FORM 51-102F4
BUSINESS ACQUISITION REPORT

1. Identity of Company

1.1 Name and Address of Company

High Liner Foods Incorporated ("High Liner")
100 Battery Point
P.O. Box 910
Lunenburg, NS B0J 2C0

1.2 Executive Officer

Kelvin L. Nelson, FCA
Executive Vice President, Chief Financial Officer and Secretary
902.634.6200

2. Details of Acquisition

2.1 Nature of Business Acquired

On December 19, 2011, High Liner acquired substantially all of the assets of The Icelandic Target Group. The assets included in the acquisition are the shares of Icelandic (USA) Inc., Icelandic Northwest Limited, Sjovik ehf., including its subsidiaries, Dalian Three Star Seafood Co, Ltd., and Icelandic Thailand Limited. Real estate includes a plant in Dalian, China and a plant and cold storage facilities in Newport News, VA. On the same day as closing, Icelandic (USA) Inc. was merged into a new wholly-owned subsidiary of High Liner Foods (USA) Inc., ISF (USA) LLC.

The Icelandic Target Group, and Icelandic (USA) Inc. in particular, is an established leader in the U.S. food service market. The acquisition includes Icelandic USA's processing plant in Newport News, Virginia, as well as companies that operate a processing plant in China and procure product from Asia and other parts of the world. High Liner is acquiring several brands in connection with the acquisition. In addition, High Liner has agreed to a seven-year royalty-free licensing agreement with the vendor for the use of the *Icelandic Seafood* brand in the United States, Canada, and Mexico. High Liner has also structured a long-term distribution agreement with the vendor that will ensure that producers in Iceland will continue to have the same access to the U.S. market as they do today and that High Liner will continue to be able to supply its customers with high-quality fillets from Iceland under the *Icelandic Seafood* brand.

2.2 Date of Acquisition

December 19, 2011.

2.3 Consideration

The purchase price paid to the Icelandic Group hf. at closing was US$232.7 million, plus an amount of US$16.9 million for working capital, less cash. The full purchase price was paid in cash.

High Liner financed the purchase price for the acquisition as follows. High Liner amended its asset-based working capital facility, increasing to a five year committed US$180 million revolving asset-based working capital facility expiring on December 19, 2016. See *note 12* to High Liner's 2011 Consolidated Financial Statements filed on SEDAR for more information.

As well, High Liner entered into a new term loan in the amount of US$250 million where the proceeds from this loan were used to repay the existing notes payable, interest and related costs of US$46.2 million. The remainder, as well as borrowings on the asset-based working capital facility, were used to finance the acquisition. Repayments will be made in 23 consecutive quarterly installments, with the unpaid balance due in full on December 31, 2017. See *note 13* to High Liner's 2011 Consolidated Financial Statements filed on SEDAR for more information.

2.4 Effect on Financial Position

High Liner expects the acquisition to be immediately accretive to earnings per share before one-time costs related to the acquisition. Significant synergies are expected to be achieved during calendar 2012 and 2013. We expect near-term synergies of US$12.1 million and total ongoing annual synergies to be in the range of US$16-18 million. Leverage, although higher than historical levels at close, will be reduced to approximately 3.8x on a pro forma basis adjusted for the expected near-term synergies and seasonal debt levels.

Additional details of the effect of the acquisition on High Liner's financial position are included in the pro forma consolidated financial statements for the year ended December 31, 2011 (Exhibit A).

2.5 Prior Valuations

None.

2.6 Parties to Transaction

The acquisition of The Icelandic Target Group was not a transaction with an informed person, associate or affiliate of High Liner.

2.7 Date of Report

March 16, 2012.

3. Financial Statements

The following financial statements as required by Part 8 of National Instrument 51-102 are included in this Report:

Exhibit A: Unaudited Pro Forma Consolidated Financial Statements of High Liner Foods Incorporated as at and for the year ended December 31, 2011, together with the notes thereto.

Exhibit B: Audited Combined Financial Statements of The Icelandic Target Group as at and for the year ended December 18, 2011, together with the notes thereto and the report of the auditors thereon.

This document contains forward-looking statements. Forward-looking statements can generally be identified by the use of the conditional tense, the words "may", "should", "would", "believe", "plan", "expect", "intend", "anticipate", "estimate", "foresee", "objective" or "continue" or the negative of these terms or variations of them or words and expressions of similar nature. Specific forward-looking statements in this document include, but are not limited to expectations with respect to: achieving near-term synergies of US$12.1 million and total ongoing annual synergies in the range of US$16-18 million *and the timing of any synergies; leverage ratios; and the acquisition being immediately accretive to earnings per share. These statements are based on a number of factors and assumptions including, but not limited to: our ability to integrate the acquisition into our operations; achieving the expected synergies and supply chain efficiencies; our ability to effectively utilize enhanced product lines, product development capabilities and economies of scale leading to increased shareholder value and acceptance of new products in the marketplace. These statements are not a guarantee of future performance. By their nature, forward-looking statements involve uncertainties and risks that the forecasts and targets will not be achieved. Readers are cautioned not to place undue reliance on forward-looking statements, as actual results may differ materially from those expressed in such forward-looking statements. We include in publicly available documents filed from time to time with securities commissions and the Toronto Stock Exchange, a discussion of the risk factors that can cause anticipated outcomes to differ from actual outcomes. Except as required under applicable securities legislation, we do not undertake to update forward-looking statements, whether written or oral, that may be made from time to time by us or on our behalf, whether as a result of new information, future events or otherwise.*

Exhibit A

HIGH LINER FOODS INCORPORATED
As at December 31, 2011
PRO FORMA CONSOLIDATED BALANCE SHEET
(Unaudited)
(in thousands of Canadian dollars)

	High Liner Foods Inc. December 31, 2011	Icelandic Target Group December 18, 2011	Pro Forma Adjustments *Note 2 i) a)*	Pro Forma
ASSETS				
Current:				
Cash and cash equivalents	3,260	3,205	(3,205)	3,260
Accounts receivable	84,920	45,543	(45,543)	84,920
Income tax receivable	3,557	-	-	3,557
Other financial assets	1,346	-		1,346
Inventories	261,330	90,189	(90,189)	261,330
Prepaid expenses	3,019	737	(737)	3,019
Total current assets	357,432	139,674	(139,674)	357,432
Non-Current:				
Property, plant and equipment	99,933	27,648	(27,648)	99,933
Deferred income taxes	1,695	-	-	1,695
Other receivables and miscellaneous assets	1,210	160	(160)	1,210
Investment in equity accounted investee	275	-	-	275
Employee future benefits	94	-	-	94
Intangibles	103,109	11,476	(11,476)	103,109
Goodwill	126,787	-	-	126,787
	333,103	39,284	(39,284)	333,103
	690,535	178,958	(178,958)	690,535
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current:				
Bank loans	120,980	54,846	(54,846)	120,980
Accounts payable and accrued liabilities	108,553	29,067	(29,067)	108,553
Provisions	675	-	-	675
Other current financial liabilities	793	-	-	793
Income taxes payable	1,990	656	(656)	1,990
Current portion of long-term debt	2,543	717	(717)	2,543
Current portion of finance lease obligations	1,064	-	-	1,064
Total current liabilities	236,598	85,286	(85,286)	236,598
Non-current:				
Long-term debt	237,438	4,678	(4,678)	237,438
Long-term finance lease obligations	2,599	-	-	2,599
Deferred income taxes	41,099	1,859	(1,859)	41,099
Employee future benefits	11,274	-	-	11,274
Total Liabilities	529,008	91,823	(91,823)	529,008
Shareholders' Equity:				
Common shares	78,067	-	-	78,067
Contributed surplus	8,406	-	-	8,406
Retained earnings	76,770	-	-	76,770
Accumulated other comprehensive income	(1,716)	-	-	(1,716)
Parent's net investment	-	87,135	(87,135)	-
	161,527	87,135	(87,135)	161,527
	690,535	178,958	(178,958)	690,535

HIGH LINER FOODS INCORPORATED
For the fifty-two weeks ended December 31, 2011
PRO FORMA CONSOLIDATED STATEMENT OF INCOME
(Unaudited)
(in thousands of Canadian dollars, except per share amounts)

			Pro Forma Adjustments				
	High Liner Foods Inc.	Icelandic Target Group	Reclass-ifications *Note 2 i) c)*	Acquisition Adjustments *Notes 2 i) d) to g)*	Eliminate Group Results for Dec. 19-31 *Note 2 i) h)*	Financing Adjustments *Note 2 ii)*	Pro forma
Sales	668,589	272,846	-	-	(428)	-	941,007
Cost of sales	516,659	224,887	(11,634)	934	(111)	-	730,735
Gross profit	151,930	47,959	11,634	(934)	(317)	-	210,272
Distribution Expense	(35,021)	-	(13,965)	-	-	-	(48,986)
Selling, general and administrative expenses	(72,086)	(27,782)	2,722	(1,995)	-	-	(99,141)
Business acquisition and integration costs	(11,275)	-	-	10,873	-	-	(402)
Other income	-	1,023	(391)	-	-	-	632
Income from operations	33,548	21,200	-	7,944	(317)	-	62,375
Finance income	-	369			(7)	(362)	-
Finance costs	(5,983)	(1,565)	-	-	-	(17,280)	(24,828)
Share of income of equity investments (net tax)	(53)	-	-	-	-	-	(53)
Income before income taxes	27,512	20,004	-	7,944	(324)	(17,642)	37,494
Income taxes:							
Current	(5,692)	(2,936)	-	(2,464)	59	8,751	(2,282)
Deferred	(3,640)	(5,445)	-	853	-	844	(7,388)
Total income taxes	(9,332)	(8,381)	-	(1,611)	59	9,595	(9,670)
Net income	18,180	11,623	-	6,333	(265)	(8,047)	27,824

