Consolidated Annual Report

Saaremere Kala AS

Beginning of financial year:	24 October 2006
End of financial year:	30 June 2007
Registry code:	11310040
Address:	Viru 19 10140, Tallinn Republic of Estonia
Telephone:	+372 5175 440
Fax:	+372 4590 142
E-mail:	aivo@saaremerekala.eu
Main activities:	fish farming, production and sale of fish products

TABLE OF CONTENTS

Aivo Varem

CONSOLIDATED MANAGEMENT REPORT

AS Saaremere Kala is an international fish processing group which was established at the end of 2006. The group holds fish farm in Finland and Sweden, modern production complexes in Saaremaa and Finland, as well as a sales network in Estonia, Latvia and Finland. The group's most well-known trademarks currently include Gurme and Meriline in Estonia, and Heimon Kala and Saaristomeren Kala in Finland. The group incorporates OÜ Vettel and OÜ GourmetHouse in Estonia, Saaristomeren Kala Oy, Heimon Kala Oy, Polar Fish Oy, Imatran Kala ja Kaviaari Oy in Finland, as well as Överumans Fisk Ab and Skärgårdshavets Fish Ab in Sweden. The company's product portfolio includes fish fillets, cold-smoked and hot-smoked products, freshly salted and salted fish, fish products rolled in egg and bread crumbs, fish eggs and caviar. Fish eggs and caviar are produced in the company's own fish farms which farm rainbow trout, sturgeon, whitefish, pikeperch as well as other trout such as "golden rainbow trout" and alpine brown trout.

Saaremere Kala AS is owned by the international investment fund Amber Trust S.C.A and funds associated with the company as well as the company's management board.

The net turnover of AS Saaremere Kala for the period between 24.10.2006 and 30.06.2007 amounted to 202 million kroons, and net profit to 2.8 million kroons.

Market overview

Finnish market

The main raw material of Finnish fish processing companies is salmon imported from Norway and Denmark (40% of the total market volume) as well as raw material from local fish farms and fishing. Local raw material is provided by fish farms (63%), deep-sea fishing (28%) and fishing on internal waters (9%).

The main focus of the company's fish farms lies in the farming and development of different trout species.

The group company Saaristomeren Kala Oy is mainly involved in fish farming and processing. Fish processing is carried out in Uusikaupunki. Fish farms are located in five different regions. In Sweden, the company holds two fish farms. The fish farms are Saaristomere Kala OY's subsidiaries, and hold fishing permits for a total annual volume of approximately 1,980 tons. (1,230 tons in Sweden and 750 tons in Finland). The company employed an average of 63 people in the financial year.

The other group company Heimon Kala OY is mainly involved in fish processing and marketing. The company's entire output is marketed and supplied to Finnish retail trade organisations. The company operates in Hämeenlinna, Central Finland. The company employed an average of 61 people in the financial year.

Estonian market

The main raw material of Estonian fish processing companies consists of local Baltic Sea fish species, Baltic herring and sprat, as well as fresh water fish such as perch, pike perch and salmon for fillet companies. The canned food output is still targeted to the Eastern market as well as the markets of Central and Eastern Europe, the remainder is sold at the Western market. Finished products are marketed both on the Eastern and Western markets. Finished products are manufactured mostly from imported raw materials.

Fish product output

	2004	2005	2006	Average change per year
Fish products (except for canned products), in thousands of tons	65.3	76.4	75	6.3%
fresh and chilled fish, fish fillets, minced fish, in thousands of tons	4.3	4.1	5	6.6%
frozen fish, in thousands of tons	32	40	39,5	9.4%
smoked fish, in thousands of tons	3	3.3	3,1	1.3%
salted, spiced and dried fish, frozen fish and fish rolled in egg and bread crumbs, in thousands of tons	24.3	27.4	16,3	-28.4%
culinary fish products in oil, marinade, custard, in thousands of tons	1.7	1.4	1	-30.7%
Canned fish products, in thousands of tons	14.6	9.7	7,2	-42.6%
Total	79.9	86.1	82,2	1.2%

Source: ESA

Fish and fish product export and import in 2006

Export	Volume, in tons	Sum, in thousands
Chilled/frozen fish and fish fillets	61 860	840 587
Fish products and canned fish products	49 034	546 727
Vettel OÜ	1 295	111 011
Share of Vettel OÜ	1,2%	8,0%
Import		
Chilled/frozen fish and fish fillets	23 788	606 300
Fish products and canned fish products	6 818	204 937
Vettel OÜ	1 489	86 131
Share of Vettel OÜ	4,9%	10,6%

Source: ESA

The total export volume of Vettel OÜ for 18 month period in 2006-2007 amounted to 172 million kroons (2 thousand tons) and the import volume to 135 million kroons (2.4 thousand tons). The share of domestic fish products is still significantly smaller in volume than in Nordic countries. The share of fish in the food expenses of households varies quite a lot in different countries, from 2.5% in Austria to 15.6% in Portugal. The top fish consumers are Portugal (63 kg per capita), Iceland (46 kg per capita), Spain (41 kg per capita), Norway (37 kg per capita). In Estonia, the corresponding indicator was 14 kg (607 EEK per capita). According to the survey ordered by the Estonian Association of Fishery, fish products contributed to 4% of the household expenses in 2005. This equals to the Finnish market growth, allowing us to estimate a similar trend in the next few years, facilitated by increase in household income and consumers in recent years. According to the survey conducted by the Estonian Association of Fishery, consumers are most interested in chilled fish and fish products as well as salted and smoked fish products, especially the red fish (trout, salmon) and fresh water fish.

Highlights of the financial year

In 2006, a new company *Saaremere Kala AS* was established. In January 2007, the company acquired, through share swap transaction, a 100% stake in Vettel OÜ and *Saaristomeren Kala OY*.

The management board of Saaremere Kala AS has three members, including the managing director of Vettel OÜ, managing director of Saaristomeren Kala Oy and managing director of Heimon Kala Oy.

In 2007, the company resolved to increase the company's share capital, with the total share premium amounting to 134 million kroons.

A total of 6 million kroons was invested in non-current assets in the reporting period. The biggest investments included purchase of fish farming equipment and construction of a water supply and water treatment system.

The company posted a net profit of 2.8 million kroons in the financial year.

The group has sufficient unused options for enhancing efficiency of its operations, especially through internal reorganisation, allowing to amplify the strengths of group companies and eliminate their weaknesses. By today, the first stage of production reorganisation has been completed, with the company achieving an increase in sales coverage and production volumes. The group has consequently started the new financial year with a material increase in net profit margin. The acquisition of a new subsidiary — GourmetHouse — in Estonia has significantly improved the group's market position in Estonia.

