

NOTE 10

INTANGIBLE ASSETS

2015	Goodwill	Fish farming licences indefinite lives	Fish farming licences definite lives	Other intangible assets	Total
Book value at 01.01.	108 708	1 043 258	22 926	11 517	1 186 409
Currency translation differences	1 154	20 140	-243	29	21 080
Intangible assets purchased	784	4 048	4 566	9 253	18 651
Amortisation		-13	-1 344	-3 806	-5 163
Book value at 31.12.	110 647	1 067 433	25 905	16 993	1 220 977

As at 31.12.					
Acquisition cost	200 250	1 067 446	51 837	31 436	1 350 968
Accumulated amortisation		-13	-25 932	-14 443	-40 388
Accumulated impairment	-89 603				-89 603
Book value at 31.12.	110 647	1 067 433	25 905	16 993	1 220 977

"Other intangible assets" consist mainly of software.

2014	Goodwill	Fish farming licences indefinite lives	Fish farming licences definite lives	Other intangible assets	Total
Book value at 01.01.	107 310	972 599	21 467	4 545	1 105 921
Currency translation differences	1 398	30 659	2 481	-463	34 075
Reclassification property, plant & equipment	0	0	0	3 341	3 341
Intangible assets purchased *)	0	40 000	188	8 106	48 294
Amortisation	0	0	-1 210	-4 012	-5 222
Book value at 31.12.	108 708	1 043 258	22 926	11 517	1 186 409

As at 31.12.					
Acquisition cost	198 311	1 043 258	47 514	22 154	1 311 237
Accumulated amortisation		0	-24 588	-10 637	-35 225
Accumulated impairment	-89 603				-89 603
Book value at 31.12.	108 708	1 043 258	22 926	11 517	1 186 409

*) Purchase of "fish farming licences indefinite lives" relates to purchase of green licences in Finnmark. The licences were paid for in 2015

LICENCES

The tables below display an overview of the different licences in the Group. See note 2 for further information about licences.

NORWAY:		
LICENCE CATEGORY	Total number	Total volume
Grow-out licences	37	33 435 tn
R&D permit	1	780 tn
Broodstock	3	2 340 tn
Smolt	4	12 700 000 fish
Harvesting cage	2	1 106 tn

UK:	
PLANT/AREA	Capacity (tons)
Setterness and Gonfirth	22 297
Railsbrough and Wadbister Woe	1 843
North Havra	1 496
South of Linga and Foraness	3 845
West of Burwick and Merry Holm	2 672
Fish Holm	1 910
Easter Score Holm, North Papa and Wester Quarff	4 925
Whalsay, Swining 2 & 3	5 760
Collafirth 3	1 500
Gob na Hoe and Leinish (west of Scotland)	3 721
Hillswick, Hamar, Roe Sound and Heights	2 247
Spoose Holm and Setter	2 000
Haminavoe	1 910
Total	56 126

BC:	
PLANT/AREA	Capacity (tons)
Ahlstrom	1 100
Atrevida	3 300
Barnes bay	3 000
Bennet Point	4 400
Conception	4 100
Culloden	1 500
Esperanza	3 600
Gore	4 100
Hecate	4 000
Kunechin	1 500
Muchalat N.	4 100
Muchalat S.	3 600
Newcomb	1 000
Salten	1 500
Site 13	900
Site 9	1 500
Streamer Point	3 600
Vantage	1 500
Williamson	3 900
Total	52 200

IMPAIRMENT TEST FOR GOODWILL AND LICENCES

Goodwill and licences were not impaired in 2015 or 2014. Goodwill and licences with an indefinite economic life are subject to an annual impairment test. Impairment tests are performed more frequently if there are indications of a decline in value. Licences with definite useful lives are tested for impairment only if there are indications of a decline in value. Estimated value in use is used as a basis for calculating the recoverable amount. Impairment occurs when the carrying value is higher than the recoverable amount.

