Arason
State Authorized Public Accountant	State Authorized Public Accountant

Endorsement by the Board of Directors and CEO

Iceland Seafood International hf. is the holding company of a worldwide processing, sales and distribution 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 hf. are prepared in accordance with International Financial Reporting Standards (IFRS/IAS).

Operations in 2016

The business continued to invest in its customer focused value added activities and saw a strong profit growth, despite currency volatility and Brexit. At the same time its continued margin improvement focus and working capital management program led to a reduction in lower margin trading activity during the year. This has seen total Group sales of €246.3m fall by 4.7%, whilst normalised Profit Before Tax of €3.3m was €2.2m up versus 2015 and Net Profit for the year, after significant items and discontinued operations, of €2.6m, €2.7m ahead of the prior year.

The Consolidated Balance Sheet shows total assets of €75.0m compared to €81.2m at the end of 2015. Equity at the year-end amounts to €15.4m having increased by €7.3m during the year reflecting a combination of increased retained earnings and the equity injection when the Group listed in May 2016. Net debt of €34.7m has reduced by €11.8m from last year, as a result of lower working capital and the equity injection.

The average number of employees was 288 in 2016.

Dividends

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

Ownership

Iceland Seafood International hf. is listed on the Nasdaq First North in Iceland. At year-end 2016, the total number of shareholders where 160 compared to one, International Seafood Holdings S.a.r.l. at year end 2015. The ten largest shareholders and their ownership percentage are:

Shareholder:	Number of shares, million	Shares in %
International Seafood Holdings S.a.r.l.	829.6	63.8%
Kvika banki hf	141.7	10.9%
Frjálsi lífeyrissjóðurinn	42.7	3.3%
Stefnir - ÍS 15	28.0	2.2%
Festa - lífeyrissjóður	27.0	2.1%
9. S ehf	21.0	1.6%
Akta HS1	20.0	1.5%
Sjóvá-Almennar tryggingar hf	20.0	1.5%
Lífeyrissjóður Vestmannaeyja	18.5	1.4%
Moment fjárfestingar ehf	18.5	1.4%
Top 10 total	1.167.0	89.7%
Others	132.6	10.3%
Total issued shares	1.299.6	100.0%

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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 hf. and its subsidiaries as of 31 December 2016 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 hf. for the year 2016 with their signatures.

Reykjavík, 28. March 2017

Board of Directors

Benedikt Sveinsson
Chairman

Mark Holyoake
Board member

Ingi Jóhann Guðmundsson
Board member

Helgi Anton Eiríksson
CEO

Consolidated Income Statement for the year 2016

	Notes	2016 Normalised Result*	2016 Significant Items*	2016 IFRS	2015 Normalised Result*	2015 Significant Items*	2015 IFRS
Continuing operations							
Operating revenue	3	246.273		246.273	258.414		258.414
Cost of sales		(212.468)		(212.468)	(224.076)		(224.076)
Gross profit		**33.805**		**33.805**	**34.338**		**34.338**
Other operating expenses		(28.267)	(203)	(28.470)	(30.082)	(697)	(30.779)
Depreciation and amortization	11,12	(811)		(811)	(772)		(772)
Operating profit		**4.727**	**(203)**	**4.524**	**3.484**	**(697)**	**2.786**
Finance income		80		80	87		87
Finance costs		(1.511)		(1.511)	(2.113)		(2.113)
Exchange rate difference gain (loss)		(2)		(2)	(401)		(401)
Net finance income / (costs)	4	(1.434)		(1.434)	(2.427)		(2.427)
Profit (loss) before income tax		**3.294**	**(203)**	**3.090**	**1.057**	**(697)**	**360**
Income tax	8	(529)	30	(499)	(420)	139	(281)
Profit (loss) for the year from continuing operations		**2.765**	**(174)**	**2.591**	**637**	**(558)**	**79**
Discontinued operations							
Loss for the year from discont. operations, post tax	9		(34)	(34)		(261)	(261)
Profit (loss) for the year		**2.765**	**(208)**	**2.557**	**637**	**(819)**	**(182)**
Profit (loss) for the year attributable to:							
Owners of the Company		2.776	(208)	2.568	645	(819)	(174)
Non-controlling interest		(11)		(11)	(8)		(8)
Profit (loss) for the year		**2.765**	**(208)**	**2.557**	**637**	**(819)**	**(182)**
Earnings per share							
From continuing and discontinued operations							
Basic (cents per share)	17	0,0022	(0,0001)	0,0021	0,0006	(0,0007)	(0,0001)
From continuing operations							
Basic (cents per share)	17	0,0022	(0,0001)	0,0021	0,0005	(0,0004)	0,0001

* Normalised result before significant items - see note 7 for further information about significant items.

The notes on pages 12-35 are an integral part of the Consolidated Financial Statements.

All amounts are in thousands of euro

Consolidated Statement of Comprehensive Income for the year 2016

		2016			2015		
	Notes	Normalised Result*	Significant Items	IFRS	Normalised Result*	Significant Items	IFRS
Profit (loss) for the year		**2.765**	**(208)**	**2.557**	**637**	**(819)**	**(182)**
Other comprehensive income, net of income tax							
Items that may be reclassified to profit or loss:							
Exchange differences on translating foreign operations		(264)		(264)	(93)		(93)
Change in cash flow hedge		67		67	168		168
Other comprehensive income for the year		(197)		(197)	75		75
Total comprehensive income for the year		**2.569**	**(208)**	**2.361**	**712**	**(819)**	**(107)**
Total comprehensive income is attributable to:							
Owners of the Company		2.580	(208)	2.372	720	(819)	(99)
Non-controlling interest		(11)		(11)	(8)		(8)
Total comprehensive income for the year		**2.569**	**(208)**	**2.361**	**712**	**(819)**	**(107)**

* Normalised result before significant items - see note 7 for further information about significant items.

