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Condensed Consolidated Interim Financial Statements

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**31 March 2009**

Bakkavör Group hf.  
Ármúla 3  
108 Reykjavík  
Reg.no. 410886-1629

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# Endorsement by the Board of Directors and CEO

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The Condensed Consolidated Interim Financial Statements of Bakkavör Group hf. for the period 1 January to 31 March 2009 consist of the Condensed Consolidated Interim Financial Statements of Bakkavör Group hf. and its subsidiaries, together referred to as the Group. The Condensed Consolidated Interim Financial Statements are prepared in accordance with International Financial Reporting Standard for Interim Financial Statements, IAS 34.

The total sales of the Group amounted to GBP 409.8 million. The loss of the period amounted to GBP 8.1 million. According to the Statements of Financial Position the Group's assets amount to GBP 1,663.4 million and the book value of equity is GBP 105.6 million.

At 31 March 2009 Bakkavör has refinanced its banking facilities and secured funding through to 30 March 2012 across all of the operating subsidiaries.

The Group was unable to repay the 2003 bonds on the 15 May when they fell due. The Board of Directors of Bakkavör Group remains hopeful that discussions with key bondholders will reach a successful conclusion and that the Group will secure support for the extension of the 2003 bonds.

The Condensed Consolidated Interim Financial Statements for the Period from 1 January to 31 March 2009 have been prepared in accordance with International Financial Reporting Standards as adopted by the EU. It is our opinion that these Condensed Consolidated Interim Financial Statements present all the information necessary to give a true and fair view of the Group's assets and liabilities, financial position as at 31 March 2009 and operating performance of the period ended 31 March 2009.

In our opinion the Condensed Consolidated Interim Financial Statements and the report by the Board of Directors and CEO give a fair view of the development and performance of the Group's operations and its position and describes the principal risks and uncertainties faced by the Group.

Reykjavík, 20 May 2009

Board of Directors and CEO

Lýður Guðmundsson  
Chairman

Ágúst Guðmundsson  
CEO

Ásgeir Thoroddsen

Dionysos Andreas Liveras

Hildur Árnadóttir

Katrín Pétursdóttir

# Condensed Consolidated Interim Income Statement for the period 1 January to 31 March 2009

|   | Notes | Period<br>1 January - 31 March |                |
|---|-------|--------------------------------|----------------|
|   |       | 2009                           | 2008           |
| Net sales .....                         | 4     | 409.8                          | 377.3          |
| Cost of sales .....                     |       | <u>(331.3)</u>                 | <u>(299.0)</u> |
| <b>Gross profit</b> .....               |       | 78.5                           | 78.3           |
| Operating expenses .....                |       | (71.0)                         | (62.5)         |
| Share of profit in associates .....     |       | <u>0.2</u>                     | <u>0.2</u>     |
|   |       | <u>(70.8)</u>                  | <u>(62.3)</u>  |
| <b>Operating profit</b> .....           | 4     | 7.7                            | 16.0           |
| Net finance costs .....                 | 5     | (20.2)                         | (13.6)         |
| Other gains and losses .....            | 6     | (6.9)                          | (1.5)          |
| Loss on other financial assets .....    | 6     | <u>0.0</u>                     | <u>(15.8)</u>  |
|   |       | <u>(27.1)</u>                  | <u>(30.9)</u>  |
| <b>Loss before tax</b> .....            |       | (19.4)                         | (14.9)         |
| Income tax .....                        |       | <u>11.3</u>                    | <u>2.1</u>     |
| <b>Loss for the period</b> .....        |       | <u>(8.1)</u>                   | <u>(12.8)</u>  |
| <b>Attributable to:</b>                 |       |                                |                |
| Shareholders of Bakkavör Group hf. .... |       | (8.5)                          | (13.0)         |
| Minority interest .....                 |       | <u>0.4</u>                     | <u>0.2</u>     |
|   |       | <u>(8.1)</u>                   | <u>(12.8)</u>  |
| Loss per share (GBP pence) .....        | 7     | (0.40)                         | (0.61)         |

