



Tel.: +45 96 56 17 00
hirtshals@bdo.dk
www.bdo.dk

BDO Statsautoriseret revisionsaktieselskab
Havnegade 18
DK-9850 Hirtshals
CVR no. 20 22 26 70

DANISH SALMON A/S
SØREN NORDBYSVEJ 15, 9850 HIRTSHALS
ANNUAL REPORT
1 JANUARY 2020 - 31 MARCH 2021

The Annual Report has been presented and
adopted at the Company's Annual General
Meeting on 10 June 2021

Carl Højrup

CONTENTS

	Page
Company Details	
Company Details.....	3
Statement and Report	
Board of Directors Statement and Management's Statement.....	4
Independent Auditor's Report.....	5-6
Management Review	
Management Review.....	7
Financial Statements 1 January 2020 - 31 March 2021	
Income Statement.....	8
Balance Sheet.....	9-10
Equity.....	11
Notes.....	12-15
Accounting Policies.....	16-20

COMPANY DETAILS

Company	Danish Salmon A/S Søren Nordbysvej 15 9850 Hirtshals CVR No.: 32 55 43 93 Established: 26 October 2009 Registered Office: Hjørring Financial Year: 1 January 2020 - 31 March 2021
Board of Directors	Erik Munk Poulsen, chairman Alex Lynnerup Jensen, vice-chairman Kazunari Nakamura Terutaka Kuraishi Tomohiko Hirano
Executive Board	Kim Hieronymus Nielsen
Auditor	BDO Statsautoriseret revisionsaktieselskab Havnegade 18 9850 Hirtshals

BOARD OF DIRECTORS STATEMENT AND MANAGEMENT'S STATEMENT

Today the Board of Directors and Executive Board have discussed and approved the Annual Report of Danish Salmon A/S for the financial year 1 January 2020 - 31 March 2021.

The Annual Report is presented in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements give a true and fair view of the Company's assets, liabilities and financial position at 31 March 2021 and of the results of the Company's operations for the financial year 1 January 2020 - 31 March 2021.

The Management Commentary includes in our opinion a fair presentation of the matters dealt with in the Commentary.

We recommend the Annual Report be approved at the Annual General Meeting.

Hirtshals, 25 May 2021

Executive Board

Kim Hieronymus Nielsen

Board of Directors

Erik Munk Poulsen
Chairman

Alex Lynnerup Jensen
Vice-chairman

Kazunari Nakamura

Terutaka Kuraishi

Tomohiko Hirano

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Danish Salmon A/S

Opinion

We have audited the Financial Statements of Danish Salmon A/S for the financial year 1 January 2020 - 31 March 2021, which comprise income statement, Balance Sheet, statement of changes in equity, notes and a summary of significant accounting policies. The Financial Statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the Financial Statements give a true and fair view of the assets, liabilities and financial position of the Company at 31 March 2021 and of the results of the Company's operations for the financial year 1 January 2020 - 31 March 2021 in accordance with the Danish Financial Statements Act.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Management's Responsibilities for the Financial Statements

Management is responsible for the preparation of Financial Statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control as Management determines is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the Financial Statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

INDEPENDENT AUDITOR'S REPORT

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statement on Management Commentary

Management is responsible for the Management Commentary.

Our opinion on the Financial Statements does not cover the Management Commentary, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read the Management Commentary and, in doing so, consider whether the Management Commentary is materially inconsistent with the Financial Statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management Commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the Management Commentary is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the Management Commentary.

Hirtshals, 25 May 2021

BDO Statsautoriseret revisionsaktieselskab
CVR no. 20 22 26 70

Lasse Toft
State Authorised Public Accountant
MNE no. mne35389

MANAGEMENT REVIEW

Principal activities

The Company's principal activities are land-based fish farming, sale of fish and related products.

Recognition and measurement uncertainty

The company's biomass which is measured at fair value is subject to uncertainty due to changes in the key components used in the fair value calculation, average price, monthly discount rate and estimated biomass.