HIGH LINER FOODS INCORPORATED
For the fifty-two weeks ended December 31, 2011
PRO FORMA CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
(Unaudited)
(in thousands of Canadian dollars, except per share amounts)

	High Liner Foods Inc.	**Icelandic Target Group**	**Pro forma Adjustments** ***Note 2 ii) i)***	**Pro forma**
Net income	18,180	11,623	(1,979)	27,824
Other comprehensive income (loss)				
Gain on hedge of net investment in foreign operations	291	-	-	291
Gain on translation of net invesmtent in foreign operations	1,872	2	-	1,874
	2,163	2	-	2,165
Effective portion of change in fair value of cash flow hedges	1,211	-	-	1,211
Net change in fair value of cahs flow hedges transferred to income	399	-	-	399
	1,610	-	-	1,610
Defined benefit plan acturial losses	(1,076)	-	-	(1,076)
Other comprehensive income, net of income tax	2,697	2	-	2,699
Total comprehensive income	20,877	11,625	(1,979)	30,523

1. Basis of presentation

These unaudited pro forma consolidated financial statements give effect to the following assummed pro forma transactions as futher described in Note 2 to these unaudited pro forma consolidated financial statements:

- the acquisition of the Icelandic Target Group (the “Group”) by High Liner Foods Incorporated (“HLF” or the “Company”); and
- the refinancing of HLF’s existing credit facilities.

The unaudited pro forma consolidated financial staements have been prepared by management in accordance with International Finacial Reporting Standards (“IFRS”) from the historical financial statements of HLF and the Group included elsewhere in this document as appropriate. In the opinion of management, these unaudited pro forma consolidated financial statements contain all the adjustments required for fair presentation. These unaudited pro forma consolidated financial statements have been prepared as follows:

a) The unaudited pro forma consolidated balance sheet as at December 31, 2011 has been derived from the audited balance sheets of the Group and HLF.
b) The unaudited pro forma consolidated statements of income and other comprehensive income for the fifty-two week period ended December 31, 2011 has been derived from the audited statements of income of the Group and HLF for the periods ended December 18, 2011 and December 31, 2011, respectively.

The unaudited pro forma consolidated balance sheet, consolidated income and other comprehesive statements give effect to the adjustments as if they had occurred on January 2, 2011, being the first day of the Company’s 2011 fiscal year.

The historical balance sheet for the Group is as at December 18, 2011 and the historical statements of income and other comprehensive income are for the 352 days ended December 18, 2011, as the year end of Icelandic (USA) Inc., which consists of the vast majority of the assets, liabilities and results of operations of the Group, was on December 18, 2011. These pro forma Group statements have been adjusted by HLF to conform with the presentation of HLF’s financial statements.

These unaudited pro forma consolidated financial statements are not necessarily indicative of the financial position or the results of operations that would have occurred if the events reflected therein had been in effect at the dates indicated or of the operating results that may be obtained in the future. These unaudited pro forma consolidated financial statements should be read in conjunction with the audited annual financial statements of HLF and the Group.

2. Basis of presentation

HLF acquired the Group on December 19, 2011. The total purchase price was US$232.7 million, plus an adjustment on closing of US$18.4 million for seasonally high working capital, less cash of US$1.5 million. The consideration for the transaction was cash. See note 4 to the consolidated HLF financial statements for the year ended December 31, 2011 for more detials.

i. Acquisition Adjustments

Under the purchase method of accounting, the total estimated purchase price is allocated to the Group's assets acquired and liabilities assumed based on their estimated fair market values as of the date of the completion of the acquisition on December 19, 2011.

The Group balance sheet used in these pro forma consolidated financial statements is as of December 18, 2011 and has been adjusted for the following item:

a) The audited financial statements of the Group are in U.S. dollars. We have converted the balance sheet to Canadian dollars at the fiscal year end exchange rate of 1.017. As the acquisition occurred on December 19, 2011 and the Company's balance sheet as of December 31, 2011 already includes the assets and liabilities of the Group, the Group's assets and liabilities have been fully eliminated.

The Group statements of income and comprehensive income used in these pro forma consolidated financial statements have been adjusted for the following:

b) We have converted the U.S. dollar income and comprehensive income statements of the Group to Canadian dollars using an average exchange rate for the period of 0.9891U.S. dollars to Canadian dollars.
c) Certain amounts have been reclassified in the Group financial statements to conform to the financial statement presentation of High Liner Foods. These reclassifications include an increase in 2011 cost of sales of $2.4 million with a corresponding decrease in selling, general, and adminstration expense. This was done to classify selling, general and administrative expenses of procurement companies of the Group to costs of sales. Also, the Group classified storage and freight to customers in cost of sales. The total of these, $14.0 million has been reclassified to Distribution Expense. Finally, $0.4 million of other income was reclassified to cost of sales.

d) Amortization expense has been increased by $2.0 million as an estimate of the amortization required on intangible assets acquired. The purchase price allocation is provisional at the date of this report so that the amount of intangibles and goodwill, the split between those with a finite life and other intangibles, the expected future life of intangibles, and therefore amortization expense are all subject to ongoing valuation work.
e) Depreciation has been increased by $1.0 million to reflect the incremental depreciation related to the estimated fair value of the acquired assets. The purchase price allocation is provisional at the date of this report and the amount of depreciation is subject to change once the valuation of the assets is completed.
f) Deferred income taxes for items d) and e) were adjusted at a rate of 38.7%, resulting in a deferred tax recovery of $0.6 million.
g) Business acquisition and integration costs of $10.9 million related to the acquisition were reversed, resulting in a reversal of the current income tax recovery of $2.5 million and deferred income tax recovery of $0.3 million related to these costs.
h) As the Group financial statements for 2011 include the results of operations for for December 19 to December 31, 2011 for Icelandic Northwest, Sjovik and its subsidiaries, and the financial statements of the Company also include these same results, the pro forma adjustments eliminate the double counting.
i) There were no pro forma adjustments necessary for the statement of other comprehensive income, other than the net income impact of items b) to h) above.

ii. Financing Adjustments

To be able to complete the acquistion, High Liner entered into a new term debt facility and repaid the existing term debt. As well, it increased its revolving asset-based loan facility. The pro forma finance costs were adjusted as follows:

- New long term debt was arranged for the acquisition and long term interest expense was adjusted to refelect the new amount of debt and interest rates thereon.
- Upon the acquistion of the Group, High Liner increased its short-term credit facilities and used part of its availability on these facilities to finance the acquistion. As a result, the financing costs have been adjusted to reflect the higher short-term bank borrowings and for the new pricing arranged in December 2011.
- Income taxes have been reduced to reflect impact of the deduction of the pro forma interest.

Exhibit B

The Icelandic
Target Group

2011 Combined Financial Statements of

Icelandic (USA) Inc., Sjóvík ehf.,
Icelandic Northwest Limited and Subsidiaries

As at and for the 352 days ended December 18, 2011
With comparative period as at and for the 365 days ended December 31, 2010

KPMG LLP
Chartered Accountants
Suite 1500 Purdy's Wharf Tower I
1959 Upper Water Street
Halifax NS B3J 3N2
Canada

Telephone (902) 492-6000
Telefax (902) 492-1307
www.kpmg.ca

AUDITOR'S REPORT

To the Board of Directors of High Liner Foods Inc.

We have audited the accompanying combined financial statements of The Icelandic Target Group, a group of subsidiaries of Icelandic Group hf, which comprise the combined statement of financial position as at December 18, 2011, and the combined statements of income, comprehensive income, accumulated other comprehensive income, shareholder's equity and cash flows for the 352 days then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Combined Financial Statements

Management of High Liner Foods Inc. is responsible for the preparation and fair presentation of The Icelandic Target Group's combined financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on The Icelandic Target Group's combined financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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, if any, made by management, as well as evaluating the overall presentation of the combined financial statements.

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

Opinion

In our opinion, The Icelandic Target Group's combined financial statements present fairly, in all material respects, the combined financial position of The Icelandic Target Group as at December 18, 2011, and its combined financial performance and its combined cash flows for the 352 days then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Restriction on Use

These combined financial statements have been prepared to satisfy the requirements of the Ontario Securities Act for the preparation of acquired business financial statements. Our report is intended solely for High Liner Foods Inc. and inclusion in the Business Acquisition Report being filed by High Liner Foods Inc. on SEDAR on March 16, 2012 and should not be used for any other purpose.

Other Matter

The combined statement of financial position as at December 31, 2010 and the combined statements of income, comprehensive income, accumulated other comprehensive income, shareholder's equity and cash flows for the year ended December 31, 2010, are unaudited.