# Condensed Consolidated Interim Statement of Comprehensive Income for the period 1 January to 31 March 2009

|  | <b>Period</b>               |                     |
|--|-----------------------------|---------------------|
|  | <b>1 January - 31 March</b> |                     |
|  | <b>2009</b>                 | <b>2008</b>         |
| Loss for the period .....                              | <u>(8.1)</u>                | <u>(12.8)</u>       |
| <b>Other Comprehensive Income</b>                      |                             |                     |
| Translation difference of foreign operations .....     | (5.6)                       | 1.7                 |
| Actuarial (loss) gain recognised on pension plan ..... | (5.1)                       | 8.4                 |
| Tax on items taken directly to equity .....            | 1.4                         | (2.4)               |
| Recognition of share-based payments .....              | <u>0.2</u>                  | <u>0.0</u>          |
|  | <u>(9.1)</u>                | <u>7.7</u>          |
| <b>Total comprehensive income .....</b>                | <u><b>(17.2)</b></u>        | <u><b>(5.1)</b></u> |
| <b>Attributable to:</b>                                |                             |                     |
| Shareholders of Bakkavör Group hf. ....                | (17.6)                      | (5.3)               |
| Minority interest .....                                | <u>0.4</u>                  | <u>0.2</u>          |
|  | <u>(17.2)</u>               | <u>(5.1)</u>        |

# Condensed Consolidated Interim Statement of Financial Position at 31 March 2009

|  | Notes | 31.3.2009      | 31.12.2008     |
|--|-------|----------------|----------------|
| <b>Non-current assets</b>                  |       |                |                |
| Goodwill and other intangible assets ..... | 8     | 849.8          | 851.0          |
| Property, plant and equipment .....        | 9     | 353.3          | 358.3          |
| Investments in associates .....            | 10    | 13.0           | 12.9           |
| Deferred income tax asset .....            |       | 0.0            | 0.1            |
|  |       | <u>1,216.1</u> | <u>1,222.3</u> |
| <b>Current assets</b>                      |       |                |                |
| Inventories .....                          | 11    | 51.1           | 57.5           |
| Trade and other receivables .....          | 12    | 270.3          | 262.5          |
| Assets classified as held for sale .....   |       | 2.8            | 2.8            |
| Cash and cash equivalents .....            | 12    | 123.1          | 210.7          |
|  |       | <u>447.3</u>   | <u>533.5</u>   |
| <b>Total assets</b>                        |       | <u>1,663.4</u> | <u>1,755.8</u> |
| <b>Equity</b>                              |       |                |                |
| Share capital .....                        | 13    | 14.9           | 14.9           |
| Capital reserves .....                     |       | 72.6           | 72.6           |
| Translation reserves .....                 |       | 14.2           | 19.6           |
| Retained earnings .....                    |       | 2.3            | 14.5           |
| <b>Shareholders' equity</b>                |       | <u>104.0</u>   | <u>121.6</u>   |
| <b>Minority interest</b> .....             |       | <u>1.6</u>     | <u>1.1</u>     |
| <b>Total equity</b>                        |       | <u>105.6</u>   | <u>122.7</u>   |
| <b>Non-current liabilities</b>             |       |                |                |
| Deferred income tax liability .....        |       | 37.5           | 33.9           |
| Borrowings .....                           | 15    | 928.7          | 796.7          |
|  |       | <u>966.2</u>   | <u>830.6</u>   |
| <b>Current liabilities</b>                 |       |                |                |
| Borrowings .....                           | 15    | 182.6          | 364.8          |
| Other current liabilities .....            | 17    | 409.0          | 437.7          |
|  |       | <u>591.6</u>   | <u>802.5</u>   |
| <b>Total equity and liabilities</b>        |       | <u>1,663.4</u> | <u>1,755.8</u> |
| <b>Off Balance Sheet Items:</b>            |       |                |                |
| Mortgages and commitments .....            | 18    |                |                |