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Consolidated Balance Sheet for the year ended 31 December 2016

Assets	Notes	31.12.2016	31.12.2015	01.01.2015
Non-current assets				
Property and equipment	11	8.741	8.937	9.110
Intangible assets	12	8.964	9.193	8.814
Investments		45	54	8
Deferred tax assets	19	1.117	835	371
Total non-current assets		18.868	19.019	18.304
Current assets				
Inventories	14	20.038	22.893	23.723
Trade receivables	15	32.936	33.317	37.376
Other receivables	15	1.312	1.347	714
Cash and cash equivalents		1.797	2.647	2.454
Total current assets		56.083	60.204	64.267
Assets classified as held for sale	9	98	2.009	4.405
		56.181	62.213	68.672
Total assets		75.049	81.232	86.976

Equity and liabilities

Equity	16			
Share capital		14.369	13.442	13.442
Share premium		3.987		
Translation reserve		(867)	(603)	(510)
Other reserves		678	598	430
Accumulated deficit		(2.877)	(5.445)	(5.271)
Equity attrib. to equity holders of the parent		15.290	7.992	8.091
Non-controlling interest in equity		73	84	296
Total equity		15.363	8.076	8.387
Non-current liabilities				
Borrowings	18	1.624	2.101	2.768
Retirement benefit obligation		153	141	123
Deferred tax liabilities	19	229	220	
Total non-current liabilities		2.006	2.462	2.891
Current liabilities				
Trade and other payables	20	19.596	19.599	20.200
Borrowings	18	34.898	47.139	51.196
Other liabilities	20	3.143	2.993	3.534
Total current liabilities		57.637	69.731	74.930
Liabilities associated with assets classified as held for sale	9	43	963	768
Total liabilities		59.686	73.156	78.589
Total equity and liabilities		75.049	81.232	86.976

The notes on pages 12-35 are an integral part of the Consolidated Financial Statements.

All amounts are in thousands of euro

Consolidated Statement of Changes in Equity for the year ended 31 December 2016

	Attributable to owners of the Company										
	Share capital	Share premium	Statutory reserve	Equity settled employee benefit	Cash flow hedging reserve	Translation reserve	Un-distributed profit	Accumu-lated deficit	Total	Non - controlling interest	Total equity
Balance at 1 January 2015 as previously reported	13.442		430			(510)		(5.271)	**8.091**	296	**8.387**
Equity at 1 January 2015	**13.442**		**430**			**(510)**		**(5.271)**	**8.091**	**296**	**8.387**
Loss for the year								(174)	**(174)**	(8)	**(182)**
Change in fair value hedges					168				**168**		**168**
Translation of subsidiaries						(93)			**(93)**		**(93)**
Total comprehensive income for the year					168	(93)		(174)	**(99)**	(8)	**(107)**
Changes in non-controlling interest										(204)	**(204)**
Balances at 31 December 2015	**13.442**		**430**		**168**	**(603)**		**(5.445)**	**7.992**	**84**	**8.076**
Profit for the year							953	1.615	**2.568**	(11)	**2.557**
Change in fair value hedges					67				**67**		**67**
Translation of subsidiaries						(264)			**(264)**		**(264)**
Total comprehensive income for the year					67	(264)	953	1.615	**2.372**	(11)	**2.361**
Share option charge for the period				13					**13**		**13**
Changes in non-controlling interest											
Sale of shares	927	3.987							**4.914**		**4.914**
Balances at 31 December 2016	**14.369**	**3.987**	**430**	**13**	**235**	**(867)**	**953**	**(3.830)**	**15.290**	**73**	**15.363**

The notes on pages 12-35 are an integral part of the Consolidated Financial Statements.

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Consolidated Statement of Cash Flow for the year 2016

	Notes	2016	2015
Cash flows from operating activities			
Operating profit		4.524	2.786
Depreciation and amortization	11,12	811	772
Gain on sale of property and equipment		(6)	(22)
Change in calculated non-current obligations and other items		12	(189)
Working capital provided by operating activities		**5.341**	**3.348**
Change in inventories		1.907	1.071
Change in receivables		(440)	4.064
Change in payables		852	(1.142)
Cash generated from operating activities		**7.660**	**7.341**
Finance income		80	87
Finance costs		(1.511)	(2.113)
Taxes paid		(668)	(1.055)
Net cash from continuing operations		**5.559**	**4.260**
Net cash from discontinued operations	9	958	2.330
Net cash from operating activities		**6.517**	**6.590**
Cash flows from investing activities			
Purchase of property, equipment and amortization	11,12	(1.180)	(454)
Other investments			(47)
Proceeds from sale of property and equipment		26	40
Net cash (to) investing activities		**(1.154)**	**(461)**
Net cash before financing activities		**5.363**	**6.128**
Cash flows from financing activities			
Repayment of long term borrowings, net of any new borrowing		(268)	(751)
Drawdown (repayment) of revolving credit facility		(10.783)	(5.019)
Sale of shares, net of costs incurred in the sale of the shares		4.914	
Dividend paid to minority shareholder	9		(194)
Net cash (to) financing activities		**(6.138)**	**(5.964)**
Net changes in cash and cash equivalents		(774)	165
Effects of exchange rate fluctuations on cash held		(76)	28
Cash and cash equivalents at beginning of the period		2.647	2.454
Cash and cash equivalents at end of the period		**1.797**	**2.647**

The notes on pages 12-35 are an integral part of the Consolidated Financial Statements.

All amounts are in thousands of euro

Notes to the Consolidated Financial Statements

1. General information

Iceland Seafood International hf. (the "Company" or the "Parent Company") is a public limited liability company domiciled at Köllunarklettsvegur 2, Reykjavík, Iceland. The Consoliated Financial Statements of the Company as at and for the year ended 31 December 2016 comprise the Company and its subsidiaries, together referred to as the "Group". The principal activities of the Group and information about ownership are disclosed in the Endorsement by the Board of Directors and CEO. The Company´s shares are listed on Nasdaq First North.

