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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 APRIL 2021 - 31 MARCH 2022

The Annual Report has been presented and adopted at the Company's Annual General Meeting on 16 June 2022

Carl Højrup

CVR NO. 32 55 43 93

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COMPANY DETAILS

Company	Danish Salmon A/S Søren Nordbysvej 15 9850 Hirtshals	
	CVR No.:	32 55 43 93
	Established:	26 October 2009
	Municipality:	Hjørring
	Financial Year:	1 April 2021 - 31 March 2022
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	

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 April 2021 - 31 March 2022.

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 2022 and of the results of the Company's operations for the financial year 1 April 2021 - 31 March 2022.

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, 16 June 2022

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 April 2021 - 31 March 2022, 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 2022 and of the results of the Company's operations for the financial year 1 April 2021 - 31 March 2022 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' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), together with the ethical requirements that are relevant to our audit of the financial statements in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. 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.

INDEPENDENT AUDITOR'S REPORT

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- 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 Management Commentary.

Our opinion on the Financial Statements does not cover 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 Management Commentary and, in doing so, consider whether 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 Management Commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that 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 Management Commentary.

Hirtshals, 16 June 2022

BDO Statsautoriseret revisionsaktieselskab
CVR no. 20 22 26 70

Lasse Toft
State Authorised Public Accountant
MNE no. mne35389

MANAGEMENT COMMENTARY

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 2021/22 on the same level as past years. The Company has emphasized on biological improvement, wastewater management, and preparations for expansion of the facilities to start up. The price level of salmon was under pressure particularly during last part of 2021 but the company managed to stay close to budget on prices levels.

Costs for producing salmon on land was gradually increasing and in particular the last part of 2021 and early 2022 has proven to be very challenging in terms of costs, as electricity-costs has surged. This has had ripple effect onto other supplier goods, such as feed and oxygen. This in combination with fair value adjustments has meant the company has seen cost-increases, which particularly has been a challenge in the later part of the fiscal year.

The company looks to 2022/2023 where it will commission and expand its facilities and upscale production. The construction costs of the facility have become slightly higher than budgeted, due to surrounding circumstances limiting supply and generally increasing costs on gods. Throughout 2022 and early 2023 the company should reach full production capacity, enabling it to supply customers on a weekly basis. This will be a strong selling point and stabilize revenue stream for the company. The company does expect raw material prices to be at a high level, increasing the production costs of the company's products. The business must be expected to be negatively impacted by these increases in feed and energy costs (the largest cost-components in the business) as these will not be fully transferable into the selling price and thereby the customers of the product. However, these circumstances seem to be general for the salmon farming industry and production companies in general for the coming year.

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 during the summer 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 APRIL - 31 MARCH

	Note	2021/22 DKK	2020/21 15 months DKK
NET REVENUE	1	**37,611,808**	**45,909,805**
Production costs		-43,462,139	-48,081,928
GROSS PROFIT/LOSS		**-5,850,331**	**-2,172,123**
Distribution costs		-90,182	-92,250
Administrative expenses	2	-3,260,093	-3,990,057
OPERATING LOSS		**-9,200,606**	**-6,254,430**
Income from investments in subsidiaries		37,909	62,514
Financial expenses		-1,244,932	-1,008,597
LOSS BEFORE TAX		**-10,407,629**	**-7,200,513**
Tax on profit/loss for the year	3	2,276,970	1,571,547
LOSS FOR THE YEAR		**-8,130,659**	**-5,628,966**

PROPOSED PROFIT ALLOCATION

Allocation to reserve for net revaluation according to equity value method		37,909	62,514
Retained earnings		-8,168,568	-5,691,480
TOTAL		**-8,130,659**	**-5,628,966**

