

# NOTE 9

## BIOLOGICAL ASSETS AND OTHER INVENTORIES

	TONS		TNOK	
	2015	2014	2015	2014
Biological assets at 01.01.	51 258	50 567	1 844 097	1 766 332
Currency translation differences	N/A	N/A	44 712	79 081
Increase due to purchases of fish	0	253	0	12 768
Increase due to production	121 323	80 962	2 382 410	2 044 136
Decrease due to extraordinary mortality/loss	-3 265	-2 705	-104 526	-94 378
Decrease due to sales	-124 492	-77 819	-2 268 770	-1 847 117
Fair value adjustment at 01.01	N/A	N/A	-281 285	-398 011
Fair value adjustment in connection with business acquisition	N/A	N/A	N/A	N/A
Fair value adjustment at 31.12	N/A	N/A	312 479	281 285
<b>Book value of biological assets at 31.12.</b>	<b>44 824</b>	<b>51 258</b>	<b>1 929 117</b>	<b>1 844 096</b>
Recognised fair value adjustment of biological assets			33 209	-125 714
Gain & loss arising from price contracts			-	1 977
<b>Recognised fair value adjustment of biological assets incl. fair value of price hedging contracts</b>			<b>33 209</b>	<b>-123 737</b>

The accounting treatment of live fish by companies applying IFRS is regulated by IAS 41 Agriculture. The basic principle is that such assets shall be measured at fair value. The fair value of biological assets (fish in the sea) for fish over 1 kg is based on forward prices from Fish Pool for Norway. For foreign countries, the most relevant price information that is available for the period when the fish is expected to be harvested, has been used. The price is adjusted proportionately to take account of how far the growth cycle has progressed. The price is adjusted for quality differences (superior, ordinary and process), together with the cost of logistics. The volume is adjusted for gutting loss. Fish in the sea with an average weight over 4 kg (mature fish) are assessed at their full value at the balance sheet day of harvesting. The best estimate for fish under 1 kg is considered to be the accumulated cost. Fish < 1 kg are included in the group which includes smolt and broodstock in the table. For further information, please refer to the note on accounting policies (note 2).

<b>STATUS OF BIOLOGICAL ASSETS AT 31.12.15</b>	Number of fish (1 000)	Biological assets (tons)	Accrued cost of production	Fair value adjustment	Book value
Smolt/broodstock/biological assets with round weight ← 1 kg	35 055	5 753	434 136	0	434 136
Biological assets with round weight 1 - 4 kg	12 131	30 713	873 217	167 292	1 040 509
Biological assets with round weight → 4 kg	2 333	11 622	309 283	145 188	454 470
<b>Total</b>	<b>49 520</b>	<b>48 089</b>	<b>1 616 635</b>	<b>312 480</b>	<b>1 929 115</b>

<b>STATUS OF BIOLOGICAL ASSETS AT 31.12.14</b>	Number of fish (1 000)	Biological assets (tons)	Accrued cost of production	Fair value adjustment	Book value
Smolt/broodstock/biological assets with round weight ← 1 kg	28 912	4 600	310 939	0	310 939
Biological assets with round weight 1 - 4 kg	14 333	33 303	915 236	164 474	1 079 710
Biological assets with round weight → 4 kg	2 578	13 355	336 636	116 811	453 447
<b>Total</b>	<b>45 823</b>	<b>51 258</b>	<b>1 562 812</b>	<b>281 285</b>	<b>1 844 097</b>

<b>BASIS FOR VALUES 31.12.15:</b>		BC	Shetland	Norge
Weighted price in relation to volume	→ 4 kilo	CAD 7,4	GBP 4,30	NOK 52,1
Weighted price in relation to volume	1 - 4 kilo	CAD 7,4	GBP 3,70	NOK 44,0
Source		Fish Pool	Fish Pool	Fish Pool

Forward prices from Fish Pool as stated above are deducted of expected quality reduction and before logistics expenses.