2. Application of new and revised International Financial Reporting Standards (IFRSs)

Standards and interpretations effective in the current and prior periods

The Consolidated Financial Statements are presented in accordance with the new and revised standards (IFRS/IAS) and new interpretations (IFRIC), applicable in the year 2016. This is the first Consolidated Financial Statements to be prepared for the Company under IFRSs as adopted by the EU. The Company's date of transition is 1 January 2015. See further detail in note 27 about the effect of the implementation on the opening balance sheet.

New and revised IFRSs in issue but not yet effective

IFRS 9 - Financial Instruments
IFRS 15 - Revenue from Contracts with Customers (and the related Clarifications)
IFRS 16 - Leases
Amendments to IFRS 2 - Classification and Measurement of Share-based Payment Transactions
Amendments to IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to IAS 7 - Disclosure Initiative
Amendments to IAS 12 - Recognition of Deferred Tax Assets for Unrealised Losses

Management are still in the process of assessing the full impact of the application of IFRS 15 and IFRS 16 on the Group's Consolidated Financial Statements and it is not practicable to provide a reasonable financial estimate of the effect until management complete the detailed review. Preliminary estimate have indicated that the effect are not significant. Management do not intend to early apply the standards.
Management of the Company have preliminarily assessed the effect of other changes mentioned above on the Consolidated Financial Statements and have the preliminary estimate that those changes will have immaterial effects.

3. Segment information

The Group results are reported to Group management and the Board of Directors at operating segment level. The reportable operating segments are:
- Sales and Distribution - Sales and Distribution of seafood without further processing
- Value Added - Processing of Seafood into value added products prior to sale
- Other - Parent company and discontinued operations

2016

Sales	Sales and Distribution	Value Added	Other	Eliminations	Consolidated
Revenue	187.177	110.271			297.448
Inter - segment revenue	(16.674)	(17)		(34.484)	(51.175)
Total sales	**170.503**	**110.254**		**(34.484)**	**246.273**
Results					
Segment EBIT	1.752	4.075	(1.100)		4.727
Net finance income/(costs)	(237)	(796)	(400)		(1.434)
Normalised PBT	**1.515**	**3.279**	**(1.500)**		**3.293**
Significant items	(97)	(76)	(30)		(203)
Profit / (loss) before tax	**1.417**	**3.203**	**(1.530)**		**3.090**
Income tax	(325)	(541)	367		(499)
Discontinued operation			(34)		(34)
Net profit / (loss)	**1.092**	**2.662**	**(1.197)**		**2.557**
Segment assets	26.511	46.390	2.148		75.049
Segment liabilities	16.194	34.117	9.376		59.686

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Notes to the Consolidated Financial Statements

3. Segment information (continued)

2015

Sales	Sales and Distribution	Value Added	Other	Eliminations	Consolidated
Revenue	197.389	113.089			310.478
Inter - segment revenue	(16.398)	(382)		(35.284)	(52.064)
Total sales	**180.991**	**112.707**		**(35.284)**	**258.414**
Results					
Segment EBIT	425	3.648	(589)		3.484
Net finance income/(costs)	(852)	(953)	(622)		(2.427)
Normalised PBT	**(427)**	**2.695**	**(1.211)**		**1.057**
Significant items	(680)	(17)			(697)
Profit / (loss) before tax	**(1.107)**	**2.678**	**(1.211)**		**360**
Income tax	112	(635)	242		(281)
Discontinued operation			(261)		(261)
Net profit / (loss)	**(995)**	**2.043**	**(1.230)**		**(182)**
Segment assets	31.228	48.757	1.247		81.232
Segment liabilities	22.041	38.909	12.206		73.156

4. Net finance costs

Continuing operations	**2016**	**2015**
Interest on bank deposits	4	1
Interest on accounts receivables	76	86
Finance income	**80**	**87**
Interest on borrowings	(1.315)	(1.938)
Other finance costs	(196)	(175)
Finance costs	**(1.511)**	**(2.113)**
Net exchange rate differences	(2)	(401)
Net finance costs	**(1.434)**	**(2.427)**

5. Salaries and other employee expenses

Salaries and other employee expenses from continuing operations:	**2016**	**2015**
Salaries	11.219	11.011
Defined pension contribution payments	555	513
Salary-related expenses	1.319	1.233
	13.093	**12.757**

Salaries and salary-related expenses, classified by operational category

	2016	**2015**
Cost of goods sold	3.800	4.114
Operating expenses	9.293	8.643
	13.093	**12.757**
Average number of positions from continuing operations	288	275

All amounts are in thousands of euro

5. Salaries and other employee expenses (continued)

Salaries and other employee expenses from discontinued operations:	2016	2015
Salaries	25	86
Defined pension contribution plan	2	10
Salary-related expenses	3	8
	29	**104**

Salaries and salary-related expenses, classified by operational category

	2016	2015
Cost of goods sold		
Operating expenses	29	104
	29	**104**

Average number of positions from discontinued operations	1	2

Salaries and benefits paid to the Board of Directors and key management for the work for the companies within the Group are shown in note 24.

6. Auditors Remuneration

	2016	2015
Fees paid to the Group´s auditors for the audit of Group companies	175	173
Fees paid to the Group´s auditors for the interim review of Group companies	43	
Fees paid to the Group´s auditors for tax services provided to Group companies	41	43
Fees paid to the Group´s auditors for other services provided to Group companies	47	13
	306	**230**

7. Significant items

During the year the Group terminated employment agreements with number of employees, following outsourcing of service activities and operational restructuring. Costs associated with this amounts to €203k. The duration of these agreements are within one year.

In 2015 the Company experienced a fraud related to sale of Mackerel into Ghana, where export documents were stolen when transported from Iceland to collection bank in Ghana. Total costs related to the case amounted to €680k. Costs related to employment termination agreements amounted to €17k in 2015.

During 2013 the Board of Directors made a decision to exit the frozen retail operation at Iceland Seafood GmbH and sell the trading assets of Iceland Seafood Hellas. Note 9 includes further information on discontinued operations.