## Condensed Consolidated Interim Statement of Changes in Equity for the period ended 31 March 2009

| Shareholders' equity                               |                  |                     |                   |                      |              |                      |                 |
|--|------------------|---------------------|-------------------|----------------------|--------------|----------------------|-----------------|
|  | Share<br>capital | Capital<br>reserves | Other<br>reserves | Retained<br>earnings | Total        | Minority<br>interest | Total<br>equity |
| Equity 1 January 2008 .....                        | 14.9             | 72.6                | 3.2               | 186.6                | 277.3        | 1.4                  | 278.7           |
| Translation difference .....                       |                  |                     | 1.7               |                      | 1.7          |                      | 1.7             |
| Actuarial gain recognised<br>on pension plan ..... |                  |                     |                   | 6.0                  | 6.0          |                      | 6.0             |
| Dividends .....                                    |                  |                     |                   | (7.6)                | (7.6)        |                      | (7.6)           |
| (Loss) profit for the period .....                 |                  |                     |                   | (13.0)               | (13.0)       | 0.2                  | (12.8)          |
| Change in minority interest .....                  |                  |                     |                   |                      |              | 0.2                  | 0.2             |
| Equity 31 March 2008 .....                         | <u>14.9</u>      | <u>72.6</u>         | <u>4.9</u>        | <u>172.0</u>         | <u>264.4</u> | <u>1.8</u>           | <u>266.2</u>    |

| Shareholders' equity                               |                  |                     |                   |                      |              |                      |                 |
|--|------------------|---------------------|-------------------|----------------------|--------------|----------------------|-----------------|
|  | Share<br>capital | Capital<br>reserves | Other<br>reserves | Retained<br>earnings | Total        | Minority<br>interest | Total<br>equity |
| Equity 1 January 2009 .....                        | 14.9             | 72.6                | 19.6              | 14.5                 | 121.6        | 1.1                  | 122.7           |
| Translation difference .....                       |                  |                     | (5.6)             |                      | (5.6)        |                      | (5.6)           |
| Actuarial loss recognised<br>on pension plan ..... |                  |                     |                   | (3.7)                | (3.7)        |                      | (3.7)           |
| Recognition of<br>share-based payments .....       |                  |                     | 0.2               |                      | 0.2          |                      | 0.2             |
| (Loss) profit for the period .....                 |                  |                     |                   | (8.5)                | (8.5)        | 0.4                  | (8.1)           |
| Change in minority interest .....                  |                  |                     |                   |                      |              | 0.1                  | 0.1             |
| Equity 31 March 2009 .....                         | <u>14.9</u>      | <u>72.6</u>         | <u>14.2</u>       | <u>2.3</u>           | <u>104.0</u> | <u>1.6</u>           | <u>105.6</u>    |

# Condensed Consolidated Interim Statement of Cash Flows

## for the period 1 January to 31 March 2009

|   | Notes | Period                       |               |
|---|-------|------------------------------|---------------|
|   |       | 1 January - 31 March<br>2009 | 2008          |
| <b>Cash flow to operating activities</b>                        |       |                              |               |
| Operating profit .....  |       | 7.7                          | 16.0          |
| Depreciation and amortisation .....                             | 8, 9  | 11.0                         | 10.3          |
| Other items .....   |       | 0.5                          | (0.2)         |
| Changes in current assets and liabilities .....                 |       | (17.9)                       | (19.7)        |
| <b>Cash generated from operations pre-exceptional creditors</b> |       | <b>1.3</b>                   | <b>6.4</b>    |
| Changes in exceptional creditors .....                          |       | (5.2)                        | 0.0           |
| <b>Cash generated (to) from operations</b>                      |       | <b>(3.9)</b>                 | <b>6.4</b>    |
| Payments of interest income and interest expense .....          |       | (16.6)                       | (8.6)         |
| Payments of tax .....   |       | (0.2)                        | (2.1)         |
| <b>Cash flow (to) operating activities</b>                      |       | <b>(20.7)</b>                | <b>(4.3)</b>  |
| <b>Investing activities</b>                                     |       |                              |               |
| Property, plant and equipment .....                             | 9     | (7.3)                        | (11.7)        |
| Acquisitions, net of cash acquired .....                        |       | 0.0                          | (11.1)        |
| Shareholdings .....   |       | 0.0                          | (1.8)         |
| Financial assets .....  |       | 0.0                          | (26.4)        |
| <b>Investing activities</b>                                     |       | <b>(7.3)</b>                 | <b>(51.0)</b> |
| <b>Financing activities</b>                                     |       |                              |               |
| Bank loans .....  |       | (59.7)                       | (34.0)        |
| New borrowings .....  |       | 0.0                          | 35.0          |
| <b>Financing activities</b>                                     |       | <b>(59.7)</b>                | <b>1.0</b>    |
| <b>Net decrease in cash</b> .....                               |       | <b>(87.7)</b>                | <b>(54.3)</b> |
| <b>Effects of foreign exchange adjustments</b> .....            |       | <b>0.1</b>                   | <b>0.8</b>    |
| <b>Cash and cash equivalents at beginning of year</b> .....     |       | <b>210.7</b>                 | <b>70.4</b>   |
| <b>Cash and cash equivalents at the end of the period</b> ..... |       | <b>123.1</b>                 | <b>16.9</b>   |
| <b>Other information:</b>                                       |       |                              |               |
| Free cash deficit from operating activities .....               |       | (28.0)                       | (16.0)        |



