LGI Denmark ApS
Ulsnæs 33, 6300 Graasten

Annual report 2016

CVR no. 28 10 08 92

To the Danish Business Authority
The annual report was presented and approved
at the annual general meeting on 9 May 2017

Christian Mattsen
(Chairman of the meeting)

INFORMATION ON THE COMPANY

LGI Denmark ApS
Ulsnæs 33
DK-6300 Gråsten

CVR no. 28 10 08 92

Board of Directors:

Nixon E. Lauridsen (Chairman)
Vilhelm Hald-Christensen
Christine J. Lauridsen
John F. Wheeler

Management:

Asger Jacobsen
Torben Matzen

Auditor:

Ernst & Young Godkendt Revisionspartnerselskab
Nørre Havnegade 43
DK-6400 Sønderborg

State Authorised Public Accountant Thorbjørn Bruhn
State Authorised Public Accountant Christian S. Christiansen

Bank:

Sydbank A/S
Handelsbanken

Annual General Meeting:

The Annual General Meeting will be held 9 May 2017

GROUP OUTLINE

- LGI Denmark ApS — Share capital: DKK 1,500k
  - 100% BHJ A/S — Share capital: DKK 48m
    - 100% TM Petfood ApS — Share capital: DKK 125k
    - 100% Pet-Rus ApS — Share capital: DKK 125k
    - 100% BHJ Germany GmbH — Share capital: EUR 100k
    - 100% Højmark Group A/S — Share capital: DKK 500k
    - 10% BHJ Ingredients S.A. — Share capital: ARS 7,519k
  - 100% Essentia Protein Solutions Ltd. — Share capital: GBP 500k
  - 100% BHJ UK Food Ltd. — Share capital: GBP 400k
  - 100% Danexport Ltd. — Share capital: GBP 500k
    - 100% BHJ UK Seafood Ltd. — Share capital: GBP 150k
  - 100% BHJ Polska Sp. Z o.o. — Share capital: PLN 15,000k
  - 100% Essentia Protein Solutions SRL — Share capital: RON 1,150k
  - 100% Essentia Protein Solutions AB — Share capital: SEK 31,000k
  - 100% Corsa Petfood, S.L. — Share capital: EUR 900k
    - 100% ADAX S.A.S. — Share capital: EUR 1,912k
    - 100% Unión Foods, S.L. — Share capital: EUR 3k
  - 100% Protein Ingredients S.A.S. — Share capital: EUR 3,562k
  - 100% Essentia Protein Solutions PTE Ltd. — Share capital: SGD 30k
  - 90% Essentia Argentina S.A. — Share capital: ARS 7,519k
  - 90% BHJ Baltic UAB — Share capital: LTL 300k
  - 100% BHJ Russia ApS — Share capital: DKK 125k
    - 100% OOO Essentia — Share capital: RUB 1,000
  - 80% BHJ Finland Oy Ab — Share capital: EUR 270k
  - 51% BHJ Kalino Food AB — Share capital: SEK 1,000k
  - 50% BHJ Canada Meat Products Inc. — Share capital: CAD 3,058k
  - 33,33% Farmfood A/S — Share capital: DKK 30,000k
  - 25% MARP LTDA — Share capital: BRL 2,400k

LGI Denmark ApS

Financial group highlights

	2012	2013	2014	2015	2016
	DKK '000	DKK '000	DKK '000	DKK '000	DKK '000
Consolidated income statement					
Revenue	**2.400.671**	**2.557.230**	**2.588.897**	**2.498.463**	**2.476.904**
Profit from ordinary activities	61.892	93.779	118.170	109.624	67.431
Operating profit (EBIT)	66.250	95.882	116.803	104.522	60.832
Financial items	(4.313)	(1.133)	(2.962)	(5.615)	(529)
Profit before tax	**61.937**	**94.748**	**113.841**	**98.907**	**60.303**
Profit after tax	**45.211**	**71.371**	**80.889**	**77.321**	**48.896**
Profit for the year attributable to the group	**44.289**	**70.582**	**78.924**	**75.698**	**46.939**
Balance sheet					
Fixed assets	491.703	459.537	438.123	435.161	411.117
Current assets	634.270	652.941	681.811	702.065	707.227
Total assets	**1.125.973**	**1.112.478**	**1.119.934**	**1.137.226**	**1.118.344**
Equity (excl. non-controlling interests)	**519.797**	**583.791**	**409.493**	**419.225**	**462.509**
Minority interests	4.953	4.161	4.812	4.564	4.648
Provisions	33.057	30.637	31.238	38.399	23.235
Interest-bearing debt	262.288	187.046	317.276	354.014	326.739
Non-interest-bearing debt	305.878	306.843	357.115	321.024	301.213
Cash flow statement					
Net cash inflow from operations	42.274	131.257	216.515	52.462	126.455
Cash flow for investments	(122.879)	(41.224)	(44.390)	(35.014)	(38.773)
of which in property, plant and equipment	(38.404)	(40.296)	(41.185)	(17.705)	(29.792)
Cash flow from financing investments	(290)	(2.013)	(66.341)	(141.638)	(24.743)
Total cash flow	(80.895)	88.020	105.784	(124.190)	62.939
Number of employees at year-end	**668**	**682**	**698**	**685**	**688**
Key figures[1]					
Operating margin	2,8%	3,7%	4,5%	4,2%	2,5%
Return On Capital Employed (ROCE)	9,2%	12,6%	16,8%	15,3%	8,9%
Return on equity	9,0%	12,8%	15,9%	18,3%	10,6%
Debt ratio	50,5%	32,0%	77,5%	84,4%	70,6%
Equity ratio at year-end	46,2%	52,5%	36,6%	36,9%	41,4%

[1] Key figures are calculated according to definitions described under accounting policies

MANAGEMENT REPORT

Main activities

LGI Denmark owns a number of operating companies of which BHJ A/S is the largest. The company has no further activities.

The group's subsidiaries operate with the following two business divisions:

- Essentia Protein Solutions
- BHJ

Essentia Protein Solutions develops, produces and markets functional protein ingredients within meat processing, soup stock and nutrition.

BHJ trades within food in pork, beef, poultry and fish products and purchases, processes and sells meat and fish raw materials for pet food and fur feed industries.

Highlights of the financial year

There were no significant events in 2016.

Financial performance

Revenue has decreased by 0.9% compared with 2015.

LGI Denmark generated an EBIT of DKK 61 million in the financial year 2016, compared with DKK 105 million in 2015 – a decrease of 42%. This development is considered as unsatisfactory and not according to expectations.

LGI posted a profit before tax of DKK 60 million in the financial year ended 31 December 2016, compared with DKK 99 million last year.

Total assets amount to DKK 1,118 million, of which equity amounts to DKK 462 million, equal to 41.4%.

Outlook

The overall expectation for LGI Denmark Group in 2017 is a positive result at a significant higher level than 2016.

Ownership

LGI Denmark ApS is owned by LGI International Holding S.A.r.l., Rue de Neudorf 560 A, L-2220 Luxembourg a subsidiary of The Lauridsen Group, Inc., 2425 S.E. Oak Tree Court, Ankeny, Iowa 50021, USA.

Special risk

It is LGI's policy to adequately hedge all major risks.

MANAGEMENT REPORT

Being affected by global veterinary factors, LGI takes a proactive approach to quality assurance and production hygiene.