Development in activities and financial and economic conditions

Technical, production and market conditions

The Company's production was in 2020/21 on the same level as the preceding year. The Company continued to aim to optimize the size of fish, existing working procedures, water environment, and planning of the future larger production, including to provide the basis for this. The price level of salmon was under pressure particular in the last half of the financial year, primarily due to the Corona pandemic, which resulted in a lock-down of the attractive restaurant, cruise and catering market for most of the financial year. The Company has throughout the financial year realized prices considerably above the general market level for salmon, but in spite hereof it has not been possible to meet the expectations for the average price and, thus, revenue and earnings were lower than expected. The level of costs developed generally as expected.

In spite of the very difficult market conditions, the Company has by a dedicated and very focused sales strategy been successful in expanding its market position, so that the sales now are founded in different sales channels which enable sale of the different fish sizes to attractive customers in the relevant market segments. This positive development in the customer and product mix has contributed to reducing the Company's vulnerability in relation to volatility in the market and has thus contributed to a very material extent to obtain higher sales prices than generally seen in the market in 2020/21.

Ownership

At the beginning of April 2020, the ownership of the Company changed and Japanese Marubeni Corporation is now the principal shareholder and Skagen Salmon P/S and Nippon Suisan (Europe) B.V. are the other shareholders. This new ownership structure means that the Company is now very well prepared - locally and internationally - to pursue and release the potentials that exist within sustainable production and distribution of high-quality land-based salmon products. The new group of owners gives the Company a strong capital base and as the group of owners and the day-to-day Management together have strong competences and considerable experience in RAS-related production forms, international sales and distribution, the Company is on strong ground when it comes to continue its position as a significant player in the continued development of the rapidly expanding RAS-related global production of salmon.

Significant events after the end of the financial year

No events have happened after the end of the financial year of material importance to the Company's financial position.

Future expectations

The existing physical frames are fully utilized and the production will therefore be expanded during 2022 with the purpose of lifting the Company's production and earnings capacity distinctly. The higher production and a considerably better production flow will, among others, make it possible to deliver to the customers on a continuous basis. This will give the Company a much better position in the market and also increase the opportunities of achieving a better pricing of the Company's products.

To optimize the long-term production economy it is necessary to reduce the costs per produced kilo fish. This will be done by the planned expansion of the production capacity to 2,750 tons. This work is expected to be completed at the beginning of 2022 followed by running-in of the system, so that the production can be stabilized on a considerably higher level, which will improve the revenue basis considerably.

INCOME STATEMENT 1 JANUARY 2020 - 31 MARCH 2021

	Note	2020/21 15 months DKK	2019 12 months DKK
NET REVENUE	1	45,909,805	44,162,293
Production expenses.....		-48,081,928	-40,894,302
GROSS PROFIT/LOSS	2	-2,172,123	3,267,991
Distribution expenses.....		-92,250	-135,084
Administrative expenses.....	2	-3,990,057	-3,680,060
LOSS FROM OPERATING		-6,254,430	-547,153
Other operating expenses.....		0	-182,360
Result of equity investments in subsidiaries.....		62,514	-39,365
Financial expenses.....		-1,008,597	-306,233
LOSS BEFORE TAX		-7,200,513	-1,075,111
Tax on profit/loss for the period.....	3	1,571,547	201,379
LOSS FOR THE PERIOD		-5,628,966	-873,732
 PROPOSED PROFIT ALLOCATION			
Allocation to reserve for net revaluation according to equity value method.....		62,514	-39,365
Retained earnings.....		-5,691,480	-834,367
TOTAL		-5,628,966	-873,732