KPMG LLP

Chartered Accountants

March 16, 2012

Halifax, Canada

THE ICELANDIC TARGET GROUP
As at December 18, 2011
(With comparative figures as at December 31, 2010)

COMBINED STATEMENT OF FINANCIAL POSITION
(in thousands of U.S. dollars)

	Notes	December 18, 2011 *(audited)*	December 31, 2010 *(unaudited)*
ASSETS			
Current:			
Cash and cash equivalents		**3,151**	4,386
Trade and other receivables	**8**	**44,782**	21,562
Income tax receivable		**-**	574
Inventories	**7**	**88,681**	71,782
Prepaid expenses		**725**	1,251
Total current assets		**137,339**	99,555
Non-current:			
Other receivables and miscellaneous assets		**157**	163
Property, plant and equipment	**6**	**27,186**	23,037
Deferred tax asset	**14**	**-**	3,801
Intangible assets	**5**	**11,284**	9,562
Total assets		**175,966**	136,118
LIABILITIES AND SHAREHOLDER'S EQUITY			
Current:			
Borrowings	**10**	**53,929**	30,986
Accounts payable and accrued liabilities	**9**	**28,581**	22,627
Income taxes payable		**645**	-
Current portion of long-term debt	**11**	**705**	700
Total current liabilities		**83,860**	54,313
Non-current:			
Long-term debt	**11**	**4,600**	5,322
Deferred tax liability	**14**	**1,828**	124
Total liabilities		**90,288**	59,759
Shareholder's equity			
Capital stock		**7,461**	7,461
Paid-up Capital		**55,954**	55,954
Retained earnings		**22,942**	13,296
Accumulated other comprehensive loss		**(679)**	(352)
Total shareholder's equity	**4**	**85,678**	76,359
Total liabilities and shareholder's equity		**175,966**	136,118

The accompanying notes form an integral part of the combined financial statements

Subsequent event (note 21)

THE ICELANDIC TARGET GROUP
For the 352 days ended December 18, 2011
(With comparative figures for the 365 days ended December 31, 2010)

COMBINED STATEMENT OF INCOME
(in thousands of U.S. dollars)

	Notes	December 18, 2011 *(audited)*	December 31, 2010 *(unaudited)*
Revenues		**275,853**	263,066
Cost of sales	**7**	**(227,365)**	(215,140)
Gross profit		**48,488**	47,926
Selling, general and administrative expenses		**(28,088)**	(28,738)
Results from operating activities		**20,400**	19,188
Other income		**1,033**	259
Finance income	**12**	**373**	442
Finance costs	**12**	**(1,582)**	(1,665)
Income before income taxes		**20,224**	18,224
Income taxes	**14**	**(8,473)**	(6,651)
Net income for the period		**11,751**	11,573

The accompanying notes form an integral part of the combined financial statements

THE ICELANDIC TARGET GROUP

For the 352 days ended December 18, 2011

(With comparative figures for the 365 days ended December 31, 2010)

COMBINED STATEMENT OF COMPREHENSIVE INCOME

(in thousands of U.S. dollars)

	December 18, 2011 *(audited)*	December 31, 2010 *(unaudited)*
Net income for the period	**11,751**	11,573
Other comprehensive income (loss), net of income tax		
Gain (loss) on translation of net investment in foreign operations	**2**	(8)
Foreign currency translation reserve	**-**	(232)
Defined benefit plan change in value	**-**	1,078
Other comprehensive income, net of income tax	**2**	838
Total comprehensive income	**11,753**	12,411

The accompanying notes form an integral part of the combined financial statements.

THE ICELANDIC TARGET GROUP

As at December 18, 2011

(With comparative figures as at December 31, 2010)

COMBINED STATEMENTS OF ACCUMULATED OTHER COMPREHENSIVE INCOME

(in thousands of U.S. dollars)

		Total accumulated other comprehensive (loss) income
Balance, December 31, 2010	**$**	**(352)**
Exchange differences on translation of foreign operations		**(327)**
Balance, December 18, 2011	**$**	**(679)**
Balance, December 31, 2009, (unaudited)	$	(1,656)
Exchange differences on translation of foreign operations		458
Foreign currency translation reserve		(232)
Closure of defined benefit plan		1,078
Balance, December 31, 2010 (unaudited)	$	(352)

The accompanying notes form an integral part of the combined financial statements.

THE ICELANDIC TARGET GROUP
For the 352 days ended December 18, 2011
(With comparative figures for the 365 days ended December 31, 2010)

COMBINED STATEMENT OF SHAREHOLDER'S EQUITY
(in thousands of U.S. dollars)

	Capital Stock	Paid-up Capital	Retained earnings	Accumulated other comprehensive loss
Balance, December 31, 2010	**7,461**	**55,954**	**13,296**	**(352)**
Net income	**-**	**-**	**11,751**	**-**
Foreign exchange	**-**	**-**	**-**	**(327)**
Dividends	**-**	**-**	**(2,105)**	**-**
Balance, December 18, 2011 *(note 4)*	**7,461**	**55,954**	**22,942**	**(679)**

Balance, December 31, 2009, unaudited	7,461	55,954	1,723	(1,656)
Net income	-	-	11,573	-
Foreign currency translation reserve	-	-	-	(232)
Foreign exchange	-	-	-	458
Close defined benefit plan	-	-	-	1,078
Balance, December 31, 2010 *(note 4)* , unaudited	7,461	55,954	13,296	(352)

The accompaying notes form an integral part of the combined financial statements

THE ICELANDIC TARGET GROUP
For the 352 days ended December 18, 2011
(With comparative figures for the 365 days ended December 31, 2010)

COMBINED STATEMENT OF CASH FLOWS
(in thousands of U.S. dollars)

		December 18, 2011 *(audited)*		December 31, 2010 *(unaudited)*
Operating activities:				
Net income	**$**	**11,751**	$	11,573
Items not involving cash:				
Depreciation and amortization		**2,962**		2,756
Loss on disposal of equipment		**119**		2
Pension liability expensed		**-**		1,148
Income taxes		**1,219**		
Income change in deferred income tax		**5,505**		1,426
Pension liability payment		**-**		(673)
Net change in non-cash working capital balances (*note 20*)		**(33,639)**		(5,606)
		(12,083)		10,626
Investing activities:				
Purchase of property, plant and equipment		**(6,815)**		(6,729)
Intangibles acquired		**(2,078)**		-
Bonds and other interest		**49**		102
Net proceeds on disposal of assets		**16**		34
		(8,828)		(6,593)
Financing activities:				
Increase (decrease) in short-term borrowings		**22,943**		(7,147)
Proceeds of long-term debt		**-**		200
Repayment of long-term debt		**(717)**		-
Dividends paid		**(2,105)**		-
		20,121		(6,947)
Change in cash and cash equivalents		**(790)**		(2,914)
Cash and cash equivalents, beginning of period		**4,386**		7,277
		3,596		4,363
Foreign exchange decrease on cash and cash equivalents		**(445)**		23
Cash and cash equivalents, end of period	**$**	**3,151**	$	4,386

The accompanying notes form an integral part of the combined financial statements

1. Reporting entity

The Icelandic Target Group (the “Group”) is a group of subsidiaries of Icelandic Group hf (the “Parent”). The address of the principal place of business is 190 Enterprise Drive, Newport News, Virginia, 23603, U.S.A. The Group is a combination of Icelandic (USA) Inc., Sjóvík ehf., and Icelandic Northwest Limited. Sjóvík ehf. has two subsidiaries, Icelandic Seafood (Thailand) Limited, and Dalian Three Star Seafood Co. Ltd. The Group has manufacturing operations in Newport News, Virginia, U.S.A. as well as in Dalian, China, and offices in Seattle, Washington, and Newport News, Virginia, U.S.A., and Reykjavik, Iceland. The Group’s operations are in the purchasing, processing and distribution of seafood; primarily to the United States food service channel (distributors, institutions and restaurants) either directly or through brokers. These combined financial statements are prepared for the period from January 1, 2011 to December 18, 2011 at the request of High Liner Foods Limited (“HLF”) to report the period prior to acquisition. December 18, 2011 was the year end of Icelandic (USA) Inc. which consists of the vast majority of the assets, liabilities and results of operations of the Group. As the comparative figures are for the year ended December 31, 2010 the comparative amounts are not entirely comparable. On December 19, 2011 the Group was sold to HLF *(note 21)*.

2. Basis of preparation

Management of High Liner Foods Inc. ('HLF") has prepared the combined financial statements to satisfy the requirements of the Ontario Securities Act for the preparation of acquired business financial statements. The combined financial statements arc prepared in accordance with International Financial Reporting Standards (IFRS). The significant accounting policies selected are referred to in Note 3.

The financial information has been presented to reflect the financial position, operations and cash flows of each of the acquired businesses on a combined basis as HLF purchased each of these businesses in a single transaction from Icelandic Group hf. on December 19, 2011 *(see note 21)*. The acquired businesses that make up these combined financial statements include:

- lcelandic (USA) Inc.
- Sjóvík ehf. and its wholly owned subsidiaries, Icelandic Seafood (Thailand) Limited and Dalian Three Star Seafood Co Ltd.
- Icelandic Northwest Limited

Each of these entities has historically maintained separate books and records and operate independently of the Icelandic Group hf. As they are stand alone entities HLF has not included any allocations of costs from Icelandic Group hf., other than management fees charged on a regular basis, as Icelandic Group hf. was purely a holding company with no significant expenses. There have been no additional transactions reflected in the combined financial statements that were not previously recorded within the acquired businesses.

During 2011, Sjovik ehf. transferred its investments in five subsidiaries to its parent company with the transaction recorded at book value. All financial statement balances in connection with the transferred subsidiaries have been eliminated in the preparation of these combined carve-out financial statements. The five subsidiaries have been excluded from the financial results of Sjovik ehf. in the reports amounts for 2011 and 2010, and therefore the consolidated financial statements of Sjovik ehf. are considered to be carve-out financial statements such that they only reflect the operations which have been acquired by HLF. Each of these entities that were disposed of have historically maintained separate books and records and operate independently.

These combined financial statements may not be indicative of the results that would have been obtained if the combined business had operated as an independent entity. The combined financial statements were authorized for issue by the Board of Directors of High Liner Foods Inc. on March 16, 2012.

