

**Consolidation Group Annual Report**  
Translation of the Estonian original

**PUBLIC LIMITED COMPANY**  
**SAAREMERE KALA**

Beginning of financial year:	1 July 2007
End of financial year:	30 June 2008
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Main activities:	fish farming, production and sale of fishery products



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## CONSOLIDATED MANAGEMENT REPORT

The international fishery group Saaremere Kala AS was founded at the end of 2006, it owns fish farms in Finland and Sweden, contemporary production facilities in Saaremaa and Finland and sales networks in Estonia, Latvia and Finland. The best-known brands of the Group in Estonia are Gurme and Meriline and in Finland Heimon Kala and Saarisomerén Kala. The companies that belong to the Group are OÜ Vettel and OÜ GourmetHouse in Estonia, Saarisomerén Kala Oy and Heimon Kala Oy in Finland, Överumans Fisk Ab and Skärgårdshavets Fish Ab in Sweden. The product portfolio of the Group includes fillets, cold smoked and hot smoked products, cured and salted fish, breaded fish products and caviar. The caviar comes from our own fish farms. The farmed fish are rainbow trout, white fish and also more rare trout-like fishes such as golden trout and brown trout.

Saaremere Kala AS is owned by international investment fund Amber Trust S.C.A, its associated funds and the management of the company.

The net turnover of Saaremere Kala AS during the period 01.07.2007-30.06.2008 was EEK 472.5m and the net profit was EEK 7.2m.

### Market overview

#### Finnish market

The primary raw material for Finnish fish processing companies is salmon imported from Norway and Denmark (40% of the total volume of the market) and raw material from local fish farms and fishing. 63% of the local raw material comes from fish farms, 28% comes from sea fishing and 9% from freshwater fishing.

The main emphasis of our fish farms is on farming and development of trout-like fishes and white fish.

**Saarisomerén Kala Oy** (enterprise belonging to the Group) principal activities are fish farming and processing. Fish processing takes place in Uusikaupunki, fish and fry are farmed in 5 different regions in Finland. The company owns two fish farms in Sweden. Fish farms are subsidiaries of Saarisomerén Kala Oy and the total volume of annual farming licence is approximately 2,600 tons (respectively ~1,500 tons in Sweden and ~1,100 tons in Finland). The average number of employees during the financial year was 63.

**Heimon Kala Oy** (second enterprise belonging to the Group) principal activities are fish processing and marketing. The company markets and supplies for all the Finnish retail organisations in the total production volume of the companies belonging to the Group. The company is based in Central Finland in Hämeenlinna. The average number of employees during the financial year was 43.

#### Estonian market

Local species of fish from the Baltic Sea like Baltic herring and sprat provide the essential raw material for the Estonian fish processing companies and the filleting companies use freshwater fish such as perch, perch pike and salmon. The canning production continues to be oriented to the CIS and Central and Eastern European markets, the rest of the products to the western markets. The ready-to-eat products are marketed both to the East and West. The production of ready-to-eat products is primarily based on imported raw materials.

**Vettel OÜ** export volume during the financial year 2007-2008 was EEK 120m (1,6 thousand tons) and import volume was EEK 147m (2.8 thousand tons). Compared with the Nordic countries, the share of fishery products in food intake is considerably smaller in Estonia. In Western Europe the share of fish in household food expenditure varies greatly from 2.5% in Austria to 15.6% in Portugal. Most fish is consumed in Portugal (63 kg/pp), Iceland (46 kg/pp), Spain (41 kg/pp) and Norway (37 kg/pp). In Estonia the respective figure is 15 kg per person (607 EEK/pp). According to the survey ordered by the Estonian Association of Fishery household expenditure on fishery products increased by ca 4% in 2005, which is similar to the growth on the Finnish market. This trend is expected to continue in the coming years as



the household income and increase in consumer numbers continues to grow. Pursuant to the survey of the Estonian Association of Fishery the consumers are most interested in chilled fish and fishery products, salted and smoked fishery products, this applies for red fish (trout and salmon) and freshwater fish.

**Events of the financial year**

In October 2006 new company Saaremere Kala AS was founded and through a share swap in January 2007 it acquired 100% shareholding in Vettel OÜ and Saaristomeren Kala Oy.

The management board of the Saaremere Kala AS Group has three members: the chairman of the board and two members of the board (manager of Vettel OÜ and manager of Heimon Kala Oy).

During the accounting period a total of EEK 24.7m was invested into fixed assets. The major investments were renewing and modernising production equipment, obtaining fish farming and feeding stuffs equipment and building the water supply and treatment facility.

The Group still has many unrealised opportunities to make it more efficient, primarily internal reorganisation measures that would enable to enhance the strengths and eliminate the weaknesses of undertakings. By now the first stage of reorganisation is completed, which has resulted in stabilised mark-ups and production volume growth, which has led the Group to starting the new financial year with a more stable net margin. The acquisition of GourmetHouse, a new subsidiary in Estonia has remarkably improved the market position of the Group in Estonia.

The average number of employees in the Group during the financial year was 192. The personnel expenses during the accounting period amounted to EEK 78.3m.

In 2007-2008 the members of the management board and supervisory board received fees in the amount of EEK 7,8m.

**Subsidiaries**

As of 30.06.08 the following subsidiaries belonged to Saaremere Kala AS:

Saaristomeren Kala Oy - registered in Finland - holding 100% - fish farming, manufacturing and sale of fishery products.

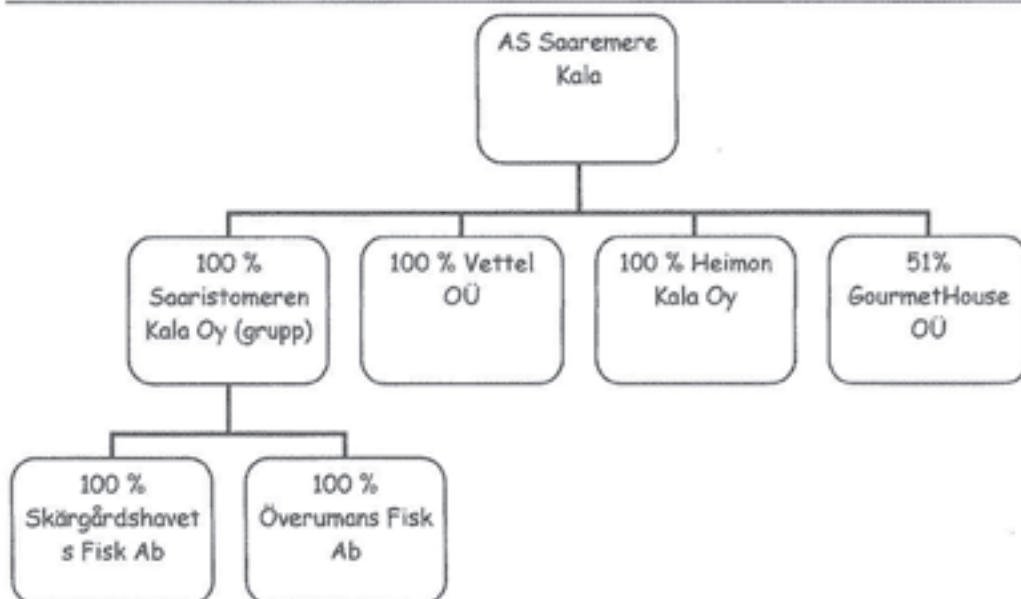
Skärgårdshavets Fisk Ab - registered in Sweden - holding 100% - fish farming and sales.

Överumans Fisk Ab - registered in Sweden - holding 100% - fish farming and sales.

Vettel OÜ - registered in Estonia - holding 100% - manufacturing and sale of fishery products.

Heimon Kala OY - registered in Finland - holding 100% - manufacturing and sale of fishery products.

GourmetHouse OÜ - registered in Estonia - holding 51% - sale of fishery products.



#### Financial ratios

		2007/2008	2006/2007
liquidity ratio	$[(\text{current assets} - \text{inventory}) / (\text{current liabilities} - \text{liabilities to owners})]$	0.34	0.66
current ratio	$[\text{current assets} / (\text{current liabilities} - \text{liabilities to owners})]$	1.05	1.74
EBITDA margin	$[(\text{operating profit} + \text{depreciation cost}) / \text{net sales}]$	6.12%	8.35%
net margin	$[\text{net profit} / \text{net sales}]$	1.53%	1.38%

#### Future trends

The principal goal for financial year 2008/09 is to further integrate the activities of Vettel OÜ, Heimon Kala OY, Saaristomeren Kala OY and GourmetHouse OÜ in the Saaremere Kala Group. The enterprises in the Saaremere Kala Group have joined forces to achieve control over the entire supply chain, from fish farming to marketing. It is now vital to gradually implement the synergies arising from it and to boost the strengths of enterprises. The investment plan for 2008/09 includes the completion of the already started production expansion in Saaremaa in Vettel OÜ and the completion of fish farming expansion in Sweden. Turnover forecast for the next financial year is EEK 500m.

The management board of the company proposes to refer the profit for the financial year to retained earnings. Pursuant to the long-term development plans, the company does not foresee any payments of dividends to its owners prior to 2009.

Aivo Varem  
Chairman of the management board

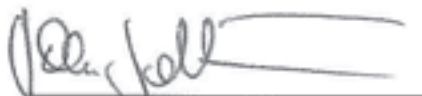
*CONSOLIDATED ANNUAL ACCOUNTS*DECLARATION OF THE MANAGEMENT BOARD JUHATUSE KINNITUS  
KONSOLIDEERIMISGRUPI RAAMATUPIDAMISE AASTAARUANDELE

We hereby declare our responsibility for composing the consolidated annual accounts on pages 6 - 43 and confirm that:

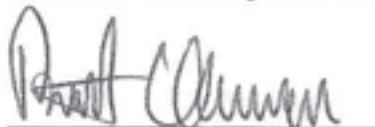
1. the accounting policies followed in the drawing up of the consolidated annual accounts are in conformity with the international financial reporting standards;
2. the consolidated annual financial statement reflects a true and fair financial situation, results and cash-flow of the Group;
3. the Group and parent company continue to be operating.



Aivo Vareem  
Chairman of the management board



Pekka Pentti Olavi Lahtinen  
Member of the management board



Petri August Oksanen  
Member of the management board

15 December 2008

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**ERNST & YOUNG**

*19.12.2008 PV*

## CONSOLIDATED BALANCE SHEET

in thousands of kroons

	30.06.2008	30.06.2007	Note
Cash and bank	6 681	16 287	2
Short-term financial investments	0	179	3
Receivables	55 259	50 928	4
Prepayments	5 745	4 339	4
Non-current assets held for sale	284	284	6
Biological assets	74 904	78 874	7
Inventories	51 971	40 741	7
<b>Total current assets</b>	<b>194 843</b>	<b>191 632</b>	
Long-term financial investments	1 482	1 409	8
Investment in joint enterprise	0	792	10
Deferred tax assets	5 541	991	11
Property, plant and equipment	120 555	122 205	12
Intangible assets	95 148	92 697	13
<b>Total non-current assets</b>	<b>222 725</b>	<b>218 094</b>	
<b>TOTAL ASSETS</b>	<b>417 569</b>	<b>409 725</b>	
Borrowings	117 766	56 177	15
Payables and prepayments	63 409	50 273	18
Government grants	4 470	3 967	19
<b>Total current liabilities</b>	<b>185 645</b>	<b>110 417</b>	
Long-term borrowings	48 603	120 230	15
Deferred tax liability	11 087	13 689	16
Government grants	27 880	28 134	19
<b>Total non-current liabilities</b>	<b>87 570</b>	<b>162 053</b>	
<b>Total liabilities</b>	<b>273 215</b>	<b>272 470</b>	
Minority interests	2 143	0	
Share capital	6 612	6 612	20
Share premium	127 921	127 921	
Mandatory legal reserve	139	0	
Unrealised currency exchange rate differences	-1 275	-60	
Retained earnings	8 813	2 781	
<b>Total owner's equity</b>	<b>142 211</b>	<b>137 255</b>	
<b>Total equity</b>	<b>144 354</b>	<b>137 255</b>	
<b>TOTAL LIABILITIES AND OWNER'S EQUITY</b>	<b>417 569</b>	<b>409 725</b>	



