

ICELANDIC UK LIMITED

FOR THE YEAR ENDED

31 DECEMBER 2003

COMPANY REGISTRATION NUMBER: 3184635



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ICELANDIC UK LIMITED

REPORT AND ACCOUNTS

FOR THE YEAR ENDED

31 DECEMBER 2003

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ICELANDIC UK LIMITED



BUSINESS PARTICULARS

COMPANY REGISTRATION NUMBER

3184635

DIRECTORS

G. Svavarsson
M.T. Geirsson
H. Andersen
F. Uhrenholt
A. Fridriksson

Chairman, Icelandic
Managing, Icelandic
Danish
Danish
Icelandic

SECRETARY

M.T. Geirsson

Icelandic

REGISTERED OFFICE

Suite 2
The Carlton Centre
Lincoln

BANKERS

Yorkshire Bank Plc
8 Guildhall Street
Lincoln

SOLICITORS

Andrew M. Jackson & Co.
Essex House
Manor Street
Hull

AUDITORS

Forrester Boyd
26 South Saint Mary's Gate
Grimsby

ICELANDIC UK LIMITED



DIRECTORS' REPORT

The directors submit their annual report and the audited accounts of the company for the year ended 31 December 2003. The profit for the year attributable to shareholders amounts to £211,975 and is dealt with as shown in the profit and loss account.

DIRECTORS' RESPONSIBILITIES FOR PREPARING THE FINANCIAL STATEMENTS

Company law requires the directors to prepare accounts that give a true and fair view of the state of affairs of the company and of the profit or loss for its financial year. In doing so the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts;
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for maintaining proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

ACTIVITIES

The principal activity of the company, which has remained unchanged throughout the year, is that of a wholesaler of fresh and frozen fish.

BUSINESS REVIEW

This has been a difficult year for the company, in which strong fish supplies into the UK market led to depressed wholesale prices. Management have continued to focus on brand development and are satisfied with the overall result for the year given prevailing market conditions.

FIXED ASSETS

The movement on fixed assets is set out in the notes to the accounts.

DIVIDEND

The directors recommend that no dividend be paid.

DIRECTORS

The names of the present directors and changes during the year are set out on page 1. The directors do not have any beneficial interest in the issued share capital of the company.



DIRECTORS' REPORT (CONTINUED)

INTRODUCTION OF THE EURO

Euro

The company presently deals in several foreign currencies and has established systems which can account for the Euro in the same manner as any foreign currency.

The directors are monitoring economic and political developments, and are prepared to conduct a suitable impact analysis when the need arises.

CHARITABLE DONATIONS

During the year, the company paid charitable donations amounting to £250 (2002 : £400).

AUDITORS

Forrester Boyd have signified their willingness to continue in office as auditors and a resolution proposing their reappointment will be put to the annual general meeting.

POLICY ON PAYMENT OF CREDITORS

The company does not have a standard policy on payment of creditors. Terms are agreed with each supplier on an individual basis, and it is company policy to work within these terms as far as possible.

The number of creditor days outstanding at the balance sheet date was 49 (2002 : 44).

Suite 2
The Carlton Centre
Lincoln

BY ORDER OF THE BOARD

M. T. Geirsson
Secretary

19 February 2004

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
ICELANDIC UK LIMITED**



We have audited the financial statements of Icelandic UK Limited for the year ended 31 December 2003 which comprise Profit and Loss Account, the Balance Sheet, the Cash Flow Statement and the related notes. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Audit Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

OPINION

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Forrester Boyd

FORRESTER BOYD

Registered Auditors
Chartered Accountants
26 South Saint Mary's Gate,
GRIMSBY.
19 February 2004

ICELANDIC UK LIMITED
PROFIT AND LOSS ACCOUNT



FOR THE YEAR ENDED 31 DECEMBER 2003

	Note	2003 £	2002 £
Turnover from continuing operations	1/2	35,442,148	40,508,366
Cost of sales		(34,061,195)	(39,030,596)
Gross profit		<u>1,380,953</u>	<u>1,477,770</u>
Net operating expenses	3	(920,508)	(904,233)
Operating profit from continuing operations	4	<u>460,445</u>	<u>573,537</u>
Interest payable less receivable	7	(152,470)	(185,254)
Profit on ordinary activities before taxation		<u>307,975</u>	<u>388,283</u>
Taxation	8	(96,000)	(120,000)
Retained profit for the financial year		<u>211,975</u>	<u>268,283</u>

Movements on reserves are set out in note 15.

The company has no recognised gains or losses other than as shown in the profit and loss account.

The company's results derive entirely from continuing operations.