The group employed an average of 214 people in the financial year. The company's personnel expenses amounted to 36.2 million kroons.

A total of 3.4 million kroons was paid as remuneration and severance compensation to members of the management board and supervisory board in 2006-2007.

Subsidiaries

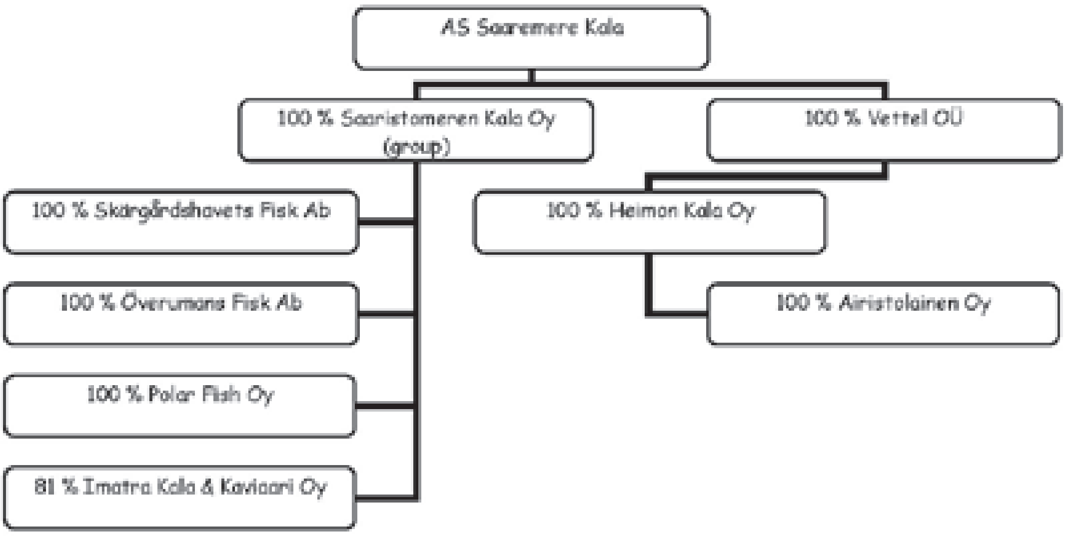
As of 30.06.2007, AS Saaremere Kala incorporated the following subsidiaries:

Saaristomeren Kala Oy - registered in Finland – share: 100% - fish farming, fish product manufacturing and sales.
Imatran Kala ja Kaviaari Oy - registered in Finland – share: 81% - fish farming and sales.
Polar Fish Oy - registered in Finland – share: 100% - production building management and rental.
Skärgårdshavets Fisk Ab - registered in Sweden – share: 100% - fish farming and sales.
Överumans Fisk Ab - registered in Sweden – share: 100% - fish farming and sales.

Vettel OÜ - registered in Estonia – share: 100% - fish product manufacturing and sales.

Heimon Kala OY - registered in Finland – share: 100% - fish product manufacturing and sales.
Airistolainen OY - registered in Finland – share: 100% - fish product manufacturing.

Aivo Varem



In July 2007, GourmetHouse OÜ was registered in Estonia and incorporated in the group (with a share of 51.43%).

Financial ratios

		2006/2007
Quick ratio	[(current assets – inventories) / (current liabilities – liabilities to owners)]	0.66
Current ratio	[current assets / (current liabilities - liabilities to owners)]	1.74
Return on EBITDA	[(operating profit + depreciation charge) / net turnover]	8.35%
Net profit margin	[net profit / net turnover]	1.38%

Future perspectives

The main objective for the financial year 2007/2008 is to integrate the activities of Vettel OÜ, Heimon Kala OY, Saaristomeren Kala OY and GourmetHouse OÜ in the Saaremere Kala group. Incorporation of different companies under the Saaremere Kala group has allowed to take control of the entire chain of supply, from fish farming to product marketing. The company pursues gradual implementation of the consequent synergies and amplification of the strengths of group companies. The investment plan for 2008 includes production expansion in Saaremaa, Vettel OÜ and fish farming expansion in Sweden. The company forecasts a 500-million-kroon turnover for the financial year.

The company's management proposes to transfer 25 thousand kroons of the profit for the financial year to mandatory reserve, and the remainder to retained earnings. Due to the company's long-term development plans, the company is not planning to pay dividends to owners before 2008.

Aivo Varem
Chairman of the Management Board

Aivo Varem

CONSOLIDATED FINANCIAL STATEMENTS

MANAGEMENT REPRESENTATION TO THE CONSOLIDATED FINANCIAL STATEMENTS

We hereby take responsibility for the preparation of the consolidated financial statements set out on pages 6-39, and confirm that:

1. the accounting principles used in preparing the consolidated financial statements are in compliance with the International Financial Reporting Standards;

2. the consolidated financial statements give a true and fair view of the financial position of the group, as well as the results of its operations and cash flows;

3. the group and the parent company are able to continue as a going concern.

Aivo Varem
Chairman of the Management Board

Pekka Pentti Olavi Lahtinen
Member of the Management Board

Antti Juhani Salminen
Member of the Management Board

Petri August Oksanen
Member of the Management Board

20 December 2007

ADDITIONAL DOCUMENTS

Aivo Varem

CONSOLIDATED BALANCE SHEET

in thousands of kroons

	30.06.2007	24.10.2006	Note
Cash	16 287	400	2
Short-term financial investments	179	0	3
Receivables	50 928	0	4
Prepayments	4 339	0	4
Non-current assets held for sale	284	0	5
Biological assets	78 874	0	6
Inventories	40 741	0	6
Total current assets	**191 632**	**400**	
Long-term financial investments	1 409	0	7
Investments in joint venture	792	0	9
Deferred tax assets	991	0	10
Property, plant and equipment	122 205	0	11
Intangible assets	92 697	0	12
Total non-current assets	**218 094**	**0**	
TOTAL ASSETS	409 725	400	
Borrowings	56 177	0	14
Payables and prepayments	50 273	0	17
Government grants	3 967	0	18
Total current liabilities	**110 417**	**0**	
Long-term borrowings	120 230	0	14
Deferred tax liability	3 269	0	15
Government grants	28 134	0	18
Total non-current liabilities	**151 633**	**0**	
Total liabilities	**262 050**	**0**	
Share capital	6 612	400	19
Share premium	127 921	0	
Unrealised currency exchange rate differences	-60	0	
Retained earnings	2 781	0	
Total owner's equity	**137 255**	**400**	
TOTAL LIABILITIES AND OWNER'S EQUITY	409 725	400	