# Notes to the Condensed Consolidated Interim Financial Statements

## 1. General information

Bakkavör Group hf. is a company incorporated and domiciled in Iceland. The Condensed Consolidated Interim Financial Statements for the first three months of 2009 comprise Bakkavör Group hf. (the parent) and its subsidiaries (together referred as the Group).

The Group prepares its Condensed Consolidated Interim Financial Statements in GBP, which is the Group's functional currency.

## 2. Significant accounting policies

The Condensed Consolidated Interim Financial Statements have been prepared in accordance with International Accounting Standard (IAS) 34, Interim Financial Reporting, as adopted by the EU.

The Condensed Consolidated Interim Financial Statements have been prepared under the historical cost basis, except for revaluation of certain properties and financial instruments.

These Condensed Consolidated Interim Financial Statements do not include all of the information required for annual Financial Statements, and should be read in conjunction with the Consolidated Financial Statements of the Group as at and for the year ended 31 December 2008.

The same accounting policies, presentation and methods of computation have been followed in these condensed financial statements as were applied in the preparation of the Group's financial statements for the year ended 31 December 2008, except for the impact of the adoption of the Standards and Interpretations described below.

### IFRS 8 Operating Segments (effective for annual periods beginning on or after 1 January 2009)

IFRS 8 is a disclosure Standard that has resulted in a redesignation of the Group's reportable segments (see note 4), but has had no impact on the reported results or financial position of the Group.

### IAS 1 (revised 2007) Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2009)

The revised Standard has introduced a number of terminology changes (including revised titles for the condensed financial statements) and has resulted in a number of changes in presentation and disclosure. However, the revised Standard has had no impact on the reported results or financial position of the Group.

## 3. Quarterly statements

|   | Q1 - 2008     | Q2 - 2008     | Q3 - 2008     | Q4 - 2008      | Q1 - 2009     |
|---|---------------|---------------|---------------|----------------|---------------|
| Net sales .....                                     | 377.3         | 425.7         | 402.8         | 412.5          | 409.8         |
| Cost of sales .....                                 | (299.0)       | (335.5)       | (312.6)       | (321.8)        | (331.3)       |
| <b>Gross profit</b> .....                           | <b>78.3</b>   | <b>90.2</b>   | <b>90.2</b>   | <b>90.7</b>    | <b>78.5</b>   |
| Operating expenses .....                            | (62.5)        | (66.1)        | (70.4)        | (85.9)         | (71.0)        |
| Restructuring costs .....                           | 0.0           | (3.1)         | (1.7)         | (37.0)         | 0.0           |
| Share of profit (loss) in associates .....          | 0.2           | (0.6)         | 0.1           | (0.4)          | 0.2           |
| <b>Operating profit (loss)</b> .....                | <b>16.0</b>   | <b>20.4</b>   | <b>18.2</b>   | <b>(32.6)</b>  | <b>7.7</b>    |
| Net finance costs .....                             | (13.6)        | (23.6)        | (12.4)        | (14.4)         | (20.2)        |
| Other gains and losses .....                        | (1.5)         | 13.9          | (9.6)         | (53.7)         | (6.9)         |
| Loss on financial asset .....                       | (15.8)        | (30.4)        | (16.3)        | (0.4)          | 0.0           |
| <b>Loss before tax</b> .....                        | <b>(14.9)</b> | <b>(19.7)</b> | <b>(20.1)</b> | <b>(101.1)</b> | <b>(19.4)</b> |
| Income tax .....                                    | 2.1           | (3.8)         | 0.5           | 2.8            | 11.3          |
| <b>Loss for the period</b> .....                    | <b>(12.8)</b> | <b>(23.5)</b> | <b>(19.6)</b> | <b>(98.3)</b>  | <b>(8.1)</b>  |
| EBITDA pre-restructuring costs .....                | 26.3          | 35.3          | 31.1          | 15.7           | 18.7          |
| EBITDA post-restructuring costs .....               | 26.3          | 32.2          | 29.4          | (3.8)          | 18.7          |
| EBITDA ratio pre-restructuring costs .....          | 7.0%          | 8.3%          | 7.7%          | 3.8%           | 4.6%          |
| EBITDA ratio post-restructuring costs .....         | 7.0%          | 7.6%          | 7.3%          | (0.9%)         | 4.6%          |
| Cash flow from (to) operating activities .....      | (4.3)         | 19.8          | 28.8          | (29.1)         | (20.7)        |
| Free cash (deficit) from operating activities ..... | (16.0)        | 3.0           | 17.7          | (38.6)         | (28.0)        |