ICELANDIC UK LIMITED



BALANCE SHEET

AT 31 DECEMBER 2003

	Note	£	2003 £	2002 £
FIXED ASSETS				
Tangible assets	9		69,291	127,601
CURRENT ASSETS				
Stock	10	4,634,099	3,894,999	
Debtors	11	4,012,469	5,391,821	
Cash at bank and in hand		13,894	9,628	
		<u>8,660,462</u>	<u>9,296,448</u>	
CREDITORS				
Amounts falling due within one year	12	<u>7,087,406</u>	<u>8,089,677</u>	
NET CURRENT ASSETS			<u>1,573,056</u>	<u>1,206,771</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>1,642,347</u>	<u>1,334,372</u>
CREDITORS				
Amounts falling due after one year	13		<u>396,000</u>	<u>300,000</u>
NET ASSETS			<u>1,246,347</u>	<u>1,034,372</u>
CAPITAL AND RESERVES				
Called up share capital	14		300,000	300,000
Profit and loss account	15		946,347	734,372
EQUITY SHAREHOLDERS' FUNDS	16		<u>1,246,347</u>	<u>1,034,372</u>

The financial statements were approved by the board of directors on 19 February 2004 and were signed on its behalf by:

G. Svavarsson

M. T. Geirsson

F. Uhrenholt

DIRECTORS

ICELANDIC UK LIMITED



CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2003

	Note	2003 £	2002 £
CASH FLOW STATEMENT			
Net cash inflow (outflow) from operating activities	17	580,553	(1,375,181)
Returns on investments and servicing of finance	18	(152,470)	(185,254)
Taxation	19	50,000	(50,000)
Capital expenditure	20	7,521	(76,261)
Net increase (decrease) in cash before financing		485,604	(1,686,696)
Financing		-	-
Increase (decrease) in cash	21	485,604	(1,686,696)

Reconciliation of net cash flow to movement in net debt

Increase (decrease) in cash in the year, being change in net funds		485,604	(1,686,696)
Net debt at beginning of year		(2,993,857)	(1,307,161)
Net debt at end of year	21	(2,508,253)	(2,993,857)

ICELANDIC UK LIMITED
NOTES TO THE ACCOUNTS



Note

1. ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out below and have been consistently applied.

Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention.

The effect of events relating to the year ended 31 December 2003 which occurred before the date of approval of the financial statements by the Board of Directors, have been included in the statements to the extent required to show a true and fair view of the state of affairs at 31 December 2003 and of the results for the year ended on that date.

Turnover

Turnover represents the amount derived from the provision of goods and services by the company exclusive of V.A.T. All of the company's turnover is derived from one class of business.

Depreciation - Tangible fixed assets

Depreciation has been computed to write off the cost of tangible fixed assets over their expected useful lives using the following rates:

Motor vehicles	3 years straight line
Fixtures and fittings	8 years straight line
Computer equipment	3 years straight line

Stocks

Stocks have been valued at the lower of cost and net realisable value. Cost includes the cost of materials plus costs of bringing goods to their final location prior to sale.

Deferred taxation

Deferred taxation is provided on the liability method to take account of timing differences between the treatment of certain items for accounts purposes and their treatment for tax purposes. Tax deferred or accelerated is accounted for in respect of all material timing differences on a full provision basis.

At 31 December 2003 there was no material unprovided deferred taxation.

Foreign exchange

Transactions denominated in foreign currencies are translated into sterling and recorded at the rate of exchange ruling at the date of the transaction.

Balances at the year end denominated in a foreign currency are translated into sterling at the rate of exchange ruling at the balance sheet date.



NOTES TO THE ACCOUNTS (CONTINUED)

Note

1. ACCOUNTING POLICIES (Continued)

Leasing

Tangible fixed assets acquired under finance leases or hire purchase contracts are capitalised at a value equal to the cost incurred by the company in acquiring the relevant assets and depreciated in the same manner as other tangible fixed assets. The related obligations, net of future finance charges, are included in creditors. Finance charges arising are shown under interest payable in the profit and loss account.

Rentals payable under operating leases are charged to the profit and loss account on a straight line basis over the period of the lease.

Pension costs

The company operates a group personal pension scheme. Contributions payable for the year are charged in the profit and loss account as they fall due.

Compliance with accounting standards

The accounts have been prepared in accordance with applicable accounting standards.