Aivo Varem

CONSOLIDATED INCOME STATEMENT

in thousands of kroons

	24.10.2006 - 30.06.2007	Note
Revenue	202 040	20
Cost of sales	-168 813	21
Gross profit	**33 227**	
Marketing expenses	-20 735	21
Administrative and general expenses	-13 605	21
Other income	4 637	21
Profit from increase in the value of biological assets	13 228	21
Other expenses	-1 707	21
Operating profit	**15 045**	
Financial income	254	22
Financial expenses	-7 146	22
Profit before income tax	**8 153**	
Income tax	-5 372	23
Net profit for the financial year	**2 781**	

ADDITIONAL DOCUMENTS

Aivo Varem

CONSOLIDATED CASH FLOW STATEMENT

in thousands of kroons

	24.10.2006-30.06.2007	Note
Cash flow from operating activities		
Operating profit	15 045	
Adjustment of operating profit	5 366	
Depreciation and impairment of non-current assets	7 884	11, 12
Profit from disposals of property, plant and equipment	79	21
Government grants	-2 191	21
Write-down on receivables and prepayments	369	21
Foreign exchange losses	-37	21
Change in receivables and prepayments related to operating activities	18 722	
Change in receivables	21 626	
Change in prepayments	-2 904	
Change in inventories	-6 067	
Change in biological assets	-13 228	21
Change in liabilities and prepayments related to operating activities	-66 583	
Income tax paid	-1 693	23
Total cash flow from operating activities	**-48 438**	
Total cash flow from investing activities		
Purchase of property, plant and equipment, and intangible assets	-4 174	11, 12, 13
Sale of property, plant and equipment, and intangible assets	246	
Net cash flow from purchase of subsidiaries	11 763	8
Acquisition of other financial assets	-179	
Sale of other financial assets	1 174	7
Interest received	254	22
Total cash flow from investing activities	**9 084**	
Cash flow from financing activities		
Loans received, bonds issued	120 994	
Repayments of loan received	-39 518	
Change in factoring liability	-2 678	
Government grant received	1 504	18
Repayment of finance lease principal	-1 203	13
Interest paid	-4 187	
Issue of shares	23 046	19
Repurchase of treasury shares of subsidiaries	-42 658	
Total cash flow from financing activities	**55 301**	
Total cash flow	**15 947**	
Cash and cash equivalents at the beginning of the period	400	2
Unrealised currency exchange rate differences	-60	
Change in cash and cash equivalents	15 947	
Cash and cash equivalents at the end of the period	**16 287**	2

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

Aivo Varem

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in thousands of kroons

	Share capital	Share premium	Unrealised currency exchange rate differences	Retained earnings	Total
As of 24.10.2006	400	0	0	0	400
Share issue	6 212	127 921	0	0	134 133
Change in unrealised currency exchange rate differences	0	0	-60	0	-60
Net profit for the financial year	0	0	0	2 781	2 781
As of 30.06.2007	6 612	127 921	-60	2 781	137 255

Additional information on owner's equity has been disclosed in Note 19

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 General information and basis of preparation

A. General information

AS Saaremere Kala was established on 24 October 2006. The consolidated financial statements have therefore been prepared for the period 24 October 2006 - 30 June 2007.

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

AS Saaremere Kala is a holding company which has been registered and is operating in the Republic of Estonia and whose subsidiaries are involved in fish farming, processing and sales.

Pursuant to the requirements of the Commercial Code of the Republic of Estonia, the annual report prepared by the management board and approved by the supervisory board shall be approved at the general shareholders' meeting. These consolidated financial statements form a part of the annual report to be approved by the shareholders, and basis for profit allocation. The shareholders shall have the right not to approve the annual report prepared by the management board and approved by the supervisory board, and demand preparation of a new annual report.

The consolidated financial statements of AS Saaremere Kala for 2006-2007 include the economic results of the following companies: Vettel OÜ, Heimon Kala Oy, Airistolainen Oy and Saaristomeren Kala Oy Group (consolidated together with its subsidiaries).

B. Basis of preparation

The consolidated financial statements of AS Saaremere Kala (hereinafter also referred to as the "parent company"), and its subsidiaries (hereinafter referred to as the "group") have been prepared on a historical cost basis, unless otherwise stipulated in the accounting principles described below (e.g. certain financial investments and biological assets are recorded at fair value).

Unless otherwise noted, the consolidated financial statements have been prepared in thousands of Estonian kroons.

Pursuant to the Accounting Act of the Republic of Estonia, the parent company's unconsolidated financial statements (i.e. balance sheet, income statement, cash flow statement and statement of changes in equity) are recorded in the notes to the consolidated financial statements. The unconsolidated financial statements of AS Saaremere Kala have been presented in Note 29 - 32 „Parent company's unconsolidated financial statements". The financial statements have been prepared on the basis of the same accounting principles and basis of estimations used in the consolidated financial statements, except for investments in subsidiaries.

Statement of compliance

The consolidated financial statements of AS Saaremere Kala and its subsidiaries have been prepared in accordance with the International Financial Reporting Standards (IFRS) approved by the European Commission.

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. Subsidiaries are consolidated from the date on 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.

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).

D. *Changes in the presentation and accounting principles*

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.

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 2007. The requirements of these standards and interpretations shall be followed from the moment of their entry into force:

- IFRS 7 Financial Instruments: Disclosures. IFRS 7 requires disclosure of information which allows to evaluate the significance of the group's financial instruments and qualitative and quantitative information on the risks arising from financial instruments. The standard shall apply for reporting periods commencing on 1 January 2007 or later; the standard will not be applied before its entry into force;
- IFRS 8 Operating Segments. The standard establishes requirements for reportable information on the company's operating segments and products and services sold, as well as

ADDITIONAL DOCUMENTS

geographical areas where the company operates, and its main customers. The standard shall apply for reporting periods commencing on 1 January 2009 and later; the standard will not be applied before its entry into force;

- IAS 1 Presentation of Financial Statements (revised). The revision requires the company to report information which allows to evaluate the company's capital management objectives, principles and processes. The standard shall apply for financial years commencing on 1 January 2007 or later; the standard shall not be applied before its entry into force;
- IFRIC 10 Interim Financial Reporting and Impairment. This interpretation forbids reversal of write-downs arising from impairment of equity instruments or financial assets recognised at goodwill or acquisition cost in the previous period. The interpretation shall apply for reporting periods commencing on 1 November 2006 and later;
- IFRIC 11 IFRS 2 - Group and Treasury Share Transactions This interpretation gives instructions on how to classify transactions as equity or cash transactions and addresses how to account for share-based payment transactions which involve two or more companies of the same group in the separate financial statements of each group company. This interpretation shall apply for reporting periods commencing on 1 March 2007 and later; the interpretation shall not be applied before its entry into force;
- IFRIC 12 Service Concession Arrangements The interpretations addresses how service concession operations should apply existing IFRSs to account for the obligations undertaken and rights received in service concession arrangements. The interpretation shall apply for reporting periods commencing on 1 January 2008 and later; the standard will not be applied before its entry into force;
- IAS 23 Borrowing costs (revised). This standard shall apply for reporting periods commencing on 1 January 2009 and later; the standard will not be applied before its entry into force.