(a) Basis of measurement
The combined financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial position:

- Financial instruments at fair value through profit or loss are measured at fair value
- Derivative financial instruments are measured at fair value

(b) Functional and presentation currency
The combined financial statements are presented in U.S. dollars. All financial information presented in U.S. dollars has been rounded to the nearest thousand unless otherwise stated. The functional currency of Icelandic (USA) Inc., Sjóvík ehf., and Icelandic Northwest is the U.S. dollar. The functional currency of Icelandic Seafood (Thailand) Limited is the Thailand baht and the functional currency of Dalian Three Star Seafood Co. Ltd is the renminbi.

(c) Use of estimates and judgments
The preparation of the Group's combined financial statements in conformity with the basis of presentation described requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

The most significant estimates made by management include the following:

Impairment of non-financial assets
The carrying amount of the Group's property, plant and equipment and intangible assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Indefinite lived intangible assets are tested annually for impairment. An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit ("CGU") exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Income taxes
Income taxes in reporting periods are accrued, to the extent practicable, based on current tax expected to be paid or recovered for the year, and deferred taxes applicable in respect of the temporary differences that will reverse in subsequent periods. The tax rates and tax laws used to compute the amounts are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

Estimation of income taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the Group's ability to utilize the underlying future tax deductions against future taxable income before they expire. The Group's assessment is based upon existing tax laws and estimates of future taxable income. If the assessment of the Group's ability to utilize the underlying future tax deductions changes, the Group would be required to recognize more or fewer of the tax deductions as assets, which would decrease or increase the income tax expense in the period in which this is determined. Significant judgment is required in determining the global provision for taxation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group maintains provisions for uncertain tax positions that it believes appropriately reflect its risk with respect to tax matters under active discussion, audit, dispute or appeal with tax authorities, or which are otherwise considered to involve uncertainty. These provisions for uncertain tax positions are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Group reviews the adequacy of these provisions at each balance sheet date. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

Fair value of financial instruments
Where the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of estimation is required in establishing fair values. The estimates include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

3. Significant accounting policies

Basis of consolidation
Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the combined financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the combined financial statements. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

Foreign currency
(i) Foreign currency transactions
Transactions in foreign currencies are translated to U.S. dollars ("USD"), the functional currency, at exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to USD at the exchange rate at that date. The foreign currency gain or loss on monetary items is recognized in profit or loss. Non-monetary assets and

liabilities that are measured at historical cost in foreign currency are translated to USD at the transaction date exchange rate. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to USD at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on translation are recognized in profit or loss except for the retranslation of qualifying cash flow hedges to the extent the hedge is effective which is recognized in other comprehensive income.

(ii) Foreign operations

The assets and liabilities of foreign operations are translated to USD at exchange rates at the reporting date. The income and expenses of foreign operations are translated to USD at exchange rates at the dates of the transactions. Foreign currency differences are recognized in other comprehensive income in the cumulative translation account

Financial instruments

(i) Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, long-term debt and borrowings, and accounts payable and accrued liabilities.

Non-derivative financial assets are classified into the following categories: loans and receivables and financial assets at fair value through profit or loss. Financial assets at fair value through profit or loss category comprise cash and cash equivalents. Loans and receivables category comprises all other financial assets than cash and cash equivalents. All non-derivative financial liabilities are classified in the other financial liabilities category.

Non-derivative financial instruments are recognized on the date they are originated. They are recognized initially at fair value plus, for instruments not at fair value through profit and loss, any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortized cost using the effective interest method.

(ii) Derivative financial instruments, including hedge accounting

The Group holds derivative financial instruments to hedge its interest rate risk exposures.

On initial designation of the hedge, the Group formally documents the relationship between the hedging instrument(s) and hedged item(s), including the risk management objectives and strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, whether the hedging instruments are expected to be “highly effective” in offsetting the changes in the fair value or cash flows of the respective hedged items during the period for which the hedge is designated, and whether the actual results of each hedge are within a range of 80-125 percent.

Derivatives are recognized initially at fair value; attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

Cash flow hedges

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognized in other comprehensive income and presented in unrealized gains/losses on cash flow hedges in equity. The amount recognized in other comprehensive income is removed and included in profit or loss in the same period as the hedged cash flows affect profit or loss under the same line item in the statement of comprehensive income as the hedged item. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated, exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognized in other comprehensive income and presented in unrealized gains/losses on cash flow hedges in equity remains there until the forecast transaction affects profit or loss.

(iii) Impairment of non derivative financial assets
A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

The Group considers evidence of impairment for receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables and held-to-maturity investment securities with similar risk characteristics.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Property, plant and equipment
(i) Recognition and measurement
Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate components of property, plant and equipment, and are depreciated according to individual useful lives.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized net within other income.

(ii) Subsequent costs
The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits associated with the expenditure will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of equipment are recognized in profit or loss as incurred.

(iii) Depreciation
Depreciation is calculated over the depreciable amount, which is the cost of the asset, less its residual value, using the straight-line method based on estimated useful lives. The estimated useful lives are as follows:

Buildings, and land and building improvements	10 - 40 years
Other operating equipment	3 - 20 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date, and adjusted if appropriate.

Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and production or conversion costs to bring them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Cash and cash equivalents

Cash and cash equivalents are cash on hand, demand deposits with initial and remaining maturity of three months or less or short-term, highly liquid investments, also 90 days or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents do not include any restricted cash.

Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's ("CGU") fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Due to the interdependencies of cash inflows generated by the Group assets it has been determined that its CGUs are equal to its operating segments. Corporate assets, if any, are allocated to the operating segments for purposes of the impairment testing.

In assessing value in use, the estimated future cash flows are discounted to their present value using an after-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by the use of valuation multiples, quoted share prices and other available fair value indicators. Impairment losses of continuing operations are recognized in the income statement in those expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previous impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed its carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the income statement.

Intangible assets

(i) Intangible assets

Customer lists are acquired by the Group and have finite useful lives and are measured at cost less accumulated amortization and accumulated impairment losses.

Trademarks are indefinite life intangible assets and are assessed for impairment at least annually.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit and loss when incurred.

(iii) Amortization

Customer relationships are amortized on the straight line basis over the estimated useful life of 15 years. Software is amortized over the straight line basis over the estimated useful life of 3-5 years. Patents are amortized over the straight line basis over the estimated useful life of 3 years.

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted as appropriate.

Provision

Provisions are recognized when present obligations as a result of a past event will probably lead to an outflow of economic resources from the Group and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events, for example, legal disputes or onerous contracts. Restructuring provisions are recognized only if a detailed formal plan for the restructuring has been developed and implemented, or management has at least announced the plan's main features to those affected by it. Provisions are not recognized for future operating losses. At December 18, 2011 there are no provisions, including asset retirement obligations, recorded in the statement of financial position.

Revenue recognition

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognized when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized.

The Group offers various marketing programs to customers and consumers including volume rebates, cooperative advertising and various other trade marketing programs, and consumer discount coupons. These marketing programs to customers and consumers reduce reported sales revenue and are customer specific programs targeted to consumers and operators to encourage purchase of the Group's product from the Group's customers. Consequently, revenue is recorded net of these estimated sales and marketing costs, which are principally recognized as incurred at the time of sale. Coupon redemption costs are recognized when coupons are issued as a reduction to revenue. Certain customers require the payment of one-time listing allowances (slotting fees) in order to obtain space for a new product on its shelves. These fees are recognized as reductions of revenue at the earlier of the date the fees are paid in cash or on which a liability to the customer is created (usually on shipment of the new product). All other non-customer specific marketing costs (general advertising, etc.) are expensed as incurred as selling, general and administrative expense.

Expenses

(i) Cost of sales

Cost of goods sold comprises the cost of purchasing and manufacturing of products, including labor costs and depreciation on equipment.

(ii) Selling, general, and administrative expenses

Operating expenses for the year consists of sales costs, general and administrative expenses, amortization of intangible assets and other miscellaneous costs, including salaries and depreciation.

(iii) Finance income and costs

Finance income comprises interest income on funds. Interest income is recognized through profit or loss as they accrue. Finance costs comprise interest expense on borrowings.

Income tax

Income tax expense comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity in which case it is recognized in equity. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment for amendments to tax payable in respect of previous years. Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not provided for in the initial recognition of assets or liabilities that affect neither accounting nor taxable profit. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses. All operating segments' operating results are reviewed regularly by the Group's key decision makers to make decisions about resources to be allocated to the segment and asses its performance, and for which discrete financial information is available.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

New standards and interpretations issued but not yet adopted

The IASB and the IFRS Interpretations Committee ("IFRIC") have issued additional standards and interpretations with an effective date after the date of these financial statements. Set out below are only the standards deemed applicable to the Group, which the Group intends to adopt when they become mandatorily effective:

IAS 12 Deferred Tax: Recovery of Underlying Assets

In December 2010 the IASB issued amendments to IAS 12 Deferred Tax: Recovery of Underlying Assets. The amendment introduces an exception to the measurement principles for deferred taxes on depreciable components of investment properties that are measured using the revaluation model in IAS 16, to always be measured on a sale basis of the asset. The amendment becomes effective for annual periods beginning on or after January 1, 2012. The extent of the impact of adoption of the amendments has not yet been determined.

IFRS 7 Disclosures: Transfers of Financial Assets

The amendment requires additional disclosure about financial assets that have been transferred but not derecognized to enable the user of the Group's financial statements to understand the relationship with those assets that have not been derecognized and their associated liabilities. In addition, the amendment requires disclosures about continuing involvement in derecognized assets to enable the user to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognized assets. The amendment becomes effective for annual periods beginning on or after January 1, 2012. The Group does not expect the amendments to have a material impact on the financial statements.