Due to the international scope of LGI's activities, exchange rates as well as national interest rate levels may have an impact on LGI's results, cash flows and shareholders' equity. LGI hedges all major foreign exchange risks. The group's interest exposure is adjusted on an ongoing basis to the current yield curve and its expected developments.

Corporate social responsibility

Values and corporate culture

LGI has a set of values that significantly reflects our attitude and behavior in our everyday life.

Values come from within and reflect what we stand for. Employees everywhere in LGI act out special values every single day. The set of values acts as a guide in the everyday life, is the basis of big and small decisions and makes up our common platform.

We build our business on close and long-term relationships with customers and suppliers. Building and maintaining long-term co-operative relations is only possible when constantly focusing on these areas.

Respect for individuals plays an important role in our basic values – living side by side - and we find it natural to act in a proper manner – ethically correct and in accordance with legislation.

Employees

To maintain and develop the necessary skills, we invest in employee training. We do firmly believe that to grow our business, creating results and shaping the future, our employees are the most important asset.

We have during 2014 to 2016 implemented a training and coaching program in BHJ. We are constantly being aware of the need for a next generation on the way. Regular surveys are being done to evaluate the outcome of these efforts. We are measuring Business Drivers and People Drivers.

We recognize that the involvement of our employees contributes to the future success of the business. We are continuously developing employee competences to comply with job requirements.

In case of long-term illness, we are in a close dialogue with the employee to retain her/him in the job. We aim to support employees in case of personal crises.

We are of the firm opinion that LGI – now and in future – lives up to its responsibilities.

This means that our business partners and employees can rely on us anytime to comply with the following:

Human rights

We support and respect protection of internationally proclaimed human rights.

We recognize the importance of a constructive collaboration in the society.

MANAGEMENT REPORT

Our code of conduct is based on respect and responsibility.

Several of our plants have been SMETA audited in 2016. The scope of a SMETA audit incorporates both the ETI Base Code, other key ethical related requirements and respect of human rights. These include Sub-Contracting, Home Working, Entitlement to Work and Environment.

Some of our plants have due to tradition and environment had 100% male employees in production areas. This has changed in 2016. We do now have female employees in some of these production positions in order to secure equal opportunities to both gender.

Employment rights

We uphold the freedom of association and the effective recognition of the right to collective bargaining.

We comply with applicable laws and industry standards on remuneration and working hours.

We are against forced labor, and our employees are employed of their own free will.

We aim at a physically and mentally strong working environment and build our cooperation on true respect for and interest in one another.

We are against discrimination based on ethnic or national origin, religion, sex, sexual orientation, age or political affiliation.

We dissociate child labor.

Environmental responsibility

We conduct our daily business in an environmentally responsible manner and show optimum consideration for the environment when planning new activities.

Anti-Corruption

We work against all kinds of corruption.

Sustainability

Common sense and long-term perspective

Sustainability is all about safeguarding our natural resources and utilizing these in the best possible way while avoiding waste.

From the foundation of BHJ A/S in 1969 it has always been core business to utilize the raw materials that would otherwise go to waste and we continually strive to add value to these raw materials.

The fact that we simultaneously do this with focus on efficient production processes, a reduction in energy consumption and CO_2 emissions and with quality and food safety at the centre means that we are able to run an efficient and profitable business on this basis.

MANAGEMENT REPORT

Taking good care of the environment

LGI aims to be an environmentally responsible company. We have established an environmental management system based on its environmental policy, specific environmental targets for each operation, and ongoing registration and assessment of major environmental impact factors for each plant.

We invest in energy efficiency to make sure that our facilities produce more with less energy and to minimize CO_2 emissions and waste.

Implementation of projects are constantly on-going. The purpose is to focus on reduction of energy consumption in the short term as well as in the long term and making environmental improvements. The effect of these projects is shown in larger energy savings.

In 2016 we have made improvements at our production facilities to avoid inconvenience for neighbors to the facilities.

Further in 2016 we have been focusing on residuals from production. We have optimized the residuals and upgraded these to a higher level in the value chain. Consequently the tonnage going to biogas has been reduced significant.

Management structure and gender quota

The management structure of LGI Denmark ApS consists of a board of directors appointed at the annual general meeting of 4 members and a management of 2.

The gender quota of the board of directors of LGI Denmark ApS is based on a desire to have both male and female board members. With 4 board members, the objective of at least 25% of each gender in the board has been achieved.

The appointment of other managers is based on a desire to have an as efficient organization as possible. In our opinion, this is best done by promoting each individual's possibilities for further development – regardless of age, gender etc. When appointing someone within the organization to a management position, the policy is to have both male and female applicants. In our opinion the goal of equal representation of both genders is achieved.

MANAGEMENT STATEMENT

The Board of Directors and the Management have today discussed and approved the annual report of LGI Denmark ApS for the financial year 1 January – 31 December 2016.

The annual report has been prepared in accordance with the Danish Financial Statements Act.

It is our opinion that the annual report gives a true and fair view of the group's and the company's financial position at 31 December 2016 and of the results of the group's and the company's operations and consolidated cash flows for the financial year 1 January – 31 December 2016.

We also consider the management report to give a true and fair view of the development in the group's and company's operations and financial matters, and the results of the group's and the company's operations and financial position.

We recommend that the annual report be adopted at the annual general meeting.

Gråsten, 9 May 2017

Management:

Asger S. Jacobsen

Torben Matzen

Board of Directors:

Nixon E. Lauridsen
(Chairman)

Vilhelm Hald-Christensen
(Deputy Chairman)

Christine J. Lauridsen

John F. Wheeler

INDEPENDENT AUDITOR'S REPORT

To the shareholder of LGI Denmark ApS

Opinion

We have audited the consolidated financial statements and the parent company financial statements of LGI Denmark ApS for the financial year 1 January – 31 December 2016, which comprise income statement, balance sheet, statement of changes in equity and notes, including accounting policies, for the Group and the Parent Company, as well as consolidated cash flow statement. The consolidated financial statements and the parent company financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2016 and of the results of the Group's and the Parent Company's operations as well as the consolidated cash flows for the financial year 1 January – 31 December 2016 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 consolidated financial statements and the parent company financial statements" section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibility for the consolidated financial statements and the parent company financial statements

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

In preparing the consolidated financial statements and the parent company financial statements, Management is responsible for assessing the Group's and the Parent 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 consolidated financial statements and the parent company financial statements unless Management either intends to liquidate the Group or the Parent Company or to cease operations, or has no realistic alternative but to do so.

Auditors' responsibility

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent company 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 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 consolidated financial statements and parent company financial statements.

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

Identify and assess the risks of material misstatement of the consolidated financial statements and the parent company 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.

INDEPENDENT AUDITOR'S REPORT

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 Group's and the Parent Company's internal control.

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 consolidated financial statements and the parent company 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 Group's and the Parent 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 consolidated financial statements and the parent company financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusion is based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Parent Company to cease to continue as a going concern.

Evaluate the overall presentation, structure and contents of the consolidated financial statements and the parent company financial statements, including the note disclosures, and whether the consolidated financial statements and the parent company financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 the Management's review
Management is responsible for the Management's review.
Our opinion on the consolidated financial statements and the parent company financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.
In connection with our audit of the consolidated financial statements and the parent company financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the consolidated financial statements or the parent company 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's review provides the information required under the Danish Financial Statements Act.
Based on our procedures, we conclude that the Management's review is in accordance with the consolidated financial statements and the parent company 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's review.