2. ANALYSIS OF TURNOVER	2003 £	2002 £
Geographical market		
United Kingdom	33,583,013	38,804,156
Europe	1,847,019	1,682,904
United States of America	-	21,306
Asia	12,116	-
	35,442,148	40,508,366
 3. NET OPERATING EXPENSES	 2003 £	 2002 £
Net operating expenses comprise:		
Selling and distribution costs	458,286	449,631
Administrative expenses	462,222	454,602
	920,508	904,233

ICELANDIC UK LIMITED



NOTES TO THE ACCOUNTS (CONTINUED)

Note

4.	OPERATING PROFIT	2003 £	2002 £
	This is stated after charging:-		
	Auditors' remuneration and expenses		
	- audit	7,000	7,000
	- other services	1,775	2,135
	Depreciation and amortisation of owned assets	54,780	42,339
	Hire of plant and vehicles - operating leases	1,549	8,373
	(Profit) loss on sale of tangible fixed assets	(3,991)	2,807

5. STAFF COSTS

The average monthly number of persons, including directors, employed by the company during the year was as follows.

	2003 Number	2002 Number
Directors (non-remunerated)	4	4
Management and administration	3	3
Sales	7	7
	<u>14</u>	<u>14</u>

The aggregate payroll costs of these persons were as follows:-

	2003 £	2002 £
Wages and salaries	396,360	376,669
Social security costs	47,691	43,426
Other pension costs	18,797	19,792
	<u>462,848</u>	<u>439,887</u>

6.	DIRECTORS' REMUNERATION	2003 £	2002 £
	Directors' emoluments, including estimated benefits in kind	117,912	134,668
	Company contribution to personal pension arrangement	9,000	9,000
	Total directors' emoluments	<u>126,912</u>	<u>143,668</u>
	The number of directors accruing benefits under the group personal pension plan was:	<u>1</u>	<u>1</u>



NOTES TO THE ACCOUNTS (CONTINUED)

Note

7.	INTEREST PAYABLE LESS RECEIVABLE	2003	2002
		£	£
	Interest receivable on:		
	- other balances	1,678	737
		<u>1,678</u>	<u>737</u>
	Interest payable on:		
	- ultimate holding company balance	(9,972)	(34,166)
	- bank borrowings	(144,176)	(151,825)
		<u>(152,470)</u>	<u>(185,254)</u>
	Net interest payable		
		<u>(152,470)</u>	<u>(185,254)</u>
8.	TAXATION	2003	2002
		£	£
	Current Year:		
	Provision for payment in respect of group relief	96,000	120,000
		<u>96,000</u>	<u>120,000</u>
		2003	2002
		£	£
	Factors affecting the tax charge for the year:		
	The tax assessed is higher than the standard rate of UK Corporation tax (30%).		
	The differences are explained below.		
	Profit on ordinary activities before taxation	307,975	388,283
		<u>307,975</u>	<u>388,283</u>
	Profit multiplied by standard rate of UK Corporation tax – 30%	92,393	116,485
		<u>92,393</u>	<u>116,485</u>
	Add (deduct) effects of:		
	Expenses not deductible for tax purposes	1,088	5,485
	Depreciation in excess of capital allowances	4,335	-
	Capital allowances in excess of depreciation	-	(1,988)
	Rounding	(1,816)	18
		<u>(1,816)</u>	<u>18</u>
	Provision made	96,000	120,000
		<u>96,000</u>	<u>120,000</u>

The provision made represents the total of sums payable to group companies for the surrender of group relief and amounts payable to the UK tax authorities in respect of the profit for the year.



NOTES TO THE ACCOUNTS (CONTINUED)

Note

9.	TANGIBLE FIXED ASSETS	Fixtures, fittings and office equipment	Motor vehicles	Total
		£	£	£
	Cost			
	At 31 December 2002	100,510	120,689	221,199
	Additions	16,369	11,200	27,569
	Disposals	-	(58,645)	(58,645)
	At 31 December 2003	116,879	73,244	190,123
	Depreciation:			
	At 31 December 2002	72,188	21,410	93,598
	Charge for the year	14,342	40,438	54,780
	Relating to disposals	-	(27,546)	(27,546)
	At 31 December 2003	86,530	34,302	120,832
	Net book value			
	At 31 December 2003	30,349	38,942	69,291
	At 31 December 2002	28,322	99,279	127,601
	Capital commitments		2003	2002
			£	£
	At 31st December the company had authorised capital expenditure amounting to:			
	Contracted		29,000	-
	Not-contracted		-	-
			29,000	-
	Leasing commitments			
	At 31 December 2003 the company had annual commitments under operating leases which expire in relation to the balance sheet date as follows:			
		2003	2003	2002
		Land & buildings	Other Leases	Land & buildings
		£	£	£
	After more than five years	19,000	-	19,000

ICELANDIC UK LIMITED



NOTES TO THE ACCOUNTS (CONTINUED)