BALANCE SHEET AT 31 MARCH

ASSETS	Note	2021 DKK	31.12.2019 DKK
Land and buildings.....		48,473,404	48,324,075
Production plant and machinery.....		22,293,979	21,115,929
Other plant, machinery tools and equipment.....		690,804	743,155
Tangible fixed assets in progress and prepayment.....		18,106,133	2,274,600
Property, plant and equipment.....	4	89,564,320	72,457,759
Equity interests in Group enterprises.....		189,075	126,561
Financial non-current assets.....	5	189,075	126,561
NON-CURRENT ASSETS.....		89,753,395	72,584,320
Raw materials and consumables.....		948,382	516,697
Biomass.....		17,606,270	19,002,776
Finished goods and goods for resale.....		25,525	1,634
Inventories.....	6	18,580,177	19,521,107
Trade receivables.....		1,486,666	1,619,914
Receivables from Group enterprises.....		3,096,250	0
Deferred tax assets.....		2,719,954	1,148,407
Other receivables.....		2,769,660	1,727,660
Prepayments.....		224,100	138,036
Receivables.....		10,296,630	4,634,017
Cash and cash equivalents.....		6,368,293	18,505
CURRENT ASSETS.....		35,245,100	24,173,629
ASSETS.....		124,998,495	96,757,949

BALANCE SHEET AT 31 MARCH

EQUITY AND LIABILITIES	Note	2021 DKK	31.12.2019 DKK
Share capital.....		1,099,316	500,000
Reserve for net revaluation under the equity method.....		62,514	0
Retained earnings.....		42,461,176	-3,316,602
EQUITY.....		43,623,006	-2,816,602
Subordinate loan capital.....		0	22,100,000
Debt to mortgage credit institution.....		16,603,835	21,644,875
Non-current liabilities.....	7	16,603,835	43,744,875
Debt to mortgage credit institution.....		4,040,601	3,944,226
Debt to banks.....		52,000,000	46,525,747
Lease liabilities.....		75,499	0
Prepayments from customers.....		0	44,103
Trade payables.....		7,284,786	3,333,810
Debt to Group companies.....		178,125	919,050
Other liabilities.....		1,192,643	1,062,740
Current liabilities.....		64,771,654	55,829,676
LIABILITIES.....		81,375,489	99,574,551
EQUITY AND LIABILITIES.....		124,998,495	96,757,949
 Contingencies, etc.	 8		
Charges and securities	9		
Information on uncertainty with respect to recognition and measurement	10		

EQUITY

	Share capital	Share Premium	Reserve for net revaluation under the equity method	Retained earnings	Total
Equity at 1 January 2020.....	500,000	0	0	-5,027,602	-4,527,602
Change of equity due to change of policy.....				1,711,000	1,711,000
Adjusted equity at 1 January 2020.....	500,000	0	0	-3,316,602	-2,816,602
Proposed profit allocation.....			62,514	-5,691,480	-5,628,966
Transactions with owners					
Capital increase.....	599,316	51,469,258			52,068,574
Transfer.....		-51,469,258		51,469,258	0
Equity at 31 March 2021.....	1,099,316	0	62,514	42,461,176	43,623,006

NOTES

	2020/21 15 months DKK	2019 12 months DKK	Note
Net revenue			1
Sales.....	46,831,805	41,968,293	
Fair value adjustment Biomass.....	-922,000	2,194,000	
	45,909,805	44,162,293	
Staff costs			2
Average number of employees	17	16	
Wages and salaries.....	7,368,516	7,323,458	
Pensions.....	429,361	301,816	
Social security costs.....	68,156	76,798	
	7,866,033	7,702,072	
Tax on profit/loss for the year			3
Adjustment of deferred tax.....	-1,571,547	-201,379	
	-1,571,547	-201,379	
Property, plant and equipment			4
	Land and buildings	Production plant and machinery	
Cost at 1 January 2020.....	58,015,885	29,758,492	
Additions.....	2,250,811	4,089,855	
Cost at 31 March 2021.....	60,266,696	33,848,347	
Depreciation and impairment losses at 1 January 2020.....	9,691,811	8,643,259	
Depreciation for the year.....	2,101,481	2,911,109	
Depreciation and impairment losses at 31 March 2021.....	11,793,292	11,554,368	
Carrying amount at 31 March 2021.....	48,473,404	22,293,979	