Significant accounting judgements and estimates

The preparation of consolidated financial statements in conformity with International Financial Reporting Standards as adopted by the European Union 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 aquired 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 in 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 badwill 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 underlying 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 underlying currency of foreign 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

ADDITIONAL DOCUMENTS

Aivo Varem

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.

Aivo Varem

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.

<u>Financial assets measured at acquisition cost</u>

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:

a) the asset item can be tested by the group;
b) generation of future economic benefits from the object is likely;
c) 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).

ADDITIONAL DOCUMENTS

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

Pursuant to the Income Tax Act, Estonian companies are not subjected to pay income tax on the profit. Rather, they are subjected to income tax on the paid dividends. For dividends paid out until December 31, 2006 tax rate 23/77 applied, from January 1, 2007 income tax rate 22/78 from net dividends paid applies. Pursuant to the valid Income Tax Act, the income tax rate will be lowered by 1% a year to 20/80 on the net dividend paid after 1 January 2009. Since income tax is paid on the dividends rather than profit, all temporary differences between the tax bases and carrying values of assets and liabilities cease to exist.

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.

Aivo Varem

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 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. Accounting for lease

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.

ADDITIONAL DOCUMENTS

Aivo Varem

T. Events after the balance sheet date

Material circumstances that have an effect on the valuation of assets and liabilities and become 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 29), 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 drop 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.

Aivo Varem

Note 2 Cash and bank accounts

	30.06.2007	24.10.2006
Cash and bank accounts	16 287	400
Total	**16 287**	**400**

Note 3 Short-term financial investments

	30.06.2007	24.10.2006
Term deposits	179	0
Total	**179**	**0**

Term deposits include 8-month deposit with an annual interest of 3.28% and a term-date on 29.10.2007.

Note 4 Receivables and prepayments

Receivables	30.06.2007	24.10.2006
Accounts receivable	49 520	0
Allowance for doubtful receivables	-56	0
Other short-term receivables	1 464	0
Total	**50 928**	**0**

The following changes occurred in the allowance for doubtful receivables:

	30.06.2007	24.10.2006
Allowance for doubtful receivables at the beginning of the period	0	0
Additional write-down	-56	0
Allowance for doubtful receivables at the end of the period	**-56**	**0**

Prepayments	30.06.2007	24.10.2006
Prepaid taxes, incl.	2 468	0
Value added tax	884	0
Income tax	1 507	0
Other taxes	77	0
Prepaid expenses	1 871	0
Total	**4 339**	**0**

During the reporting period, a total of 167 thousand kroons 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 313 thousand kroons of bad debts is recorded under "other expenses" in the income statement. Doubtful receivables and bad debts are disclosed in Note 22.
Taxes payable have been disclosed in Note 17.

Note 5 Non-current assets held for sale

The equipment used for processing white fish in the net book value of 284 thousand kroons 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 2007-2008.

ADDITIONAL DOCUMENTS

Aivo Varem

Note 6 Inventories and biological assets

	30.06.2007	24.10.2006
Raw materials	24 926	0
Work-in-progress	30	0
Finished goods	15 785	0
Total	**40 741**	**0**

Inventories in the amount of 23 thousand kroons were written down in connection with the expiry of the finished goods. The company has received 266 thousand kroons of insurance indemnities for goods which have deteriorated in transit.
Due to a break-downs of transport vehicle, finished goods in the amount of 1,103 thousand kroons were written down, out of which the transporter's insurer compensated 812 thousand kroons. The insurance indemnity has not been collected as of the balance sheet date, and is recorded under "Receivables" in the balance sheet and "Other income" in the income statement.

The division of write-downs into cost lines has been presented in Note 21.

Biological assets	30.06.2007	24.10.2006
Fry	26 640	0
Undersize fish (Fish < 0.4 kg)	1 685	0
Full-grown fish (Fish > 0.4 kg)	50 549	0
Total	**78 874**	**0**

Biological asset addition related to the acquisition of subsidiaries amounted to 65 646 thousand kroons (see Note 8), Profit for the financial year from biological assets amounted to 13 228 kroons (see Note 21).

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 of 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 7 Long-term financial investments

	Effective interest rate	30.06.2007	24.10.2006
Loans	3.5 %	439	0
Shares		970	0
Total		**1 409**	**0**

Long-term financial investments include loans granted and subsidiaries' long-term investments into shares. The loan has been granted with an annual interest of 3.5% and a repayment due date on 15 December 2013.

Since the fair value of the shares recorded as long-term financial investments cannot be reliably measured, these shares have been recognised at acquisition cost in the balance sheet. During the financial year some of the shares were sold. The acquisition value of the shares sold amounted to 709 thousand kroons from which 465 thousand kroons of profit were earned.

Aivo Varem

Note 8 Subsidiaries

The group incorporates the following subsidiaries:

Name of subsidiary	Home country	Share 30.06.2007
Heimon Kala Oy	Finland	100 %
Airistolainen Oy	Finland	100 %
Vettel OÜ	Estonia	100 %
Saaristomeren Kala Oy	Finland	100 %
Polar Fish Oy	Finland	100 %
Skärgårdshavets Fisk Ab	Sweden	100 %
Överumans Fisk Ab	Sweden	100 %
Imatran Kala ja Kaviaari Oy	Finland	81 %

The share in the equity of subsidiaries equals to the voting right.
The subsidiaries' shares have not been listed on any stock exchange.
The group holds a share in the subsidiary Heimon Kala Oy through the subsidiary Vettel OÜ.
The group holds a share in the subsidiary Airistolainen Oy through the subsidiary Heimon Kala Oy.
The group holds a share in subsidiaries Polar Fish Oy, Skärgårdshavets Fisk Ab, Överumans Fisk Ab and Imatran Kala ja Kaviaari Oy through the subsidiary Saaristomeren Kala Oy.