Sønderborg, 9. May 2017

ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Thorbjørn Bruhn
State Authorised
Public Accountant

Christian S. Christiansen
State Authorised
Public Accountant

ACCOUNTING POLICIES

The annual report of LGI Denmark ApS for 2016 has been prepared in accordance with the provisions applying to large reporting class C enterprises under the Danish Financial Statements Act.

Effective 1 January 2016, the Company has adopted act no. 738 of 1 July 2015. This have not had any impact on the income statement or the balance sheet for 2016 or the comparative figures.

The financial statements have been prepared in accordance with the same accounting policies as applied in the accounting year 2015.

Consolidated financial statements
The consolidated financial statements comprise the parent company, LGI Denmark ApS, and subsidiaries in which LGI Denmark ApS directly or indirectly holds more than 50% of the voting rights or over which it otherwise exercises control. Entities in which the Group holds between 20% and 50% of the voting rights and over which it exercises significant influence, but which it does not control, are considered associates.

On consolidation, intra-group income and expenses, shareholdings, intra- group balances and dividends, and realised and unrealised intra-group gains and losses are eliminated.

In the consolidated financial statements, the items of subsidiaries are recognised in full. Non-controlling interests' share of the profit/loss for the year and of the equity of subsidiaries which are not wholly-owned are included in the Group's profit/loss and equity, respectively, but are disclosed separately.

Business combinations
Recently acquired or formed entities are recognised in the consolidated financial statements from the date of acquisition or formation. Entities sold or otherwise disposed of are recognised in the consolidated income statement until the date of disposal. Comparative figures are not restated in respect of recently acquired or sold entities.

Gains or losses on disposal of subsidiaries and associates are made up as the difference between the sales price and the carrying amount of net assets at the date of disposal plus non-amortised goodwill and anticipated selling costs.

Acquisitions are accounted for using the purchase method, according to which identifiable assets and liabilities of companies acquired are measured at fair value at the time of acquisition. The tax effect of the restatement of assets and liabilities is taken into account.

Any excess of the cost over the fair value of the identifiable assets and liabilities acquired (goodwill) is recognised as intangible assets and amortised on a systematic basis in the income statement based on an individual assessment of the useful life of the asset.

Negative differences (negative goodwill) are recognised as income in the income statement at the time of acquisition when the general revenue recognition criteria are met.

Goodwill and negative goodwill from acquired entities may be adjusted until expiration of the financial year, subsequent to the year of acquisition.

Non-controlling interests
The line items of subsidiaries' financial statements are fully consolidated in the group's financial statements. The proportionate shares of the results and equity of subsidiaries attributable to non-controlling interests are adjusted annually and stated separately in the income statement and equity.

Foreign currency translation
On initial recognition, transactions in foreign currencies are translated into Danish kroner at the exchange rate ruling at the transaction date or, if hedging contracts have been entered into, at the contract rate. Foreign exchange differences arising between the date of initial recognition and the date of payment are recognised in the income statement under financial income or expenses.

Receivables, payables and other monetary items denominated in foreign currencies that have not been settled on the balance sheet date are translated at closing rates. The difference between the exchange rate ruling at the balance sheet date and the exchange rate at the time where the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as financial income or expenses.

On recognition of foreign subsidiaries and associates income statements are translated at monthly average exchange rates, while balance sheet items are translated at closing rates. Foreign exchange differences arising on translation of the opening equity of foreign entities to closing rates and on translation of the income statements from average exchange rates to closing rates are taken directly to equity.

Derivative financial instruments
Derivative financial instruments are initially recognised in the balance sheet at cost and subsequently re-measured at their fair value. Positive and negative fair values of derivative financial instruments are recognised under other receivables and other payables, respectively.

Changes in the fair value of derivative financial instruments that are designated as and qualify as fair value hedges of a recognised asset or liability are recognised in the income statement together with any changes in the value of the hedged asset or hedged liability.

Changes in the fair value of derivative financial instruments designated as and qualifying for recognition as a hedge of future assets or liabilities are recognised directly in equity. Income and expenses relating to such hedge transactions are transferred from equity on realisation of the hedged item and recognised in the same item as the hedged item.

Fair value adjustments of derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement on a current basis.

Shareholdings in foreign subsidiaries and associates are not hedged.

ACCOUNTING POLICIES

INCOME STATEMENT

Revenue

Revenue is measured at fair value of the agreed consideration exclusive of VAT and taxes charged on behalf of third parties. Income recognition is based on invoiced sales less goods returned and discounts granted in connection with sales. Sales are mainly invoiced on shipment. Refunds received from the EU are included in revenue.

Cost of sales

The cost of sales comprises costs, including depreciation and salaries, incurred in generating the year's revenue. Commercial entities recognise their cost of sales, and manufacturing entities recognise their production costs incurred in generating the revenue for the year. Such costs include direct and indirect costs related to raw materials and consumables, direct wage costs and production overheads such as maintenance costs, operating costs, plant management and administrative costs.

Product development

The most important costs incurred for product development are the remuneration of development staff and the cost of premises. Costs are charged directly to the income statement.

Product development includes development of new products and new applications for existing products.

Selling and distribution costs

Selling and distribution costs include the costs of sales staff, advertising and exhibition costs, and similar costs, including depreciation, bad debts and movements in provisions for bad debts.

Administrative expenses

Administrative expenses include the costs of administrative staff, management, office premises, office expenses, and similar expenses, including depreciation.

Other operating income and expenses

Other operating income and expenses comprise items secondary to the entities' activities, including gains and losses on disposal of intangible assets and items of property, plant and equipment.

Profit from investments in subsidiaries and associates

The income statement includes the proportionate share of the profit or loss of each individual subsidiary after full elimination of intercompany gains/losses and deduction of goodwill amortisation.

The proportionate share of the profit or loss of associates is recognised in the income statement.

ACCOUNTING POLICIES

Financial income and expenses
Financial income and expenses include interest income and expenses, gains and losses on securities, payables and transactions in foreign currencies, amortisation of financial assets and liabilities as well as surcharges and refunds under the on-account tax scheme, etc.

Tax on the profit for the year
The parent company is subject to the Danish rules on mandatory joint taxation of the Group's Danish subsidiaries. Subsidiaries are included in the joint taxation scheme from the date when they are included in the consolidated financial statements and up to the date when they are no longer consolidated.

LGI Denmark ApS acts as administration company for the joint taxation scheme and consequently settles all corporate income tax payments with the tax authorities.

On payment of joint taxation contributions, the Danish corporate income tax charge is allocated between the jointly taxed entities in proportion to their taxable income. Entities with tax losses receive joint taxation contributions from entities that have been able to use the tax losses to reduce their own taxable income.

Tax for the year – comprising the year's current corporation tax, the year's joint taxation contributions and changes in deferred tax (including result of changes in tax rates) – is recognised in the income statement where it relates to the profit/loss for the year, and directly in equity where it relates to items recognised directly in equity.

BALANCE SHEET
Intangible assets
Goodwill
Goodwill is amortised over the expected economic life of the asset, measured by reference to Management's experience in the individual business segments. Goodwill is amortised on a straight-line basis over an amortisation period of maximum of 20 years. The amortisation period is fixed on the basis of the expected repayment horizon, longest for strategically acquired business enterprises with strong market positions and long-term earnings profiles.