IFRS 9 Financial Instruments: Classification and Measurement
IFRS 9 as issued reflects the first phase of the IASBs work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard is effective for annual periods beginning on or after January 1, 2015. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. This new standard is mandatorily effective for the Group's fiscal year end beginning January 1, 2015, with earlier adoption permitted. The Group intends to adopt IFRS 9 in its financial statements for the annual period beginning on January 1, 2013. The Group does not expect IFRS 9 to have a material impact on the financial statements.

IFRS 10 – Consolidated Financial Statements and IFRS 12 – Disclosure of Interests in Other Entities
In May 2011 the IASB issued IFRS 10 Consolidated Financial Statements and IFRS 12 Disclosure of Interests in Other Entities establishing principles for identifying when an entity controls other entities and comprehensive disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, and special purpose vehicles. IFRS 10 will replace IAS 27, "Consolidated and Separate Financial Statements" and SIC-12, "Consolidation – Special Purpose Entities" and provides a single model for consolidation based on control, which exists when an investor is exposed or has the right to variable returns from its involvement with the investee and has the current ability to affect those returns through its power over the investee. The standard also provides guidance on how to evaluate power and requires that control is assessed as facts and circumstances change. IFRS 12 includes disclosure requirements about subsidiaries, joint arrangements, and associates, replacing existing requirements. Additional disclosures include judgments and assumptions made in determining how to classify involvement with another entity, interests that non-controlling interests have in the consolidated entities, and the nature and risks associated with interests in other entities. These standards are effective for annual periods beginning on or after January 1, 2013 with early adoption permitted. The Group has not identified any impact on the Group's current reporting structure resulting from the release of these two new standards.

IFRS 11 – Joint Arrangements
In May 2011, the IASB issued IFRS 11 Joint Arrangements. This new standard replaces IAS 31 – Interests in Joint Ventures. "Joint Arrangements", applies when accounting for interests where there is joint control. Joint ventures would be classified either as joint operations or joint ventures, and the structure of the arrangement would no longer be the most significant factor when determining this classification. In addition, the standard removes the option to proportionately consolidate a joint venture, and requires instead the use of the equity method of accounting. This new standard is mandatorily effective for the Group's fiscal year end beginning January 1, 2013, with earlier adoption permitted. The Group does not expect IFRS 11 to have a material impact on the financial statements.

IFRS 13 – Fair Value Measurement
In May 2011 the IASB released IFRS 13 Fair Value Measurement providing a single source of fair value measurement and disclosure requirements in IFRS. IFRS 13 will be effective for annual periods beginning on or after January 1, 2013. IFRS 13 defines fair value, sets out a single IFRS framework for measuring fair value and requires additional disclosures about fair value measurements. With respect to the Group's current financial instruments, we do not anticipate any impact on financial reporting resulting from the adoption of IFRS 13, the significant changes in IFRS 13 relate to items that fall within level 3 of the fair value measurement hierarchy, which, the Group currently does not have.

IAS 19 – Employee Benefits
In June of 2011 the IASB issued an amended version of IAS 19 Employee Benefits which includes, among other changes, the immediate recognition of the re-measurement component in other comprehensive

income, thereby removing the accounting option previously available in IAS 19 to recognize or to defer recognition of changes in defined benefit obligations and in the fair value of plan assets directly in the statement of income. IAS 19 also introduces a net interest approach that replaces the expected return on assets and interest costs on the defined benefit obligation with a single net interest component determined by multiplying the net defined benefit liability or asset by the discount rate used to determine the defined benefit obligation. In addition, all past service costs are required to be recognized in profit or loss when the employee benefit plan is amended and no longer spread over any future service period. The amendments are effective for annual periods beginning January 1, 2013 with retrospective application required. The Group does not expect the amendments to IAS 19 to have a material impact on the financial statements.

IAS 1 – Presentation of Financial Statement: Presentation of Items of Other Comprehensive Income
In June 2011 the IASB issued amendments to IAS 1 Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income to require entities to present separately items within OCI that either will (or will when specific conditions are met) be reclassified subsequently to the income statement separate from those that would never be reclassified. The objective of this change was to clarify for users what impact items in OCI may have on future net income. Each of the current items in the Group's statement of OCI would, or would under specific conditions, subsequently recycle through the statement of income, and as such would be listed under one heading. The Group intends to adopt the amendments in its financial statements for the annual period beginning on January 1, 2013. As the amendments only require changes in the presentation of items in other comprehensive income, the Group does not expect the amendments to IAS 1 to have a material impact on the financial statements.

Disclosures — Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7)
In December 2011, the IASB amended disclosure requirements in IFRS 7 Financial Instruments: Disclosure. The disclosures require information about the gross amounts of financial assets and financial liabilities before offsetting, the amounts set off in accordance with the related offsetting model, the net amounts presented in the balance sheet and the effect of financial instruments subject to master netting arrangements or similar agreements not already set off in the balance sheet, including related rights to collateral. The amendments are applicable to annual periods beginning on or after 1 January 2013 and interim periods within those periods. The Group does not expect these amendments to have a material impact on the combined financial statements.

Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)
In December 2011, the IASB amended IAS 32 Financial Instruments: Presentation to clarify certain aspects because of diversity in application of the requirements on offsetting, focused on four main areas:

- the meaning of 'currently has a legally enforceable right of set-off'
- the application of simultaneous realization and settlement
- the offsetting of collateral amounts
- the unit of account for applying the offsetting requirements.

The amendments are applicable to annual periods beginning on or after 1 January 2014. Management has yet to assess the impact that these amendments are likely to have on the combined financial statements of the Group.

4. Shareholder's Equity

Icelandic (USA) Inc.
Common stock: $100 par value. Authorized 3,500 shares; issued and outstanding 3,432 (2010: 3,458) shares.

(Stated in thousands of U.S. dollars, unless otherwise stated)

On December 18, 2011 25 shares were redeemed as part of a transfer of intellectual property to the Parent. See related party transactions, Note 15.

Sjóvík
Common stock: ISK $1 per share. Authorized and issued 445,690,000; (2010: 445,690,000) shares.

Share premium represents excess of payments above nominal value (ISK 1 per share) that shareholders have paid for shares sold by the company. Under Icelandic Companies Act, 25% of the nominal share capital must be held in reserve and cannot be paid out as dividends.

Icelandic Northwest Limited
Common stock: $1 per share. Authorized and issued 115 shares.

Capital Stock

	Icelandic Northwest	**Icelandic USA**	**Sjovik**	**Total**
Balance, December 31, 2009	115	346	7,000	7,461
Balance, December 31, 2010	**115**	**346**	**7,000**	**7,461**
Balance, December 18, 2011	**115**	**346**	**7,000**	**7,461**

Paid-in capital in excess of par

	Icelandic Northwest	**Icelandic USA**	**Sjovik**	**Total**
Balance, December 31, 2009	-	51,539	4,415	55,954
Balance, December 31, 2010	**-**	**51,539**	**4,415**	**55,954**
Balance, December 18, 2011	**-**	**51,539**	**4,415**	**55,954**

Retained earnings

	Icelandic Northwest	**Icelandic USA**	**Sjovik**	**Total**
Balance, December 31, 2009	984	325	414	1,723
Profit for the year	124	8,239	3,210	11,573
Balance, December 31, 2010	**1,108**	**8,564**	**3,624**	**13,296**
Profit for the year	**273**	**8,150**	**3,328**	**11,751**
Dividends Paid	**-**	**(2,105)**	**-**	**(2,105)**
Balance, December 18, 2011	**1,381**	**14,609**	**6,952**	**22,942**

Accumulated other comprehensive gain (loss)

	Icelandic Northwest	**Icelandic USA**	**Sjovik**	**Total**
Balance, December 31, 2009	-	(846)	(810)	(1,656)
Foreign currency translation reserve	-	(232)	-	(232)
Loss on pension termination	-	1,078	-	1,078
Foreign currency translation	-	-	458	458
Balance, December 31, 2010	**-**	**-**	**(352)**	**(352)**
Foreign currency translation	**-**	**-**	**(327)**	**(327)**
Balance, December 18, 2011	**-**	**-**	**(679)**	**(679)**

(Stated in thousands of U.S. dollars, unless otherwise stated)

5. Intangible asset

	Customer lists	Trademarks	Other intangibles	Total intangible assets
Cost				
At December 31, 2009	2,600	8,000	522	11,122
At December 31, 2010	2,600	8,000	522	11,122
Additions	-	-	2,078	2,078
At December 18, 2011	**2,600**	**8,000**	**2,600**	**13,200**
Accumulated amortization				
At December 31, 2009	(867)	-	(517)	(1,384)
Amortization	(173)	-	(3)	(176)
At December 31, 2010	(1,040)	-	(520)	(1,560)
Amortization	(167)	-	(189)	(356)
At December 18, 2011	**(1,207)**	**-**	**(709)**	**(1,916)**
Carrying value December 31, 2010	1,560	8,000	2	9,562
Carrying value December 18, 2011	**1,393**	**8,000**	**1,891**	**11,284**

Trademarks are indefinite life intangible assets and are allocated to the packaged foods CGU for impairment testing purposes. This is consistent with the Group’s main reportable segments, packaged foods and procurement and primary processing *(note 20)*.

The Group completed its annual impairment test and did not identify any impairment related to trademarks.

On December 18, 2011 as part of the subsequent event described in note 21, Icelandic (USA) Inc. transferred all of the intellectual property associated with its Icelandic Seafood brand to its parent for a return of Icelandic (USA) Inc.’s shares. Icelandic (USA) Inc. retained a right to use the intellectual property in North America for 7 years on a royalty free basis with an option to renew for 2 years at a market royalty rate. See also related party transactions, note 15.