## CONSOLIDATED INCOME STATEMENT

in thousands of kroons

	01.07.07 - 30.06.08	24.10.06 - 30.06.07	Note
Revenue	472 531	202 040	21
Cost of sales	-396 400	-168 813	22
<b>Gross profit</b>	<b>76 131</b>	<b>33 227</b>	
Marketing expenses	-41 794	-20 735	22
Administrative and general expenses	-28 246	-13 605	22
Other income	11 704	4 637	22
Profit/loss from increase in the value of biological assets	-2 277	13 228	22
Other expenses	-3 242	-1 707	22
<b>Operating profit</b>	<b>12 276</b>	<b>15 045</b>	
Financial income	4 706	254	23
Financial expenses	-14 279	-7 146	23
<b>Profit before tax</b>	<b>2 702</b>	<b>8 153</b>	
Income tax	4 529	-5 372	24
<b>Net profit for the financial year</b>	<b>7 231</b>	<b>2 781</b>	
net profit attributable to the shareholders of the Parent	6 171	2 781	
net profit attributable to minority interest	1 061	-	

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## CONSOLIDATED CASH FLOW STATEMENT

in thousands of kroons

	01.07.2007- 30.06.2008	24.10.2006- 30.06.2007	Note
<b>Cash flow from operating activities</b>			
Operating profit	12 276	15 045	
Adjustments to operating profit	7 235	5 366	
Depreciation and impairment of non-current assets	17 249	7 884	12, 13
Profit from disposals of property, plant and equipment	-3 947	79	22
Government grants	-6 254	-2 191	22
Allowance of receivables and prepayments	104	-369	22
Foreign exchange losses	83	-37	22
Change in receivables and prepayments related to operating activities	14 403	18 722	
Change in receivables	15 809	21 626	
Change in prepayments	-1 406	-2 904	
Change in inventory	-9 604	-6 067	
Change in biological assets	4 705	-13 228	22
Change in liabilities and prepayments related to operating activities	8 433	-66 583	
Income tax paid	-2 107	-1 693	24
<b>Total cash flow from operating activities</b>	<b>35 341</b>	<b>-48 438</b>	
<b>Cash flow from investing activities</b>			
Purchase of property, plant and equipment, and intangible fixed assets	-26 393	-4 174	9, 12, 13
Sale of property, plant and equipment, and intangible fixed assets	7 922	246	
Net cash flow from purchase of subsidiaries	-3 377	11 763	9
Net cash flow from sale of subsidiaries	977	0	9
Acquisition of other financial assets	-73	-179	3, 8
Sale of other financial assets	1 040	1 174	10
Interest received	785	254	23
<b>Total cash flow from investing activities</b>	<b>-19 119</b>	<b>9 084</b>	
<b>Cash flow from financing activities</b>			
Loans received, bonds issued	40 450	120 994	
Repayments of loan received	-41 299	-39 518	
Change in factoring liability	-7 249	-2 678	
Government grant received	1 236	1 505	19
Repayment of financial lease principal	-2 422	-1 203	14
Interest paid	-15 328	-4 187	23
Issue of shares	0	23 046	20
Repurchase of treasury shares of subsidiary	0	-42 658	
<b>Total cash flow from financing activities</b>	<b>-24 613</b>	<b>55 301</b>	
<b>Total cash flow</b>	<b>-8 391</b>	<b>15 947</b>	
Cash and cash equivalents at beginning of the period	16 287	400	2
Unrealised currency exchange rate differences	-1 215	-60	
<b>Change in cash and cash equivalents</b>	<b>-8 391</b>	<b>15 947</b>	
<b>Cash and cash equivalents at end of the period</b>	<b>6 681</b>	<b>16 287</b>	<b>2</b>

The balance of cash and cash equivalents in the cash flow statement equals to the balance of cash and bank accounts in the balance sheet.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in thousands of kroons

	<i>Attributable to equity holders of the Parent</i>					
	Share capital	Share premium	Mandatory legal reserve	Unrealised currency exchange rate differences	Retained earnings	Total equity
<b>As of 24.10.2006</b>	400	0	0	0	0	400
Share issue	6 212	127 921	0	0	0	134 134
Change in unrealised currency exchange rate differences	0	0	0	-60	0	-60
Net profit for the financial year	0	0	0	0	2 781	2 781
<b>As of 30.06.2007</b>	6 612	127 921	0	-60	2 781 137 255	137 255
Constitution of legal reserve	0	0	139	0	-139	0
Minority shareholding due to business combination (Note 9)	0	0	0	0	0	1 082
Change in unrealised currency exchange rate differences	0	0	0	-1 215	0	-1 215
Net profit for the financial year	0	0	0	0	6 171	1061
<b>As of 30.06.2008</b>	6 612	127 921	139	-1 275	8 813 142 211	2 143 144 354

Additional information on owner's equity has been disclosed in Note 20.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## Note 1 General information and the basis of preparation

## A. General information

AS Saaremere Kala was established on 24 October 2006 and thus all the consolidated financial statements regarding the previous financial year reflect the period from 24 October 2006 to 30 June 2007.

The main fields of activity of the Saaremere Kala Group are fish farming, fish processing and sales.

AS Saaremere Kala is a holding company registered in Republic of Estonia and its subsidiaries are involved in fish farming, fish processing and sales.

According to the Estonian Commercial Code, the General Shareholders' Meeting authorizes the annual report prepared by the Management Board and approved by the Supervisory Board. The current consolidated financial statements form a part of the annual report to be approved by the shareholders and the basis of the profit allocation decision. The shareholders hold the power not to approve the annual report prepared by the Management Board and approved by the Supervisory Board and the right to request a new annual report to be prepared.

The 2007-2008 consolidated financial statements of AS Saaremere Kala include the financial performance of the following enterprises: Vettel OÜ, GourmetHouse OÜ, Heimon Kala Oy and Saaristomeren Kala Oy Group (consolidated together with subsidiaries).

## B. Basis of preparation

AS Saaremere Kala (hereinafter also "parent company") and its subsidiaries (hereinafter together "Group") consolidated financial statements have been prepared on the historical cost basis, except for in cases that are described in the following accounting principles otherwise (e.g. certain financial investments and biological assets are recorded in their fair value).

The consolidated financial reports are prepared in thousands of Estonian kroons, unless noted otherwise.

Pursuant to the Accounting Act of the Republic of Estonia, the unconsolidated financial statements (i.e. balance sheet, income statement, cash flow statement and statement of changes in equity) of the parent company are presented in the notes of the consolidated financial statements. The unconsolidated financial statements of AS Saaremere Kala are presented in Note 30. The financial statements are prepared using the same accounting principles and estimation bases as for the consolidated financial statements, except for investments in subsidiaries.

## Statement of compliance

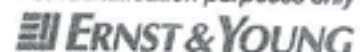
The consolidated financial statements of AS Saaremere Kala and its subsidiaries are prepared in accordance with the International Financial Reporting Standard (IFRS).

The main accounting principles and basis of estimations have been laid out below.

## C. Basis of consolidation

The consolidated financial statements comprise the financial indicators of AS Saaremere Kala and its subsidiaries, consolidated on a line-by-line basis. The subsidiaries are consolidated from the date on

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which significant influence is transferred to the Group and cease to be consolidated from the date on which the significant influence is transferred out of the group.

Subsidiaries are companies controlled by the parent company. Control is presumed to exist if the parent company owns, either directly or indirectly, over 50% of the voting shares or share capital of the subsidiary, or if the parent company controls the subsidiary's financial or operating policies under a contract or agreement, or if the parent company has the right to appoint or remove a majority of the members of the management board or higher management of the subsidiary.

The accounting principles applied by subsidiaries in the preparation of the financial statements are, to a material extent, the same principles as those applied by the parent company. All intra-group transactions, receivables and liabilities, including unrealised profits and losses arising from intercompany transactions, have been fully eliminated. Unrealised losses are not eliminated, if these losses essentially represent a decrease in the value of assets.

Minority shareholding, which is the part of profit or loss and net assets of a subsidiary that does not belong to the Group, is reflected as a separate entry in the income statement and on the balance sheet (as part of owner's equity).

New subsidiaries (business combinations) are recognised in the consolidated financial statements based on the purchase method.

The acquisition cost of business combinations, accounted for by using the purchase method, is allocated to the fair values of assets, liabilities and contingent liabilities on the acquisition date. The portion of the acquisition cost which exceeds the fair value of the acquired assets, liabilities and contingent liabilities is recognised as goodwill (see accounting principle "Goodwill"). If the fair value exceeds the cost, the difference will immediately be fully charged to the income of the period (under "Administrative and general expenses" in the income statement).

The acquisition of minority shareholding is reflected so that the difference between acquisition cost and the book value of the acquired minority shareholding is reflected directly under owner's equity belonging to the parent company.

#### D. Changes in accounting principles and presentation

The consolidated financial statements are prepared based on the principle of consistency and comparability. This means that the same accounting policies and presentation formats are used by the group on an on-going basis in preparation of financial statements. Changes will be introduced to the accounting principles and presentation formats only if so conditioned by the new or revised IFRS and its interpretations, or if the new accounting principles and/or presentation formats give a more objective overview of the financial position and economic results of the group and the parent company, as well as their cash flows.

##### Changes in accounting principles and presentation

The accounting principles and presentation used to draw up the current financial statements follow the principles applied last financial year. In addition, the following new/revised standards have been adopted, which had no material effect on the financial statements:

IFRS 7 Financial Instruments: Disclosures; IFRS 7 requires disclosures that enable users to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments;

IAS 1 Presentation of Financial Statements. This amendment requires the Group to make new disclosures to enable users of the financial statements to evaluate the Group's objectives, policies and processes of managing capital;

IFRIC 10 Interim Financial Reporting and Impairment. This interpretation establishes that an entity must not reverse an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost;

IFRIC 11 IFRS 2 - Group and Treasury Share Transactions. This interpretation requires arrangements whereby an employee is granted rights to an entity's equity instruments to be accounted for as an equity-settled scheme, even if the entity buys the instruments from another party, or the shareholders provide the equity instruments needed. The Group has not issued instruments caught by this interpretation.

#### The new IFRS standards and interpretations

In the opinion of the group's management board, the following new or revised standards and interpretations, which have been passed by the date of preparation of this annual report but have not yet entered into force and been applied by the group, have no effect on the assets and liabilities of the group as of 30 June 2008. The requirements of these standards and interpretations shall be followed from the moment of their entry into force:

- IAS 23 Borrowing costs (revised). The revised IAS 23 requires capitalisation of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. The revised IAS 23 will be effective for financial years beginning on or after 1 January 2009 and is expected to have an impact on the financial statements of the Group;
- IFRS 8 Operating segments. IFRS 8 was issued in November 2006 and is effective for financial years beginning on or after 1 January 2009. IFRS 8 requires entities to disclose segment information based on the information reviewed by the entity's chief operating decision maker. The Group has determined that the operating segments disclosed in IFRS 8 will be the same as the business segments disclosed under IAS 14. The impact of this standard on the other segment disclosures is still to be determined. As this is a disclosure standard, it will have no impact on the financial position or financial performance of the Group when implemented in 2009;
- IFRIC 12 Service Concession Agreements. The interpretation addresses how service concession operators should apply existing International Financial Reporting Standards (IFRS) to account for the obligations they undertake and rights they receive in service concession arrangements. Effective for annual periods beginning on or after 1 January 2008.
- IFRIC 13 Customer Loyalty Programmes. IFRIC Interpretation 13 becomes effective for annual periods beginning on or after 1 July 2008. This Interpretation requires customer loyalty award credits to be accounted for as a separate component of the sales transaction in which they are granted and therefore part of the fair value of the consideration received is allocated to the award credits and deferred over the period that the award credits are fulfilled. The Group expects that this interpretation will have no impact on the Group's financial statements as the Group does not use such schemes.
- IFRIC 14 IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction. IFRIC Interpretation 14 becomes effective for annual periods beginning on or after 1 January 2008. This Interpretation provides guidance on how to assess the limit on the amount of surplus in a defined benefit scheme that can be recognised as an asset under IAS 19 Employee Benefits. The Group expects that this Interpretation will have no impact on the financial position or performance of the Group, because the Group does not use such compensation schemes.