All amounts are in thousands of euro

8. Income tax

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

	2016	2015
Current tax expensed	(749)	(710)
Deferred tax expensed	250	429
Income tax expensed	**(499)**	**(281)**

Effective tax rate is specified as follows:

	2016		2015	
	Amount	%	Amount	%
Profit before tax from continued operations	**3.090**		**360**	
Income tax using Icelandic corporate tax rate	(618)	20,0%	(72)	20,0%
Effect of tax rate in foreign jurisdictions	(113)	(3,6%)	(181)	(50,4%)
FX exchange Iceland	129	4,2%		
Effect of change in tax rate	159	5,1%	(85)	(23,7%)
Other adjustments	(56)	(1,8%)	57	15,9%
Income tax expensed	**(499)**	**(16,1%)**	**(281)**	**(78,2%)**

9. Discontinued operations

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 fully completed in 2016. After that the company retains it´s 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. The company is currently in a liquidation process which is estimated to complete within the next 3 years.

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

	2016	2015
Operating revenue	986	6.293
Cost of sales	(875)	(5.852)
Gross profit	111	440
Sales expenses	(49)	(388)
Other operating expenses	(81)	(212)
Finance costs	(15)	(101)
Loss before tax from discontinued operations	(34)	(261)
Minority interest	11	8
Loss for the year from discontinued operations attributable to owners of the parent	**(23)**	**(252)**

All amounts are in thousands of euro

9. Discontinued operation (continued)

Analysis of assets and liabilities associated with discontinued operations:

Assets:	**2016**	**2015**
Inventories		741
Trade receivables	20	1.177
Other receivables	78	90
Assets classified as held for sale	**98**	**2.009**
Liabilities:		
Trade payables	4	670
Other liabilities	39	293
Liabilities directly associated with assets classified as held for sale	**43**	**963**
Minority interest directly associated with assets classified as held for sale	**73**	**84**

Cash flow from discontinued operations

Net cash inflows from operating activities	958	2.330
Net cash inflows from financing activities		(194)
Net cash inflow	**958**	**2.136**

10. Dividends

No dividends was declared in 2015. In respect of the current year, no dividend will be declared.

11. Property and equipment

Continuing operations	Property and land	Other operating assets	**Total 2016**	**Total 2015**
Cost or valuation				
At beginning of year	5.943	9.798	15.741	15.315
Reclassification				72
Amended opening balance	5.943	9.798	**15.741**	**15.387**
Reclassified due to grant	(7)		(7)	(7)
Additions	103	1.028	1.131	452
Exchange rate difference	(113)	(727)	(840)	283
Disposals		(733)	(733)	(374)
At end of year	5.926	9.366	**15.292**	**15.741**
Accumulated depreciation				
At beginning of year	859	5.945	6.804	6.205
Depreciation	113	679	792	857
Exchange rate difference	(14)	(318)	(332)	95
Disposals	15	(728)	(713)	(351)
At end of year	973	5.578	**6.551**	**6.804**

	Property and land	Other operating assets	**Total 2016**	Total 2015
Carrying Amount				
At year beginning	5.084	3.853	**8.937**	**9.110**
At year end	4.953	3.788	**8.741**	**8.937**
Depreciation rates	2-10%*	2-50%		

* Land is not depreciated

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Notes to the Consolidated Financial Statements

11. Property and equipment (continued)

Depreciation and amortization in the Consolidated Income Statement is as follows:	2016	2015
Depreciation of property and equipment	792	857
Change in accounting method in UK		(103)
Amortization of other intangibles	14	11
Amortization of capitalized long term cost	5	7
	811	**772**

Finance leases

Group´s obligation under finance lease are secured by the lessors title to the leased assets, which have a carrying amount of €2.9 million (2015: €3.0 million)

12. Intangible assets

Continuing operations	Goodwill	Other intangible assets	2016	2015
At beginning of year	9.171	22	9.193	8.814
Additions		49	49	2
Exchange rate difference	(264)	(0)	(264)	79
Change in accounting method				206
Amortization		(14)	(14)	92
At end of the year	**8.907**	**57**	**8.964**	**9.193**
Amortization rates	0%	10-33%		

During the year, the Group assessed the recoverable amount of goodwill and determined that none of the Group´s cash-generating units have suffered an impairment loss.

Allocation of goodwill to cash-generating units

Goodwill has been allocated for impairment testing purposes to the following cash-generating units.

	WACC % 2016	2016	WACC % 2015	2015
Iceland	8,6%	4.072	9,0%	4.072
Spain	8,1%	2.019	8,4%	2.019
France	8,3%	1.127	8,9%	1.127
Iceland Seafood Barraclough	8,3%	1.689	8,9%	1.953
Goodwill at year end		**8.907**		**9.171**

The recoverable amount of the cash-generating units is determined based on a value in use calculation which uses 5 years cash flow projections based on the financial forecast for 2017 approved by management and the Board of Directors. The discount rate of 8,1% - 8.6% (2015: 8,4% - 9,0%) per annum was used.

Cash flow projections in the forecast are based on the same expected gross margins and raw materials prices throughout the period. Cash flows beyond 2020 have been extrapolated using a steady 2% per annum growth rate for all segments. This growth rate does not exceed the long-term average growth rate for the market in each market area. Management believes that any reasonabe further change in the key assumptions on which the recoverable amount is based would not cause the carrying amount to exceed its recoverable amount. An increase in weighted average cost of capital by 140bps would cause impairment of goodwill.