In January 2007, the company acquired a 100% stake in Vettel OÜ, which has been registered in Estonia. The acquisition cost of the investment is 32,225 thousand kroons, consisting of the following components:

- the purchase/sale price of 32,197 thousand kroons was paid as a non-monetary contribution by share swap transaction.
- legal consulting and advisory services as well as non-refundable taxes associated with the transaction amounted to a total of 27 thousand kroons.

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

The fair value of the net assets acquired, as of 31.12.2006:

	Book value	Re-valued	Fair value
Cash and cash equivalents	1 352	0	1 352
Receivables and inventories	82 395	0	82 395
Property, plant and equipment	78 811	0	78 811
Intangible assets	524	0	524
Other long-term receivables and financial investments	170	0	170
Deferred tax asset	998	0	998
Trademark	14 181	2 655	16 836
Goodwill	12 822	-12 822	0
Borrowings	-89 587	0	-89 587
Second payment post for Heimon Kala shares	-7 907	0	-7 907
Deferred tax liability	0	-690	-690
Prepaid government grants	-24 107	0	-24 107
Other liabilities	-56 391	0	-56 391
Net assets	13 259	-10 857	2 402
Acquisition cost			32 225
Goodwill			29 823

Aivo Varem

In the course of purchase analysis "Heimon Kala" trade-mark was revaluated into fair value, which increased the value of the trade mark by 2,655 thousand kroons. To determine the fair value of the trademark the group used a combination of cost method and market-based approach. The increase in fair value of the trademark resulted in recognition of deferred tax liability in the amount of 690 thousand kroons. Goodwill in the amount of 12,822 thousand kroons that was initially recorded in the balance sheet of Vettel OÜ was written-down in the course of purchase analysis.

Net cash flow from the acquisition of the subsidiary	
Paid for services	-27
Cash and cash equivalents of the subsidiary	1 352
Net cash flow	1 325

In January 2007, the group acquired from a third party a 100% stake in Saaristomeren Kala Oy, a company registered in Finland. The acquisition cost of the investment amounted to 80,649 thousand kroons, consisting of the following components:

- the purchase/sale price of 78,890 thousand kroons was paid as a non-monetary contribution by share swap transaction.
- legal consulting and advisory services as well as non-refundable taxes associated with the transaction amounted to a total of 1,760 thousand kroons.

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

The fair value of the net assets acquired, as of 31.12.2006:

	Book value	Re-valued	Fair value
Cash and cash equivalents	12 199	0	12 199
Receivables and inventories	26 262	0	26 262
Biological assets	56 022	9 624	65 646
Property, plant and equipment	46 981	0	46 981
Intangible assets	25	0	25
Fish farming licenses	0	11 817	11 817
Other long-term receivables and financial investments	2 740	0	2 740
Goodwill	61	-61	0
Borrowings	-8 625	0	-8 625
Liability for re-purchasing treasury shares	-42 658	0	-42 658
Deferred tax liability	-2 827	-6 050	-8 877
Prepaid government grants	-8 856	0	-8 856
Other liabilities	-50 458	0	-50 458
Net assets	30 864	15 330	46 194
Acquisition cost			80 649
Goodwill			34 455

In the course of the purchase analysis, fish stock were revaluated into their fair value in accordance with the requirements of IAS 41, with the company's biological assets thus increasing by 9,624 thousand kroons. Fish farming licenses in the amount of 11,817 thousand kroons were recognized as separate items in purchase analysis. The increase in fair value of the above mentioned items resulted in recognition of deferred tax liability in the amount of 6,050 thousand kroons. In the course of the purchase analysis, the goodwill of Saaristomeren Kala Oy was written down in the amount of 61 thousand kroons.

Net cash flow from the acquisition of the subsidiary	
Paid for services	-1 760
Cash and cash equivalents of the subsidiary	12 199
Net cash flow	10 439

The goodwill in the total amount of 64,278 kroons recognized from the acquisition transactions is related to the profit from synergy arising from the concept of joint management of subsidiaries.

As of 30.06.2007, 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 30,517 thousand kroons bigger than the carrying amount of the comparative cash generating unit and, in Saaristomeren Kala Oy, 3,813 thousand kroons bigger than the carrying amount of the comparative cash generating unit.

Note 9 Joint ventures

The subsidiary Saaristomeren Kala Oy holds a 28.41% stake in the joint venture Kiinteistö Oy Vason Myllyranta.

Joint venture	Country	Share	Acquisition cost	Owner's equity
Kiinteistö Oy Vason Myllyranta	Finland	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.

Note 10 Deferred tax assets

The deferred income tax assets include the subsidiary Heimon Kala Oy's income tax receivable in the amount of 991 thousand kroons, arising from the difference in the non-current asset tax depreciation.

The deferred tas liability has been disclosed in Note 15.

Note 11 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 8)	68 325	49 849	1 275	6 342	125 792
Additions in the period	7	4 289	103	1 596	5 995
Taken into use during the period	0	2 789	1 145	-3 934	0
Classification into non-current assets held for sale	0	-284	0	0	-284
Sales at net book value	0	-1 621	0	0	-1 621
Write-off at net book value	0	-50	-5	0	-55
Currency exchange effects	-161	-397	-91	0	-649
Depreciation charge	-2 668	-4 094	-213	0	-6 974
Acquisition cost 30.06.2007	68 328	55 023	2 518	4 004	129 873
Accumulated depreciation	-2 825	-4 539	-304	0	-7 668
Net book value as of 30.06.2007	**65 503**	**50 483**	**2 214**	**4 004**	**122 205**

The sale of non-current assets include, above others, the office equipment acquired under finance lease which were returned in the course of equipment replacement in the amount of 1,295 thousand kroons.

During the financial year a forklift was destroyed in a fire, with a net book value of 99 thousand kroons. This amount was indemnified by the insurance company.

Non-current assets held for sale have been disclosed in Note 5.

Depreciation by cost lines has been disclosed in Note 21.

The acquisition cost of fully depreciated non-current assets still in use amounted to 268 thousand kroons as of 30.06.2007.

Note 12 Intangible assets

	Trademarks	Software licenses	Licenses, interconnection fees	Company name	Total
Net book value as of 24.10.2006	**0**	**0**	**0**	**0**	**0**
Additions related to acquisition of the subsidiary (see Note 8)	16 836	524	11 842	64 278	93 479
Additions in the period	0	74	0	0	74
Amortisation charge	-421	-145	-290	0	-856
Net book value as of 30.06.2007	**16 415**	**452**	**11 552**	**64 278**	**92 697**
Acquisition cost 30.06.2007	16 836	597	11 842	64 278	93 553
Accumulated amortisation 30.06.2007	-421	-145	-290	0	-856

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

Depreciation by cost lines has been disclosed in Note 21.