The carrying amount of goodwill is assessed regularly and is written down in the income statement to the recoverable amount if the carrying amount exceeds the anticipated future net income from the company or operations to which the goodwill relates.

Software
Software is amortised over a period of 3 years.

Rights
Rights acquired in connection with company acquisitions are amortised over a period of 5-10 years.

ACCOUNTING POLICIES

Property, plant and equipment
Property, plant and equipment are measured at cost less accumulated depreciation. Land is not depreciated.

Cost encompasses the purchase price and costs directly associated with the purchase until the time when the asset is ready to be brought into use. The cost of self-constructed assets comprises direct and indirect costs of materials, components, sub-suppliers, and wages and salaries directly attributable to the construction of the individual asset.

The cost of leases is calculated as the lower of the fair value and the present value of future lease payments.

Depreciation is provided on a straight-line basis over the expected useful lives of the assets. The expected useful lives are as follows:

Buildings	16-39 years
Installations	12 ½-15 years
Plant and machinery	1-10 years
Operating assets and equipment	3-5 years

Depreciation is recognised in the income statement as production costs, distribution costs, administrative expenses and other operating expenses.

Property, plant, and equipment is written down to the lower of the recoverable amount and the carrying amount.

Gains and losses on the disposal of items of property, plant, and equipment are calculated as the difference between the selling price less selling costs, including costs of dismantling or re-establishment, and the carrying amount at the date of disposal. Such gain or loss are recognised in the income statement as "Other operating income" or "Other operating expenses", respectively.

Grants received in connection with the acquisition of fixed assets are set off against the value of the asset and recognized as income concurrently with the amortisation of the asset.

Investments
Investments in subsidiaries and associates
Investments in subsidiaries and associates are measured according to the equity method.

Investments in subsidiaries and associates are measured in the balance sheet at the proportionate share of the companies' net asset value calculated in accordance with the parent company's accounting policies less or plus any unrealised intra-group gains and losses and plus any residual amount of goodwill.

Investments in subsidiaries and associates with negative net asset values are measured at DKK 0 (nil). If the parent company has a legal or constructive obligation to cover a deficit that exceeds the amount owed, the remaining amount is recognised under provisions.

ACCOUNTING POLICIES

The net revaluation of investments in subsidiaries and associates is recognised under equity as "Revaluation reserve based on the equity method" to the extent that the carrying amount exceeds the acquisition cost.

Acquisitions are accounted for using the purchase method. See above under "Consolidated financial statement".

Other securities
Other unlisted securities acquired as an investment are stated at cost.

Realised capital gains or losses as well as impairment losses are included in the income statement.

Inventories
Inventories are measured at cost in accordance with the FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value.

The cost of goods for resale and raw materials and consumables includes the average purchase price plus transport costs.

The cost of finished goods comprises the cost of raw materials, consumables, direct labour and indirect production costs. Indirect production costs comprise the cost of indirect materials and labour as well as maintenance and depreciation of the machinery used in the manufacturing process as well as costs of factory administration and management.

The net realisable value of inventories is calculated as the selling price less costs incurred in making the sale, and is determined on the basis of marketability, obsolescence and changes in the expected selling price.

Receivables
Receivables are measured at amortised cost.

Receivables are written down for anticipated loss.

Prepayments
Prepayments recognised under current assets comprise expenses incurred concerning subsequent financial years.

Equity
Reserve for net revaluation according to the equity method
Net revaluation of investments in subsidiaries and associates is recognised at cost in the reserve for net revaluation according to the equity method.

The reserve can be eliminated in case of losses, realisation of investments or a change in accounting estimates.

The reserve cannot be recognised at a negative amount.

ACCOUNTING POLICIES

Dividend
Proposed dividend is recognised as a liability when adopted by the shareholders at the general meeting. Dividend expected to be paid in respect of the year are stated as a separate line item under equity.

Income tax and deferred tax
Current tax payables and receivables is recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on prior-year taxable income and tax paid on account.

Joint tax contributions payable and receivable are recognised in the balance sheet under receivables from or payables to group enterprises.

Deferred tax is calculated according to the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is not deductible for tax purposes.

Deferred tax assets, including the tax value of any tax loss carried forward, are recognised at the expected value of their utilisation, either as a set-off against tax on future income or as a set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured according to the tax rules and at the tax rates applicable in the respective countries at the balance sheet date when the deferred tax is expected to crystallise as current tax. Changes in deferred tax resulting from changes in tax rates are recognised in the income statement.

Other provisions
Other provisions comprise anticipated costs relating to complaints, etc. Provisions are recognised when, as a consequence of a past event, the company has a legal or constructive obligation, and it is likely that the obligation will require an outflow of the company's financial resources.

Liabilities
Financial liabilities are recognised at the date of borrowing at the net proceeds received less transaction costs paid. In subsequent periods, financial liabilities are recognised at amortised cost. The difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan.

In addition, the capitalised residual lease liability under finance leases is recognised under financial liabilities.

Other liabilities are measured at net realisable value.

CASH FLOW STATEMENT
The cash flow statement shows the Group's cash flows for the year, broken down by operating, investing and financing activities, and the year's changes in cash and cash equivalents as well as the Group's cash and cash equivalents at the beginning and end of the year.

ACCOUNTING POLICIES

Cash flows from operating activities
Cash flows from operating activities are calculated as the Group's share of the profit/loss adjusted for non-cash operating items, changes in working capital and income taxes paid.

Cash flows for investing activities
Cash flows from investing activities comprise payments in connection with the acquisition and disposal of companies, activities and intangible assets, property, plant and equipment and investments.

Cash flows from financing activities
Cash flows from financing activities comprise changes in the size or composition of the group's share capital and associated costs and the raising of loans, repayment of interest-bearing debt and dividend payments to shareholders.

Cash and cash equivalents
Cash and cash equivalents include cash at bank and in hand as well as short-term securities that can immediately be converted into cash and that involve insignificant risk of value fluctuations.

SEGMENT INFORMATION
Information is disclosed by turnover on business segments and geographical segments. The segment information follows the Group's accounting policies, risks and internal financial management.

KEY RATIOS

Operating margin
Operating profit (EBIT) as a percentage of revenue.

Return on capital employed (ROCE)
Operating profit (EBIT) divided by the average capital employed (Working capital + Fixed assets).

Return on equity
Profit for the year attributable to the group as a percentage of average equity (excl. non-controlling interests).

Debt ratio
Interest-bearing debt (mortgages and loans as well as bank loans and overdrafts) divided by equity (excl. non-controlling interests).

Equity ratio at year-end
Equity (excl. non-controlling interests) divided by total assets.