# Notes to the Condensed Consolidated Interim Financial Statements

## 4. Business and geographical segments

The Group operates in ten countries with over 6,000 products in 18 categories. Certain parts of the business are subject to seasonal fluctuations in sales. However, the Group operates a diversified portfolio of products that minimises that effect. No individual element of seasonality is likely to be material to the result of the Group as a whole.

The Group has adopted IFRS 8 *Operating Segments* with effect from 1 January 2009. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. In contrast, the predecessor Standard (IAS 14 *Segment Reporting*) required an entity to identify two sets of segments (business and geographical), using a risks and rewards approach, with the entity's system of internal financial reporting to key management personnel serving only as the starting point for the identification of such segments. As a result, following the adoption of IFRS 8, the identification of the Group's reportable segments has changed.

In prior years, segment information reported externally was analysed on the basis of the types of the Group's sale by the categories "Hot eating", "Cold eating" and Traded Produce and Rest of the World. However, information reported to the Group's Chief Executive Officer for the purposes of resource allocation and assessment of performance is more specifically focussed on four operating divisions: UK Prepared Foods, UK Produce, Continental Europe and Rest of the World.

Principal activities are as follows:

UK Prepared Foods: The preparation and marketing of fresh prepared foods for distribution in the UK.

UK Produce: The marketing and distribution of fresh produce in the UK.

Continental Europe: The preparation and marketing of fresh prepared foods and the marketing and distribution of fresh produce in Europe.

Rest of the World: The preparation and marketing of fresh prepared foods and the marketing and distribution of fresh produce in the rest of the world.

The following table provides an analysis of the Group's segment information for the period 1.1.-31.3.2009:

|                                     | UK Prepared | UK Produce | Continental<br>Europe | Rest of world | Total  |
|-------------------------------------|-------------|------------|-----------------------|---------------|--------|
| Net sales .....                     | 285.9       | 52.8       | 56.0                  | 15.1          | 409.8  |
| Operating profit (loss).....        | 5.2         | 1.3        | 1.1                   | (0.1)         | 7.5    |
| Share of profit in associates ..... |             |            |                       |               | 0.2    |
| <b>Operating profit</b> .....       |             |            |                       |               | 7.7    |
| Net finance costs .....             |             |            |                       |               | (20.2) |
| Other gains and losses .....        |             |            |                       |               | (6.9)  |
| <b>Loss before tax</b> .....        |             |            |                       |               | (19.4) |
| Income tax .....                    |             |            |                       |               | 11.3   |
| <b>Loss for the period</b> .....    |             |            |                       |               | (8.1)  |