Additional information on goodwill has been disclosed in Note 8.

Note 13 Finance lease and operating lease

Finance lease - the group as the lessee

	30.06.2007	
	Minimum lease payments	Present value of minimum lease payments
Payable within less than 1 year	2 556	2 307
Payable within 1-5 years	3 152	2 860
Total minimum lease payments	**5 708**	
Future interest expenses	-541	
Total present value of minimum lease payments	**5 167**	

	24.10.2006 - 30.06.2007
Lease payments paid in the period	1 202
Interest paid in the period	181
Interest rate gap	5.0 - 13.0 %

Assets acquired under finance lease terms:

	Machinery and equipment	Total
Acquisition cost 30.06.2007	21 721	21 721
Net book value as of 30.06.2007	14 733	14 733

The acquisition of subsidiaries added assets leased under finance lease with an acquisition cost of 23,157 thousand kroons and a net book value of 15,591 thousand kroons. In the reporting period, the company acquired assets under finance lease terms with an acquisition cost of 1,895 thousand kroons, and returned 1,296 thousand kroons worth of assets leased under finance lease terms.

Operating lease - the group as the lessee

The group leases passenger cars, freezer and container under operating lease terms.

	Equipment	Passenger cars	Total
Lease expenses for 2007	69	365	434
Estimated lease expenses for 2007-2008	69	748	817

ADDITIONAL DOCUMENTS

Aivo Varem

Note 14 Short-term and long-term borrowings

Short-term borrowings	Effective interest rate	Repayment due date	30.06.2007
Finance lease liabilities (see Note 13)			2 307
Factoring with a limit of 2,000 thousand EUR			24 794
Borrowings, incl.			29 076
Overdraft, incl.			3 841
with a limit of 168 thousand EUR	5,6 %	Without a term	1 369
with a limit of 168 thousand EUR	6,7 %	Without a term	2 472
Bonds, incl.			20 117
Bonds with a coupon rate of 9%	10,5 %	07.09.2007	12 300
Bonds with a coupon rate of 10%	10,0 %	10.07.2007	7 817
Pension insurance loan: 25 thousand EUR	6,0 %	01.07.2030	17
Investment loans, incl.			5 102
100 thousand EUR	6-month EURIBOR + 1,8 %	15.10.2008	313
168 thousand EUR	6-month EURIBOR + 1,2 %	15.12.2008	376
72 thousand EUR	6-month EURIBOR + 1,9 %	30.06.2014	133
135 thousand EUR	3-month EURIBOR + 1,0 %	15.07.2009	304
171 thousand EUR	12-month EURIBOR + 0,5 %	15.09.2010	571
134 thousand EUR	3-month EURIBOR + 0,5 %	30.09.2007	200
402 thousand EUR	12-month EURIBOR + 0,5 %	10.12.2014	699
100 thousand EUR	6-month EURIBOR + 1,8 %	09.03.2010	313
303 thousand EUR	OP prime +1,5 %	31.08.2007	470
315 thousand EUR	OP prime +1,5 %	30.11.2007	985
354 thousand EUR	6-month EURIBOR + 0,8 %	31.05.2012	739
Total			**56 177**

The overdraft agreement with a limit of 2,895 thousand kroons (185 thousand EUR) was extended after the balance sheet date on the same conditions to 30.09.2008.

OP prime is the Finnish Osuuspankki base interest - 4.250% as of 30.06.2007.

The investment loans taken in the amount of 315 thousand EUR and 354 thousand EUR were prematurely repaid in September 2007.

Bonds

In January 2007, the company issued 782 bonds through SEB Eesti Ühispank, thus generating 7,820 thousand kroons of additional funds. The nominal value of the bonds is 10 thousand kroons, and the annual interest rate is 10%. The bonds were redeemed on their maturity on 10.07.2007.

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

Assets pledged as collateral to borrowings have been disclosed in Note 16.

Long-term borrowings	Effective interest rate	Repayment due date	30.06.2007
Finance lease liabilities (see Note 13)			2 860
Borrowings, incl.			117 370
Pension insurance loan: 25 thousand EUR	6,0 %	01.07.2030	221
Investment loans, incl.			117 149
100 thousand EUR	6-month EURIBOR + 1,8 %	15.10.2008	156
168 thousand EUR	6-month EURIBOR + 1,2 %	15.12.2008	188
72 thousand EUR	6-month EURIBOR + 1,9 %	30.06.2014	795
135 thousand EUR	3-month EURIBOR + 1,0 %	15.07.2009	257
171 thousand EUR	12-month EURIBOR + 0,5 %	15.09.2010	1 245
402 thousand EUR	12-month EURIBOR + 0,5 %	10.12.2014	4 545
100 thousand EUR	6-month EURIBOR + 1,8 %	09.03.2010	626
354 thousand EUR	6-month EURIBOR + 0,8 %	31.05.2012	2 956
3 000 thousand EUR	6-month EURIBOR + 1,5 %	01.02.2010	46 940
1 500 thousand EUR	6-month EURIBOR + 1,5 %	01.02.2010	20 341
39 100 thousand EEK	6-month EURIBOR + 2,5 %	16.02.2009	39 100
Total			**120 230**

Aivo Varem

Note 15 Deferred tax liability

Deferred tax liability in the amount of 13,689 thousand kroons includes the subsidiary Saaristomeren Kala Oy's income tax liability in the amount of 3,269 thousand kroons, resulted from the difference between the accounting-base and tax-base for depreciation of non-current assets. In addition, the deferred tax liability includes 10,420 thousand kroons resulting from the following transactions:

Deferred tax liability resulting from assets recognised and revalued to fair value in the course of business comination	6 741
Deferred tax liability resulting from origination and latter revaluation of assets	3 774
Reversal of deferred tax liability in the period	-95
Total	**10 420**

Information on deferred tax assets have been disclosed in Note 10.

Note 16 Loan collateral and pledged assets

Collateral to the loans of OÜ Vettel include a mortgage on the "Kärsa" registered immovable in the amount of 50 million kroons and a commercial pledge on the company's movable property in the amount of 10 million kroons. The net book value of the Kärsa registered immovable amounted to 24.4 million kroons as of 30.06.2007.

The term deposit indicated in Note 3 has been pledged in collateral to the bank guarantee in the amount of 179 thousand kroons.

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

Collateral to the loans of Saaristomeren Kala Oy include a mortgage established in the amount of 36,401 thousand kroons and a commercial pledge on the company's immovable property in the amount of 19,406 thousand kroons.