All amounts are in thousands of euro

Notes to the Consolidated Financial Statements

13. Investments in subsidiaries

	Country	Proportion of ownership	Principal activity
Iceland Seafood ehf.	Iceland	100%	Sale of seafood
Iceland Seafood S.L.	Spain	100%	Sale of seafood
- Union Islandia Pleamar S.L.	Spain	55%	Non active
Iceland Seafood Barraclough Ltd.	UK	90%	Sale of seafood
- F. Barraclough Ltd.	UK	100%	Non active
- Havelok Ltd.	UK	67%	Sale of seafood
Iceland Seafood France S.A.S	France	100%	Sale of seafood
ISG Iceland Seafood GmbH	Germany	100%	Sale of seafood
ISI Seafood Inc.	USA	100%	Sale of seafood
Iceland Seafood Hellas S.A.	Greece	66%	Non active

14. Inventories

	2016	2015
Raw materials	3.013	4.307
Finished goods	17.025	19.327
	20.038	23.634
Reclassified as held for sale		(741)
Net value of inventories	**20.038**	**22.893**

Inventories with a carrying amount of €20 million (2015: €23.6 million) have been pledged as security for certain of the Group´s borrowings

The cost of inventories recognised as an expense during the year in respect of continuing operations was €212.5 million (2015: €224.1 million).

The cost of inventories recognised as an expense includes €199k (2015: €377k) in respect of write-downs of inventory to net realisable value, and has been reduced by €401k (2015: €441k) in respect of the reversal of such write-downs.

15. Trade and other receivables

Trade receivables

	2016	2015
Trade receivables	36.245	38.804
Allowance for doubtful debts	(3.289)	(4.310)
Trade receivables reclassified as held for sale	(20)	(1.177)
	32.936	**33.317**

Trade receivables with a carrying amount of €32.9 million (2015: €33.3 million) have been pledged as security for certain of the Group´s borrowings.

All amounts are in thousands of euro

15. Trade and other receivables (continued)

Movement in the allowance for doubtful debts

	2016	2015
Balance at beginning of the year	4.310	4.020
Impairment losses recognised on receivables	148	454
Amounts written off during the year as uncollectible	(1.152)	(89)
Amounts recovered during the year	(17)	(84)
Foreign exchange translation gains and losses	(0)	8
Balance at end of the year	**3.289**	**4.310**

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. The concentration of credit risk is limited due to the fact that the customer base is large and unrelated.

Included in the allowance for doubtful debts are specific impairments amounting to €2.8m (2015: €4.1m). The impairment recognised represents the difference between the carrying amount of these trade receivables and the present value of the expected recoveries.

Other receivables

	2016	2015
Other receivables	1.390	1.437
Reclassified as held for sale	(78)	(90)
	1.312	**1.347**

16. Equity

Share issued

	Ordinary shares	Treasury shares	Outstanding number of shares	Amount EUR (thousands)
At 1 January 2015	1.272.323.000	102.693.490	1.169.629.510	13.442
At 31 December 2015	**1.272.323.000**	**102.693.490**	**1.169.629.510**	**13.442**
At 1 January 2016	1.272.323.000	102.693.490	1.169.629.510	13.442
Treasury shares sold		(102.693.490)	102.693.490	732
Ordinary shares issued	27.265.344		27.265.344	195
At 31 December 2016	**1.299.588.344**		**1.299.588.344**	**14.369**

The total authorized number of ordinary shares is 1.300 million shares (31 December 2015: 1.272 million shares) with a par value of ISK 1 per share. All issued shares are fully paid. Holders of ordinary shares are entitled to dividends as declared from time to time and are entitled to one vote per share at shareholders meetings of the Company.

Movement in issued shares is as follows in EUR thousands

	Share capital	Share premium	Total
Balance at 1 January 2015	13.442		13.442
Balance at 31 December 2015	**13.442**		**13.442**
Treasury shares sold	732	3.150	3.882
Ordinary shares sold	195	836	1.031
Balance at 31 December 2016	**14.369**	**3.987**	**18.356**

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

Statutory reserve
According to the Icelandic Companies Act no. 2/1995, 25% of the nominal value share capital must be held in reserve which cannot be paid out as dividend to shareholders.

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16. Equity (continued)

Equity settled employee benefits reserve

At 31 December 2016, executives and senior employees held options over 32.050.000 ordinary shares of the Company. These options were granted in May 2016 and will vest in the period from May 2017 to May 2020. The exercise price of all options is 5.4, which is equal to the original listing price of the Company's shares when approved for trading on Nasdaq First North. All options were granted for five years, will expire in May 2021 and are subject to the condition that Optionee is and continues to be employed by the company. The options carry neither rights to dividends nor voting rights and are valued using the Black-Scholes pricing model. The expected volatility assumptions used to value the options is 3.7% and the annual risk free rate 0.31%. An expense of €13k is recognized in the Consolidated Income Statement for the period.

Cash flow hedging reserve

The cash flow hedging reserve comprises revaluations on derivatives, on which hedge accounting is applied. The value at the end of December 2016 and 2015 relates to currency swap contracts.

Translation reserve

The translation reserve comprises the translation results of the consolidation of subsidiaries reporting in foreign currencies

Undistributed profit

In June 2016 the Icelandic Parliament passed a legal reform of the Icelandic Financial Statements Act no. 3/2006 which became effective on January 1, 2016. Due to uncertainty regarding the interpretation of the amendments the disclosure of restricted equity in the Consolidated Financial Statements of the Company for the year 2016 may change following further clarification of the Act. The amendments require that retained earnings are separated into two categories: restricted and unrestricted retained earnings. Unrestricted retained earnings consist of undistributed profits and losses accumulated by the Company, less transfers to the Company's statutory reserve and restricted retained earnings. The Company has transferred its accumulated unrealised share in profit of its subsidiaries from 1 January 2016 to a restricted retained earnings account. Unrealiased share is the amount of profit in subsidiaries net of received or declared dividend payments. Refer to Consolidated Statement of Changes in Equity on page 10.

17. Earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares issued during the period.

Basic earnings per share

	2016	2015
Profit/(loss) for the period attributable to owners of the Company	2.568	(174)
Weighted average number of outstanding shares issued (see table below)	1.249.741	1.169.630
Basic earnings per share	**0,0021**	**-0,0001**

	2016	2015
Profit for the period attributable to owners of the Company - Continuing operations	2.591	79
Weighted average number of outstanding shares issued (see table below)	1.249.741	1.169.630
Basic earnings per share - Continuing operations	**0,0021**	**0,0001**

Weighted average number of outstanding shares	2016	2015
Issued ordinary shares at beginning of the period	1.272.323	1.272.323
Treasury shares	(102.693)	(102.693)
Treasury shares sold in May 2016	102.693	
Issued ordinary shares in May 2016	27.265	
Outstanding shares at end of the period	**1.299.588**	**1.169.630**
Weighted average number of outstanding shares	**1.249.741**	**1.169.630**

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18. Borrowings

	2016	2015
Bank overdrafts (Revolving credit facility)	34.130	46.396
Bank loans	1.344	1.505
Finance lease liabilities	1.048	1.340
	36.522	**49.241**

Current	34.898	47.139
Non-current	1.624	2.101
	36.522	**49.241**

Summary of borrowing arrangements

The Group´s main financing is a multi currency revolving credit facility with a maximum amount of €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.

The Group long term debts are secured with pledge over certain Group receivables, fixed assets and shares in subsidiaries. Financial lease liabilities is secured by the assets leased. The borrowings are a variable interest rate debt with repayment periods not exceeding 5 years (see note 21).

19. Deferred tax assets/(-liabilities)

	Deferred tax assets	Deferred tax liability	Total
Balance at 1.1.2015	371		371
Calculated tax for the year 2015	515	(796)	(281)
Income tax payable for the year 2016		710	710
Other Items	(51)	(134)	(185)
Balance at 1.1.2016	**835**	**(220)**	**615**
Calculated tax for the year 2016	272	(771)	(499)
Income tax payable for the year 2017		749	749
Other Items	10	13	23
Balance at 31.12.2016	**1.117**	**(229)**	**888**

The following are the major deferred tax assets and liabilities recognised:

	2016 Deferred tax assets/liabilities	2015 Deferred tax assets/liabilities
Property and equipment	(401)	(444)
Deferred income	27	27
Exchange rate difference	28	70
Tax losses	855	578
Inventory	(4)	(6)
Trade receivables	367	383
Other	16	8
	888	**615**

All amounts are in thousands of euro

20. Trade and other payables

Trade payable

	2016	2015
Trade payables	19.600	20.269
Reclassified as held for sale	(4)	(670)
	19.596	**19.599**

Other current liabilities

	2016	2015
Other liabilities	3.182	3.286
Reclassified as held for sale	(39)	(293)
	3.143	**2.993**

21. Obligation under finance leases

The Group as lessee

The Group has number of financial lease commitments which relates to leasing of a building, machine and a server with lease terms of between 5 and 10 years. The Group will take ownership of these assets with the last payment at the end of the leases.

	2016	2015
Finance lease - interest	15	23

Non cancellable finance lease commitments

	2016	2015
No later than 1 year	297	292
Later than 1 year and not later than 5 years	751	1.048
Later than 5 years		
	1.048	**1.340**

Included in the Consolidated Financial Statements as:	2016	2015
- current borrowings (note 18)	297	292
- non-current borrowings (note 18)	751	1.048
	1.048	**1.340**

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22. Financial instruments

Catagories of financial instruments

The Company's financial instruments are the following:

	2016	2015
Financial assets held at amortised cost		
Trade and other receivables	33.177	33.451
Cash and cash equivalents	1.797	2.647
	34.974	**36.098**
Financial assets at fair value through profit and loss		
Forward foreign exchange contracts	4.894	5.222
	4.894	**5.222**
Financial liabilities at amortised cost		
Trade and other payables	(21.898)	(21.829)
Borrowings	(36.522)	(49.241)
	(58.420)	**(71.070)**

Financial risk management objectives

The Company's Board of Directors and senior executive team has the 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 levels, while optimizing the return.

Foreign currency risk management

The Group operates in a global market, hence exposure to exhange rate fluctuation arises. Exchange rate exposures are managed with defined Group policy. Natural exchange rate hedging is applied to the extent possible, the Group also takes out forward foreign exchange contracts to hedge against foreign exchange risk, when appropriate.

Fair value

The Groups foreign currency forward contracts are measured at fair value with discounted cash flow valuation techniques. Future cash flow (which is all anticipated within the next 12 months) is estimated based on forward exchange rates (from observable forward exchanges rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties. The valuation is determined to be in level 2 in the fair value hierarchy.

The carrying amounts of the Group's foreign currency demoniated monetary assets and liabilities at the balance sheet date are as follows:

31 December 2016

	GBP	USD	ISK	Other
Cash and cash equivalents		192	110	83
Trade receivables	2.075	3.520	145	99
Borrowings	(2.312)	(1.645)		
Trade payables	(841)	(1.825)	(770)	(26)
Gross balance exposure	**(1.078)**	**242**	**(515)**	**156**

31 December 2015

	GBP	USD	ISK	Other
Cash and cash equivalents		13	9	
Trade receivables	1.496	3.375	18	55
Borrowings	(4.122)	(1.152)		
Trade payables	(2.406)	(4.703)	(1.078)	(819)
Gross balance exposure	**(5.032)**	**(2.467)**	**(1.051)**	**(764)**

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22. Financial instruments (continued)

The following significant exchange rates of EUR applied during the year:

	Average exchange rate		Year-End exchange rate	
	2016	**2015**	**2016**	**2015**
USD	0,9043	0,9020	0,9488	0,9181
GBP	1,2251	1,3787	1,1719	1,3548
ISK	0,0075	0,0069	0,0084	0,0071

Interest rate risk management
At the reporting date the interest rate profile of the Group's interest bearing financial instruments was:

Variable rate instruments	**2016**	**2015**
Financial assets	1.797	2.647
Financial liabilities	(36.522)	(49.241)
	(34.725)	**(46.594)**

A change of 50 basis points in interest rates during the year would have impacted pre-tax profits by €195k (2015: €245k).

Credit risk management
Trade receivables consist of a large number of customers spread across geographic areas. The Group manages its credit risk by using credit insurances alongside ongoing credit evaluation on the financial conditions of relevant customers.