- IFRIC 15 Agreement for the Construction of Real Estate. IFRIC 15 becomes effective for financial years beginning on or after 1 January 2009. The interpretation is to be applied retrospectively. It clarifies when and how revenue and related expenses from the sale of a real estate unit should be recognised if an agreement between a developer and a buyer is reached before the construction of the real estate is completed. Furthermore, the interpretation provides guidance on how to determine whether an agreement is within the scope of IAS 11 or IAS 18.
- IFRIC 16 Hedges of a Net Investment in a Foreign Operation. IFRIC 16 becomes effective for financial years beginning on or after 1 October 2008. The interpretation is to be applied prospectively. IFRIC 16 provides guidance on the accounting for a hedge of a net investment. As such it provides guidance on identifying the foreign currency risks that qualify for hedge accounting in the hedge of a net investment, where within the group the hedging instruments can be held in the hedge of a net investment and how an entity should determine the amount of foreign currency gain or loss, relating to both the net investment and the hedging instrument, to be recycled on disposal of the net investment.
- IFRS 1 First-time Adoption of International Financial Reporting Standards and IAS 27 Consolidated and Separate Financial Statements. The amendments to IFRS 1 allows an entity to determine the 'cost' of investments in subsidiaries, jointly controlled entities or associates in its opening IFRS financial statements in accordance with IAS 27 or using a deemed cost. The amendment to IAS 27 requires all dividends from a subsidiary, jointly controlled entity or associate to be recognised in the income statement in the separate financial statement. Both revisions will be effective for financial years beginning on or after 1 January 2009. The revision to IAS 27 will have to be applied prospectively. The new requirements affect only the parent's separate financial statement and do not have an impact on the consolidated financial statements.
- IFRS 3R Business Combinations and IAS 27R Consolidated and Separate Financial Statements. The revised standards become effective for financial years beginning on or after 1 July 2009. IFRS 3R introduces a number of changes in the accounting for business combinations occurring after this date that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. IAS 27R requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as an equity transaction. Therefore, such transactions will no longer give rise to goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Other consequential amendments were made to IAS 7 Statement of Cash Flows, IAS 12 Income Taxes, IAS 21 The Effects of Changes in Foreign Exchange Rates, IAS 28 Investment in Associates and IAS 31 Interests in Joint Ventures. The changes by IFRS 3R and IAS 27R will affect future acquisitions or loss of control and transactions with minority interests.
- IAS 1 Revised Presentation of Financial Statements. The revised Standard becomes effective for financial years beginning on or after 1 January 2009. The Standard separates owner and non-owner changes in equity. The statement of changes in equity will include only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, the Standard introduces the statement of comprehensive income: it presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Group is yet to decide whether to present one or two statements.
- IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation. These amendments to IAS 32 and IAS 1 become effective for financial years beginning on or after 1 January 2009. The revisions provide a limited scope exception for puttable instruments to be classified as equity if

- they fulfil a number of specified features. The amendments to the standards will have no impact on the financial position or performance of the Group, as the Group has not issued such instruments.
- IAS 39 Financial Instruments: Recognition and Measurement - Eligible Hedged Items. These amendments to IAS 39 become effective for financial years beginning on or after 1 July 2009. The amendment addresses the designation of a one-sided risk in a hedged item, and the designation of inflation as a hedged risk or portion in particular situations. It clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as hedged item. The Group has concluded that the amendment will have no impact on the financial position or performance of the Group, as the Group has not entered into any such hedges.
  - IFRS 2 Share-Based Payment (Amendments). The IASB issued an amendment to IFRS 2 in January 2008 that clarifies the definition of a vesting condition and prescribes the treatment for an award that is cancelled. This amendment will be effective for financial years beginning on or after 1 January 2009.

Improvements to IFRSs. In May 2008, IASB issued its first omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The following standards have been amended:

IAS 1 Presentation of Financial Statements  
IAS 8 Accounting Policies, Change in Accounting Estimates and Errors  
IAS 10 Events after the Reporting Period:  
IAS 16 Property, Plant and Equipment  
IAS 23 Borrowing Costs  
IAS 28 Investment in Associates  
IAS 31 Interest in Joint ventures  
IAS 36 Impairment of Assets  
IAS 38 Intangible Assets  
IFRS 7 Financial Instruments: Disclosures

The Group anticipates that these changes will have no material effect on the financial statements.

#### Significant accounting judgements and estimates

The preparation of consolidated financial statements in conformity with International Financial Reporting Standards requires the management to make estimates and judgements that affect the reported amounts and accounting policies of assets and liabilities.

Although the estimations and judgements are reviewed by the management consistently and these are based on the previous experiences and the best knowledge on future trends, the actual outcomes may differ from the current estimates. The management has made the following significant estimates and judgements on the following that have effect on the amounts recognised in the consolidated financial statements

- Determining the useful lives of property, plant and equipment
- Determining the useful lives of intangible assets
- Determining the fair value of net assets acquired from business combination
- Performing the goodwill impairment test
- Allowances for receivables and inventories
- Determining the fair value for biological assets
- Estimating the sales opportunity for non-current assets classified as held for sale



**E. Investments into joint ventures**

A joint venture is an entity where two or more parties (incl parent company) undertake an economic activity that is subject to joint control.

Investments in joint ventures are recognised in the balance sheet under the equity method of accounting. Pursuant to the equity method, the investment is initially accounted for at acquisition cost, and adjusted thereafter on the basis of the changes in the investor's stake in the equity of the investment object, as well as depreciation of the goodwill arising from the acquisition, or recognition of negative goodwill as income, less any impairment in the value of the investment. The group's interest in the economic results of the associated company is recorded under "Net financial items" in the consolidated income statement. If the joint venture has conducted transactions the effect of which is recognised directly under equity, the group will also recognise its share of these transactions directly under owner's equity.

Unrealised profits arising from transactions between joint venture and group companies are eliminated in accordance with the group's interest in the joint venture. Unrealised losses are eliminated as well, unless the loss is generated by decrease in the value of assets. Investment in a joint venture includes the goodwill arising from the acquisition, less any accumulated impairment losses.

If the group's stake in the loss of the joint venture recorded based on the equity method equals to or exceeds the net book value of the joint venture, the net book value of the investment will be written down, and further losses accounted as a reduction of long-term receivables which essentially form a part of the investment in the investment object. There is one exception to this rule - if the group company has guaranteed or obliged to satisfy the obligations of the associated company, both the respective obligation and the loss from the equity method will be recognised in the balance sheet.

**F. Foreign currency transactions**

The Estonian kroon is the functional currency of the parent company, and the reporting currency of the consolidated financial statements of the group and the unconsolidated financial statements of the parent company. All other currencies are considered foreign currencies.

Transactions denominated in foreign currency are recorded on the basis of the foreign currency exchange rates of the Bank of Estonia officially valid on the transaction date. Assets and liabilities denominated in foreign currency have been translated into Estonian kroons on the basis of the currency exchange rates of the Bank of Estonia officially valid on the balance sheet date.

Foreign exchange gains and losses resulting from revaluation are recorded as revenue and expenses in the income statement of the reporting period, whereas foreign exchange gains and losses related to settlements with suppliers and customers are recorded under revenue and expenses, and other foreign exchange gains and losses under net financial items in the income statement.

The functional currency of Finnish subsidiaries is the euro. The balances of the transactions, assets and liabilities of all Swedish-based subsidiaries are translated into euros in the subsidiary's consolidated financial statements. The exchange rate between the Estonian kroon and the euro has been fixed at 1 euro = 15.6466 Estonian kroons.

A currency exchange rate difference arises in the consolidated balance sheet of the Finnish-based subsidiary Saaristomeren Kala from consolidation of Swedish-based subsidiaries. This is due to the difference between the exchange rates for the Swedish kronor and the euro. The subsidiary has therefore translated Swedish kronors into euros on the basis of the following exchange rates:

- assets and liabilities have been translated on the basis of the official exchange rate of the Bank of Finland on the balance sheet date;
- revenue and expenses have been restated on the basis of the annual average exchange rate.

The exchange rate differences arising from revaluations are recognised under "Unrealised exchange rate differences" in owner's equity.

#### G. Cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents are short-term (with a term of up to three months), highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in market value. Cash and cash equivalents include cash in hand and at bank, short-term deposits with an original maturity of three months or less and interest market fund shares.

#### H. Financial assets

Financial assets are initially recognised at cost, being the fair value of the consideration given. The acquisition cost includes all expenditures directly related to the purchase of the financial asset, including service charges payable to brokers and advisors, non-refundable taxes and other similar expenditures. Financial assets which are measured at fair value with changes in the income statement constitute an exception — the additional expenses incurred in connection with their acquisition are charged to expenses in the income statement.

All regular way purchases and sales of financial assets are recognised on the transaction date. A transaction date is the date that the group commits (e.g. concludes an agreement) to purchase or sell the financial asset. Regular way transactions are purchases and sales transactions that require delivery of the financial asset to be purchased or sold by the seller to the buyer within the time frame generally established by regulation or convention in the marketplace.

Subsequent to initial recognition, financial assets are divided into the below groups. At the end of each financial year, the financial asset is tested and reclassified, if necessary. Financial assets which cannot be reclassified under IFRS constitute an exception. The following principles are applied for financial asset groups:

- financial assets at fair value, through profit and loss - are measured at their fair value;
- investments to be held to maturity are measured at amortised cost;
- receivables are measured at amortised cost;
- available-for-sale financial assets are measured at fair value or acquisition cost, if these assets are equity instruments whose fair value cannot be reliably measured.

#### Financial assets measured at fair value

Financial assets measured at fair value are restated each balance sheet date. Potential transaction costs on disposal of the assets are not deducted from the fair value. The fair value of listed securities is based on the closing price of the security, as well as the official exchange rate of the Bank of Estonia on the balance sheet date. The fair value of unlisted securities is determined on the basis of the available information and by analysing the securities by using the comparative and/or the discounted cash flow method.

Gains and losses from the changes in fair value are recorded under "Net financial items" in the income statement. Profit and loss from disposal of financial assets measured at fair value, as well as interest and dividends, are recorded under "Net financial items" in the income statement.

#### Receivables and financial assets intended to be held to maturity

Receivables, which the group has not purchased for resale, including financial assets that are intended to be held-to-maturity are measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any discount or premium on acquisition, as well as expenses directly related to the transaction, over the year to maturity.



Financial assets measured at amortised cost will be written down, if it is probable that their recoverable amount is lower than their carrying amount. The recoverable amount of a financial asset measured at amortised cost is the net present value of future cash flows from the financial asset, discounted, upon its initial recognition, with the effective interest rate. The write-down of financial assets related to operating activities is charged to expenses in the income statement (under "Administrative and general expenses") while the write-down of financial assets related to investing activities is charged to financial expenses in the income statement.

Impairment of financial assets will be presented separately for each item, if the item is material. On the basis of historical data, an allowance will be made for doubtful receivables in the amount of 50% of the receivable, if the receivable is due for over 90 days, and in the amount of 100%, if due for over 180 days. The allowance will be established for doubtful receivables earlier, if certain events indicate that the recoverable amount of the receivable has fallen below its carrying amount.

In case of collection of receivables previously written down, or other events indicating that the write-down is no longer justifiable, the previous write-down will be reversed in the income statement as a reduction of the expense item to which the write-down was initially charged.

Interest income from receivables is recorded under "Net financial items" in the income statement.

#### Financial assets measured at acquisition cost

Financial assets measured at acquisition cost will be written down to their recoverable amount, if the recoverable amount has fallen below the carrying amount. The recoverable amount of financial assets measured at cost consists of the estimated future cash flows from the financial asset, discounted with the average rate of return from similar financial assets on the market. The impairment loss is recognised under financial expenses in the income statement, and shall not be reversed.

Financial assets are derecognised when the group loses the right on the future cash flows from the financial asset. Financial assets are derecognised also if the group undertakes to fully and without any significant delay transfer the cash flows to a third party who has already assumed a majority of the risks and benefits associated with the financial assets.

## **I. Inventories**

Finished products and work-in-progress are recorded at production cost, consisting of the direct and indirect production costs incurred upon bringing the inventories to their present condition and amount. General production costs are charged to inventories and spread out during the cycle on the basis of the standard production volumes of finished goods and work-in-progress.

Other inventories are recorded at acquisition cost, consisting of the purchase price, customs duties, other non-refundable taxes and direct transportation costs related to the purchase, less discounts.

Expenses on inventories and calculation of the net book value of inventories are based on the weighed average cost method.

Inventories are measured in the balance sheet according to the lower of the acquisition cost or net realisable value. Materials and work-in-progress are written down, if the estimated cost of products to be manufactured exceeds the net realisable value of finished products.

The amount of write-down of inventories to their net realisable value is recorded under "Marketing expenses" of the reporting period in the income statement.

