

NOTE 4

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

The management is required to make estimates and assumptions concerning the future which affect which accounting policies are to be used and reported amounts for assets, liabilities and contingent liabilities in the balance sheet, as well as income and expenses for the accounting year. Estimates, judgements and underlying assumptions are continuously evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the present circumstances. The final results may diverge from these estimates. Changes in accounting estimates are included in the period when the estimates are changed.

ESTIMATED IMPAIRMENT OF GOODWILL, LICENCES AND PROPERTY, PLANT AND EQUIPMENT

The group tests annually whether goodwill and licences have suffered any impairment, in accordance with the accounting policy stated in note 2. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates of future cash flows from the cash-generating unit, and the application of a discount rate in order to calculate the present value of future cash flows. Expectations of future cash flows will vary over time. Changes in market conditions and expected cash flows can result in future impairment. The value of long-term growth in demand, the competitive situation, the strength of the production link in the value chain and thereby also the expectations of the long-term profit margin are also of significance. The different parameters could variously affect the value of the licences over time. Any change in these critical assumptions will entail related write-downs, or the reversal of write-downs of the value of licences in accordance with the accounting policies described in note 2. Please also refer to note 10 for further remarks on tests related to value impairment.

BIOLOGICAL ASSETS

There are several factors which create uncertainty when estimating fair value of biological assets. Future prices, time of harvesting, carcass and the remaining production cost. Salmon prices are highly volatile. The sale prices for harvestable fish is based on forward-prices and/or the the most relevant price information available for the expected harvesting period. Changes in prices has the most significant impact on the estimated fair value of biological assets. Sensitivity analysis regarding changes in prices, see note 3. The assumption of harvesting the fish when it reaches 4 kg is also subject to uncertainty regarding the estimated growth. An estimated production cost is budgeted, which take into account estimated feed prices, cost related to treatment of lice and other preparedness to avoid biological incidents. There are uncertainty regarding the number of lice-treatments, the temperature in the sea and other weather conditions which influences the growth and production cost. Se note 2 for accounting policies and note 9 for more information about valuation of biological assets.