The following table provides an analysis of the Group's segment information for the period 1.1.-31.3.2008:

|                                      | UK Prepared | UK Produce | Continental<br>Europe | Rest of world | Total  |
|--------------------------------------|-------------|------------|-----------------------|---------------|--------|
| Net sales .....                      | 280.9       | 52.6       | 37.3                  | 6.5           | 377.3  |
| Operating profit (loss) .....        | 13.5        | 2.0        | 0.3                   | 0.0           | 15.8   |
| Share of profit in associates .....  |             |            |                       |               | 0.2    |
| <b>Operating profit</b> .....        |             |            |                       |               | 16.0   |
| Net finance costs .....              |             |            |                       |               | (13.6) |
| Other gains and losses .....         |             |            |                       |               | (1.5)  |
| Loss on other financial assets ..... |             |            |                       |               | (15.8) |
| <b>Loss before tax</b> .....         |             |            |                       |               | (14.9) |
| Income tax .....                     |             |            |                       |               | 2.1    |
| <b>Loss for the period</b> .....     |             |            |                       |               | (12.8) |

# Notes to the Condensed Consolidated Interim Financial Statements

The following table provides an analysis of the Group's assets by operating segment:

|                                    | 31.3. 2009     | 31.12. 2008    |
|------------------------------------|----------------|----------------|
| UK Prepared .....                  | 1,140.1        | 1,213.3        |
| UK Produce .....                   | 60.2           | 47.8           |
| Continental Europe .....           | 192.8          | 170.5          |
| Rest of the World .....            | 78.6           | 65.3           |
| Unallocated corporate assets ..... | 191.7          | 258.9          |
|                                    | <u>1,663.4</u> | <u>1,755.8</u> |

## 5. Net finance costs

|                         | 31.3. 2009    | 31.03.2008    |
|-------------------------|---------------|---------------|
| Interest income .....   | 0.7           | 1.5           |
| Interest expenses ..... | (20.9)        | (15.1)        |
|                         | <u>(20.2)</u> | <u>(13.6)</u> |

## 6. Other gains and losses and loss on other financial assets

|  | 31.3. 2009   | 31.03.2008    |
|--|--------------|---------------|
| Decrease in derivative financial instruments ..... | (7.3)        | (1.8)         |
| Exchange rate adjustments .....                    | 0.4          | 0.3           |
| Loss on other financial assets .....               | 0.0          | (15.8)        |
|  | <u>(6.9)</u> | <u>(17.3)</u> |

## 7. Loss per share

The calculation of loss per share is based on the following data:

|   | 31.3. 2009 | 31.03.2008 |
|---|------------|------------|
| Net loss for the 3 months ended 31 March attributable to shareholders .....     | (8.5)      | (13.0)     |
| Total average number of shares outstanding during the period (in million) ..... | 2,148      | 2,148      |
| Loss per share (GBP pence) .....  | (0.40)     | (0.61)     |

## 8. Goodwill and other intangible assets

|  | Goodwill     | Other intangibles | Total        |
|--|--------------|-------------------|--------------|
| Cost at 1 January 2009 .....                     | 846.6        | 4.4               | 851.0        |
| Exchange rate difference during the period ..... | (1.0)        | 0.0               | (1.0)        |
| Amortisation during the period .....             | 0.0          | (0.2)             | (0.2)        |
| At 31 March 2009 .....                           | <u>845.6</u> | <u>4.2</u>        | <u>849.8</u> |
| Carrying amount:                                 |              |                   |              |
| At 31 March 2009 .....                           | <u>845.6</u> | <u>4.2</u>        | <u>849.8</u> |

Other intangibles includes customer contracts, patents and trademarks.

# Notes to the Condensed Consolidated Interim Financial Statements

## 9. Property, plant and equipment

|  | 31.3. 2009 | 31.03.2008 |
|--|------------|------------|
| Additions, disposals and exchange difference during the period .....                                     | 5.8        | 14.4       |
| Depreciated, included in Cost of sales in the Condensed Consolidated Interim Income statement .....      | (8.1)      | (6.3)      |
| Depreciated, included in Operating expenses in the Condensed Consolidated Interim Income statement ..... | (2.7)      | (3.7)      |