## **J. Biological assets**

Biological assets include live fish and fertilised fish eggs which are expected to generate economic benefits in the future. In both initial and subsequent recognition, biological assets are recorded at their

fair value, less the estimated sales expenses. On the moment when biological assets are transformed into produce, the produce is recognised at fair value, less the estimated sales expenses. The fair value of biological assets is the market price of the assets.

Gains and losses arising from the change in the fair value are recognised under "Profit from increase in the fair value of biological assets/Loss from decrease in the fair value of biological assets".

#### K. Property, plant and equipment

PPE are recognised at cost, consisting of the purchase price, non-refundable taxes and other expenditures directly related to the process of taking the non-current asset item into use. The acquisition cost of PPE constructed for own use includes the actual cost of construction.

Following initial recognition, an item of PPE is carried in the balance sheet at its cost, less accumulated depreciation and any accumulated impairment losses.

If the PPE item consists of distinguishable components with different useful lives, these components are separately recorded under assets, and their depreciation rates specified separately thereof in accordance with their useful lives.

Due to the specifics of the PPE item, its useful life may differ from that of a similar group. In this case, the PPE item is viewed as a separate item, with a respective depreciation period.

Expenses incurred on PPE after their recognition (e.g. replacement of a part of the asset item) are added to the book value of the item, provided it meets the following criteria:

(a) the asset item is likely to generate economic benefits for the group in the future; and (b) the acquisition cost can be reliably measured. Replaced parts are written off from the balance sheet. All other costs on maintenance and repairs are charged to expenses when incurred.

Depreciation of PPE is calculated on a straight-line basis. Depreciation rates are determined for each PPE item or PPE group separately, depending on its useful life. The estimated useful life of non-current assets is inventoried in the course of the annual stock-take, and upon accounting for improvements. The remaining useful life of the non-current assets is changed when necessary. Depreciation of a non-current asset item is recognised from the moment the item is operational. Depreciation is derecognised if its final value exceeds the net book value, or until the item is removed from use or reclassified into non-current assets held for sale. Depreciation is derecognised if the asset is fully depreciated.

The depreciation rates, depreciation methods and final values are evaluated on each balance sheet date.

If the recoverable amount of the PPE item (i.e. higher of the fair value less sales expenses or the value in use of the asset item) is lower than its carrying amount, the PPE item will be written down to its recoverable amount. The amount of write-down is charged to the expenses of the period, under "Other expenses".

PPE is derecognised upon transfer of the asset, or if the group can expect no financial benefits from use or disposal of the asset. Any profits and losses arising from derecognition of PPE are charged to "Other income" or "Other expenses" in the income statement of the period when the PPE were derecognised.

PPE items which are likely to be sold within 12 months are reclassified into non-current assets held for sale, and recorded on a separate entry under current assets in the balance sheet. Non-current assets held for sale will no longer be depreciated, and will be recorded at the lower of the net book value or fair value (less sales expenses).



The following annual depreciation rates apply for PPE groups:

• Land	0%
• Buildings and facilities	2-20 %
• Machinery and equipment	8-50 %
• Transport vehicles	10-25 %
• Other equipment; fixtures, fittings and tools	10-50 %

#### L. Goodwill

Goodwill is initially measured at cost, being the excess of the cost of acquisition over the fair value of the acquired net assets, liabilities and contingent liabilities on the date of acquisition. Following initial recognition, goodwill is measured at cost, less any accumulated impairment losses. Goodwill is reviewed for impairment annually or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired.

In order to determine the impairment, any goodwill acquired is allocated to each cash-generating units expected to benefit from the combination's synergies, or groups of such units. Allocation of goodwill between cash-generating units is based on intra-group reporting — goodwill is allocated to the lowest level, where it is monitored by the management within the framework of internal accounting.

Impairment is determined by assessing the recoverable amount of the cash-generating unit, to which the goodwill relates. Where recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised. Any impairment losses are charged to expenses under "Other expenses" in the income statement of the reporting period. Impairment losses will not be reversed, if the recoverable amount of goodwill rises above its carrying amount.

#### M. Other intangible assets

Intangible assets acquired separately from a business combination will be recognised only if the following conditions are met:

- the asset item can be tested by the group;
- generation of future economic benefits from the object is likely;
- the acquisition cost of the item can be reliably measured.

Intangible assets acquired from a business combination will be recognised separately from goodwill, if the asset items are distinguishable or arise from contractual or other legal rights, and their fair value can be reliably measured on the date of acquisition.

Intangible assets are initially recorded at acquisition cost, consisting of the purchase price and expenses directly related to the acquisition. Following initial recognition, an item of intangible assets is carried in the balance sheet at its cost, less accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either infinite or definite. Amortisation of intangible assets with a definite useful life is calculated on a straight-line basis. The following annual amortisation rates are used:

• Software licenses	33%
• Trademarks	4 %
• Fish farming licenses	2 % or depending on the term of validity

Where amortisation is charged on definite intangible assets, this expense is taken to the income statement through the line item to which the assets belong. The amortisation period and amortisation methods of definite intangible assets are reviewed at the end of each financial year. Changes in

estimated useful life or future economic benefits over time are recorded as changes in the amortisation period and amortisation methods (i.e. as changes in accounting estimates).

If there is any indication that the recoverable amount of definite intangible assets has fallen below its carrying amount, the asset will be tested for impairment and, if necessary, written down to its recoverable amount.

Infinite intangible assets are tested for impairment annually either individually or at the cash generating unit level. These intangible assets are not depreciated. The useful life of infinite intangible assets is reviewed on an annual basis to make sure the useful life has remained infinite. Adjustments, where applicable, are made on a prospective basis.

#### N. Financial liabilities

Financial liabilities are initially recognised at their acquisition cost, consisting of the fair value of the consideration given. Following initial recognition, financial liabilities are measured at their amortised cost by using the effective interest rate method. Transaction costs are taken into consideration upon calculating the effective interest rate, and charged to expenses over the term of the financial liability.

Interest expenses related to the financial liability are recorded under "Net financial items" in the income statement, except for interest expenses related to the financing of the PPE constructed for own use (see also accounting principle K).

The financial liability will be derecognised when the liability is paid, cancelled or expired.

#### O. Factoring

Factoring is the sale of receivables. Depending on the type of the factoring contract, the buyer has the right to sell the transferred receivable within the time agreed (factoring with recourse), or there is no right for resale and all the risks and benefits associated with the receivable are transferred from the seller to the buyer (factoring without recourse).

Factoring with recourse is recorded as a financing transaction (i.e. as collateralised borrowing), and the amount is recognised in the balance sheet as a receivable until collection or until expiration of the recourse. Factoring liabilities arising from factoring transactions are recorded similarly with other financial liabilities.

Factoring without recourse is recognised as a sale of receivable. The loss from the sale of receivables is either recognised as a financial expense or as an impairment expense depending on whether the transaction was concluded for the purpose of cash flow management or for hedging the risk of doubtful/uncollectible receivables.

#### P. Corporate income tax

##### Parent company and subsidiaries registered in Estonia

According to Estonian Income Tax Law the company's net profit is not subject to income tax, thus there are no temporary differences between the tax bases and carrying values of assets and liabilities that may cause the deferred income tax. Instead of net profit, all dividends paid by the company are subject to income tax (22/78 of net dividend paid out before December 31, 2007; 21/79 of net dividend paid / payable out during the calendar year 2008).

The company's potential income tax liability related to the distribution of its retained earnings as dividends is not recorded in the balance sheet.

The income tax due on dividend distribution is recorded as tax cost in the income statement when dividend is announced.



Subsidiaries registered in foreign countries

Pursuant to the laws on income tax, net profit which has been adjusted by temporary and permanent differences stipulated in the law on income tax is subject to income tax in Finland and Sweden (with the established tax rate is 26% in Finland and 28% in Sweden).

Deferred income tax is recorded based on the liability as at the balance sheet date for all temporary differences between the tax bases and carrying values of assets and liabilities. Deferred income tax is recognised only if the company expects future economic benefits at the expense of which the deferred income tax can be used.

The payable income tax is recorded under current liabilities, and deferred income tax under non-current liabilities.

**Q. Mandatory legal reserve**

Pursuant to the Commercial Code of the Republic of Estonia, at least 5% of the net profit must be transferred to the reserve capital each financial year, until the reserve capital amounts to at least 10% of the share capital. The mandatory reserve cannot be paid out as dividends. Still, it can be used for covering the loss, if loss cannot be covered from the available shareholder's equity. Mandatory reserve can also be used for increasing the share capital of the company.

**R. Leases**

Lease transactions, where all material risks and benefits from ownership of an asset are transferred to the lessee, are treated as finance lease. All other lease transactions are treated as operating lease.

Assets leased under finance lease are recorded in the lessee's balance sheet at the lower of acquisition cost or the net present value of minimum lease payments. The depreciation period of assets acquired under finance lease is the useful life of the asset or the rental period, whichever is shorter. Assets leased out under finance lease are recorded in the balance sheet as a receivable in the amount of the net investment in the finance lease. Rental payments are divided into financial expenses/income, and rental payable/receivable so that the interest rate would be the same at any given moment.

In case of operating lease, the assets are recorded in the lessor's balance sheet. Operating lease payments are recorded during the lease period as income (by lessor) and expenses (by lessee) based on the straight-line method.

**S. Government grants**Government grants allocated for assets

Government grants allocated for assets are recorded by using the gross method, i.e. the assets acquired using government grants are accounted for in the balance sheet at the acquisition cost, and the grant is recorded in the balance sheet under liabilities as deferred income. The acquired assets are depreciated and the deferred income is recognised as income over the useful life of the asset. Income related to government grants is recorded under "Other income" in the income statement.

Government grants allocated for operating expenses

Income from government grants is recorded in the income statement in proportion with the related expenses. The gross method is applied for recording income, i.e. the grant received and the expenses to be compensated for are recorded under different captions of the income statement. Income related to government grants is recorded under "Other income" in the income statement.

**T. Events after the balance sheet date**

Material circumstances that have an effect on the valuation of assets and liabilities and became evident between the balance sheet date and the date of preparing the financial statements, but are related to



transactions that took place in the reporting period or earlier periods, are recorded in the financial statements.

Subsequent events that have not been taken into consideration when valuating the assets and liabilities but have a material effect on the result of the next financial year, are disclosed in the financial statements.

#### U. Revenue recognition

Revenue is recognised at the fair value of the received/receivable income. Revenue from the sales of goods is recognised when all material risks related to the ownership of the asset have been transferred to the buyer, the amount of revenue and expenses related to the transaction can be reliably measured, and the receipt of the revenue is probable. Revenue from the sales of services is recorded upon rendering of the service.

Interest income and dividend income is recorded when collection of the revenue is probable and the amount of the revenue can be reliably measured. Interest income is recorded based on the efficient interest rate of the asset item. Dividend income is recognised when the owner is granted a legal right to receive dividends.

#### V. Cash flow statement

The cash flow statement has been prepared based on the indirect method - in order to calculate the cash flow from operating activities, the net profit for the financial year has been adjusted by eliminating the effect of non-monetary transactions, and changes in the balance of current assets and liabilities related to operating activities.

#### W. Accounting for investments in subsidiaries in the parent company's unconsolidated balance sheet

In the parent company's unconsolidated balance sheet (presented in Note 30.1), investments in subsidiaries have been accounted for on a historical cost basis. This means that the investment is initially recognised at acquisition cost, consisting of the fair value of the payable amount, adjusted thereafter by the impairment losses arising from the decrease in the value of the investment. Additional information on the write-down of investments recorded at acquisition cost is available under accounting principle H.

Dividends paid by subsidiaries and joint ventures are recorded when the parent company's right to receive the dividends (as financial income) is established, except for the portion of dividends payable at the expense of available shareholders' equity generated by the subsidiary, joint venture or associated company before the group acquires the company. The respective portion of the dividends is recorded as a reduction of the investment.

#### Note 2 Cash and bank accounts

	30.06.2008	30.06.2007
Cash and bank accounts	6 681	16 287
<b>Total</b>	<b>6 681</b>	<b>16 287</b>

#### Note 3 Short-term financial investments

	30.06.2008	30.06.2007
Term deposits	0	179
<b>Total</b>	<b>0</b>	<b>179</b>

Fixed term deposit contract was terminated on 29.10.2007

#### Note 4 Receivables and prepayments

Receivables	30.06.2008	30.06.2007
Accounts receivable	48 123	49 520
Allowance for doubtful receivables	-67	-56
Government grants receivables (see Note 19)	5 700	0
Other short-term receivables	1 502	1 464
<b>Total</b>	<b>55 259</b>	<b>50 928</b>

Prepayments	30.06.2008	30.06.2007
Prepaid taxes, including	3 242	2 468
Value added tax	2 491	884
Income tax	752	1 507
Other taxes	0	77
Prepaid expenses	2 503	1 871
<b>Total</b>	<b>5 745</b>	<b>4 339</b>

Taxes payable have been disclosed in Note 18.