LGI

Consolidated income statement for 1 January - 31 December 2016

Note		2016 DKK '000	2015 DKK '000
1	**Revenue**	**2.476.904**	**2.498.463**
2,5,6,16	Goods consumed and cost of sales	(2.209.030)	(2.178.818)
	Gross profit	**267.874**	**319.645**
	Product development costs	(4.814)	(4.384)
2, 6	Selling and distribution costs	(113.969)	(116.521)
2,5,6	Administrative expenses	(81.660)	(89.116)
	Profit from ordinary activities	**67.431**	**109.624**
	Other operating income	8.658	22.084
2,5,6	Other operating expenses	(15.257)	(27.186)
	Operating profit	**60.832**	**104.522**
3	Share of profit in associates	14.167	13.165
	Financial income	6.635	5.565
	Financial expenses	(21.331)	(24.345)
	Profit before tax	**60.303**	**98.907**
4	Tax on profit from ordinary activities	(11.407)	(21.586)
	Profit for the year	**48.896**	**77.321**

Profit attributable to

Shareholders of LGI Denmark ApS (the Parent Company)	46.939	75.698
Non-controlling interests	1.957	1.623
	48.896	**77.321**

LGI

Consolidated balance sheet at 31 December 2016

Note		2016 DKK '000	2015 DKK '000
	ASSETS		
	Fixed assets		
5	**Intangible assets**		
	Goodwill	40.934	44.830
	Software	2.868	-
	Rights	11.811	14.530
		55.613	**59.360**
6	**Property, plant and equipment**		
	Land and buildings	174.985	191.264
	Plant and machinery	91.798	94.556
	Other fixtures and fittings, tools and equipment	10.865	12.488
	Property, plant and equipment in progress	11.092	13.932
		288.740	**312.240**
	Investments		
7	Investments in associates	58.628	50.677
8	Other securities	7.197	9.721
8	Other receivables	939	3.163
		66.764	**63.561**
	Total fixed assets	**411.117**	**435.161**
	Current assets		
	Inventories		
	Raw materials and consumables	25.183	23.240
	Finished goods	200.442	241.809
	Prepayment of goods	3.135	1.925
		228.760	**266.974**
	Receivables		
	Trade receivables	250.212	269.830
	Receivables from group enterprises	6.017	4.567
	Receivables from associates	252	882
9	Capitalised deferred tax	16.002	9.383
15	Corporation tax receivable	4.328	6.463
	Other receivables	35.277	41.577
10	Prepayments	4.869	1.286
		316.957	**333.988**
11	**Cash**	**161.510**	**101.103**
	Total current assets	**707.227**	**702.065**
	Total assets	**1.118.344**	**1.137.226**

LGI

Consolidated balance sheet at 31 December 2016

Note		2016 DKK '000	2015 DKK '000
	LIABILITIES AND EQUITY		
	Equity		
	Contributed capital	1.500	1.500
	Retained profit	386.009	417.725
	Proposed dividend	75.000	-
	Equity attributed to owners of the Parent Company	**462.509**	**419.225**
	Non-controlling interests	4.648	4.564
	Total Equity	**467.157**	**423.789**
	Provisions		
12	Deferred tax	21.621	25.600
13	Other provisions	1.614	12.799
		23.235	**38.399**
	Liabilities		
	Long-term debt		
14	Mortgages and loans	28.211	36.072
14	Loans from group enterprises	108.840	126.162
		137.051	**162.234**
	Short-term debt		
14	Mortgage and loan repayments due in 2017 financial year	6.088	5.648
	Bank loans and overdrafts	183.600	186.132
	Trade payables	163.857	177.796
	Payables to group enterprises	1.903	1.609
	Payables to associates	5.231	4.164
	Other debt	130.222	137.455
		490.901	**512.804**
	Total debt	**627.952**	**675.038**
	Total liabilities and equity	**1.118.344**	**1.137.226**

16 **Special items**
17 **Collateral security**
18 **Currency and interest rate risks and use of derivative financial instruments**
19 **Lease commitments**
20 **Transactions with related parties**
21 **Auditors' fees**

LGI

Consolidated statement of changes in equity at 31 December 2016

	Contributed capital DKK '000	Retained earnings DKK '000	Proposed dividend DKK '000	Total DKK '000	Non-controlling interests DKK '000	Total DKK '000
Balance at 31 December 2014	**1.500**	**337.993**	**70.000**	**409.493**	**4.812**	**414.305**
Ordinary dividend	-	-	(70.000)	(70.000)	(1.430)	(71.430)
Retained earnings	-	75.698	-	75.698	1.623	77.321
Value adjustment of hedging instruments	-	1.784	-	1.784	-	1.784
Exchange difference on foreign group enterprises	-	2.250	-	2.250	121	2.371
Disposal of non-controlling interests	-	-	-	-	(562)	(562)
Balance at 31 December 2015	**1.500**	**417.725**	-	**419.225**	**4.564**	**423.789**
Ordinary dividend	-	-	-	-	(1.736)	(1.736)
Retained earnings	-	(28.061)	75.000	46.939	1.957	48.896
Value adjustment of hedging instruments	-	5.048	-	5.048		5.048
Exchange difference on foreign group enterprises	-	(8.703)	-	(8.703)	(137)	(8.840)
Balance at 31 December 2016	**1.500**	**386.009**	**75.000**	**462.509**	**4.648**	**467.157**

The share capital comprises 15,000 shares with a nominal value of DKK 100 each.

There have been no changes to the share capital within the last 5 years.

LGI

Consolidated cash flow statement

	2016	2015
Operating activities	DKK '000	DKK '000
Operating profit	60.832	104.522
Reversal of depreciation and write-downs	51.815	54.502
Reversal of other non-cash items in the income statement	(13.531)	1.897
Cash flow of primary operations before changes in working capital	**99.116**	**160.921**
Changes in working capital		
Change in inventories	38.214	(61.955)
Change in receivables	21.515	39.488
Change in trade payables, group payables and other payables	2.849	(32.041)
Total changes	**62.578**	**(54.508)**
Net cash flow from primary activities	**161.694**	**106.413**
Financial items	(14.696)	(18.780)
Tax paid	(20.543)	(35.171)
Net cash flow from operating activities	**126.455**	**52.462**
Investing activities		
Investment in new enterprises	-	(24.579)
Investment in associates	(10.705)	-
Purchase/sale of property, plant and equipment	(29.792)	(17.705)
Purchase/sale of intangible assets	(3.024)	-
Net change in financial fixed assets	4.748	7.270
Net cash flow for investing activities	**(38.773)**	**(35.014)**
Net cash inflow/(outflow) before financing	**87.682**	**17.448**
Financing activities		
Net proceeds from/repayment of mortgage debt/loans	(24.743)	(72.067)
Dividend payment	-	(70.000)
Sale and purchase of investments to minority shareholder	-	(562)
Loans to associates	-	991
Net cash flow for financing	**(24.743)**	**(141.638)**
Net change in cash	**62.939**	**(124.190)**
Cash at 1 January	(85.029)	37.500
Addition of cash from companies acquired	-	1.661
Cash at 31 December	(22.090)	(85.029)
which can be specified as follows:		
Cash	161.510	101.103
Bank debt	(183.600)	(186.132)
Cash at 31 December	(22.090)	(85.029)

Notes to the consolidated accounts at 31 December 2016

1 Revenue

For competitive reasons, the distribution of the group net revenue on main activities is not mentioned.