NOTES

			Note
Tangible fixed assets (continued)			4
	Other plant, machinery, tools and equipment	Tangible fixed assets in progress and prepayment	
Cost at 1 January 2020.....	1,828,732	2,274,600	
Additions.....	300,222	15,831,533	
Cost at 31 March 2021.....	2,128,954	18,106,133	
Depreciation and impairment losses at 1 January 2020.....	1,084,881		
Depreciation for the year.....	353,269		
Depreciation and impairment losses at 31 March 2021.....	1,438,150		
Carrying amount at 31 March 2021.....	690,804	18,106,133	
Interest expenses recognised as part of cost of assets.....		155,177	
Finance lease assets.....	71,234		
Financial non-current assets			5
		Equity investments in group enterprises	
Cost at 1 January 2020.....		50,000	
Cost at 31 March 2021.....		50,000	
Revaluation at 1 January 2020.....		76,561	
Profit/loss for the year.....		62,514	
Revaluation at 31 March 2021.....		139,075	
Carrying amount at 31 March 2021.....		189,075	
Investments in subsidiaries (DKK)			
Name and domicile	Equity	Profit/loss for the year	Ownership
Danish Salmon Slagteri ApS, Denmark.....	189,074	62,514	100 %

NOTES

	2021 DKK	31.12.2019 DKK	Note
Inventories			6
Raw materials and consumables.....	948,382	516,697	
Biomass.....	17,606,270	19,002,776	
Finished goods and goods for resale.....	25,525	1,634	
	18,580,177	19,521,107	

The carrying amount of inventories includes biological assets measured at fair value by the following amounts:

	Biomass Salmon 2020/21	Biomass Salmon 2019
Fair value.....	11,440,228	14,034,990
Value adjustment in the year recognised in the income statement.....	-922,000	2,194,000

The fair value can be specified as follows:

	2021 DKK	31.12.2019 DKK
Biomass measured at historical costprice IAS 41.....	6,166,042	4,967,786
Historical costprice.....	10,168,228	11,840,990
Fairvalue adjustment.....	1,272,000	2,194,000
Biomass measured at fair value IFRS 13.....	11,440,228	14,034,990
Total biomass value.....	17,606,270	19,002,776

For a further description of recognition and measurement of inventories, including biological assets, reference is made to the accounting policies.

Inventories, which are measured at fair value, are biological products in the form of farm-bred salmon which are produced from eggs until the salmon is ready to be harvested.

The fair value of biomass is stated according to level 3 of the fair value hierarchy based on material non-observable input. The value of biological assets is assessed annually on the basis of a valuation model.

The valuation model used is unchanged from 2019.

The material non-observable input at the statement of the fair value is:

	2020/21	2019
Net realisable value per fully developed salmon DKK/kg.....	48-53	48-53
Production stage at the balance sheet date, %.....	50-95 %	50-95 %
Minimum requirement for return, % (WACC).....	8.01 %	8.01 %

NOTES

	Note																				
Long-term liabilities	7																				
<table border="0" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 60%;"></th> <th style="text-align: right; width: 10%;">31/3 2021 total liabilities</th> <th style="text-align: right; width: 10%;">Repayment next year</th> <th style="text-align: right; width: 10%;">Debt outstanding after 5 years</th> <th style="text-align: right; width: 10%;">31/12 2019 total liabilities</th> </tr> </thead> <tbody> <tr> <td>Subordinate loan capital.....</td> <td style="text-align: right;">0</td> <td style="text-align: right;">0</td> <td style="text-align: right;">0</td> <td style="text-align: right;">22,100,000</td> </tr> <tr> <td>Debt to mortgage credit institution.....</td> <td style="text-align: right;">20,644,436</td> <td style="text-align: right;">4,040,601</td> <td style="text-align: right;">1,000,819</td> <td style="text-align: right;">25,589,101</td> </tr> <tr> <td></td> <td style="text-align: right;">20,644,436</td> <td style="text-align: right;">4,040,601</td> <td style="text-align: right;">1,000,819</td> <td style="text-align: right;">47,689,101</td> </tr> </tbody> </table>		31/3 2021 total liabilities	Repayment next year	Debt outstanding after 5 years	31/12 2019 total liabilities	Subordinate loan capital.....	0	0	0	22,100,000	Debt to mortgage credit institution.....	20,644,436	4,040,601	1,000,819	25,589,101		20,644,436	4,040,601	1,000,819	47,689,101	
	31/3 2021 total liabilities	Repayment next year	Debt outstanding after 5 years	31/12 2019 total liabilities																	
Subordinate loan capital.....	0	0	0	22,100,000																	
Debt to mortgage credit institution.....	20,644,436	4,040,601	1,000,819	25,589,101																	
	20,644,436	4,040,601	1,000,819	47,689,101																	
Contingencies, etc.	8																				
Contingent liabilities																					
<p>Joint liabilities</p> <p>The Company is jointly and severally liable together with the parent company and the other Group companies in the joint taxable Group for tax on the Group's joint taxable income and for certain possible withholding taxes, such as dividend tax, etc.</p> <p>Tax payable on the Group's joint taxable income is stated in the annual report of Garnet Marine Capital ApS, which serves as management company for the joint taxation.</p>																					
Charges and securities	9																				
<p>As security for account with credit institute of DKK ('000) 20,644, a mortgage has been given of a nominal amount of DKK ('000) 36,359 on land and buildings. The carrying amount of the mortgaged assets is DKK ('000) 48,473.</p>																					
Information on uncertainty with respect to recognition and measurement	10																				
<p>The company's biomass which is measured at fair value is subject to uncertainty due to changes in the key components used in the fair value calculation, average price, monthly discount rate and estimated biomass.</p>																					