(Stated in thousands of U.S. dollars, unless otherwise stated)

6. Property, plant, and equipment

	Land, Buildings, and buildings and land improvments	Other operating assets	Total
Cost			
At January 1, 2010	14,755	14,355	29,110
Additions	1,053	6,760	7,813
Disposals	-	(116)	(116)
Translation difference	206	65	271
At December 31, 2010	16,014	21,064	37,078
Additions	5	6,810	6,815
Disposals	(84)	(1,038)	(1,122)
Translation difference	105	34	139
At December 18, 2011	**16,040**	**26,870**	**42,910**
Accumulated depreciation			
At January 1, 2010	(2,816)	(8,663)	(11,479)
Depreciation for the year	(721)	(1,859)	(2,580)
Disposals	-	82	82
Translation difference	(23)	(41)	(64)
At December 31, 2010	(3,560)	(10,481)	(14,041)
Depreciation for the year	(845)	(1,761)	(2,606)
Disposals	-	737	737
Translation difference	(6)	192	186
At December 18, 2011	**(4,411)**	**(11,313)**	**(15,724)**
Carrying amounts			
At December 31, 2010	12,454	10,583	23,037
At December 18, 2011	**11,629**	**15,557**	**27,186**

Please refer to *note 20* for additional information related to depreciation expense.

7. Inventories

Total inventories are comprised of the following:

	December 18, 2011	December 31, 2010
Finished goods	**$ 31,088**	$ 23,498
Raw material	**55,620**	46,299
Other	**1,973**	1,985
	$ 88,681	$ 71,782

Expenses recognized in cost of sales for inventories during the year are comprised of the following:

(Stated in thousands of U.S. dollars, unless otherwise stated)

		352 Days Ended December 18, 2011		365 Days Ended December 31, 2010 *(unaudited)*
Inventory costs recognized as an expense, during the period	**$**	**227,440**	$	215,157
Write down of inventories recognized as an expense, during the period:				
Inventory reserves utilized		**(168)**		(18)
New inventory reserves created		**93**		151
Unused inventory reserves reversed		**-**		(150)
Total expenses recognized as cost of sales, during the period	**$**	**227,365**	**$**	**215,140**

8. Trade and other receivables

Trade receivables bear normal commercial credit terms, usually 30 days or less, and are non-interest bearing. The entire accounts receivable balance is pledged as collateral for the Group's borrowings.

		December 18, 2011		December 31, 2010
Trade receivables	**$**	**24,282**	$	21,094
Receivable from parent*		**20,044**		-
Other receivables		**456**		468
	$	**44,782**	$	21,562

* This receivable is a short term loan made to the parent in December 2011 that was repaid on December 19, 2011. The interest rate charged on the loan is 3.75%

The Group's trade accounts receivable aging based on the invoice date is as follows:

	0-30 days	31-60 days	over 60 days
At December 18, 2011	77%	23%	0%
At December 31, 2010	81%	19%	0%

The Group maintains an allowance for doubtful accounts that represents its estimate of the risk of uncollectible amounts which was $0.12 million in 2011 ($0.13 million in 2010). The components of this allowance include a provision related to specific losses estimated on individual exposures and a provision based on historical trends of collection.

The following is a continuity of the Group's allowance for doubtful accounts:

(Stated in thousands of U.S. dollars, unless otherwise stated)

		352 Days Ended December 18, 2011		365 Days Ended December 31, 2010 *(unaudited)*
Allowance for doubtful accounts, beginning of period	**$**	**275**	$	223
Bad debts written off	**$**	**(29)**	$	(29)
Bad debts recovered		**24**		-
Additions to the reserve		**-**		81
Allowance for doubtful accounts, end of period	**$**	**270**	**$**	**275**

9. Accounts payable and accrued liabilities

		December 18, 2011		December 31, 2010
Trade payables	**$**	**20,525**	$	12,588
Other payables		**8,056**		10,039
	$	**28,581**	$	22,627

10. Borrowings

		December 18, 2011		December 31, 2010
Bank loan, Icelandic (USA) Inc., interest rate at December 18, 2011 - 2.87% (December 31, 2010 - 2.50%)	**$**	**44,929**	$	23,986
Bank loan, Sjóvík ehf., interest rate at December 18, 2011 - 4.28% (December 31, 2010 - 2.50%)		**9,000**		7,000
	$	**53,929**	$	30,986

Icelandic (USA) Inc.

Icelandic (USA) Inc. entered into a $130,000 revolving loan in June 2007. Effective July 1, 2008, the commitment ceiling was reduced from $130,000 to $95,000 as requested by Icelandic (USA) Inc., and again was reduced from $95,000 to $50,000 in September of 2010. Borrowings are limited to the lesser of $50,000 or 85% of eligible accounts receivable, plus up to 70% of eligible inventory, as defined in the lending agreements. Negotiations in September 2010 also extended the maturity date of the revolver from June 2012 to June 2015.

At December 18, 2011, $44.9 million was outstanding under the revolver. The lending agreement contains financial covenants requiring Icelandic (USA) Inc. to maintain a fixed charge coverage ratio of 1.1 to 1.0. Another covenant limits the Icelandic (USA) Inc.'s capital expenditures to $4,200 for 2010 and $2,750 for each fiscal year thereafter. The capital spending limitation excludes capital expenditures for the freezer expansion and purchase of land and building for the Newport News facility. On December 18, 2011 Icelandic (USA) Inc. met all covenants.

The revolver bears interest at LIBOR plus a spread based on a performance-based grid as outlined below.

(Stated in thousands of U.S. dollars, unless otherwise stated)

Average availability:	
Greater than $20,000	187.5 basis points
Less than or equal to $20,000 but greater than or equal to $10,000	212.5 basis points
Less than $10,000	237.5 basis points

Unused fees are 37.5 basis points if outstanding revolver amounts are greater than 50% of revolver commitment. Unused fees are 50.0 basis points if outstanding revolver amounts are 50% or less of commitment.

Based on minimum excess availability requirements and borrowing base levels, Icelandic (USA) Inc. had approximately $4 million in additional availability under the revolver at December 18, 2011.

The revolver is collateralized by substantially all assets of Icelandic (USA) Inc.

The debt obligations bear interest based on LIBOR, Icelandic (USA) Inc. is exposed to variability in interest payments due to changes in interest rates. Icelandic (USA) Inc. believes that it is prudent to limit the variability of a portion of its interest payments. To meet this objective, management enters into LIBOR based interest rate swap agreements to manage fluctuations in cash flows resulting from changes in the benchmark interest rate of LIBOR. These swaps change the variable rate cash flow exposure on the debt obligations to fixed cash flows. Under the terms of the interest rate swaps, Icelandic (USA) Inc. receives LIBOR based variable interest rate payments and makes fixed interest rate payments, thereby creating the equivalent of fixed rate debt for the notional amount of its debt hedged. Prior to December 18, 2011 these interest rate swaps were terminated, resulting in an expense of $0.23 million recorded in finance costs on the income statement. As of December 31, 2010, the total notional amount of Icelandic (USA) Inc.'s outstanding interstate swap agreements that were entered into to hedge outstanding or forecasted debt obligations were $7.5 million. The fair value of the swap agreements was inconsequential at December 31, 2010. On December 18, 2011 the effective interest rate on the term loan was 4.37%.

Changes in the fair value of interest rate swaps are recognized in earnings as interest expense or income and the fair value is recorded in other assets or other liabilities depending on the balance at the end of the reporting period.

Sjóvík ehf.

In February 2006, Sjovik ehf. entered in a revolving loan agreement for $45 million. In September 2009 the agreement was amended and the new revolver limit was reduced to $30 million. The loan was decreased further in 2010 to $15 million, bearing an interest rate of 4.0%, which expired in August 2011. In September 2011, Sjóvík decreased the existing revolving loan to $12 million, bearing an interest rate of 4.28% which will expire in August 2012.

Inventory and trade receivables have been pledged for the borrowings.

11. Long-term debt

	December 18, 2011	**December 31, 2010**
Term loan	**$ 5,305**	$ 6,022
Less: current portion	**(705)**	(700)
	$ 4,600	$ 5,322

(Stated in thousands of U.S. dollars, unless otherwise stated)

In September 2010, Icelandic (USA) Inc. entered into a $6 million term loan agreement, with an interest rate of 3.63%, to facilitate the purchase of the Newport News building and plant site land. The plant building, prior to September 2010, was financed through bonds and recorded as a capital lease, and land was rented under an operating lease, with rent expense recognized as an operating expense.

In September 2010, Icelandic (USA) Inc. entered into a $9 million term loan agreement to fund construction of its on-site freezer expansion project in Newport News. Construction on freezer expansion was started in 2010 and completed in 2011. No loan draws were ever made on this loan, as the freezer expansion was funded completely by revolver borrowings.

Subsequent to the period ended December 18, 2011 the term loans were fully paid as part of the purchase agreement for the sale (see *note 21*).

12. Finance income and costs

		December 18, 2011		December 31, 2010
Finance income:				
Interest income	**$**	**231**	$	328
Net currency gain		**142**		114
	$	**373**	$	442
Finance costs:				
Interest expense	**$**	**1,582**	$	1,665
Net financing costs	**$**	**1,209**	$	1,223

13. Future employee benefits

The Group has a defined contribution plan. Substantially all Icelandic (USA) Inc. employees are eligible to participate in the plan upon completion of one year of service. The Group may match employee contributions to the plan of up to 50% of the first 5% of employee's compensation. Additionally, the Group contributes 3% of employees' compensation regardless of employee contributions. Contribution expense to the plan for the Group for the period ended December 18, 2011 was $757 (December 31, 2010 was $751).