## 10. Interest in associates

Associates at 31 March 2009:

|                                   | Place of registration<br>and operation | Interest | Principal activity                                |
|-----------------------------------|--|----------|---|
| Bakkavor QV Ltd. ....             | United Kingdom                         | 55.0%    | Marketing of fresh produce                        |
| Tropical Fresh Alimentos SA ..... | Brazil                                 | 45.0%    | Preparation and marketing of fresh prepared foods |
| Fram Foods hf. ....               | Iceland                                | 30.5%    | Manufactures consumer packaged seafood            |
| Interfruit (pty) Ltd. ....        | South Africa                           | 30.0%    | Preparation and marketing of fresh prepared foods |
| Gastro Primo Ltd. ....            | Hong Kong                              | 48.0%    | Food and beverage supplier                        |
| La Rose Noire Ltd. ....           | Hong Kong                              | 45.0%    | Preparation and marketing of pastry products      |

## 11. Inventories

|                                  | 31.3. 2009  | 31.12. 2008 |
|----------------------------------|-------------|-------------|
| Raw material and packaging ..... | 40.4        | 46.0        |
| Work in progress .....           | 2.8         | 5.7         |
| Finished goods .....             | 7.9         | 5.8         |
|                                  | <u>51.1</u> | <u>57.5</u> |

## 12. Other financial assets

### Trade and other receivables:

|  | 31.3. 2009   | 31.12. 2008  |
|--|--------------|--------------|
| Nominal value of trade receivables ..... | 191.5        | 199.6        |
| Allowance for doubtful accounts .....    | (2.1)        | (2.5)        |
| Pension asset .....                      | 0.0          | 0.4          |
| Derivative financial instruments .....   | 1.9          | 5.7          |
| Other current receivables .....          | 79.0         | 59.3         |
|  | <u>270.3</u> | <u>262.5</u> |

### Cash and cash equivalents:

Cash and cash equivalents comprise cash and short-term deposits. The carrying amount of these assets approximate their fair value.

## 13. Share capital

Share capital is registered in Icelandic króna (ISK) and is 2,157,888,219 ISK as required by the articles of association. At the end of the period, the Group's own shares amounted to 9,836,000 ISK.

Total share capital at the end of the period according to the financial statements was GBP 14.9 million, as follows:

|                           | 31.3. 2009  | 31.12. 2008 |
|---------------------------|-------------|-------------|
| Total share capital ..... | 15.0        | 15.0        |
| Own shares .....          | (0.1)       | (0.1)       |
|                           | <u>14.9</u> | <u>14.9</u> |

Changes in share capital are as follows:

|  |             |             |
|--|-------------|-------------|
| Share capital at the beginning of the period ..... | 14.9        | 14.9        |
| Changes during the period .....                    | 0.0         | 0.0         |
| Share capital at the end of the period .....       | <u>14.9</u> | <u>14.9</u> |

# Notes to the Condensed Consolidated Interim Financial Statements

## 14.Dividends

The Board of Directors will recommend at the Group's Annual General Meeting on 20 May that no dividend will be paid out in the year 2009.

Dividends paid on 15 April 2008 were 55% of nominal share value to shareholders, which corresponds to ISK 0.55 per share.

## 15.Non-current borrowings

|  | 31.12. 2009  | 31.12. 2008  |
|--|--------------|--------------|
| Borrowings in GBP .....                      | 973.7        | 1,019.3      |
| Borrowings in USD .....                      | 56.7         | 54.7         |
| Borrowings in EUR .....                      | 74.8         | 81.0         |
| Borrowings in NOK .....                      | 5.5          | 5.1          |
| Borrowings in other currencies .....         | 0.6          | 1.4          |
| Less: borrowings due in less than year ..... | (182.6)      | (364.8)      |
|  | <u>928.7</u> | <u>796.7</u> |

## 16.Derivative financial instruments

The Group utilises currency derivatives, mainly forward exchange contracts and currency options, to hedge significant future transactions and cash flows. At the balance sheet date, the total notional amount of outstanding forward exchange contracts to which the Group is committed amounts to GBP 15.3 million.

The Group uses interest rate swaps, swaptions and collars to manage its exposures to interest rate movements on its bank borrowings. At the balance sheet date, the total notional amount of outstanding interest rate swaps amounts to GBP 449.7 million.