ACCOUNTING POLICIES

The Annual Report of Danish Salmon A/S for 2020/21 has been presented in accordance with the provisions of the Danish Financial Statements Act for enterprises in reporting class B and certain provisions applying to reporting class C.

Change in accounting policies and classification

The accounting policies have been changed in the following areas:

- In order to comply with Group policies, the Company has changed its financial year to end on 31 March. For 2020/21 the financial year is 15 months.

The comparative figures in the income statement have not been restated due to the change of the financial year. For the comparative year 2019 the financial year is 12 months.

- The Company has changed the presentation of the income statement from classification according to type of expenditure to classification according to type of function.

The reason for the change is that it is Management's assessment that this form of presentation provides a more accurate picture.

It has no effect on the profit for the year, equity or balance sheet total.

- The Company has changed the measurement method for biological assets in accordance with IAS 41. The changed measurement has resulted in a decrease in the income statement for the year of DKK ('000) 922 before tax, and in net income for the year of DKK ('000) 719, and for the previous year in an increase of DKK ('000) 2,194 before tax, and net income has increased by DKK ('000) 1,711.

Inventories and total assets have increased by DKK ('000) 1,272 this year and DKK ('000) 2,194 previous year. Equity has increased by DKK ('000) 992 and DKK ('000) 1,711 previous year.

- During the financial year the Company has implemented IFRS 16 regarding presentation of operating leases in the balance sheet. As a result of the implementation, the balance sheet total has increased by DKK ('000) 128 at the beginning of the year.

The result for the year shows a decrease of DKK ('000) 3 due to the implementation of IFRS 16.

The comparative figures have not been adjusted.

INCOME STATEMENT

Net revenue

The Company's net revenue is recognised and measured in accordance with IFRS 15.

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods in the ordinary course of business. Revenue is recognised net of discounts and VAT.

The Company's revenue arises from sale of goods and revenue is recognised at the point in time when control of the goods has been transferred to the customer. This is generally when the goods are delivered to the customer.

ACCOUNTING POLICIES

Production expenses

Production expenses comprise costs, including wages and salaries and write-off, incurred to achieve the net revenue for the year. Commercial enterprises recognise cost of sales, and the manufacturing enterprises recognise production costs equal to the revenue for the year, including direct and indirect costs of raw materials and consumables, wages and salaries, rent and leasing and depreciation of production plant.

Amortisation of capitalised development and research costs and the development costs that do not fulfil the criteria for capitalisation are also recognised in production costs.

Write-down is recognised in connection with expected losses on project contracts.

Distribution expenses

The expenses incurred for distribution of goods sold during the year and for sales campaigns carried out during the year are recognised in distribution costs. The costs of the sales personnel, advertising and exhibition costs and amortisation are also recognised in distribution costs.