In addition, the Group had a defined benefit pension plan (the Pension Plan) covering substantially all of the former employees of the Cambridge, Maryland facility. The benefits under this defined benefit plan were based on years of service. The Group contributed such amounts as necessary on an actuarial basis to provide the defined benefit plan with assets sufficient to meet the benefits to be paid to qualified employees. Employees with five years of vesting service were entitled to a non-forfeitable right to a benefit. The plan was frozen as of December 31, 2007. In 2010, the Group terminated the pension plan. The majority of participants were paid their entitled benefits and an annuity contract was purchased to cover the remaining liability. A loss of $1,078 was transferred out of other comprehensive income into net income associated with the termination of the Plan.

14. Income tax expense

The major components of income tax expense (recovery) for the 352 day period ended December 18, 2011 and the 365 day period ended December 31, 2010 were as follows:

(Stated in thousands of U.S. dollars, unless otherwise stated)

Combined income statement	December 18, 2011	December 31, 2010
Current tax expense:		
Current period	**2,968**	5,401
Deferred tax expense:		
Origination and reversal of temporary differences	**5,505**	1,250
Income tax expense reported in the income statement	**8,473**	6,651

A reconciliation between tax expense and the product of accounting profit multiplied by the Group's domestic tax rate for the 352 day period ended December 31, 2011 and the 365 period ended December 31, 2010 is as follows:

	Fiscal 2011	Fiscal 2010
Accounting profit before tax from continuing operations		
At statutory income tax rate of 36% (2010 - 34%)	**7,281**	6,196
Non-deductible expenses for tax purposes	**1,649**	47
Other	**(457)**	408
At the effective income tax rate of 41.9% (2010 - 36.5%)	**8,473**	6,651

The statutory income tax rate in the U.S. is 39% and the statutory rate in Iceland is 20%. The change in statutory income tax rate is a result of a change in the allocation of income between the respective tax jurisdictions and an increase in the statutory income tax rate in Iceland from 18% to 20% in 2011.

Deferred tax relates to the following:

	Combined balance sheet as at:		Combined income statement for the periods ended:	
Deferred tax	**December 18, 2011**	December 31, 2010	**December 18, 2011**	December 31, 2010
Property, plant and equipment	**(3,465)**	(1,655)	**(1,810)**	(476)
Inventory	**218**	364	**(146)**	(554)
Intangible assets	**(3,567)**	(3,661)	**94**	11
Losses available for offset against future taxable income	**4,919**	8,454	**(3,535)**	402
Deferred charges and other	**67**	175	**(108)**	(633)
Deferred income tax expense			**(5,505)**	(1,250)
Net deferred income tax asset (liability)	**(1,828)**	3,677		

Reflected in the balance sheet as follows:		
Deferred income tax assets	**-**	3,801
Deferred income tax liabilities	**(1,828)**	(124)
Net deferred income tax asset (liability)	**(1,828)**	3,677

The Group has net operating losses in its US operations of $12.9 million (December 31, 2010: $21.6 million) that are available for use from 2012 to 2029. A deferred income tax asset has been recognized for the amount that is probable to be realized.

(Stated in thousands of U.S. dollars, unless otherwise stated)

15. Related party transactions

The ultimate parent
Icelandic Group hf. is the ultimate parent entity.

Key management personnel transactions
Executive directors of the Group and their relatives control none of the voting shares of the Group.

Associates
During the period ended December 18, 2011 and the year ended December 31, 2011, associates did not purchase any goods from the Group, nor were there amounts payable to or receivable from the Group with respect to the associates.

Other related party transactions
Other related parties include the Parent and subsidiaries of the Parent. During the period ended December 18, 2011 and the year ended December 31, 2010 the following related party transactions were recorded.

	December 18, 2011	December 31, 2010
Sales to subsidiaries of the Parent	**810**	3,968
Purchase of seafood inventory from subsidiaries of the Parent	**9,796**	9,021
Other charges and fees:		
Management fees, interest, and miscellaneous charges from Parent Company	**604**	498
Service charges from subsidiaries of the Parent	**137**	551
Total other charges and fees	**741**	1,049

	December 18, 2011	December 31, 2010
Trade payables due to affilites as follows:		
Trade payables due to subsidiaries of the Parent	**960**	1,888
Trade payables due to the Parent	**-**	333
Trade receivables from affilites outstanding as follows:		
Trade receivables from subsidiaries of the Parent	**-**	481
Trade receivables from the Parent	**44**	4,756

The above receivables and payables are recorded on the balance sheet in "Trade and other receivables" and "Accounts payable and accrued liabilities", respectively.

In addition to trade receivables *(note 8)* the Group lent its parent, Icelandic Group hf., $20.0 million in October 2011. This amount bore interest at 3.25% and was repaid on December 19, 2011. There was also a loan receivable from to Elite Seafood for $4 million made in a prior period, which was removed as part of the demerger.

On December 18, 2011, as part of the subsequent event described in note 21, Icelandic (USA) Inc. transferred all of the intellectual property associated with its Icelandic Seafood brand ("IP") to its parent for a return of Icelandic (USA) Inc.'s shares (see note 4). Icelandic (USA) Inc. retained a right to use the intellectual property in North America for 7 years on a royalty free basis with an option to renew for 2 years at a market royalty rates for value added products and 7 years for raw fillets. The intellectual property (IP) had no book or tax value. The appraised value of the transferred IP was $4.5 million with the retained rights valued at $3.1 million, resulting in the transfer of rights to the parent equaling $1.4 million. In exchange for the transfer of the IP, 25 shares of the outstanding capital stock of Icelandic (USA) Inc. held by the parent were redeemed by Icelandic (USA) Inc.

(Stated in thousands of U.S. dollars, unless otherwise stated)

Compensation of key management personnel of the Group

	December 18, 2011	December 31, 2010
Salaries	**1,442**	1,474
Short-term employee benefits	**66**	66
Short-term incentive plans	**342**	775
Other incentive plans	**3,197**	-
Employee future benefits	**93**	102
	5,140	2,417

16. Financial instruments

Derivative instruments and hedging activities
The Group recognizes all derivative instruments as either assets or liabilities in the balance sheet at their respective fair values. There are no derivative instruments that are designated in hedging relationships. As a result, changes in fair value are recognized in earnings when incurred. The Group uses derivative instruments to lock into an interest rate in order to fix future cash flows for interest payments. The Group does not enter into derivative instruments for any purpose other than cash flow hedging. The Group does not speculate using derivative instruments.

Classification of financial instruments
The following table identifies all of the Group's financial instruments and their carrying values recorded at the balance sheet date and their fair values at the balance sheet. The carrying values of the Group's loans and receivables (which only include trade receivables) approximate fair value due to the short-term to maturity of these financial instruments. Financial liabilities carried at amortized cost are shown using the effective interest rate method.

	As at December 18, 2011			
	Financial asset at fair value through profit and loss	Loans and receivables	Financial liabilities at amortized cost	Total carrying amount
Cash and cash equivalents	**3,151**	**-**	**-**	**3,151**
Trade and other receivables	**-**	**44,782**	**-**	**44,782**
Borrowings	**-**	**-**	**53,929**	**53,929**
Accounts payable and accrued liabilities	**-**	**-**	**28,581**	**28,581**
Long-term debt	**-**	**-**	**5,305**	**5,305**

(Stated in thousands of U.S. dollars, unless otherwise stated)

	As at December 31, 2010			
	Financial asset at fair value through profit and loss	Loans and receivables	Financial liabilities at amortized cost	Total carrying amount
Cash and cash equivalents	4,386	-	-	4,386
Trade and other receivables	-	22,562	-	22,562
Borrowings	-	-	30,986	30,986
Accounts payable and accrued liabilities	-	-	22,627	22,627
Long-term debt	-	-	6,022	6,022

Fair value hierarchy
All financial instruments carried at fair value are categorized in three categories defined as follows:

Level 1: Quoted market prices in active markets for identical assets or liabilities.
Level 2: Other techniques which use inputs other than quoted market prices included within Level 1 that are observable, either directly (as prices) or indirectly (derived from prices).
Level 3: Valuation techniques which use inputs that are not based on observable market data.

As at December 18, 2011 there were no financial instruments which require disclosure by valuation technique, other than cash and cash equivalents.

17. Financial risk management objectives and policies

The Group's principal financial liabilities, other than derivatives, comprise bank loans and overdrafts, letters of credit, notes payable, and trade payables. The only purpose of these financial liabilities is to finance the Group's operations. The Group has various financial assets such as trade receivables, other accounts receivable, cash and cash equivalents, which arise directly from its operations.

The Group also enters into derivative transactions, primarily interest rate swap contracts. The purpose is to manage the interest rate arising from the Group's sources of financing.

The main risks arising from the Group's financial instruments are cash flow interest rate risk, liquidity risk, and credit risk. Management reviews and approves policies for managing each of these risks, which are summarized below.

Interest rate risk
The Group's exposure to the risk of changes in market interest rates arises out of the Group's debt obligations with floating interest rates. To manage this, the Group enters into fixed rate debt facilities or interest rate swaps, in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed upon notional principal amount. For economic reasons, these swaps are designated to hedge underlying debt obligations. Interest rate options that effectively fix the maximum rate of interest that the Group will pay may also be used to manage this exposure. Prior to December 18, 2011, the Group closed out all swaps and at December 18, 2011 there were no swaps outstanding. At December 18, 2011, 5% (December 31, 2010: 8%) of the Group's borrowings are at a fixed rate of interest.