	2016	2015
	DKK '000	DKK '000
Geographical distribution of revenue:		
Scandinavia	783.004	839.899
Western Europe	1.026.859	1.042.061
Eastern Europe	298.364	304.543
The Far East	267.781	224.617
Rest of the world	100.896	87.343
	2.476.904	**2.498.463**

2 Staff costs

Wages, salaries and related costs:

Wages and salaries	243.333	251.492
Pension contributions	16.448	15.327
Other social security costs	24.212	27.046
	283.993	**293.865**

Staff costs are included in the following items:

Cost of sales	162.789	164.997
Selling and distribution costs	74.937	73.457
Administrative expenses	44.494	53.402
Other operating expenses	1.773	2.009
	283.993	**293.865**

Of which remuneration to the Management and Board of Directors of the company		
Management	**4.499**	**3.729**
Average number of employees	**682**	**701**

3 Share of profit in associates

BHJ Canada Meat Products Inc., Canada - 50%	13.646	11.618
Farmfood A/S, Denmark - 33.33%	1.406	1.547
Marp Ind. Com. Imp. E Exp. Ltda, Brazil - 25%	(347)	-
Depreciation on goodwill	(538)	-
	14.167	**13.165**

Notes to the consolidated accounts at 31 December 2016

4 Income tax

The tax charge can be specified as follows:

	2016	2015
Tax on profit for the year:	DKK '000	DKK '000
Tax charge for the year	23.246	27.679
Change in deferred tax/capitalised deferred tax	(10.935)	(5.562)
Foreign withholding tax	664	213
	12.975	**22.330**
Prior-year tax adjustments	(144)	(190)
Total tax	**12.831**	**22.140**
Tax is distributed as follows:		
Tax on the profit for the year	11.407	21.586
Tax on changes in equity	1.424	554
Total tax	**12.831**	**22.140**
Income tax paid during the year	**20.543**	**35.171**
Breakdown of effective tax rate		
Danish corporation tax	22,0	23,5
Adjustment of tax for prior years	(0,2)	(0,2)
Tax value of non-deferred loss/recovery hereof	(1,4)	0,4
Additional tax in foreign subsidiaries due to higher tax	(1,0)	(0,2)
Calculated tax of eliminations	2,0	0,4
Other non-taxable income and non-deductible expenses	3,6	1,2
Effective tax rate for the year	**25,0**	**25,1**

5 Intangible assets

	Goodwill	Software	Rights	Total
	DKK '000	DKK '000	DKK '000	DKK '000
Cost at 1 January	77.444	-	26.188	103.632
Exchange difference on translation of foreign assets at year-end exchange rates	(23)	-	(75)	(98)
Additions	-	3.024	-	3.024
Disposals at cost	(769)	-	(45)	(814)
Moved from Fixtures and fittings, tools and equitment	-	3.197	-	3.197
Cost at 31 December	76.652	6.221	26.068	108.941
Amortisation and write-downs at 1 January	32.614	-	11.658	44.272
Exchange difference on translation of foreign assets at year-end exchange rates	-		(50)	(50)
Moved from Fixtures and fittings, tools and equitment	-	2.506	-	2.506
Amortisation and write down on disposals	(769)		(45)	(814)
Amortisation during the year	3.873	847	2.694	7.414
Amortisation and write-downs at 31 December	35.718	3.353	14.257	53.328
Carrying amount at 31 December	**40.934**	**2.868**	**11.811**	**55.613**

Notes to the consolidated accounts at 31 December 2016

5 **Intangible assets** (continued)

	2016	2015
	DKK '000	DKK '000
Amortisation is included in the following item:		
Production costs	6.567	6.648
Administrative expenses	847	-
Other operating expenses	-	213
Production costs	**7.414**	**6.861**

6 **Property, plant and equipment**

	Land and buildings	Plant and machinery	Other fix-tures and fittings, tools and equipment	Tangible fixed assets under construction	Total
	DKK '000	DKK '000	DKK '000	DKK '000	DKK '000
Cost at 1 January	380.481	356.642	45.632	13.932	796.687
Exchange difference on translation of foreign assets at year-end exch. rates	(4.766)	(11.100)	(1.893)	(47)	(17.806)
Reclassification	-	559	(330)	-	229
Moved to Intangible assets	-	-	(3.197)	-	(3.197)
Additions	7.360	21.749	4.422	(2.793)	30.738
Disposals at cost	-	(4.120)	(2.412)	-	(6.532)
Cost at 31 December	383.075	363.730	42.222	11.092	800.119
Amortisation and write-downs at 1 January	189.217	262.086	33.144	-	484.447
Exchange difference on translation of foreign assets at year-end exch. rates	(2.388)	(6.130)	(1.442)	-	(9.960)
Reclassification	-	551	(323)	-	228
Moved to Intangible assets	-	-	(2.506)	-	(2.506)
Depreciation and write-downs on disposals	-	(3.934)	(1.297)	-	(5.231)
Depreciation and write-downs	21.261	19.359	3.781	-	44.401
Depreciation and write-downs at 31 December	208.090	271.932	31.357	-	511.379
Carrying amount at 31 December	**174.985**	**91.798**	**10.865**	**11.092**	**288.740**

	2016	2015
	DKK '000	DKK '000
Depreciation is included in the following items:		
Cost of sales	40.149	40.353
Selling and distribution costs	619	2.267
Administrative expenses	3.112	4.491
Other operating expenses	521	530
	44.401	**47.641**
Recognised gains on sale of fixed assets totalled	-	36
Recognised losses on sale of fixed assets totalled	354	-

Notes to the consolidated accounts at 31 December 2016

7 Investments in associates

	2016	2015
	DKK '000	DKK '000
Cost at 1 January	25.479	25.479
Additions	10.705	-
Cost at 31 December	36.184	25.479
Value adjustment at 1 January	25.198	17.381
Profit for the year	14.167	13.165
Dividend	(18.588)	(3.405)
Exchange difference	1.667	(1.943)
Value adjustment at 31 December	22.444	25.198
Carrying amount at 31 December	**58.628**	**50.677**
Company:		
BHJ Canada Meat Products Inc., Canada - CAD 3,058k, 50%	31.629	28.753
Farmfood A/S, Denmark - DKK 30 million, 33.33%	17.330	21.924
Marp Ind. Com. Imp. E Exp. Ltda, Brazil - BRL 2,4 million, 25%	986	-
Goodwill	8.683	-
	58.628	**50.677**

8 Other securities and other receivables

	Other securities	Other receivables
	DKK '000	DKK '000
Cost at 1 January	10.741	3.163
Disposals	(2.524)	(2.224)
Cost at 31 December	**8.217**	**939**
Write-down of securities	(1.020)	-
Carrying amount at 31 December	**7.197**	**939**

9 Capitalised deferred tax

	2016	2015
	DKK '000	DKK '000
Balance at 1 January	9.383	7.355
Additions/disposals/transfer	(531)	-
Prior-year adjustments	(58)	-
Exchange differences relating to foreign subsidiaries	(219)	(200)
Change during the year	7.427	2.228
Balance at 31 December	**16.002**	**9.383**
Capitalised deferred tax relates to:		
Buildings	3.923	4.604
Plant and equipment	3.514	3.846
Inventories	2.361	(3.438)
Receivables	1.057	914
Other items, provisions and the value of tax losses	5.147	3.457
	16.002	**9.383**

Notes to the consolidated accounts at 31 December 2016

		2016	2015
10	**Prepayments**	DKK '000	DKK '000
	Other items	**4.869**	**1.286**

11 **Cash**

Cash includes the following tied-up funds:

	2016	2015
Holiday allowance accounts	**1.472**	**994**

12 **Deferred tax**

	2016	2015
Balance at 1 January	25.600	25.201
Additions new companies/disposals	-	3.535
Prior-year adjustments	(73)	75
Transfered from capitalized deferred tax	(134)	-
Exchange difference relating to foreign subsidiaries	(264)	123
Change during the year	(3.508)	(3.334)
Balance at 31 December	**21.621**	**25.600**

	2016	2015
The provision for deferred tax relates to:		
Other rights	3.088	856
Buildings	12.765	14.485
Plant and equipment	1.508	4.893
Other items and provisions	4.260	5.366
	21.621	**25.600**

13 **Other provisions**

	2016	2015
Balance at 1 January	12.799	6.037
Additions	1.049	9.183
Disposals	(12.220)	(2.311)
Exchange difference relating to foreign subsidiaries	(14)	(110)
Balance at 31 December	**1.614**	**12.799**

14 **Mortgages and loans**

Loan	Effective rate of interest		Carrying amount	
	2016	**2015**	**2016**	**2015**
			DKK '000	DKK '000
Mortgage credit institutions, DKK - floating rate	10,47%	9,46%	31.672	35.121
Other long-term debt			2.627	6.599
			34.299	**41.720**
Portion of mortgages and loans falling due after more than five years			**14.234**	**17.758**

The interest-reset loans have six-month maturities and will be reset annually at 30 June and 31 December.