Note

10.	STOCKS	2003 £	2002 £
	Fish for resale	4,634,099	3,894,999
11.	DEBTORS	2003 £	2002 £
	Amounts due within one year:		
	Trade debtors	3,806,970	5,230,508
	Amount owed by immediate holding company	49,663	30,528
	Amount owed by fellow subsidiary undertakings	28,834	272
	Other debtors	51,805	42,497
	Prepayments and accrued income	75,197	38,016
	Corporation tax recoverable	-	50,000
		4,012,469	5,391,821
12.	CREDITORS	2003 £	2002 £
	Amounts due within one year:		
	Bank loan – other	2,522,147	3,003,485
	Trade creditors	4,053,949	4,724,379
	Amounts owed to ultimate holding company	170,977	186,090
	Amounts owed to fellow subsidiary undertakings	184,523	-
	Other tax and social security	30,298	29,104
	Accruals and deferred income	125,512	146,619
		7,087,406	8,089,677
	Borrowings		
	The company's other bank loan fluctuates daily and is secured by a first charge over all trade debts and a debenture over all other assets.		
13.	CREDITORS	2003 £	2002 £
	Amounts due after one year:		
	Amounts owed to immediate holding company	396,000	300,000

ICELANDIC UK LIMITED



NOTES TO THE ACCOUNTS (CONTINUED)

Note

14. SHARE CAPITAL

	2003 £	2002 £
Authorised		
300,000 (2002 : 300,000) Ordinary shares of £1 each	300,000	300,000
Allotted, called up and fully paid		
300,000 (2002 : 300,000) Ordinary shares of £1 each	300,000	300,000

15. RESERVES

	Profit and loss account £
At 31 December 2002	734,372
Retained profit	211,975
At 31 December 2003	946,347

16. RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

	2003 £	2002 £
Profit for the financial year	211,975	268,283
Net increase in shareholders' funds	211,975	268,283
Opening shareholders' funds	1,034,372	766,089
Closing shareholders' funds	1,246,347	1,034,372



NOTES TO THE ACCOUNTS (CONTINUED)

Note

17.	RECONCILIATION OF OPERATING PROFIT TO NET CASH FLOW FROM OPERATING ACTIVITIES	2003 £	2002 £
	Operating profit	460,445	573,537
	Depreciation charges	54,780	42,339
	(Profit) loss on sale of tangible fixed assets	(3,991)	2,807
	(Increase) in stocks	(739,100)	(1,260,556)
	Decrease in debtors excluding corporation tax	1,329,352	1,978,617
	(Decrease) in creditors excluding bank borrowing and corporation tax	(520,933)	(2,711,925)
	Net cash inflow (outflow) from operating activities	580,553	(1,375,181)
18	RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	2003 £	2002 £
	Interest received	1,678	737
	Interest paid	(154,148)	(185,991)
	Net cash outflow from returns on investments and servicing of finance	(152,470)	(185,254)
19.	TAXATION	2003 £	2002 £
	UK Corporation tax repaid (paid)	50,000	(50,000)
20.	CAPITAL EXPENDITURE	2003 £	2002 £
	Payments to acquire tangible fixed assets	(27,569)	(119,011)
	Proceeds on sale of tangible fixed assets	35,090	42,750
	Net cash inflow (outflow) from capital expenditure	7,521	(76,261)



NOTES TO THE ACCOUNTS (CONTINUED)

Note

21. ANALYSIS OF CHANGES IN NET DEBT

	At beginning of year £	Cash flows £	Other changes £	At end of year £
Cash at bank and in hand	9,628	4,266	-	13,894
Bank loan – other	(3,003,485)	481,338	-	(2,522,147)
	<u>(2,993,857)</u>	<u>485,604</u>	<u>-</u>	<u>(2,508,253)</u>

22. PENSION COSTS

The company operates a group personal pension arrangement.

The cost to the company of making payments to this scheme during the year amounted to £18,797 (2002 : £19,792).

As at the balance sheet date, there were no material prepaid or accrued contributions.

23. RELATED PARTY TRANSACTIONS AND HOLDING COMPANIES

Controlling Parties

The whole of Icelandic UK Limited's issued share capital is owned by Coldwater Seafood (UK) Limited, a company incorporated in England and Wales.

The ultimate controlling party is Icelandic Freezing Plants Corporation Plc, a company incorporated in Iceland. That company owns 75% of the issued share capital of Coldwater Seafood (UK) Limited.

Related Party Transactions

In its ordinary course of business, Icelandic UK Limited has engaged in commercial transactions with and incurred balances with the ultimate holding company and fellow subsidiaries.

Transactions during the year and year end balances with all companies have been eliminated in the consolidated accounts of Icelandic Freezing Plants Corporation Plc. Copies of those accounts are available to the public from the Icelandic UK Limited registered office shown on page 1.

Transaction with director

During the year, Mr. M.T. Geirsson purchased one of the company's used cars for the mutually acceptable commercial price (at no loss to the company) of £5,340.