#### Note 5 Allowance for doubtful receivables

The following changes occurred in the allowance for doubtful receivables:

	30.06.2008	30.06.2007
Allowance for receivables at the beginning of period	-56	0
Additional write-down	-104	-56
Derecognition of impaired receivables	93	0
<b>Doubtful receivables at the end of period</b>	<b>-67</b>	<b>-56</b>

During the reporting period, a total of EEK 104 thousand of bad debt, which had previously been written off from the balance sheet by subsidiaries, were collected. During the reporting period, subsidiaries have written off a total of EEK 93 thousand of bad debts is recorded under "other expenses" in the income statement. Doubtful receivables and bad debts are disclosed in Note 22.

The aging of receivables is presented in the table below:

	30.06.2008	30.06.2007
Neither past due not impaired	52 727	46 833
Past due but not impaired (up to 3 months)	2 048	2 473
Past due but not impaired (up to 6 months)	472	989
Past due but not impaired (up to 12 months)	7	812
Past due but not impaired (over 12 months)	5	0
<b>Receivables total</b>	<b>55 259</b>	<b>51 107</b>

At the end of reporting period 2008 there were in total of EEK 5 thousand receivables past due over 12 months. According to management estimation these receivables will be collected in the following accounting period.

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**ERNST & YOUNG**

19.10.2008 MW

**Note 6 Non-current assets held for sale**

The equipment used for processing white fish in the net book value of EEK 284 thousand has been re-classified as non-current assets held for sale. The company's management estimates the sale of the non-current assets to be very likely in the financial year 2008-2009.

**Note 7 Inventories and biological assets**

Inventories	30.06.2008	30.06.2007
Raw materials	11 408	24 926
Work-in-progress	14 818	30
Finished goods	24 909	15 785
Goods in transit	835	0
<b>Total</b>	<b>51 971</b>	<b>40 741</b>

Biological assets	30.06.2008	30.06.2007
Fingerlings	20 612	26 640
Undersized fish (fish < 0.4 kg)	0	1 685
Full-grown fish (fish > 0.4 kg)	54 292	50 549
<b>Total</b>	<b>74 904</b>	<b>78 874</b>

Loss from the biological assets in the reporting period was EEK -2 277 thousand ((2007 - profit EEK 13 228 thousand (Note 22)).

In the measurement of biological assets, fingerlings are measured on the basis of the number by pieces, fish is measured on the basis of live fish biomass by kilograms. Fish are valued on the basis of the average market price, less the estimated sales expenses. Fingerlings are valued on the basis of the weighted average market price for which fingerlings have been sold or purchased from suppliers within the last year. Fish are divided into three groups: fingerlings, undersize fish and full-grown fish. Fingerlings and full-grown fish have a real market price, undersize fish have no active market.

**Note 8 Long-term financial investments**

	Effective interest rate	30.06.2008	30.06.2007
Loans	3.50%	472	439
Shares		1 010	970
<b>Total</b>		<b>1 482</b>	<b>1 409</b>

Long-term financial investments include loans granted and subsidiaries' long-term investments into shares and units.

The loan is granted with an interest rate of 3.5 % and repayment due date on 15 December 2013. Since the fair value of shares recorded as long-term financial investments cannot be reliably measured, these shares have been recognised at acquisition cost in the balance sheet.



**Note 9 Subsidiaries**

The Group incorporates the following subsidiaries:

Name of subsidiary	Country	Share	
		30.06.2008	30.06.2007
Heimon Kala Oy	Finland	100%	100%
Airistolainen Oy	Finland	0%	100%
Vettel OÜ	Estonia	100%	100%
GourmetHouse OÜ	Estonia	51%	0%
Saaristomeren Kala Oy	Finland	100%	100%
Polar Fish Oy	Finland	0%	100%
Skärgårdshavets Fisk Ab	Sweden	100%	100%
Överumans Fisk Ab	Sweden	100%	100%
Imatran Kala ja Kaviaari Oy	Finland	0%	81%

The share in the equity of subsidiaries equals to the voting right.

The subsidiaries' shares have not been listed on any stock exchange.

Subsidiary Airistolainen Oy was merged with subsidiary Heimon Kala Oy on 31.10.2007.

In June 2008 the subsidiary of Vettel OÜ, Heimon Kala Oy, was sold to the parent company Saaremere Kala AS, the transaction was non-monetary; it was a settlement of accounts.

The Group holds a share in subsidiaries Skärgårdshavets Fisk Ab and Överumans Fisk Ab through the subsidiary Saaristomeren Kala Oy.

Subsidiaries Polar Fish Oy and Imatran Kala ja Kaviaari Oy were sold during the reporting period and the total profit from the sale of shares amounted to EEK 3 216 thousand (Note 23).

In July 2007 the company acquired a 51% shareholding in GourmetHouse OÜ, which is registered in Estonia. The acquisition cost of the investment was EEK 3 567 thousand, consisting the following components:

- the purchase/sale price of EEK 3 400 thousand was paid as a monetary contribution for shares,
- legal consulting and advisory services as well as non-refundable taxes associated with the transaction amounted to a total of EEK 167 thousand.

The fair value of acquired net assets as of 01.07.2007 was as follows:

	Book value	Fair value
Cash and cash equivalents	190	190
Receivables and inventories	5 407	5 407
Property, plant and equipment	869	869
Borrowings	-4 238	-4 238
Net assets	2 228	2 228
Fair value of minority interest	0	1 082
Fair value of acquired net assets	0	1 146
Acquisition cost	0	3 567
Goodwill (see Note 13)	0	2 421

Net cash flow from the acquisition of the subsidiary

Paid for services	-167
Paid for shares	-3 400
Cash and cash equivalents of the subsidiary	190
Net cash flow	-3 377

The goodwill in the total amount of EEK 2 421 recognized from the acquisition transactions is related to the profit from synergy arising from the concept of joint management of subsidiaries.

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On 09.05.2008 the Group sold its 100% shareholding in subsidiary Polar Fish Oy. The selling price of the shares was EEK 970 thousand and the Group earned EEK 606 thousand profit from this transaction.

The net assets of the sold subsidiary at the time of the transaction were as follows:

Polar Fish Oy	
Cash and cash equivalents	1
Property, plant and equipment (see Note 12)	1 459
Borrowings	-1 095
Book value of sold shareholding	364

The net cash flow of the Group in 2008 from the sale of subsidiary is EEK 969 thousand (i.e. full price of 970 thousand, from which the cash on the balance sheet of the subsidiary on the day of the transaction in the amount of EEK 1 thousand has been deducted).

On 09.05.2008 the Group sold its 81% shareholding in subsidiary Imatra Kala ja Kaviaari Oy. The selling price of the shares was EEK 8 thousand and the group earned EEK 2 610 thousand profit from this transaction. Pursuant to the agreement arising from the contract of purchase and sale of Imatran Kala and Kaviaari Oy the claim of the parent company against the subsidiary in amount of EEK 2 730 thousand was assigned, and liabilities have been diminished during calculation of net assets at the moment of sale.

The net assets of the sold subsidiary at the time of the transaction were as follows:

Imatra Kala ja Kaviaari Oy	
Cash and cash equivalents	1
Receivables and inventories incl biological inventories	973 735
Property, plant and equipment (see Note 12)	2 296
Government grants (see Note 19)	-379
Deferred tax liabilities (see Note 16)	-91
Borrowings	-5 410
Book value of sold shareholding	-2 611

The net cash flow of the Group in 2008 from the sale of subsidiary is EEK 7 thousand (i.e. full price of 8 thousand, from which the cash on the balance sheet of the subsidiary on the day of the transaction in the amount of EEK 1 thousand has been deducted).

As of 30.06.2008, the group has performed goodwill impairment test to determine the recoverable amounts of goodwill. Impairment test was performed on the basis of the comparative market-based ratios. In case of the market-based approach, the company is compared with similar companies in the same sector which are publicly traded or which have been recently sold and over the transaction price of which there is sufficient information. In current case, the frozen and chilled foodstuff producers in Europe have been benchmarked as the corresponding sector and the price levels and various ratios of these companies are compared. The ratios compared include the price-to sales ratio and the price-to-book ratio. In order to ascertain the fair value, the average ratios for the branch of industry have been applied for the actual economic indicators of subsidiaries. The illiquidity discount rate of subsidiaries has been additionally considered, since none of the subsidiaries are listed or publicly traded on the market. The test ascertained that, in Vettel OÜ (together with Heimon Kala Oy), the coverable amount is EEK 32 015 thousand higher than the carrying amount of the comparative cash generating unit (2007-EEK 30 517 thousand higher) and, in Saaristomeren Kala Oy, Eek 4 251 thousand higher than the carrying amount of the comparative cash generating unit (2007-EEK 3 813 thousand higher).



**Note 10 Joint ventures**

The subsidiary Saaristomeren Kala Oy had a 28,41% stake in the joint venture Kiinteistö Oy Vason Myllyranta.

Joint enterprise	Location	Share	Acquisition cost	Owner's equity 30.06.2007
Kiinteistö Oy Vason Myllyranta	Soome	28,41 %	792	695

The difference between the acquisition cost and owner's equity is goodwill arising on the acquisition and related to the value of the lease contract concluded over jointly controlled assets.

Subsidiary Saaristomeren Kala Oy sold its 28,41% shareholding in joint enterprise Kiinteistö Oy Vason Myllyranta and earned a profit of EEK 69 thousand from the sale of shares.

**Note 11 Deferred tax assets**


The deferred income tax assets include the subsidiary Heimon Kala Oy's income tax receivable in the amount of EEK 5 541 thousand, arising from the difference in the non-current asset tax depreciation and losses earned in previous financial periods.

The deferred tax liability has been disclosed in Note 16.

**Note 12 Property, plant and equipment**

	Land and buildings	Machinery and equipment	Other property, plant and equipment	Construction- in-progress and prepayments	Total property, plant and equipment
Net book value as of 24.10.2006	0	0	0	0	0
Additions related to acquisition of the subsidiary (see Note 9)	68 324	49 861	1 263	6 354	125 802
Acquisitions during the period	7	4 171	103	1 596	5 877
Reclassification during the period	0	2 797	1 145	-3 942	0
Reclassification to non-current assets held for sale	0	-284	0	0	-284
Disposals at net book value	0	-1 620	0	0	-1 620
Write-offs at net book value	0	-50	-5	0	-55
Currency exchange effects	-233	-270	-2	-4	-509
Depreciation charge	-2 672	-4 121	-213	0	-7 007
Acquisition cost as of 30.06.2007	68 095	54 593	2 504	4 004	129 873
Accumulated depreciation	-2 669	-4 109	-213	0	-7 668
Net book value as of 30.06.2007	65 425	50 483	2 292	4 004	122 205
Additions related to acquisition of the subsidiary (see Note 9)	0	771	98	0	869
Acquisitions during the period	7 700	9 738	396	6 817	24 652
Reclassification during the period	3 828	89	85	-4 002	0
Expenses related with subsidiary sales (note 9)	-1 915	-755	-1 085	0	-3 755
Disposals at net book value	-6 968	-909	0	0	-7 877
Write-offs at net book value	0	-39	-6	0	-44
Reclassification as period expense	0	0	0	-39	-39
Currency exchange effects	-203	-252	-2	-3	-461
Depreciation charge	-5 500	-8 967	-528	0	-14 995
Acquisition cost as of 30.06.2008	69 716	63 045	1 822	6 777	141 361
Accumulated depreciation	-7 350	-12 885	-571	0	-20 806
Net book value as of 30.06.2008	62 366	50 160	1 251	6 777	120 555

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Non-current assets held for sale are disclosed in Note 6.  
Depreciation by cost lines is disclosed in Note 22.

The acquisition cost of fully depreciated property, plant and equipment still in use is EEK 498 thousand as of 30.06.2008 (2007 - EEK 268 thousand).