Liquidity risk management
The Group manages liquidity risk by ensuring sufficient liquidity is available from current bank facilities to meet forseeable needs and to invest cash assets safely and profitably. This policy has remained unchanged from previous periods. The Group's main financing is a multi currency revolving credit facility with a maximum amount of €65 million. This loan agreement was extended in January 2016 and is due for renewal in November 2018. The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities, including estimated interest payments:

31 December 2016

	Carrying amount	Contractual cash flow	Less than 1 year	1-3 years	More than 3 year
Non-current loans and borrowings	2.392	2.561	848	1.362	351
Current loans and borrowings	34.130	34.130	34.130		
Trade and other payables	21.898		21.898		
	58.420	**36.691**	**56.876**	**1.362**	**351**

31 December 2015

	Carrying amount	Contractual cash flow	Less than 1 year	1-3 years	More than 3 year
Non-current loans and borrowings	2.845	3.030	828	1.587	615
Current loans and borrowings	46.396	46.396	46.396		
Trade and other payables	21.829		21.829		
	71.069	**49.425**	**69.052**	**1.587**	**615**

All amounts are in thousands of euro

23. Obligation under operating leases

The Group as lessee

The Group leases premises under non-cancellable operating lease agreements. The leases have varying terms and renewal rights. The Group also leases various motor vehicles under non cancellable operating lease agreements. The lease expenditure is charged to the Consolidated Income Statement and are:

	2016	2015
Lease payments	1.397	1.331

The minimum lease payments to which the Group is committed under non-cancellable operating leases are:

	2016	2015
No later than 1 year	709	869
Later than 1 year and not later than 5 years	616	1.116
Later than 5 years		142
	1.325	**2.127**

Decrease in operating lease commitments from 2015 relates to cancelation of office lease agreement of ISG Iceland Seafood GmbH in June 2016. Further to exiting of the frozen retail operation the remaining fresh business was moved to a smaller office and new three year rental agreement was signed.

24. Related party transaction

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

Compensation of key management personnel

The remuneration of directors and other members of key management personnel during the year was as follows:

	2016	2015
Short-term benefits	995	946
Post-employment benefits	114	110
	1.109	**1.056**

Note 16 includes information on share options issued to executives and senior employees.

Transactions with related parties

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

	Purchase of goods/service	Sales of goods/service	Assets	Liabilities
Transactions with related parties parties outside the Group in the year 2016	19.016			1.550
	19.016			**1.550**

	Purchase of goods/service	Sales of goods/service	Assets	Liabilities
Transactions with related parties parties outside the Group in the year 2015	17.909			1.052
	17.909			**1.052**

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25. Significant accounting policies

25.1 Statement of compliance

The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and additional requirements in the Icelandic Financial Statement act 3/2006. These are the Group's first financial statements prepared in accordance with IFRS (see note 27 for explanation of the transition to IFRS).

25.2 Basis of preparation

The Consolidated Financial Statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

25.3 Basis of consolidation

The Consolidated Financial Statements incorporate the Financial Statements of the Company and entities controlled by the Group. Control is achieved when the Group has power over the subsidiaries, is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an entity if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an entity, it has power over the enrity when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the entity unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an entity are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements;
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of Other Comprehensive Income are attributed to the owners of the Company and to the non-controlling interests. Total Comprehensive Income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the Financial Statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

25. Significant accounting policies (continued)

25.3.1 Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

25.4 Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business, less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

25.5 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 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.

25.6 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

25.6.1 Sale of goods

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied: the Group has transferred to the buyer the significant risks and rewards of ownership of the goods, the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

25. Significant accounting policies (continued)

25.6.2 Dividend and interest income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition. Dividend income from investments is recognised when the shareholder's right to receive payment has been established.

25.7 Leasing

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

25.7.1 The Group as lessee

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

25.8 Foreign currencies

The Group's Consolidated Financial Statements are presented in Euro, the Group's presentation currency. In preparing the Financial Statements of each individual group entity, transactions in foreign currencies other than the entity's functional currency are recognised 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.

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.

Goodwill and fair value adjustments to identifiable assets aquired and liabilities assumed through acquistion of a foreign operation are treated as asset and liabilities of the foreign operation and translated at the rate of exchange prevaliling at end of each reporting period. Exchange differences arisins are recognised in other comprehensive income.

25. Significant accounting policies (continued)

25.9 Employee benefits

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

Short-term and other long-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries and annual leave in the year the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Share based payment arrangements

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 16.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

25.10 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax

25.10.1 Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax 'as reported in the Consolidated Income Statement because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

25. Significant accounting policies (continued)

25.10.2 Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Consolidated Financial Statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

25.10.3 Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

25.11 Property and equipment

Property and equipment are recognized 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 is stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Land is not depreciated. Such cost includes the cost of replacing parts of the property and equipment if the recognition criteria are met. When significant parts of property and equipment are required to be replaced at intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciation, respectively. All other repair and maintenance costs are recognized in profit or loss as incurred.

The depreciable amount of the asset is allocated on a straight-line basis over its useful life. The depreciation charge for each period is recognized as an expense. The estimated useful lives, residual values and depreciation method are reviewed at each balance sheet date, with the effect of any changes in estimate accounted for on a prospective basis.

In the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the Consolidated Income Statement.

The following useful lives are used in the calculation of depreciation:

Property	10 - 50 years
Other operating assets	2 - 50 years

25. Significant accounting policies (continued)

25.12 Intangible assets

25.12.1 Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

25.13 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in-first-out basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

25.14 Financial assets

Financial assets are recognized when the Group becomes a party to the contractual provisions of the instrument.

25.14.1 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment.

AFS financial assets are non-derivatives that are either designated as AFS or are not classified as in other categories. AFS equity investments that do not have a quoted market price in an active market are measured at cost less any identified impairment losses at the end of each reporting period.