BDO

BALANCE SHEET AT 31 MARCH

ASSETS	Note	2022 DKK	2021 DKK
Land and buildings		46,913,617	48,473,404
Production plant and machinery		26,166,966	22,293,979
Other plant, machinery, tools and equipment		888,475	690,804
Tangible fixed assets in progress and prepayment		73,830,140	18,106,133
Property, plant and equipment	4	**147,799,198**	**89,564,320**
Equity investments in group enterprises		226,984	189,075
Financial non-current assets	5	**226,984**	**189,075**
NON-CURRENT ASSETS		**148,026,182**	**89,753,395**
Raw materials and consumables		1,126,587	948,382
Biomass		15,890,597	17,606,270
Finished goods and goods for resale		863	25,525
Inventories	6	**17,018,047**	**18,580,177**
Trade receivables		997,484	1,486,666
Receivables from group enterprises		3,341,470	3,096,250
Deferred tax assets		4,990,100	2,719,954
Other receivables		1,213,848	2,769,660
Prepayments		486,000	224,100
Receivables	7	**11,028,902**	**10,296,630**
Cash and cash equivalents		**7,744,790**	**6,368,293**
CURRENT ASSETS		**35,791,739**	**35,245,100**
ASSETS		**183,817,921**	**124,998,495**

BALANCE SHEET AT 31 MARCH

EQUITY AND LIABILITIES	Note	2022 DKK	2021 DKK
Share capital		1,099,316	1,099,316
Reserve for net revaluation according to equity value method		100,423	62,514
Retained earnings		34,292,608	42,461,176
EQUITY		**35,492,347**	**43,623,006**
Debt to mortgage credit institution		12,661,422	16,603,835
Lease liabilities		169,329	32,208
Non-current liabilities	8	**12,830,751**	**16,636,043**
Debt to mortgage credit institution		4,034,544	4,040,601
Bank debt		125,000,000	52,000,000
Lease liabilities		73,924	43,291
Trade payables		4,269,248	7,284,786
Debt to Group companies		0	178,125
Other liabilities		2,117,107	1,192,643
Current liabilities		**135,494,823**	**64,739,446**
LIABILITIES		**148,325,574**	**81,375,489**
EQUITY AND LIABILITIES		**183,817,921**	**124,998,495**

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EQUITY

	Share capital	Reserve for net revaluation under the equity method	Retained earnings	Total
Equity at 1 April 2021	1,099,316	62,514	42,461,176	43,623,006
Proposed profit allocation		37,909	-8,168,568	-8,130,659
Equity at 31 March 2022	**1,099,316**	**100,423**	**34,292,608**	**35,492,347**

NOTES

	2021/22 DKK	2020/21 15 months DKK	Note
Net revenue			1
Sales	38,883,808	46,831,805	
Fair value adjustment Biomass	-1,272,000	-922,000	
	37,611,808	**45,909,805**	
Staff costs			2
Average number of employees	18	17	
Wages and salaries	7,115,896	7,368,516	
Pensions	410,208	429,361	
Social security costs	47,626	68,156	
	7,573,730	**7,866,033**	
Tax on profit/loss for the year			3
Adjustment of deferred tax	-2,276,970	-1,571,547	
	-2,276,970	**-1,571,547**	

Property, plant and equipment	Land and buildings	Production plant and machinery	4
Cost at 1 April 2021	60,266,696	33,848,347	
Additions	128,787	6,513,393	
Cost at 31 March 2022	**60,395,483**	**40,361,740**	
Depreciation and impairment losses at 1 April 2021	11,793,292	11,554,368	
Depreciation for the year	1,688,574	2,640,406	
Depreciation and impairment losses at 31 March 2022	**13,481,866**	**14,194,774**	
Carrying amount at 31 March 2022	**46,913,617**	**26,166,966**	

NOTES

Note

Tangible fixed assets (continued) 4

	Other plant, machinery, tools and equipment	Tangible fixed assets in progress and prepayment
Cost at 1 April 2021	2,128,955	18,106,133
Additions	637,697	55,724,007
Cost at 31 March 2022	**2,766,652**	**73,830,140**
Depreciation and impairment losses at 1 April 2021	1,438,150	
Depreciation for the year	440,027	
Depreciation and impairment losses at 31 March 2022	**1,878,177**	
Carrying amount at 31 March 2022	**888,475**	**73,830,140**
Interest expenses recognised as part of cost of assets		863,192
Finance lease assets	237,089	