Note 17 Payables and prepayments

	30.06.2007
Accounts payable	23 564
Taxes payable, including	9 386
Value added tax	6 748
Personal income tax and income tax payable on fringe benefits	1 334
Social insurance payments	732
Unemployment insurance	8
Mandatory funded pension	560
Corporate income tax	4
Payables to employees	10 333
Interest payable	3 948
Other accrued expenses	3 043
Total payables	**50 273**

Prepaid taxes have been disclosed in Note 4.

ADDITIONAL DOCUMENTS

Aivo Varem

Note 18 Government grants

	24.10.06 - 30.06.07
Deferred income related to government grants at the beginning of the period	0
Additions from acquisition of the subsidiary (see Note 8)	32 963
Government grants received in the period	1 505
Currency exchange effect	-176
Government grants charged to income in the period (see Note 21)	-2 191
Deferred income related to government grants at the end of the period, incl.	**32 101**
To be charged to income within 1 year	3 967
To be charged to income within 2-15 years	28 134

Information on off-balance sheet receivables associated with government grants has been disclosed in Note 27.

Note 19 Share capital

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

On 05.12.2006 the sole shareholder resolved to increase the parent company's share capital and share premium by a total of 23,047 thousand kroons.
With the general shareholders' meeting of 18.01.2007, the parent company's share capital and share premium was increased by a total of 111,087 thousand kroons. 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 valuated 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
Total		134 134

Note 20 Revenue

By fields of activity	24.10.06 - 30.06.07
Sale of fish, fish fillets and fish products	193 128
Sale of live fish	5 209
Services and other sales	3 703
Total	202 040

By geographical areas	24.10.06 - 30.06.07
Finland	189 747
Estonia	2 337
Other countries	9 956
Incl. Europe	9 020
Incl. other	936
Total	202 040

Aivo Varem

ADDITIONAL DOCUMENTS

Note 21 Expenses and other income

Cost of sales	24.10.06 - 30.06.07
Raw material, semi-finished goods	-116 852
Personnel expenses	-29 758
Depreciation (see Note 11)	-5 367
Amortisation (see Note 12)	-290
Nitrogen	-82
Transportation expenses	-588
Electricity	-3 451
Write-down of goods in stock (see Note 6)	-1 126
Other expenses	-11 298
Total	**-168 813**

Marketing expenses	24.10.06 - 30.06.07
Transportation expenses	-9 361
Personnel expenses	-1 365
Advertising and sales organisation	-7 404
Depreciation (see Note 11)	-1 271
Amortisation (see Note 12)	-566
Other expenses	-769
Total	**-20 735**

Administrative and general expenses	24.10.06 - 30.06.07
Advisory expenses	-2 078
Personnel expenses	-5 044
Depreciation (see Note 11)	-336
Other expenses	-6 147
Total	**-13 605**

Other income	24.10.06 - 30.06.07
Revenue from government grants (see Note 18)	2 191
Profit from sales of financial investments	465
Insurance indemnities (see Note 6, 11)	1 176
Other income	805
Total	**4 637**

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

During the financial year there has been no significant fair value change in any of the biological asset group.

Other expenses	24.10.06 - 30.06.07
Doubtful receivables and bad debts (see Note 4)	-369
Loss from sales of non-current assets	-79
Foreign exchange losses	-37
Other expenses	-1 222
Total	**-1 707**

Note 22 Net financial items

Financial income	24.10.06 - 30.06.07
Interest income	226
Other financial income	28
Total	**254**

Financial expenses	24.10.06 - 30.06.07
Interest expense	-6 319
Other financial expenses	-827
Total	**-7 146**

Note 23 Income tax

Income tax	24.10.06 - 30.06.07
Income tax on profit (Saaristomeren Kala Oy)	-1 693
Deferred income tax, incl. (see Note 15)	-3 679
Origination of temporary tax differences	-3 774
Reversal of temporary tax differences	95
Total	**-5 372**

Note 24 Earnings per share

	2007
Number of shares (in thousands)	661
Net EPS for owner's of the parent company (in thousands of kroons)	2 781
Earnings per share (in kroons)	**4,21**

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

Note 25 Financial risks

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

Currency risk — The currency risk is incurred when the business transactions, assets and liabilities are fixed in a currency which is not the company's underlying 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 and Japanese yen exchange rates. 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 significant currency risks.

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.

Interest risk — The group applies both fixed interest rates and interest rates tied with the EURIBOR. Detailed information on interest bearing liabilities is available in Note 14. No instruments have been used for protection against the interest risk.

Note 26 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
- 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		24.10.2006-30.06.2007
Companies related to a management and supervisory board members	Services	957

Sales		24.10.2006-30.06.2007
Companies related to a management and supervisory board members	Other revenue	2

Receivables		30.06.2007
Companies related to a management and supervisory board members	Accounts receivable	9

Payables		30.06.2007
Companies related to a management and supervisory board members	Accounts payable	122
Management and supervisory board members	Other accrued expenses	45
Company controlled by the parent company	Bonds with 10%	7 817
Parent company	Interest payable	578

Management remuneration

A total of 3,389 thousand kroons 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

The management board and supervisory board members have not been granted the right to receive severance compensation.

Aivo Varem

Note 27 Off-balance-sheet assets and liabilities

Structural aid of the Estonian Agricultural Registers and Information Board (ARIB)

In 2004, 7,823 thousand kroons was granted to OÜ Vettel as structural aid within the framework of the agriculture, fishery and rural development programme. As of the balance sheet date, the corresponding off-balance-sheet receivable amounts to 6,742 thousand kroons. The receivable will fall due on 31 May 2008.

405 thousand kroons was granted to Heimon Kala OY within the framework of the fish processor and fish wholesaler supporting program. This amount constitutes an off-balance sheet receivable as of the balance sheet date. The receivable will fall due on 15 April 2008.

Income tax on dividends

As of June 30, 2007, the group's retained earnings amount to 2,781 thousand kroons. The maximum possible income tax liability related to the payment of the group's retained earnings as dividends is 612 thousand kroons. The group can thus pay 2,169 thousand kroons 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 28 Events after the balance sheet date

Bonds

In July 2007, the company issued 4,000 bonds through Hansabank, generating 34,899 thousand kroons of additional funds. The nominal value of the bonds is 10 thousand kroons, and the annual interest rate is 11%. The bonds have a primary redemption date o 09.04.2009.

The bonds specified in Note 14 were redeemed in July 2007.

Premature loan repayment

The investment loan of 315 thousand EUR (985 thousand kroons payable as of 30.06.2007) was prematurely repaid in September 2007.