Loans from group enterprises fall due within five years.

Notes to the consolidated accounts at 31 December 2016

15 Corporation tax

	2016	2015
	DKK '000	DKK '000
Balance at 1 January	(6.463)	1.176
Exchange difference relating to foreign subsidiaries	(93)	96
Additions/disposals/transfers	(397)	-
Prior-year adjustment of tax payable	(78)	(243)
Income tax paid	(20.543)	(35.171)
Tax on profit for the year	23.246	27.679
Balance at 31 December	**(4.328)**	**(6.463)**

16 Special items

Special items comprise significant income and expenses of a special nature relative to the Company's revenue generating operating activities such as costs of comprehensive structuring of processes and basic structural adjustments as well as any disposal gains and losses relating thereto and which over time are of significant importance. Special items also comprise significant one-off items which in the opinion of Management do not form part of the Group's operating activities.

Special items for the year are specified below just as are the items under which they are recognised in the income statement.

	2016	2015
Expenses	DKK '000	DKK '000
Write-down, inventory	21.982	-
	21.982	**-**
Special items are recognised in the following items:		
Cost of sales	21.982	-
	21.982	**-**

17 Collateral security

Collateral for mortgages and bank debt: Registered mortgages and mortgages registered to the mortgagor on the group's property booked at tDKK 84,218	31.672	35.122

The Company has issued mortgages registered to the owner of tDKK 8,800, secured on plant, which are held in the company's safe deposit box.

Notes to the consolidated accounts at 31 December 2016

18 Currency and interest rate risks and use of derivative financial instruments

The Group uses hedging instruments such as forward exchange contracts, exchange rate options and interest rate swaps to hedge recognised and non-recognised transactions. Amount in Euro are not hedged.

Exchange risks associated with net investments in foreign subsidiaries are not hedged. The need for such hedging is monitored and assessed in an ongoing process.

The LGI group mainly has floating rate interest-bearing debt. An assessment of the need for hedging of interest rate risk is made on an ongoing basis, primarily by using interest rate swaps in EUR and DKK.

Baseline for foreign currency exposure hedging are assets and liabilities of BHJ A/S, whereas exposures are consolidated.

Transactions in the below summary of recognised and non-recognised transactions are based on assets and liabilities of BHJ A/S.

Recognised transactions

Hedging of recognised transactions primarily includes receivables and payables.

Currency	Receivables	Payables	Bank- and Intercompany lending	Hedged using forward exchange rate contracts	Net positions
GBP	6.381	(2.555)	14.454	(16.873)	1.407
JPY	4.603	-	(604)	(3.976)	23
NOK	-	(509)	1.877	1.432	2.800
PLN	795	(2.576)	22.784	(15.171)	5.832
SEK	2.682	(2.859)	12.690	(25.245)	(12.732)
USD	14.536	1.080	(5.034)	(11.073)	(491)

Hedging of recognised transactions have a maturity of less than 1 year.

Non-recognised transactions

The Group uses forward exchange contracts to hedge expected currency risks relating to sale and purchase of goods in the coming year.

The Group has entered foreign exchange contracts for hedging of future sale and purchase of goods in GBP, JPY, NOK, SEK and USD of totally tDKK 15,019.

Compared to the forward exchange rate on the balance sheet date the foreign exchange contracts have a negative fair value of approx. 200 tDKK. The change in fair value is recognised in equity.

Interest rate risks

An interst rate swap is used to hedge the floating interests rate risk of the mortgages, whereby the floating

Principale amount of Interest rate swap: tDKK 75,000

The hedged cashflows are expected to be realised and will affect results of operations over the term to maturyity of the interest rate swap.

Notes to the consolidated accounts at 31 December 2016

19 Lease commitments

	2016	2015
	DKK '000	DKK '000
Total lease payments until expiry of the contracts amount to	17.902	19.301

20 Related party transactions

Related party with controlling influence on the company is The Lauridsen Group, Inc., USA.

Related parties with a significant influence comprise group enterprises and associates as well as members of the Board of Directors, the Management, and the managements of group enterprises and associates.

During the year, transactions were made with group enterprises and associates. Intragroup transactions have been eliminated in the consolidated financial statements.

Transactions with group enterprises outside the LGI group (outside the BHJ group) during the year:

Sale of goods	DKK	51.9 million
Purchase of goods	DKK	11.6 million
Management fee	DKK	0.2 million
Commission income	DKK	0.5 million

Transactions with associates during the year:

Sale of goods	DKK	6.2 million
Purchase of goods	DKK	73.9 million
Tonnage due	DKK	3.5 million
Commission costs	DKK	2.5 million

21 Auditors' fees

	2016	2015
	DKK '000	DKK '000
Total fees to EY		
Audit	592	630
Non-audit services	389	25
Fees to other audit firms		
Audit	1.223	1.248
Non-audit services	108	118
Total audit fees	1.815	1.878
Total non-audit fees	497	143
Total fees to auditors	**2.312**	**2.021**

LGI Denmark ApS

Income statement for 1 January - 31 December 2016

Note		2016 DKK '000	2015 DKK '000
	Gross profit	**12.000**	**8.400**
1	Administrative expenses	(7.714)	(7.286)
	Operating profit	**4.286**	**1.114**
2	Share of profit in group enterprises	32.931	65.128
3	Share of profit in associates	14.167	13.165
4	Financial income	2.717	379
5	Financial expenses	(6.400)	(4.370)
	Profit before tax	**47.701**	**75.416**
6	Tax on profit for the year	(762)	282
	Profit for the year	**46.939**	**75.698**

Proposed allocation of profit for the year:		
Dividend	75.000	-
Retained earnings	(28.061)	75.698
	46.939	**75.698**

LGI Denmark ApS

Balance sheet at 31 December 2016

Note		2016 DKK '000	2015 DKK '000
	ASSETS		
	Fixed assets		
	Investments		
2	Investments in group enterprises	563.967	563.304
3	Investments in associates	58.628	50.677
	Receivables from group enterprises	24.925	38.047
	Other securities	1.417	2.366
		648.937	**654.394**
	Total fixed assets	**648.937**	**654.394**
	Current assets		
	Receivables		
	Receivables from group enterprises	5.903	518
7	Corporation tax receivable	2.820	4.019
		8.723	**4.537**
	Total current assets	**8.723**	**4.537**
	Total assets	**657.660**	**658.931**