The following table demonstrates the sensitivity of the Group's profit before tax to a change in interest rates, with all other variables held constant (through the impact on floating rate borrowings). There is no impact on the Group's equity except through changes in income.

(Stated in thousands of U.S. dollars, unless otherwise stated)

			Increase/ (decrease) in basis points	Annualized (decrease)/increase on profit before tax
December 18, 2011				
Current borrowings:	$	44,929	25/(25)	(112)/112
		9,000	25/(25)	(23)/23
Long-term debt:	$	5,305	25/(25)	(7)/7
December 31, 2010				
Current borrowings:	$	23,986	25/(25)	(60)/60
		7,000	25/(25)	(18)/18
Long-term debt:	$	6,022	25/(25)	(8)/8

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers, cash and cash equivalents and derivative financial instruments. The Group trades only with recognized, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are managed and monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. The Group's top ten customers account for 75% (December 31, 2010: 71%) of the trade receivables at year end with the largest customer accounting for 21% (December 31, 2010: 21%). Accounts receivable from this customer was approximately $5.7 million at December 18, 2011 (December 31, 2010 - $10.0 million), where sales are included in the packaged foods segment. The Group does not purchase credit insurance on its trade accounts receivable.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents and certain derivative instruments, the Group's exposure to credit risk arises from default of the counter party. The Group manages this by dealing with financially creditworthy counterparties, such as U.S. banks with investment grade ratings.

The maximum exposure to credit risk is equal to the carrying value of accounts receivable and its derivative instruments.

Liquidity risk

The Group monitors its risk to a shortage of funds using a detailed budgeting process that identifies financing needs for the next twelve months. Working capital and cash balances are monitored daily, as are incoming commitments. This process projects cash flows from operations. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, letters of credit, bank loans, notes payable, and finance leases.

At December 18, 2011, the Group is in compliance with all covenants and terms of its debt facilities.
The table below shows the maturities of the Group's non-derivative financial liabilities.

(Stated in thousands of U.S. dollars, unless otherwise stated)

As at December 18, 2011	Borrowings	Accounts payable	Long-term debt	Total
Due within 1 year	**9,000**	**28,581**	**705**	**38,286**
Due in 1-3 years	**-**	**-**	**1,400**	**1,400**
Due in 3-5 years	**44,939**	**-**	**1,400**	**46,339**
Thereafter	**-**	**-**	**1,800**	**1,800**
	53,939	**28,581**	**5,305**	**87,825**
As at December 31, 2010				
Due within 1 year	7,000	22,627	700	30,327
Due in 1-3 years	-	-	1,400	1,400
Due in 3-5 years	23,986	-	1,400	25,386
Thereafter	-	-	2,522	2,522
	30,986	22,627	6,022	59,635

Commodity risk
The Group's operating costs are affected by changes in crude oil prices, which particularly influence the costs of outgoing freight. Higher crude oil prices increase freight costs as freight suppliers add fuel surcharges. Other commodities, whose fluctuating market prices may affect financial results, are flour, paper products, and frying oils. The Group uses fixed pricing with suppliers whenever possible to hedge prices.

World commodity prices for flour, and soy and canola oils, important ingredients in the manufacture of many of the Group's products increased in 2011 after the decreases seen in 2010. The Group currently has fixed price contracts with suppliers covering a portion of the Group's 2012 commodity purchase requirements.

18. Capital management

The primary objective of the Group's capital management policy is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. Capital includes funded debt, letters of credit, and shareholder's equity including accumulated other comprehensive income.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to its Parent, return capital to its Parent, receive advances from its Parent or issue new shares. Capital distributions are subject to approvals under the Group's debt facilities.

The Group monitors capital (excluding letters of credit) using the ratio of funded debt to capitalization, which is net interest bearing debt divided by total capital plus net interest bearing debt. The Group's objective is to keep this ratio in line with industry norms while achieving a return on capital acceptable to the Parent. Seasonal working capital debt may result in the Group exceeding the ratio at certain times throughout the fiscal year. The Group includes in net funded debt and interest-bearing loans and borrowings, excluding deferred financing fees, less cash and cash equivalents.

Amounts in ($000s)	December 18, 2011	December 31, 2010 *(unaudited)*
Current borrowings	**53,929**	30,986
Current portion of long term debt	**705**	700
Long term debt	**4,600**	5,322
Less: cash and cash equivalents	**(3,151)**	(4,386)
Total funded debt	**56,083**	32,622
Total shareholders' equity	**85,678**	89,409
Total capitalization	**141,761**	122,031
Debt as a percent of capitalization	**40%**	27%

19. Operating segment information

The Group comprises the following main three reportable segments:

- Icelandic (USA) Inc. – operating in the United States;
- Icelandic Northwest Inc. – operating in the United States;
- Sjóvík, ehf., and subsidiaries., Icelandic Seafood (Thailand) Limited and Dalian Three Star Seafood Co. Ltd.

	352 Days Ended December 18, 2011			
	Icelandic (USA) Inc	Icelandic Northwest	Sjovik	Total
Revenues	256,453	14,871	4,529	275,853
Cost of sales	(215,370)	(13,778)	1,783	(227,365)
Gross profit	41,083	1,093	6,312	48,488
Selling, general and administrative expenses	(24,314)	(680)	(3,094)	(28,088)
Results from operating activities	16,769	413	3,218	20,400
Other income	639	-	394	1,033
Finance income	43	-	330	373
Finance costs	(1,205)	(41)	(336)	(1,582)
Income before income taxes	16,246	372	3,606	20,224
Income taxes	(8,096)	(99)	(278)	(8,473)
Net income for the period	8,150	273	3,328	11,751
Segment assets	146,592	2,663	26,711	175,966
Segment liabilities	76,598	236	13,454	90,288
Capital expenditure	6,785	5	25	6,815
Depreciation	2,170	17	419	2,606
Amortization of intangible assets	356	-	-	356

(Stated in thousands of U.S. dollars, unless otherwise stated)

	365 Days Ended December 31, 2010			
	Icelandic USA Inc	Icelandic Northwest	Sjovik	Total
Revenues	239,880	15,211	7,975	263,066
Cost of sales	(198,913)	(14,235)	(1,992)	(215,140)
Gross profit	40,967	976	5,983	47,926
Selling, general and administrative expenses	(26,432)	(731)	(1,575)	(28,738)
Results from operating activities	14,535	245	4,408	19,188
Other income	76	-	183	259
Finance income	22	-	420	442
Finance costs	(1,208)	(63)	(394)	(1,665)
Income before income taxes	13,425	182	4,617	18,224
Income taxes	(5,186)	(59)	(1,406)	(6,651)
Net income for the period	8,239	123	3,211	11,573
Segment assets	114,575	3,001	18,542	136,118
Segment liabilities	49,340	1,175	9,244	59,759
Capital expenditure	6,678	-	51	6,729
Depreciation	2,010	11	559	2,580
Amortization of intangible assets	173	-	3	176

20. Supplemental information

Change in non-cash working capital balances in the combined statements of cash flows:

	352 and 365 days ended,	
	December 18, 2011	December 31, 2010
Accounts receivable	$ **(23,220)**	$ (14,882)
Inventories	**(16,899)**	(7,959)
Prepaids	**526**	78
Accounts payable and accrued liabilities	**5,954**	16,924
Other	**-**	(35)
	$ **(33,639)**	$ (5,874)

Components of income and expenses included in the consolidated statements of income:

	352 and 365 days ended,	
Foreign exchange gains included in:	**December 18, 2011**	December 31, 2010
Finance income	**142**	114
Total foreign exchange (expense) gains	**142**	114

(Stated in thousands of U.S. dollars, unless otherwise stated)

	352 and 365 days ended,	
Losses (gains) on disposal of assets included in:	**December 18, 2011**	December 31, 2010
Selling, general and administrative expenses	**71**	2
Other income	**(6)**	-
Total losses on disposal of assets	**65**	2

	352 and 365 days ended,	
Selling, general and administrative expense:	**December 18, 2011**	December 31, 2010
Wages and salaries (including payroll benefits)	**11,561**	12,362
Other operating costs	**16,527**	16,376
Total	**28,088**	28,738
Wages, salaries and benefits included in cost of sales	**16,953**	**16,075**

Depreciation and amortization included in the combined statement of income:

		352 and 365 days ended,		
		December 18, 2011		**December 31, 2010**
Depreciation included in:				
Cost of sales	**$**	**2,392**	$	2,337
SG&A		**214**		243
Total depreciation		**2,606**		2,580
Amortization included in:				
SG&A		**356**		176
Total depreciation and amortization	**$**	**2,962**	$	2,756

21. Subsequent events

- On November 17, 2011, Icelandic Group hf. entered into a definitive agreement with HLF to sell the subsidiaries included in the Icelandic Target Group for $232.7 million plus seasonal working capital, net of cash balances, of $16.9 million. The purchase price was paid in cash by HLF. The transaction closed on December 19, 2011. As part of the purchase agreement, the Group was purchased on a debt-free basis, and all borrowings and long-term debt were repaid upon closing.

- Subsequent to the acquisition closing HLF has announced plans to consolidate the operations of Sjóvík, ehf. and Icelandic Northwest Inc. with existing HLF operations. Sjóvík's subsidiaries, Icelandic Seafood (Thailand) Limited and Dalian Three Star Seafood Co. Ltd. will continue to operate. It is estimated that no material loss or gain will result from the liquidation of assets and the payments of liabilities of these two operations.