25.14.2 Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For certain categories of financial assets, such as trade receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

25. Significant accounting policies (continued)

25.14.3 Derecognition of financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

25.15 Financial liabilities and equity instruments

25.15.1 Financial liabilities

Financial liabilities are classified as 'other financial liabilities'. Other financial liabilities (including borrowings and trade and other payables) are subsequently measured at amortised cost using the effective interest method.

25.16 Hedge accounting

The Group designates certain hedging instruments, which include derivatives in respect of cash flow hedges. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

25.16.1 Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the 'other gains and losses' line item.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

26. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 25, the management of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Details of impairment calculations are set out in note 12.

27. Reconciliation of IS GAAP to IFRS

As described in note 25.1 in the Accounting Policies these Consolidated Financial Statements are the first Financial Statements to be prepared for the Group under International Financial Reporting Standards. The Group's date of transition is 1 January 2015, therefore the opening balance sheet for IFRS purpose is that reported at 31 December 2015 as amended for changes due to IFRS. The comparative figures have been prepared on the same basis and have therefore been restated from those previously prepared under Icelandic GAAP.

Key changes in accounting policies:

Discontinued operation / Assets held for sale
Non operating assets of Iceland Seafood Hellas have previously been reported as assets held for sale, these assets consist of land and cash. Under IFRS 5.6 certain criterias need to be met for assets to be classified as held for sale. These criterias have not all been met in the case of non operating assets of Iceland Seafood Hellas, therefore assets have been reclassified in these accounts from the date of transition.

Other adjustments
The Group has entered into forward foreign contracts (for terms not exceeding seventeen months) to hedge exchange rate risk arising from purchases in other currencies than local currency. The Group has applied IAS 39 and valued these instruments at their fair value at each balance sheet date. The proportion of the gain or loss that is determined to be an effective hedge is recognised in other comprehensive income, and the ineffective portion in profit or loss.

The Group has both deferred income tax assets and liabilities at year end 2015. In accordance to IAS 12 the Group has reclassifed its deferred income tax assets and liabilites at balance sheet date.

The Group has historically received government grant relating to capital investment in a plant, which is recognised in income statement over the depreciation time of the assets it relates to. In accordance to IAS 20 the grant has been reclassified at balance sheet date and is included in value of fixed assets.

Restated Consolidated Statement of Comprehensive Income 2015

	As orginally stated under local GAAP	Adjustment Assets held for sale	Other adjustments	Restated under IFRS
Loss for the year	(182)			(182)
Items that may be reclassified to profit or loss:				
Exchange differences on transl. foreign oper.	(93)			(93)
Change in cash flow hedge	146		22	168
Other comprehensive income for the year	53		22	75
Total comprehensive income for the year	**(129)**		**22**	**(107)**

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27. Reconciliation of IS GAAP to IFRS (continued)

Restated Consolidated Balance Sheet at 31 December 2015

Assets	As orginally stated under local GAAP	Adjustment Assets held for sale	Other adjustments	Restated under IFRS
Non-current assets				
Property and equipment	8.735	137	65	8.937
Intangible assets	9.193			9.193
Investments	54			54
Deferred tax assets	615		220	835
Total non-current assets	**18.597**	**137**	**285**	**19.019**
Current assets				
Inventories	22.893			22.893
Trade receivables	33.317			33.317
Other receivables	1.325		22	1.347
Cash and cash equivalents	2.475	172		2.647
Total current assets	**60.010**	**172**	**22**	**60.204**
Assets classified as held for sale	2.318	(309)		2.009
	62.328	(137)	22	62.213
Total assets	**80.925**		**307**	**81.232**
Equity and liabilities				
Equity				
Share capital	13.442			13.442
Reserves	(27)		22	(5)
Accumulated deficit	(5.445)			(5.445)
Equity attrib. to equity holders of the parent	**7.970**		**22**	**7.992**
Non-controling interest in equity	84			84
Total equity	**8.054**		**22**	**8.076**
Non-current liabilities				
Borrowings	2.101			2.101
Retirement benefit obligation	141			141
Deferred tax liabilities			220	220
Total non-current liabilities	**2.242**		**220**	**2.462**
Current liabilities				
Trade and other payables	19.599			19.599
Borrowings	47.139			47.139
Other liabilities	2.928		65	2.993
Total current liabilities	**69.666**		**65**	**69.731**
Liabilities associated with assets held for sale	963			963
Total liabilities	**72.871**		**285**	**73.156**
Total equity and liabilities	**80.925**		**307**	**81.232**

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27. Reconciliation of IS GAAP to IFRS (continued)

Restated Consolidated Balance Sheet at 1 January 2015

Assets	As orginally stated under local GAAP	Adjustment Assets held for sale	Restated under IFRS
Non-current assets			
Property and equipment	8.971	140	9.110
Intangible assets	8.814		8.814
Investments	8		8
Deferred tax assets	371		371
Total non-current assets	**18.164**	**140**	**18.304**
Current assets			
Inventories	23.723		23.723
Trade receivables	37.376		37.376
Other receivables	714		714
Cash and cash equivalents	1.575	879	2.454
Total current assets	**63.388**	**879**	**64.267**
Assets classified as held for sale	5.424	(1.019)	4.405
	68.813	(140)	68.673
Total assets	**86.976**		**86.976**
Equity and liabilities			
Equity			
Share capital	13.442		13.442
Reserves	(80)		(80)
Accumulated deficit	(5.271)		(5.271)
Equity attrib. to equity holders of the parent	**8.091**		**8.091**
Non-controling interest in equity	296		296
Total equity	**8.387**		**8.387**
Non-current liabilities			
Borrowings	2.768		2.768
Retirement benefit obligation	123		123
Total non-current liabilities	**2.891**		**2.891**
Current liabilities			
Trade and other payables	20.200		20.200
Borrowings	51.196		51.196
Other liabilities	3.534		3.534
Total current liabilities	**74.930**		**74.930**
Liabilities associated with assets held for sale	768		768
Total liabilities	**78.590**		**78.590**
Total equity and liabilities	**86.976**		**86.976**

All amounts are in thousands of euro