Financial non-current assets 5

	Equity investments in group enterprises
Cost at 1 April 2021	50,000
Cost at 31 March 2022	**50,000**
Revaluation at 1 April 2021	139,075
Profit/loss for the year	37,909
Revaluation at 31 March 2022	**176,984**
Carrying amount at 31 March 2022	**226,984**

Investments in subsidiaries (DKK)

Name and domicile	Equity	Profit/loss for the year	Ownership
Danish Salmon Slagteri ApS, Denmark	226,983	37,909	100 %

NOTES

	2022 DKK	2021 DKK	Note
Inventories			6
Råvarer og hjælpematerialer	1,126,587	948,382	
Biomass	15,890,597	17,606,270	
Fremstillede færdigvarer og handelsvarer	863	25,525	
	17,018,047	**18,580,177**	

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

	Biomass Salmon 2021/22	Biomass Salmon 2020/21
Fair value	9,649,768	11,440,228
Value adjustment in the year recognised in the income statement	-1,272,000	-922,000

The fair value can be specified as follows:

	2022 DKK	2021 DKK
Biomass meassured at historical costprice IAS 41	6,242,018	6,166,042
Historical costprice	9,648,579	10,168,228
Fairvalue adjustment	0	1,272,000
Biomass meassureed at fair value IFRS 13	**9,648,579**	**11,440,228**
Total biomass value	15,890,597	17,606,270

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 in unchanged from 2020/21.

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

	2021/22	2020/21
Net realisable value per fully developed salmon DKK/kg	45-56	48-53
Production stage at the balance sheet date for the secound group of the fish life circle, %	8-67 %	4-95 %
Minimum requirement for return, % (WACC)	8.0 %	8.0 %

NOTES

	2022 DKK	2021 DKK	Note
Receivables falling due after more than one year			7
Deferred tax assets	4,990,100	2,719,954	
	4,990,100	**2,719,954**	

Long-term liabilities 8

	31/3 2022 total liabilities	Repayment next year	Debt outstanding after 5 years	31/3 2021 total liabilities
Debt to mortgage credit institution	16,695,966	4,034,544	0	20,644,436
Lease liabilities	243,253	73,924	0	75,499
	16,939,219	**4,108,468**	**0**	**20,719,935**

Contingencies, etc. 9

Contingent liabilities

Joint liabilities
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.

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.

Charges and securities 10
As security for account with credit institute of DKK ('000) 16,696, a mortgage has been given of a nominal amount of DKK ('000) 36,359 on land and buidings. The carrying amount of the mortgaged assets is DKK ('000) 46,914.

Information on uncertainty with respect to recognition and measurement 11
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.

ACCOUNTING POLICIES

The Annual Report of Danish Salmon A/S for 2021/22 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.

The Annual Report is prepared consistently with the accounting principles applied last year.

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.

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.

ACCOUNTING POLICIES

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.

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	10-25 years	0-25 %
Production plant and machinery	5-15 years	0 %
Other plant, fixtures and equipment	3-10 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.

ACCOUNTING POLICIES

Financial non-current assets
Investments in subsidiaries are measured in the Parent Company Balance Sheet under the equity method, which is regarded as a method of measuring/consolidation.

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 calculated according to the acquisition method. Negative goodwill is recognised in the Income Statement when the equity interest is acquired. Where the negative goodwill is related to acquired contingent liabilities, the negative goodwill will be recognised as income when the contingent liabilities have been settled or cease.

Net revaluation of investments in subsidiaries 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 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 has a legal or actual liability to cover the subsidiaries deficit.

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.

ACCOUNTING POLICIES

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 41is 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.

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.

ACCOUNTING POLICIES

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.