### Note 13 Intangible assets

	Trade- marks	Software licences	Licenses, interconnection fees	Goodwill	Pre- payments	Total
Net book value as of 24.10.2006	0	0	0	0	0	0
Additions related to acquisition of the subsidiary (see Note 9)	16 836	524	11 842	64 278	0	93 479
Acquisitions during the period	0	74	0	0	0	74
Amortisation charge	-421	-145	-290	0	0	-856
Acquisition cost as of 30.06.2007	16 836	597	11 842	64 278	0	93 553
Accumulated amortisation as of 30.06.2007	-421	-145	-290	0	0	-856
Net book value as of 30.06.2007	16 415	452	11 552	64 278	0	92 697
Additions related to acquisition of the subsidiary (see Note 9)	0	0	0	2 421	0	2 421
Acquisitions during the period	0	15	0	0	1 726	1 741
Amortisation charge	-842	-288	-581	0	0	-1 711
Acquisition cost as of 30.06.2008	16 836	612	11 842	66 699	1 726	97 715
Accumulated amortisation as of 30.06.2008	-1 263	-433	-871	0	0	-2 567
Net book value as of 30.06.2008	15 573	179	10 971	66 699	1 726	95 148

Licenses, interconnection fees include the water protection license in the amount of EEK 25 thousand, an item with an indefinite useful life.

Prepayments are made for the implementation and licences of business software NAV pursuant to the contract.

Depreciation by cost lines has been disclosed in Note 22.

Additional information on goodwill has been disclosed in Note 9.

### Note 14 Financial lease and operating lease

#### Financial lease - the Group as a lessee

	30.06.2008		30.06.2007	
	Minimum lease payments	Present value of minimum lease payments	Minimum lease payments	Present value of minimum lease payments
Payable within less than 1 year	1 677	1 431	2 556	2 307
Payable within 1-5 years	1 294	1 012	3 152	2 860
<b>Total minimum lease payment</b>	<b>2 971</b>		<b>5 708</b>	
Future interest expenses	-529		-541	
<b>Total present value of minimum lease payments</b>	<b>2 442</b>		<b>5 167</b>	

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	01.07.2007-30.06.2008	24.10.06 - 30.06.07
Lease payments paid during the period	2 263	1 202
Interests paid during the period	283	181
Interest rate spread	5 - 11.9 %	5,0 - 13.0 %

**Assets acquired under financial lease terms:**

	Fixtures and equipment	Total
Acquisition cost as of 30.06.2007	21 721	21 721
Net book value as of 30.06.2007	14 733	14 733
Acquisition cost as of 30.06.2008	21 911	21 911
Net book value as of 30.06.2008	12 511	12 511

The acquisition of subsidiaries added assets leased under finance lease with an acquisition cost of EEK 293 thousand and a net book value of EEK 246 thousand.

**Operational lease - the Group as a lessee**

The Group rents transport vehicles, a freezer, scraps crusher, computer- and office equipment under operational lease terms.

	Equipment	Vehicles	Total
Lease expenses in 2006-2007	69	365	434
Lease expenses in 2007-2008	149	926	1 075
Estimated lease expenses in 2008-2009	99	983	1 082

**Note 15 Short-term and long-term borrowings**

Short-term borrowings	Effective interest rate	Repayment due date	30.06.08	30.06.07
Finance lease liabilities (see Note 14)			1 677	2 307
Factoring with a limit EUR 2 000 thousand			17 545	24 794
Borrowings, including			98 545	29 076
Overdraft, including			6 263	3 841
with a limit EUR 168 thousand	OP prime +1.25 %	Without a term	2 348	1 369
with a limit EUR 185 thousand	1 month EURIBOR + 2.5 %	26.09.2009	1 399	0
with a limit EUR 168 thousand	3 month EURIBOR + 2.5 %	Without a term	2 516	2 472
Bonds, including			35 202	20 117
Bonds with a coupon rate of 9 %	10.50%	7.09.2007	0	12 300
Bonds with a coupon rate of 10 %	10.00%	10.07.2007	0	7 817
Bonds with a coupon rate of 11 %	12.02%	9.04.2009	35 202	0
Pension insurance loan EUR 25 thousand	6.00%	1.07.2030	16	17
Investment loans, including				5 102
EEK 39 100 thousand	6 month EURIBOR + 2.5 %	16.02.2009	39 100	0
EUR 100 thousand	6 month EURIBOR + 1.8 %	15.10.2008	156	313
EUR 168 thousand	6 month EURIBOR + 1.2 %	15.12.2008	188	376
EUR 72 thousand	6 month EURIBOR + 1.9 %	30.06.2014	133	133
EUR 135 thousand	3 month EURIBOR + 1.0 %	15.07.2009	258	304
EUR 171 thousand	12 month EURIBOR + 0.5 %	15.09.2010	571	571
EUR 134 thousand	3 month EURIBOR + 0.5 %	30.09.2007	0	200
EUR 402 thousand	12 month EURIBOR + 0.5 %	10.12.2014	699	699
EUR 100 thousand	6 month EURIBOR + 1.8 %	9.03.2010	313	313
EUR 3 000 thousand	6 month EURIBOR + 1.5 %	1.02.2010	15 647	0
EUR 303 thousand	OP prime +1.5 %	31.08.2007	0	470
EUR 315 thousand	OP prime +1.5 %	30.11.2007	0	985
EUR 354 thousand	6 month EURIBOR + 0.8 %	31.05.2012	0	739
<b>Total</b>			<b>117 766</b>	<b>56 177</b>

OP prime is the Finnish Osuuspankki base interest 4.50 % as of 30.06.2008.

The investment loan in the amount of EUR 354 thousand with an outstanding balance of EEK 3 695 thousand as of 30.06.2007, of which EEK 739 thousand is recorded under short-term debt liabilities and EEK 2 956 thousand is recorded under long-term liabilities was also repaid before the maturity date in September 2007.

Investment loan in the amount of EUR 3 000 thousand with an outstanding balance as of 30.06.2008 is EEK 33 799 thousand, of which EEK 15 647 thousand is recorded under short-term liabilities and EEK 18 151 thousand under long-term liabilities, was partly paid before the maturity date in May 2008 in the amount of EEK 13 141 thousand.

#### Bonds

In January 2007, the company issued 782 bonds through SEB Eesti Ühispank, thus generating EEK 7 820 thousand of additional funds. The nominal value of the bonds is EEK 10 thousand, and the annual interest rate is 10%. The redemption date of the bonds was 10.07.2007.

The Group has issued bonds with a coupon rate of 9 % and nominal value of EEK 10 thousand in the total amount of EEK 12,300 thousand and a redemption date of 07.09.2007. The bonds were redeemed prematurely on 10.07.2007.

In July 2007 4 000 bonds were issued through AS Hansapank, from which the Group received additional funds in the total amount of EEK 34 899 thousand. The nominal value of the bonds was EEK 10 thousand, with an annual interest rate of 11%. The redemption date of the bonds is 09.04.2009.

Assets pledged as collateral to borrowings have been disclosed in Note 17.

Long-term borrowings	Effective interest rate	Repayment due date	30.06.08	30.06.07
Finance lease liabilities (see Note 14)			1 294	2 860
Borrowings, including			47 308	117 370
Pension insurance loan EUR 25 thousand	6.00%	1.07.2030	190	221
Investment loans, including			47 118	117 149
EUR 100 thousand	6 month EURIBOR + 1.8 %	15.10.2008	0	156
EUR 168 thousand	6 month EURIBOR + 1.2 %	15.12.2008	0	188
EUR 72 thousand	6 month EURIBOR + 1.9 %	30.06.2014	663	795
EUR 135 thousand	3 month EURIBOR + 1.0 %	15.07.2009	0	257
EUR 171 thousand	12 month EURIBOR + 0.5 %	15.09.2010	674	1 245
EUR 402 thousand	12 month EURIBOR + 0.5 %	10.12.2014	3 846	4 545
EUR 100 thousand	6 month EURIBOR + 1.8 %	9.03.2010	313	626
EUR 354 thousand	6 month EURIBOR + 0.8 %	31.05.2012	0	2 956
EUR 3 000 thousand	6 month EURIBOR + 1.5 %	1.02.2010	18 152	46 940
EUR 1 500 thousand	6 month EURIBOR + 1.5 %	1.02.2010	23 470	20 341
EEK 39 100 thousand	6 month EURIBOR + 2.5 %	16.02.2009	0	39 100
<b>Total</b>			<b>48 603</b>	<b>120 230</b>

#### Note 16 Deferred tax liability

Deferred tax liability in the amount of EEK 11 087 thousand includes the subsidiary Saaristomeren Kala Oy's income tax liability in the amount of EEK 2 883 thousand, that resulted from the difference between the accounting-base and tax-base for depreciation of non-current assets. In addition, the deferred tax liability includes EEK 8 204 thousand resulting from the following transactions:

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	30.06.2008	30.06.2007
Balance at the beginning of the period	10 420	0
Deferred tax liability resulting from assets recognised and revalued to fair value in the course of business combination	0	6 741
Change in deferred income tax liabilities resulting from sale of subsidiaries within the enterprise (see Note 9)	-91	0
Deferred tax liability resulting from origination and subsequent revaluation of assets	0	3 774
Deferred tax liability resulting from revaluation of assets during the period	-1 898	0
Amortization of deferred tax liability on revalued assets resulting from business combination	-189	-95
Change in value resulted from exchange rate	-38	0
<b>Total</b>	<b>8 204</b>	<b>10 420</b>

Information on deferred tax assets have been disclosed in Note 11.

#### Note 17 Loan collateral and pledged assets

Collateral to the loans of OÜ Vettel include a mortgage on the "Kärša" registered immovable in the amount of EEK 80 million and a commercial pledge on the company's movable property in the amount of EEK 10 million. The net book value of the Kärša registered immovable amounted to EEK 32,5 million as of 30.06.2007.

A commercial pledge established on the shares of Vettel OÜ in amount of EEK 3 300 thousand. No liabilities has been secured at the moment.

Collateral to the loans of Heimon Kala Oy include a mortgage established in the amount of EEK 14 069 thousand and a commercial pledge on the company's immovable property in the amount of EEK 19 953 thousand.

Collateral to the loans of Saaristomeren Kala Oy include a mortgage established in the amount of EEK 8 182 thousand and a commercial pledge on the company's immovable property in the amount of EEK 16 681 thousand.

#### Note 18 Payables and prepayments

	30.06.2008	30.06.2007
Accounts payable	39 573	23 564
Taxes payable, including	9 255	9 386
Value added tax	6 057	6 748
Personal income tax and income tax payable on fringe benefits	1 143	1 334
Social insurance contributions	1 096	732
Unemployment insurance	10	8
Mandatory funded pension	782	560
Corporate income tax	167	4
Payables to employees	10 447	10 333
Interest payables	2 900	3 948
Other accrued expenses	1 177	3 043
Reclamation of government grant	57	0
<b>Total payables</b>	<b>63 409</b>	<b>50 273</b>

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Tax prepayments have been disclosed in Note 4.  
Government grants have been disclosed in Note 19.

**Note 19 Government grants**

	01.07.2007 - 30.06.2008	24.10.2006 - 30.06.2007
Deferred income related to government grants at the beginning of the period	32 101	0
Additions from acquisition of the subsidiary	0	32 963
Government grants received during the period	7 120	1 505
Movement related to the sales of subsidiary (see Note 9)	-379	0
Government grants returned	-217	0
Currency exchange effect	-31	-176
Government grants charged to income in the period (see Note 22)	-6 244	-2 191
<b>Deferred income related to government grants at the end of the period, incl.</b>	<b>32 350</b>	<b>32 101</b>
To be charged to income within 1 year	4 470	3 967
To be charged to income within 2-17 years	27 880	28 134

During the accounting period EU grants in the amount of EEK 160 thousand were repaid from the non-depreciated residue of the sold property, plant and equipment.

The Swedish subsidiary Överumans Fisk Ab has been issued an EU grant repayment claim in the amount of EEK 57 thousand due to violating the conditions of applying for the EU grants (see Note 18).

In 2004 subsidiary Vettel OÜ was assigned a structural grant from the Programme for Agriculture, Fishery and Rural Development in the amount of EEK 7 823 thousand. As of 30.06.2007 part of the project was completed and the off-balance sheet claim as of the balance sheet date was in the amount of EEK 6 742 thousand. The project was completed in May 2008 and as of the balance sheet date the last proportion of the grant in the amount of EEK 5 614 thousand, was recorded as receivables on the balance sheet (see Note 4).

Information on off-balance sheet receivables associated with government grants has been disclosed in Note 28.