The standard deduction for quality reduction is considered.

Forward prices are weighted in relation to intended harvesting period. The price for BC is based on forward price in Norway adjusted for own historical difference in price levels between Norway and Canada. The same principle applies for Shetland.

Self budgeted harvesting and logistics expenses are assumed.

Forward exchange rates are used to translate price into CAD and GBP relative to the period of harvesting.

<b>OTHER INVENTORIES</b>	<b>2015</b>	<b>2014</b>
Raw materials (feed) at cost price	72 363	59 268
Roe	11 810	8 200
Other (frozen fish, supplementary products)	6 694	23 548
<b>Total inventories</b>	<b>90 867</b>	<b>91 016</b>
Impairment of inventories accounted for at year-end	1 027	17 812
<b>PURCHASE COST OF THE YEAR</b>	<b>2015</b>	<b>2014</b>
Inventories at 01.01 (inverted number)	-91 016	-75 009
Purchases for the year (incl. Change in accrued cost of production)	-2 738 777	-2 309 286
Inventories at 31.12.	90 867	91 016
<b>Purchase cost of the year</b>	<b>-2 738 926</b>	<b>-2 293 279</b>

The purchase cost of the year mainly comprises feed, roe, vaccination and medicines.

The Group applies an internal rule of impairment in cases of extraordinary loss/mortality. Such impairment is recognised on a straight-line basis as parts of cost of sales through profit/loss.

Information about recognised fair value of extraordinary loss/mortality is based on the same rule as calculation of fair value-adjusted biological assets.

EXTRAORDINARY LOSS/MORTALITY	2015		2014	
	Cost of production	Fair value	Cost of production	Fair value
Rogaland	16 660	26 688	35 222	42 753
Finnmark	10 448	12 147	9 320	9 673
Shetland	39 061	49 030	30 525	43 396
British Columbia	38 357	40 399	19 311	21 632
<b>Total</b>	<b>104 526</b>	<b>128 264</b>	<b>94 378</b>	<b>117 455</b>

2015	Number of fish (1 000)	Biological assets (tons)	Accrued cost of production	Fair value adjustment	Fair value
Smolt/broodstock/biological assets with round weight ← 1 kg	1 129	603	25 311	0	25 311
Biological assets with round weight 1 - 4 kg	518	1 438	43 803	16 044	59 847
Biological assets with round weight → 4 kg	296	1 224	35 411	7 694	43 105
<b>Total</b>	<b>1 944</b>	<b>3 265</b>	<b>104 526</b>	<b>23 738</b>	<b>128 264</b>

2014	Number of fish (1 000)	Biological assets (tons)	Accrued cost of production	Fair value adjustment	Fair value
Smolt/broodstock/biological assets with round weight ← 1 kg	1 346	550	25 146	0	25 146
Biological assets with round weight 1 - 4 kg	1 383	1 889	53 171	20 426	73 597
Biological assets with round weight → 4 kg	54	266	16 061	2 650	18 712
<b>Total</b>	<b>2 784</b>	<b>2 705</b>	<b>94 378</b>	<b>23 076</b>	<b>117 455</b>

In Rogaland the main cause of extraordinary loss/mortality is PD (Pancreas Disease). In the first half of 2014 mortality due to heart failure (CMS) was also registered.

In Finnmark IPN (Infectious Pancreatic Necrosis) and Tenacibaculum comprise the main cause for extraordinary mortality. Some mortality due to delousing has occurred. A large proportion of the mortality is related to small fish, hence adjusted fair value does not deviate much from cost of production.

In Shetland sea lice, gill problems and seal have caused mortality both years.

In BC, mortality occurs due to low levels of oxygen in the sea, as well as planktonic algae. Furunculosis has also been a challenge in the fish hatchery. Fair value of the impairment in BC is fairly low relative to production cost due to a high proportion of small fish ← 1 kilo in the mortality, where the best estimate of fair value is assumed to be the accumulated cost.