## 17.Other current liabilities

|  | 31.3. 2009   | 31.12. 2008  |
|--|--------------|--------------|
| Accounts payables .....                | 165.4        | 197.1        |
| Current tax payables .....             | 14.8         | 21.1         |
| Provisions .....                       | 17.1         | 17.1         |
| Pension deficit .....                  | 5.1          | 0.0          |
| Derivative financial instruments ..... | 38.8         | 35.3         |
| Other current liabilities .....        | 167.8        | 167.1        |
|  | <u>409.0</u> | <u>437.7</u> |

## 18.Mortgages and commitments

### Operating lease commitments

The future minimum lease payments under non cancellable operating leases are as follows:

|  | 31.3. 2009   | 31.12. 2008  |
|--|--------------|--------------|
| Not later than 1 year .....                        | 13.0         | 13.1         |
| Later than 1 year and not later than 5 years ..... | 29.1         | 26.3         |
| Later than 5 years .....                           | 62.3         | 66.5         |
|  | <u>104.4</u> | <u>105.9</u> |

### Capital commitments

Capital expenditure contracted for, but not provided for in these accounts, amounted to GBP 6.4 million.

### Purchase commitments

The Group has purchase commitments for the next 12 months to guarantee supply and price in the amount of GBP 23.1 million.

# Notes to the Condensed Consolidated Interim Financial Statements

## 19. Contingent liabilities

There are a number of legal claims or potential claims against the Group, the outcome of which cannot at present be foreseen. Provision has been made for all liabilities which are expected to materialise.

At 31 March the Group has granted its subsidiaries and associates guarantees amounting to GBP 110.4 million.

## 20. Acquisitions

The following table sets out the book values of the identifiable assets and liabilities acquired in the last twelve months and their fair value to the Group:

|   | Acquisitions         |
|---|----------------------|
| Tangible assets .....   | 9.2                  |
| Inventories .....   | 4.3                  |
| Debtors .....   | 8.4                  |
| Cash .....  | 3.4                  |
| Total assets .....  | <u>25.3</u>          |
| Bank loans .....  | (8.9)                |
| Taxation .....  | 0.1                  |
| Other creditors .....   | (13.8)               |
| Total liabilities .....   | <u>(22.6)</u>        |
| Net assets .....  | 2.7                  |
| Minority interests .....  | (0.5)                |
| Goodwill .....  | 38.1                 |
| Other intangible assets .....   | 0.4                  |
|   | <u><u>40.7</u></u>   |
| Satisfied by:   |                      |
| Direct costs relating to acquisition .....  | 1.0                  |
| Cash consideration .....  | 38.4                 |
|   | <u><u>39.4</u></u>   |
| Net cash outflows and deferred payments in respect of the acquisition comprises of: |                      |
| Cash consideration .....  | (39.4)               |
| Cash at bank and in hand acquired .....   | 3.1                  |
| Deferred payments .....   | 1.3                  |
|   | <u><u>(35.0)</u></u> |

In accordance with the relevant IFRS standard, the Group has carried out an assessment of the fair value of the assets and liabilities of each of the businesses and companies acquired in the last twelve months. This assessment has established the fair values of the tangible assets as well as the intangible assets and inventories. The difference between the sum of the fair values less liabilities and the purchase price paid is accounted as goodwill at the time of acquisition, and is subject to an annual impairment test. The assessments have been carried out with the assistance of outside experts.

As permitted by IFRS 3 *Business combinations* the assessment of the fair value of the net assets is provisional up to one year from the date of acquisition.

All acquisition have been accounted for by applying the purchase method.

# Notes to the Condensed Consolidated Interim Financial Statements

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## 21.Events after the Balance Sheet date

In May the Group disposed of it's 30% share in Interfruit (pty) Ltd. and it's 45% share in Tropical Fresh Alimentos SA.

The Group was unable to repay the bonds listed on NASDAQ OMX Iceland in 2003 (BAKK 03 1) on the 15 May when they fell due. Constructive discussions with key bondholders are on-going in relation to securing extensions.

## 22.Approval of the Condensed Consolidated Interim Financial Statements

The Condensed Consolidated Interim Financial Statements were approved by the Board of Directors and authorised for issue on 20 May 2009.