Cash generating unit	Location	Book value of related goodwill	Book value of licences	Total
BC - Canada	Canada	10 159	159 510	169 669
Finnmark	Norge	0	299 814	299 814
Shetland - UK	UK	80 025	499 040	579 065
Rogaland (incl. Erfjord Stamfisk)	Norge	20 463	134 974	155 437
Total value		110 647	1 093 338	1 203 985

Goodwill relates to the acquisition of the subsidiary companies. Goodwill is allocated to the Group's cash-generating units (CGU) identified according to the operating segment. An annual impairment test for goodwill and licences has been carried out. The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets from the respective cash generating units covering a three-year period. Cash flows beyond the three-year period are extrapolated using the estimated growth rates stated below. The estimated growth rate corresponds with expected inflation.

THE ASSUMPTIONS USED FOR VALUE-IN-USE CALCULATIONS ARE AS FOLLOWS:

Unit	BC - Canada	Finnmark	Shetland - UK	Rogaland
Budget period	3 years	3 years	3 years	3 years
Increase in revenues in budget period	36 %	53 %	14 %	34 %
Ebitda margin 1)	23% - 13%	29% - 23%	12% -17%	27% -22%
Ebitda margin in terminal period	14 %	23 %	17 %	21 %
Harvest growth - tons 2)	27 %	56 %	27 %	35 %
Required rate of return 3)	8,5 %	8,5 %	8,5 %	8,5 %
Growth rate 4)	1,0 %	1,0 %	1,0 %	1,0 %

As stated above, the budget period/explicit period is 3 years. Estimated increase in revenue in the budget period thus indicates revenue increase in 2018 compared to income in 2015.

Estimated future price levels are calculated from Fish Pool's projections and takes into account quality reduction and freight. Other comments/explanations to assumptions in the impairment test is presented below; historical price levels and forward markets.

1. Budgeted EBITDA margin. The margin varies in the budget period, due to a.o. variations in estimated production.
2. The growth rate of the harvested volume in the budget period (nominal growth rate) measured against 2015 volume. Over time a corresponding increase in output is assumed.
3. Weighted required return on capital employed before tax. Cash flow forecasts are thus estimated before taxes.
4. Weighted average growth rate used to extrapolate cash flows beyond the budget period. In the years after 2018, the annual reinvestment is assumed to be equal to the annual depreciation.

EBITDA MARGIN IN BUDGET AND TERMINAL PERIOD

The budgeted EBITDA margin is based on past performance, expected cost of production and expectations of market development. The increased harvest volume is based on an increase in utilisation of existing production capacity, reflecting the new smolt strategy. In the course of 2015 all of the regions have started to produce their own smolt in recycling plants. This will reduce the production cost pr. smolt and increase the quality of the smolt, which in turn will improve the biology in the sea. The use of different sizes of smolt and better planning of timing of seastocking, will give us a better utilisation of MTB. This will lead to increased production that will also contribute to reducing the cost measured per kg. For all regions, it is assumed a significant increase in harvest volumes in the budget period. Increased harvest volumes will contribute to increased earnings in the terminal.

Finnmark has been granted 4 green licences, and the expectation is to reach harvesting of more than 1,000 tons per year per licence. It is therefore assumed a significant increase in harvest volumes. In 2015, a restructuring of the localities has been implemented that will provide impact in the next few years. In Rogaland, an increase in harvest volumes is assumed through bringing down production time in sea by using larger smolts. In the UK, the hatchery has been completed, and a restructuring towards reduced time in sea from 24 months to 18 months will bring down the biological risk. The expected growth in BC's revenue are significant and is related to the low prices in the USA in 2015. Therefore, a significant increase in the price is expected. Assumptions in the terminal are based on the budget for 2018, but with some adjustments to reflect EBIT/kg in the benchmark and the Group's own historical results. The applied discount rates are pre-tax and reflect specific risks relating to the relevant operating segments.

SENSITIVITY ANALYSIS

Value-in-use is sensitive to changes in the assumptions made. The most important are requirement for return and Ebit per kg. The sensitivity analysis covers the entire period, including the terminal value. The conclusion of the analysis is no need for impairment in any of the segments, except for Shetland where an isolated change in assumptions by increasing 1.0% points in the requirement for return-rate or reduction in EBIT per kilo by -1, will result in impairments of respectivel 50 MNOK and 129 MNOK.