**Note 20 Share capital**

As of 30.06.2007, the parent company's share capital in the total amount of EEK 6 612 thousand was divided into 661 218 shares, with the nominal value per share amounting to EEK 10. The minimum share capital of AS Saaremere Kala allowed by the company's articles of association is EEK 2.5 million and the maximum share capital EEK 10 million.

On 05.12.2006 the sole shareholder resolved to increase the parent company's share capital and share premium by a total of EEK 23 047 thousand.

With the general shareholders' meeting of 18.01.2007, the parent company's share capital and share premium was increased by a total of EEK 111 087 thousand. As of the balance sheet date, all monetary and non-monetary contributions have been made, and the changes in the company's share capital entered in the Estonian Central Register of Securities.

The non-monetary contribution was valued by Audiitorbüroo Toomas Villems OÜ.

Transaction	Type	Sum
Shareholders of Saaremere Kala AS	Monetary	23 047
Shareholders of Vettel OÜ	Non-monetary	32 197
Shareholders of Saaristomeren Kala Oy	Non-monetary	78 890
<b>Total</b>		<b>134 134</b>

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As of 30.06.2008, the parent company's share capital in the total amount of EEK 6 612 thousand was divided into 661 218 shares, with the nominal value per share amounting to EEK 10. The minimum share capital of AS Saaremere Kala allowed by the company's articles of association is EEK 2.5 million and the maximum share capital EEK 10 million.

**Note 21 Revenue**

By fields of activity	01.07.07 - 30.06.08	24.10.06 - 30.06.07
10201 - Processing and storage of fish and fishery products	64 372	193 128
46381 - Wholesale of fish and fishery products	399 702	0
03211 - Sea aquaculture	2 436	0
03221 - Freshwater aquaculture	5 624	5 209
10201 - Services and other sales	394	3 703
52221 - Port and waterways usage-related activities	3	0
<b>Total</b>	<b>472 531</b>	<b>202 040</b>

By geographical areas	01.07.07 - 30.06.08	24.10.06 - 30.06.07
Finland	391 424	189 747
Estonia	67 476	2 337
Other countries	13 632	9 956
incl Europe	11 414	9 020
incl other	2 218	936
<b>Total</b>	<b>472 531</b>	<b>202 040</b>

**Note 22 Operating expenses and other income**

	01.07.07 - 30.06.08	24.10.06 - 30.06.07
<b>Cost of sales</b>		
Raw materials, semi-finished goods	-291 514	-116 852
Personnel expenses	-59 763	-29 758
Depreciation (see Note 12)	-12 364	-5 367
Amortisation (see Note 13)	-581	-290
Nitrogen	-65	-82
Transportation expenses	-3 658	-588
Electricity	-5 141	-3 451
Write-down of inventories	0	-1 126
Other expenses	-23 314	-11 298
<b>Total</b>	<b>-396 400</b>	<b>-168 813</b>

	01.07.07 - 30.06.08	24.10.06 - 30.06.07
<b>Marketing expenses</b>		
Transportation expenses	-17 894	-9 361
Personnel expenses	-5 209	-1 365
Advertising and sales organisation	-14 621	-7 404
Depreciation (see Note 12)	-2 332	-1 271
Amortisation (see Note 13)	-842	-566
Other expenses	-906	-769
<b>Total</b>	<b>-41 794</b>	<b>-20 735</b>

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	01.07.07 - 30.06.08	24.10.06 - 30.06.07
<b>Administrative and general expenses</b>		
Advisory expenses	-4 612	-2 078
Personnel expenses	-13 335	-5 044
Depreciation (see Note 12)	-309	-336
Amortisation (see Note 13)	-288	0
Other expenses	-9 702	-6 147
<b>Total</b>	<b>-28 246</b>	<b>-13 605</b>

	01.07.07 - 30.06.08	24.10.06 - 30.06.07
<b>Other income</b>		
Revenue from government grants (see Note 19)	6 244	2 191
Insurance indemnities	515	1 176
Profit from sales of property, plant and equipment	3 979	0
Other income	967	1 270
<b>Total</b>	<b>11 704</b>	<b>4 637</b>

	Fingerlings	Undersize fish	Full-grown fish	24.10.06 - 30.06.07
<b>Profit/loss from biological assets</b>				
Growth and reclassification	15 219	-4 327	7 545	18 437
Sales	-3 779	0	-1 429	-5 209
<b>Total</b>	<b>11 440</b>	<b>-4 327</b>	<b>6 116</b>	<b>13 228</b>

	Fingerlings	Undersize fish	Full-grown fish	01.07.07 - 30.06.08
<b>Profit/loss from biological assets</b>				
Growth and re-classification	1 940	-1 135	11 615	12 420
Sales	-6 549	-60	-1 180	-7 789
Biological inventory discount	-935	-347	-5 625	-6 908
<b>Total</b>	<b>-5 545</b>	<b>-1 542</b>	<b>4 811</b>	<b>-2 277</b>

During the reporting period fish from Saaristomeren Kala Oy Pyhämaa fish farm were sold in the amount of EEK 2 166 thousand and the rental contract of the Pyhämaa fish farm was terminated. The change in biological assets of subsidiary Imatran Kala ja Kaviaari Oy arises from sale and is reflected through net asset change. Subsidiary Överumans Fisk AB has carried out a full inventory of its biological assets during the summer 2008 and as a result has written down inventories in the amount of EEK 6 908 thousand and in the total quantity of 189 thousand kg, which is due to the wrong management decisions and insufficient inventory management of the previous management board. Biological assets are presented in Note 7.

	01.07.07 - 30.06.08	24.10.06 - 30.06.07
<b>Other expenses</b>		
Doubtful receivables and bad debts (see Note 5)	-104	-369
Loss from sales of non-current assets	-16	-79
Foreign exchange losses	-32	-37
Other expenses	-3 090	-1 222
<b>Total</b>	<b>-3 242</b>	<b>-1 707</b>

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## Note 23 Net financial items

	01.07.2007 - 30.06.2008	24.10.2006 - 30.06.2007
<b>Financial income</b>		
Interest income	579	226
Profit from sales of shares of subsidiary units (see Note 9)	3 216	0
Other financial income	911	28
<b>Total</b>	<b>706</b>	<b>254</b>
	01.07.2007 - 30.06.2008	24.10.2006 - 30.06.2007
<b>Financial expenses</b>		
Interest expense	-13 802	-6 319
Other financial expense	-478	-827
<b>Total</b>	<b>-14 279</b>	<b>-7 146</b>

## Note 24 Income tax

	01.07.2007 - 30.06.2008	24.10.2006 - 30.06.2007
<b>Income tax</b>		
Income tax on profit	-2 421	-1 693
Change in income tax asset (Heimon Kala Oy)	4 550	0
Deferred income tax, incl (see Note 16)	2 400	-3 679
Origination of temporary tax differences	0	-3 774
Reversal of temporary tax differences	2 400	95
<b>Total</b>	<b>4 529</b>	<b>-5 372</b>

## Note 25 Earnings per share

	2008	2007
Number of shares (in thousands)	661	661
Profit attributable to owners (in thousands of kroons)	6 171	2 781
<b>Earnings per share (in kroons)</b>	<b>9,34</b>	<b>4,21</b>

Since the group has no contingently issuable common shares, diluted EPS equals to basic EPS.

## Note 26 Financial risks

The group's activities involve several risks – currency risk, credit risk, interest rate risk, liquidity risk and capital risk:

## Foreign exchange risk

The currency risk is incurred when the business transactions, assets and liabilities are fixed in a currency which is not the company's functional currency. At the same time, the group tries to avoid major open currency positions. The main currencies used are EEK and EUR. The company is most exposed to changes in the Swedish kronor. The group has not used any financial instruments to hedge itself against future currency risks arising from business transactions, assets and liabilities. The group has no outstanding significant currency risks as of 30.06.2007 and 30.06.2008.

**Credit risk**

Credit risk exposes the potential loss that the group may bear as a result of its business partners not fulfilling their commitments. To hedge the credit risk, the group continually monitors the payment discipline of its customers. The group has no significant credit risks. As of 30.06.2008, the maximum credit risk exposure of unwarranted receivables is EEK 481 thousand (2007 - EEK 495 thousand).

**Interest rate risk**

The group applies both fixed interest rates and interest rates tied with the EURIBOR. Detailed information on interest bearing liabilities is available in Notes 14 and 15. No instruments have been used for hedging the interest risk.

Below, a summary of the Group's exposure to interest rate risk is presented as of June 30:

Fixed interest rate	2008			2007		
	<1 year	>1 year	Total	<1 year	>1 year	Total
Interest-bearing receivables	0	472	472	0	439	439
Interest-bearing liabilities	54 424	1 294	55 718	47 217	2 860	50 077
<b>Net position</b>	<b>54 424</b>	<b>822</b>	<b>55 246</b>	<b>47 217</b>	<b>2 421</b>	<b>49 638</b>
<b>Floating interest rate</b>						
Interest-bearing liabilities	63 343	47 308	110 651	8 960	117 370	126 330
<b>Net position</b>	<b>63 343</b>	<b>47 308</b>	<b>110 651</b>	<b>8 960</b>	<b>117 370</b>	<b>126 330</b>

The Group estimates that a 1% change in interest rates would be reasonably possible. The sensitivity analysis of profit before tax demonstrated that a 1 percentage point change (rise or decline) in interest rates would affect (increase or reduce) profit before tax for 2008 by EEK 1 123 thousand (2007 - 1 220 thousand EEK).

**Liquidity risk**

According to the estimate of the management, the Group will not have liquidity problems provided that:

- if necessary, additional capital can be raised through bonds' issue(s) (subsequent to the balance sheet date bonds have been issued to the parent company of the Group, see Note 29);
- some of the loan terms are related with the investment strategy of the parent company of the Group, which by now have changed and subsequently the management is on the opinion that the repayment terms can be extended;
- the parent company increases the share capital of the Group (the share capital has been increased subsequent to the balance sheet date, see Note 29)

The Group's liabilities by repayment terms in a long-term timeline are as follows:

	<3 months	3-12 months	1-5 years	Over 5 years	Total
<b>As of 30.06.2008</b>					
Borrowings	29 303	98 157	51 632	1 049	180 141
Trade payables and other liabilities	57 051	6 061	1 390	0	64 501
<b>Total</b>	<b>86 354</b>	<b>104 218</b>	<b>53 022</b>	<b>1 049</b>	<b>244 642</b>
<b>As of 30.06.2007</b>					
Borrowings	54 383	40 404	156 441	1 976	253 204
Trade payables and other liabilities	42 753	7 095	0	0	49 847
<b>Total</b>	<b>97 136</b>	<b>47 498</b>	<b>156 441</b>	<b>1 976</b>	<b>303 051</b>



**Capital risk**

Capital risk management is based on the principle of cost effective system so as to minimize risk occurring from core activities. As all risks related to business growth can not be covered due to practical and monetary restrictions, then preventive risk management system is used. To assure continuing risk management according to an overall, yet simple scheme, equity ratio has been kept on at least 24%. As at June 30, 2007 and June 30, 2008 the aforesaid ratio has been accordingly 33.5% and 34.1% - which is to some extent higher than the minimum standard set.

Decision about dividend payments is very important for the Group, as it may have an effect on the capital structure and share price. Company's strategy developments, shareholders interest and other factors have to be considered to make the decision about dividend payments. Taking into consideration that AS Saaremere Kala is entering into new business activities as well as potential extension of current segments, it has been proposed not to distribute profit of the financial year and to transfer the net profit to retained earnings or to other capital reserves, but also possibility to increase share capital through equity financing.

Information on financial instruments of the Group by category is as follows:

	30.06.2008	30.06.2007
Cash and cash equivalents	6 681	16 287
<i>incl. loans and receivables</i>	6 681	16 287
Receivables	60 996	55 258
<i>incl. loans and receivables</i>	60 996	55 258
Financial investments	480	448
<i>incl. loans and receivables</i>	480	448
<b>Total financial assets</b>	<b>68 157</b>	<b>71 993</b>
Loans and borrowings	169 269	180 355
<i>incl. carried at amortized costs</i>	169 269	180 355
Payables	60 510	46 325
<i>incl. carried at amortized costs</i>	60 510	46 325
<b>Total financial liabilities</b>	<b>229 778</b>	<b>226 680</b>

**Note 27 Related party transactions**

Parties who control the other party or have significant influence over the business decisions of the other party are deemed related parties by the group. Related parties include:

- The parent company (Amber Trust SCA)
- Entities controlled by the parent company
- Entities related to the parent company
- The Management Board and Supervisory Board of the public limited company, other management employees and private individuals with major holdings in the public limited company, except in cases where these individuals do not have significant influence over the business decisions of the company; In addition, related parties include close relatives of and companies controlled by the above individuals.