The investment loan of 354 thousand EUR (3,695 thousand kroons payable as of 30.06.2007, with 739 thousand kroons recorded under current liabilities and 2,956 thousand kroons under non-current liabilities) was also prematurely repaid in September 2007.

Additional information on loans has been disclosed in Note 14.

Acquisition of subsidiaries

In July 2007, the parent company acquired a new subsidiary — 51.43% of the share capital of GourmetHouse OÜ — for a price of 3,539 thousand kroons. Goodwill in the amount of 2,396 thousand kroons was recognized from the transaction.

Mergers of subsidiaries

On 31.10.2007, the merger of Airistolainen OY and Heimon Kala OY was completed.

Note 29 Parent company's unconsolidated balance sheet

	30.06.2007	24.10.2006
Cash and bank accounts	4 904	400
Receivables and prepayments	25 748	0
Total current assets	**30 652**	**400**
Long-term financial investments	151 974	0
Total non-current assets	**151 974**	**0**
TOTAL ASSETS	182 627	400
Borrowings	7 816	0
Payables and prepayments	682	0
Total current liabilities	**8 498**	**0**
Long-term borrowings	39 100	0
Total long-term payables	**39 100**	**0**
Total liabilities	**47 598**	**0**
Share capital	6 612	400
Share premium	127 921	0
Retained earnings	495	0
Total owner's equity	**135 028**	**400**
TOTAL LIABILITIES AND OWNER'S EQUITY	182 626	400

Aivo Varem

Note 28 Parent company's unconsolidated income statement

	24.10.2006-30.06.2007
Revenue	180
Cost of sales	-181
Gross profit	**-1**
Administrative and general expenses	-255
Other expenses	-9
Operating loss	**-265**
Financial income	2 240
Financial expenses	-1 480
Net profit for the financial year	**495**

Aivo Varem

Note 30 Parent company's unconsolidated cash flow statement

	24.10.2006 - 30.06.2007
Operating loss	-265
Change in receivables and prepayments related to operating activities	-377
Change in liabilities related to operating activities	218
Total cash flow from operating activities	**-424**
Net cash flow from purchase of subsidiaries (Note 8)	-1 788
Loans granted	-66 670
Repayments of loans granted	4 100
Interest received	127
Other cash flow	212
Total cash flow from investing activities	**-64 019**
Loans received, bonds issued	46 857
Interest paid	-840
Other cash flow	-117
Issue of shares (Note 19)	23 047
Total cash flow from financing activities	**68 947**
Total cash flow	4 504
Cash and cash equivalents at the beginning of the period	400
Change in cash and cash equivalents	4 504
Cash and cash equivalents at the end of the period	**4 904**

Aivo Varem

Note 31 Parent company's unconsolidated statement of changes in equity

	Share capital	Share premium	Retained earnings	Total
As of 24.10.2006	**400**	**0**	**0**	**400**
Share issue	6 212	127 921	0	**134 133**
Net profit for the financial year	0	0	495	**495**
As of 30.06.2007	**6 612**	**127 921**	**495**	**135 028**

Additional information on changes related to shares and dividends has been disclosed in Note 19.

The parent company's restated unconsolidated owner's equity as of 30 June 2007:

	2007
Parent company's unconsolidated owner's equity	135 028
Net book value of subsidiaries in the parent company's unconsolidated balance sheet (minus)	-112 874
Value of subsidiaries under the equity method of accounting (plus)	115 101
Total	**137 255**

ADDITIONAL DOCUMENTS

ERNST & YOUNG

Ernst & Young Baltic AS
Rävala pst 4
10143 Tallinn
Eesti
Tel. + 372 6 114 610
Faks + 372 6 114 611
Tallinn@ee.ey.com
www.ey.com/ee

Äriregistri kood 10877299
KMKR: EE100770654

Ernst & Young Baltic AS
Rävala pst 4
10143 Tallinn
Estonia
Tel. + 372 6 114 610
Fax + 372 6 114 611
Tallinn@ee.ey.com
www.ey.com/ee

Registry code 10877299
VAT payer code EE100770654

Translation of the Estonian Original

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of AS Saaremere Kala

Report on the Financial Statements

We have audited the consolidated financial statements of AS Saaremere Kala and its subsidiaries (hereafter "the Group"), which comprise the balance sheet as of June 30, 2007, 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 consolidated 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 have not audited the financial statements of the subsidiary Saaristomeren Kala Oy for the acquisition date December 31, 2006, as that date was prior to our appointment as auditors for the subsidiary. We were unable to satisfy ourselves as to the balances of the subsidiary at that date by other audit procedures. The balances of the subsidiary as of December 31, 2006 influence the results and cash flows of the Group for the year ended June 30, 2007.

Qualified Opinion

In our opinion, except for the effect of such adjustments, if any, as might have been determined to be necessary, had we been able to obtain sufficient evidence considering the matter described in section "Basis for Qualified Opinion", the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of June 30, 2007, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

ERNST & YOUNG

Emphasis of Matter

Without qualifying our opinion we draw your attention to the Note 8 to the consolidated financial statements in which the Group 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 assumptions and estimation, the outcome of which can not be currently determined with conclusive certainty. The accompanying accounts do not include any adjustments that might result from the outcome of this uncertainty.

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 AS Saaremere Kala as a parent company in Notes 29-32 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, December 20, 2007

Hanno Lindpere
Ernst & Young Baltic AS

Marko Siinmaa
Authorised Auditor

PROFIT ALLOCATION PROPOSAL

The management board proposes to the general meeting of the shareholders of Saaremere Kala AS to transfer the profit to retained earnings.
The management board proposes to transfer 25 thousand kroons of the profit to mandatory reserve.

Aivo Varem Chairman of the Management Board	Pekka Pentti Olavi Lahtinen Member of the Management Board
Antti Juhani Salminen Member of the Management Board	Petri August Oksanen Member of the Management Board

20 December 2007

Aivo Varem

SIGNATURES OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD TO THE ANNUAL REPORT 2007

We hereby confirm the correctness of the data presented in the Consolidated Annual Report 2007 of AS Saaremere Kala.

Erik Haavamäe
Chairman of the Supervisory Board

Kuldar Leis
Member of the Supervisory Board

Evald Karu
Member of the Supervisory Board

Vesa Leino
Member of the Supervisory Board

Aivo Varem
Chairman of the Management Board

Pekka Pentti Olavi Lahtinen
Member of the Management Board

Antti Juhani Salminen
Member of the Management Board

Petri August Oksanen
Member of the Management Board

20 December 2007

Aivo Varem