Administrative expenses

Administrative expenses include costs incurred during the year regarding management and administration of the Group, inclusive of costs relating to the administrative staff, executives, office premises, office expenses, etc. and related amortisation.

Other operating expenses

Other operating expenses include items of a secondary nature in relation to the enterprises' principal activities, including loss from sale of intangible and tangible fixed assets.

Income from investments in subsidiaries

The income statement of the parent company recognises the proportional share of the results of each subsidiary after full elimination of intercompany profits/losses and deduction of amortisation of goodwill.

In connection with transfers, potential profits are recognised when the economic rights related to the sold equity interests are transferred, however, at the earliest when the profit has been realised or is regarded as realisable. Moreover, realised losses other than impairments are included where identified.

Financial income and expenses

Financial income and expenses include interest income and expenses, realised and unrealised gains and losses arising from investments in financial assets, debt and transactions in foreign currencies, amortisation of financial assets and liabilities as well as charges and allowances under the tax-on-account scheme, etc. Financial income and expenses are recognised in the income statement by the amounts that relate to the financial year.

Tax

The tax for the year, which consists of the current tax for the year and changes in deferred tax, is recognised in the income statement by the portion that may be attributed to the profit for the year, and is recognised directly in the equity by the portion that may be attributed to entries directly to the equity.

BALANCE SHEET

Tangible fixed assets

Land and buildings, production plant and machinery, other plant, fixtures and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

The depreciation base is cost less estimated residual value after end of useful life.

ACCOUNTING POLICIES

The cost includes the acquisition price and costs incurred directly in connection with the acquisition until the time when the asset is ready to be used. As regards self-manufactured assets, the cost price includes cost of materials, components, subcontractors, direct payroll and indirect production costs.

Straight-line depreciation is provided on the basis of an assessment of the expected useful lives of the assets and their residual value:

	Useful life	Residual value
Buildings.....	15-25 years	25 %
Production plant and machinery.....	10-15 years	0 %
Other plant, fixtures and equipment.....	5 years	0 %

Profit or loss on disposal of tangible fixed assets is stated as the difference between the sales price less selling costs and the carrying amount at the time of sale. Profit or loss is recognised in the income statement as other operating income or other operating expenses.

Lease contracts

Lease contracts relating to tangible fixed assets are recognized in accordance with IFRS 16.

The assets are at the initial recognition measured at calculated cost equal to the lower of fair value and present value of the future lease payments. The internal interest rate of the lease contract is used as discounting factor or an approximate value when calculating the present value. Lease assets are depreciated similarly to the Company’s other tangible fixed assets.

The capitalised residual lease liability is recognised in the balance sheet as a liability and the interest portion of the lease payment is recognised in the income statement over the term of the contract.

Fixed asset investments

Investments in subsidiaries are measured in the Company's balance sheet under the equity method.

Investments in subsidiaries are measured in the balance sheet at the proportional share of the enterprises’ carrying equity value, calculated in accordance with the parent company’s accounting policies with deduction or addition of unrealised intercompany profits or losses and with addition or deduction of the residual value of positive or negative goodwill

Net revaluation of investments in subsidiaries and associates is transferred under equity to reserve for net revaluation under the equity value method to the extent that the carrying amount exceeds the acquisition value.

Subsidiaries with a negative carrying equity value are measured to DKK 0 and any amounts due from these enterprises are written down by the Company's share of the negative equity to the extent that it is deemed to be irrecoverable. If the carrying negative equity value exceeds receivables, the residual amount is recognised under provision for liabilities to the extent that the Company's has a legal or actual liability to cover the subsidiary's deficit.

ACCOUNTING POLICIES

Impairment of fixed assets

The carrying amount of intangible and tangible fixed assets together with investments, which are not measured at fair value, is assessed on an annual basis for indications of impairment other than that reflected by amortisation and depreciation.

In the event of impairment indications, an impairment test is made for each asset or group of assets, respectively. If the recoverable amount is lower than the carrying amount, it is written down to the lower value.

The recoverable amount is calculated at the higher of net selling price and capital value. The capital value is determined as the fair value of the expected net cash flows from the use of the asset or group of assets and the expected net cash flows from sale of the asset or group of assets after the end of its useful life.