Purchases		01.07.2007 - 30.06.2008	24.10.2006 - 30.06.2007
Companies related to management and supervisory board members	Services	1 362	957

Sales		01.07.2007- 30.06.2008	24.10.2006- 30.06.2007
Companies related to management and supervisory board members	Other revenue	0	2
<b>Receivables</b>		<b>30.06.2008</b>	<b>30.06.2007</b>
Companies related to management and supervisory board members	Customer receivables	7	9
<b>Payables</b>		<b>30.06.2008</b>	<b>30.06.2007</b>
Companies related to management and supervisory board members	Accounts payable	206	122
Members of management and supervisory board	Other accrued expenses	0	45
Enterprise controlled by parent company	Bonds 10% coupon	0	7 817
Enterprises related to parent company	Bonds 11% coupon	15 765	0
Parent company	Interest payable	578	578

**Management remuneration**

A total of EEK 7 786 thousand (2007 - EEK 3 389 thousand) was paid to members of the management board and supervisory board of group companies and other management employees in the financial year (wages, bonuses, other benefits). No pension benefits have been granted to the management board and supervisory board members by the company.

**Severance compensation to management**

The management board and supervisory board members have not been granted the right to receive severance compensation. The maximum expense from dismissal compensation would be EEK 300 thousand.

**Note 28 Off-balance sheet assets and liabilities****EU structural grant**

Heimon Kala Oy has been granted EEK 405 thousand from the fish processors and fish wholesalers aid programme, of which as of the balance sheet date EEK 172 thousand is recorded as an off-balance sheet receivable. The limitation period for the receivable is 31 August 2008. In October 2008 172 thousand EEK have been received.

Saaristomeren Kala Oy has applied for grants in the amount of EEK 1 448 thousand from the fish processors and fish wholesalers aid programme, which as of the balance sheet date is an off-balance sheet receivable. In October 2008 applications in the total amount of EEK 1 049 thousand have been acceded and in November 2008 EEK 426 thousand has been received.

Överumans Fisk Ab has applied for grants in the amount of EEK 2 956 thousand to receive aid from the fish farmers aid programme, which as of the balance sheet date is an off-balance sheet receivable. In November 2008 the application has been acceded, but has not been paid out yet.

Subsidiary Överumans Fisk AB has written down inventories in summer 2008 in the amount of EEK 6 908 thousand and in the total quantity of 189 thousand kg. The claim against previous management board of

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the subsidiary will be submitted in full amount and is recognized at the moment as off-balance receivable (see Note 22).

#### Income tax from dividends

As of June 30, 2008, the group's retained earnings amount to EEK 8 813 thousand. The maximum possible income tax liability related to the payment of the group's retained earnings as dividends is EEK 1 851 thousand. The group can thus pay EEK 6 962 thousand in net dividends. The maximum possible income tax liability has been calculated based on the assumption that the net dividends to be paid, and the related total income tax expenses would not exceed the distributable profit as of the end of the financial year.

#### Note 29 Events after the balance sheet date

In August 2008 the Group issued bonds to the parent company in the total amount of EEK 7 823 thousand and redeemed the bonds prematurely in December 2008.

In December 2008 the Group received a long-term loan from a company controlled by the parent company of the Group in the amount of EEK 19 558 thousand, which is due to be repaid in September 2009.

In December 2008 the shareholders of the Group decided to issue 53 170 new shares and increase the share capital by EEK 16 071 thousand.



**Note 30 Unconsolidated financial statements of parent company**

The Parent's unconsolidated main financial statements presentation is required by the Estonian Accounting Law and is not a required part of the consolidated financial statements prepared under International Financial Reporting Standards. These unconsolidated main financial statements do not constitute the Parent's separate financial statements as defined in IAS 27 (Consolidated and Separate Financial Statements).

**Note 30.1 Unconsolidated balance sheet of parent company**  
in thousands of kroons

	30.06.2008	30.06.2007
Cash and bank accounts	4 221	4 904
Receivables and prepayments	20 480	25 748
<b>Total current assets</b>	<b>24 701</b>	<b>30 652</b>
Long-term financial investments	150 131	151 974
<b>Total non-current assets</b>	<b>150 131</b>	<b>151 974</b>
<b>TOTAL ASSETS</b>	<b>174 832</b>	<b>182 627</b>
Borrowings	39 100	7 816
Payables and prepayments	865	683
<b>Total current liabilities</b>	<b>39 965</b>	<b>8 499</b>
Long-term borrowings	0	39 100
<b>Total non-current liabilities</b>	<b>0</b>	<b>39 100</b>
<b>Total liabilities</b>	<b>39 965</b>	<b>47 599</b>
Share capital	6 612	6 612
Share premium	127 921	127 921
Mandatory legal reserve	25	0
Retained earnings	470	0
Net profit/loss for the reporting period	-161	495
<b>Total owner's equity</b>	<b>134 867</b>	<b>135 028</b>
<b>TOTAL LIABILITIES AND OWNER'S EQUITY</b>	<b>174 832</b>	<b>182 627</b>

Note 30.2 Unconsolidated income statement of parent company  
in thousands of kroons

	01.07.2007-30.06.2008	24.10.06-30.06.07
Revenue	2 372	180
Cost of sales	-2 530	-181
Gross profit	-158	-1
Administrative and general expenses	-753	-255
Other expenses	-583	-9
Operating loss	-1 494	-265
Financial income	4 102	2 240
Financial expenses	-2 769	-1 480
Net profit/loss for the financial year	-161	495

**Note 30.3 Unconsolidated cash flow statement of parent company**

in thousands of kroons

	01.07.2007-30.06.2008	24.10.2006 - 30.06.2007
Operating loss	-1 494	-265
Change in receivables and prepayments related to operating activities	-915	-377
Change in liabilities related to operating activities	183	218
<b>Total cash flow from operating activities</b>	<b>-2 226</b>	<b>-424</b>
Net cash flow from purchase of subsidiaries (see Note 9)	-3 567	-1 788
Loans granted	0	-66 670
Repayments of loans granted	14 708	4 100
Interest received	987	127
Other cash flow	0	212
<b>Total cash flow from investing activities</b>	<b>12 128</b>	<b>-64 019</b>
Loans received, bonds issued	0	46 857
Redemption of debt instruments	-7 820	
Interest paid	-2 765	-840
Other cash flow	0	-117
Issue of shares (Note 20)	0	23 047
<b>Total cash flow from financing activities</b>	<b>-10 585</b>	<b>68 947</b>
<b>Total cash flow</b>	<b>-683</b>	<b>4 504</b>
Cash and cash equivalents at the beginning of the period	4 904	400
Change in cash and cash equivalents	-683	4 504
Cash and cash equivalents at the end of the period	4 221	4 904



**Note 30.4 Unconsolidated statement of changes in equity of parent company**  
in thousands of kroons

	Share capital	Share premium	Mandatory legal reserve	Retained earnings	Total
As of 24.10.2006	400	0	0	0	400
Share issue	6 212	127 921	0	0	134 134
Net profit for the financial year	0	0	0	495	495
As of 30.06.2007	6 612	127 921	0	495	135 028
Transfer to legal reserve	0	0	139	-139	0
Net loss for the financial year	0	0	0	-161	-161
As of 30.06.2008	6 612	127 921	139	195	134 868

Additional information about the movements in share capital and dividends payable is disclosed in Note 20.

Adjusted parent company's unconsolidated owner's equity as of June 30 is following :

	2008	2007
Parent company's unconsolidated owner's equity	134 868	135 028
Net book value of subsidiaries in the parent company's unconsolidated balance sheet (minus)	-150 131	-112 874
Value of subsidiaries calculated in accordance with equity method accounting (plus)	157 474	0
<b>Total</b>	<b>142 211</b>	<b>22 154</b>

Translation of the Estonian Original

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Saaremere Kala AS

### Report on the Financial Statements

We have audited the consolidated financial statements of Saaremere Kala AS and its subsidiaries (hereafter "the Group"), which comprise the balance sheet as of 30 June 2008, the statements of income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes. The audited financial statements, which we have identified on the accompanying pages, are enclosed with the current report.

#### ***Management's Responsibility for the Financial Statements***

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

#### ***Auditor's Responsibility***

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

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

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

#### ***Basis for Qualified Opinion***

We did not attend the physical count of inventories performed at 30 June 2008 in the Group's subsidiary OÜ Vettel due to missing information. Inventories not observed amounted to 25 711 thousand kroons. We also did not attend the physical count of biological assets performed at 30 June 2008 in the Group's subsidiaries Överumans Fisk Ab and Skärgårdshavets Fish Ab in the total amount of 21 592 thousand kroons as this was performed prior to our appointment as auditors



of these subsidiaries. There were no alternative procedures that could be performed to confirm the existence of inventory and biological assets in the subsidiaries at that date. Accordingly, we were unable to obtain sufficient audit evidence regarding the quantities of these inventories and biological assets as at 30 June 2008.

**Qualified Opinion**

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary, had we been able to obtain sufficient evidence regarding the matters described in section "Basis for Qualified Opinion", the financial statements present fairly, in all material respects, the financial position of the Group as of 30 June 2008, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

**Emphasis of Matter**

Without qualifying our opinion we draw your attention to Note 9 to the consolidated financial statements in which management has disclosed detailed information on impairment test for goodwill acquired in a business combination in order to determine the recoverable amount of goodwill. The recoverable amount of goodwill is dependent on several management assumptions and estimations, the outcome of which can not be currently determined with conclusive certainty. The accompanying financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Without qualifying our opinion we draw your attention to the fact that as of 30 June 2008 there were material outstanding borrowings with a maturity date within up to one year from the balance sheet date. In notes 26 and 29 to the consolidated financial statements the management has disclosed its plans for repayment and refinancing of short-term borrowings as well as respective actions already undertaken subsequent to the balance sheet date.

Report on Other Legal and Regulatory Requirements

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The financial information of Saaremere Kala AS as a parent company in Note 30 is presented because it is required by the Estonian Accounting Law and is not a required part of the consolidated financial statements prepared under International Financial Reporting Standards. Such financial information has been subject to the auditing procedures applied in our audit of the consolidated financial statements and, in our opinion, is prepared in all material respects in accordance with the requirements of the Estonian generally accepted accounting principles and in relation to the consolidated financial statements taken as whole.

Tallinn, 19 December 2008

  
Ivar Kiigemägi  
Ernst & Young Baltic AS

  
Eneken Napa  
Authorised Auditor

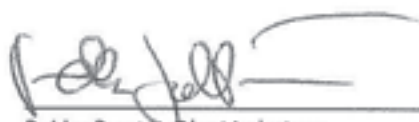


## PROFIT DISTRIBUTION PROPOSAL

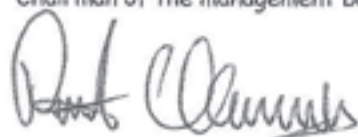
The management board proposes to add the loss for the financial year to the retained earning of previous periods.



Aivo Vareem  
Chairman of the management board



Pekka Pentti-Olavi Lahtinen  
Member of the management board



Petri August Oksanen  
Member of the management board

19 December 2008

SIGNATURES OF THE MANAGEMENT AND SUPERVISORY BOARD  
TO THE ANNUAL REPORT 2008

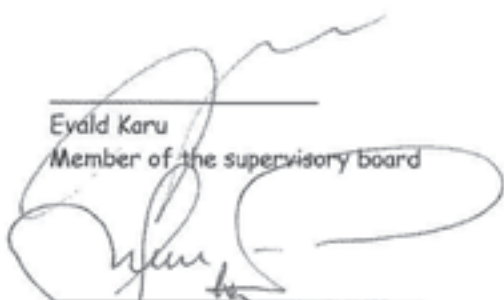
With this we confirm the correctness of the data presented in the Consolidation Group AS Saaremere Kala annual report 2008:



Erik Haavamäe  
Chairman of the supervisory board



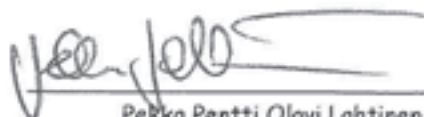
Kuldar Leis  
Member of the supervisory board



Eydal Karu  
Member of the supervisory board



Aivo Varem  
Chairman of the management board



Pekka Pentti Olavi Lahtinen  
Member of the management board



Petri August Oksanen  
Member of the management board

19 December 2008