Inventories

Inventories of raw materials and consumables are measured at cost using the FIFO-principle. If the net realisable value is lower than cost, it is written down to the lower value.

Biological assets (biomass)

IAS 41 requires biomass to be accounted for at the estimated fair value net of sales costs and harvesting costs. The calculation of the estimated fair value is based on market prices for harvested fish. In the accounts, the change in estimated fair value is entered to the income statement on a continuous basis.

Biological assets are salmon at all stages of the life cycle. The fish are divided into two main groups, depending on the stage of the life cycle.

For the first group, historical cost is deemed a reasonable approach to fair value, as there is little biological transformation.

For the second group, the fair value is calculated by applying a present value model at level 3 in the fair value hierarchy in IFRS 13.

The valuation model

The valuation of biological assets under IAS 41 is based on an implied estimated fair value of the fish in a hypothetical market. The estimate of the unrealized fair value adjustment under IFRS 13 is based on several factors such as changes in the final market destinations of fish sold, changes in forward market price and biomass costs, changes in biology, and differences in anticipated quality and size. The key element in approximating fair value is the assumed market price expected to be achieved on the future date in which the fish is ready to be harvested. Such market prices are based on a variety of sources including, but not limited to, the company's historical sales prices achieved and quoted forward market prices as per the Fish Pool salmon index or similar. The market prices are then reduced for harvesting and other selling costs required to sell to arrive at a net value back to farm. The difference between the fair value and the associated cost to sell is recognized under fair value adjustments of biological assets in the income statement.

Incident-based mortality is recognized when a fish tank experiences elevated or substantial mortality due to an incident out of expected normal capacity. In such cases, mortality expense is included as part of cost of materials in the accompanying consolidated statements of operations, and the fair value associated with the affected biomass is then adjusted under fair value adjustments of biological assets in the income statement.

ACCOUNTING POLICIES

Receivables

Receivables are measured at amortised cost which usually corresponds to nominal value. The value is reduced by impairment to meet expected losses.

Accruals, assets

Accruals recognised as assets include costs incurred relating to the subsequent financial year.

Tax payable and deferred tax

Current tax liabilities and receivable current tax are recognised in the balance sheet as the calculated tax on the taxable income for the year, adjusted for tax on the taxable income for previous years and taxes paid on account.

The Company is subject to joint taxation with Danish group companies. The current corporation tax is distributed among the joint taxable companies in proportion to their taxable income and with full allocation and refund related to tax losses. The joint taxable companies are included in the tax-on-account. Joint taxation contributions receivable and payable are recognised in the balance sheet under current assets and liabilities, respectively.

Deferred tax is measured on the temporary differences between the carrying amount and the tax value of assets and liabilities.

Deferred tax assets, including the tax value of tax loss carry-forwards, are measured at the expected realisable value of the asset, either by set-off against tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that under the legislation in force on the balance sheet date will be applicable when the deferred tax is expected to crystallise as current tax. Any changes in the deferred tax resulting from changes in tax rates, are recognised in the income statement, except from items recognised directly in equity.

Liabilities

Financial liabilities are recognised at the time of borrowing by the amount of proceeds received less borrowing costs. In subsequent periods, the financial liabilities are measured at amortised cost equal to the capitalised value when using the effective interest, the difference between the proceeds and the nominal value being recognised in the income statement over the term of loan.

Other liabilities are measured at amortised cost equal to nominal value.

The capitalised residual lease liability on finance lease contracts is also recognised as financial liabilities.

Foreign currency translation

Transactions in foreign currencies are translated at the rate of exchange on the transaction date. Exchange differences arising between the rate on the transaction date and the rate on the payment date are recognised in the income statement as a financial income or expense.

Receivables, payables and other monetary items in foreign currencies that are not settled on the balance sheet date are translated at the exchange rate on the balance sheet date. The difference between the exchange rate on the balance sheet date and the exchange rate at the time of occurrence of the receivables or payables is recognised in the income statement as financial income or expenses.

Fixed assets acquired in foreign currencies are translated at the rate of exchange on the transaction date.