LGI Denmark ApS

Balance sheet at 31 December 2016

Note		2016 DKK '000	2015 DKK '000
	LIABILITIES AND EQUITY		
	Equity		
	Contributed capital	1.500	1.500
	Retained profit	386.009	417.725
	Proposed dividend	75.000	-
	Total equity	**462.509**	**419.225**
	Liabilities		
	Short-term debt		
	Payables to group enterprises	192.352	239.142
	Other debt	2.799	564
		195.151	**239.706**
	Total debt	**195.151**	**239.706**
	Total liabilities and equity	**657.660**	**658.931**

8 **Transactions with related parties**

9 **Other commitments**

Statement of changes in equity at 31 December 2016

	Contributed capital DKK '000	Retained earnings DKK '000	Proposed dividend DKK '000	Total DKK '000
Balance at 31 December 2014	**1.500**	**337.993**	**70.000**	**409.493**
Retained earnings	-	75.698	-	75.698
Value adjustment of hedging instruments	-	1.784	-	1.784
Exchange difference on foreign group enterprises	-	2.250	-	2.250
Ordinary dividend	-		(70.000)	(70.000)
Balance at 31 December 2015	**1.500**	**417.725**	-	**419.225**
Retained earnings	-	(28.061)	75.000	46.939
Value adjustment of hedging instruments	-	5.028	-	5.028
Exchange difference on foreign group enterprises	-	(8.683)	-	(8.683)
Ordinary dividend	-		-	-
Balance at 31 December 2016	**1.500**	**386.009**	**75.000**	**462.509**

The share capital comprises 15,000 shares with a nominal value of DKK 100 DKK each.

There have been no changes to the share capital within the last 5 years.

LGI Denmark ApS

Notes to the accounts for the year ended 31 December 2016

1 Staff costs

The company has not incurred any staff costs.

No remuneration has been paid to the Management and Board of Directors of the company.

2 Result and investments in group enterprises

	2016	2015
	DKK '000	DKK '000
Cost at 1 January	784.627	782.809
Additions	-	1.818
Cost at 31 December	784.627	784.627
Value adjustment at 1 January	(221.323)	(202.440)
Share of profit	32.931	65.128
Retained dividend	(26.945)	(89.989)
Exchange difference	(10.351)	4.194
Value adjustment of hedging instruments	5.028	1.784
Value adjustment at 31 December	(220.660)	(221.323)
Carrying amount at 31 December	**563.967**	**563.304**

Company:	*Note*		Contributed capital	Share	Share of net profit	Carrying amount
					DKK '000	DKK '000
BHJ A/S, Denmark	A	mDKK	48	100%	(3.597)	250.859
BHJ UK Food Ltd., UK		tGBP	400	100%	5.023	9.944
BHJ Kalino Food AB, Sweden		tSEK	1.000	51%	1.253	2.766
Essentia Protein Solutions Ltd., UK		tGBP	500	100%	12.415	30.986
BHJ Baltic UAB, Lithuania		tLTL	300	90%	5.427	11.097
Essentia Protein Solutions SRL, Romania		tRON	11.497	100%	461	2.280
Danexport Ltd., UK	B	tGBP	150	100%	2.464	5.572
BHJ Finland Oy Ab, Finland		tEUR	270	80%	599	3.030
Essentia Protein Solutions AB, Sweden		tSEK	31.000	100%	(12.349)	22.322
BHJ Polska Sp. z o.o., Poland		tPLN	15.000	100%	10.755	35.597
Corsa Petfood S.L., Spain	C	tEUR	900	100%	20.403	111.500
BHJ Russia ApS, Denmark	D	tDKK	125	100%	39	6.706
Essentia Argentina S.A., Argentina		tARS	7.518	100%	596	3.344
Protein Ingredients S.A.S., France		tEUR	3.562	100%	-	-
Essentia Protein Solutions Pte Ltd., Singapore		tSGD	142	100%	(442)	(969)
Revaluation of assets and debt					(6.842)	37.596
Goodwill					(3.274)	31.337
					32.931	**563.967**

Notes to the accounts for the year ended 31 December 2016

Notes:

The Entity contains the following group enterprises:		Profit/loss	Equity
A)	Ownership	DKK '000	DKK '000
BHJ Germany GmbH, Germany	100%	648	-
TM Petfood ApS, Denmark	100%	15	276
Pet-Rus ApS, Denmark	100%	27	199
Hoejmark Group A/S, Denmark	100%	(1.184)	2.060
B)			
BHJ UK Seafood Ltd., UK	100%	193	3.718
C)			
Union Foods, S.L, Spain	100%	388	3.160
ADAX S.A.S., France	100%	2.782	2.442
D)			
OOO Essentia, Russia	100%	45	6.646

3 Result and investments in associates

	2016	2015
	DKK '000	DKK '000
Cost at 1 January	17.747	17.747
Additions	10.705	-
Cost at 31 December	28.452	17.747
Value adjustment at 1 January	32.930	25.113
Retained dividend	(18.588)	(3.405)
Share of profit	14.167	13.165
Exchange difference	1.667	(1.943)
Value adjustment at 31 December	30.176	32.930
Carrying amount at 31 December	**58.628**	**50.677**

		Contributed capital	Share	Share of net profit	Carrying amount
Company:				DKK '000	DKK '000
BHJ Canada Meat Products Inc., Canada	tCAD	3.058	50,00%	13.646	31.629
Farmfood A/S, Denmark	tDKK	30.000	33,33%	1.406	17.330
Marp Ind. Com. Imp. E Exp. Ltda, Brazil	tBRL	2.400	25,00%	(347)	986
Goodwill				(538)	8.683
				14.167	**58.628**

4 Financial income

	2016	2015
	DKK '000	DKK '000
Interest receivable from group enterprises	2.717	375
Other interest receivable and exchange gains	-	4
	2.717	**379**

5 Financial expenses

Interest payable to group enterprises	6.258	4.370
Other interest payable and exchange losses	142	-
	6.400	**4.370**

Notes to the accounts for the year ended 31 December 2016

6 Income tax

The tax charge can be specified as follows:	**2016**	**2015**
	DKK '000	DKK '000
Tax on profit for the year:		
Tax charge for the year	(132)	452
Foreign withholding tax	(630)	(170)
	(762)	**282**
Tax is distributed as follows:		
Tax on profit from ordinary activities	(762)	282
Total tax	**(762)**	**282**

7 Corporation tax

	2016	**2015**
	DKK '000	DKK '000
Balance at 1 January	(4.019)	45
Prior-year adjustments	(5)	45
Income tax paid	(3.530)	(15.656)
Tax on profit for the year incl. jointly taxed companies	4.734	11.547
Balance at 31 December	**(2.820)**	**(4.019)**

8 Related party transactions

Related party with controlling influence on the company is The Lauridsen Group, Inc., USA. There have been no transactions with the company during the year.

Related parties with significant influence on the company - in addition to the Board of Directors and the Management - include the BHJ group and its Board of Directors and Management.

9 Other commitments

A letter of comfort for a total of EUR 1.25 million has been issued to a subsidiary's bank.

The parent company is jointly taxed with the Danish subsidiary. The companies included in the joint taxation have joint and several unlimited liability for Danish corporation taxes and withholding taxes on dividends, interests and royalties within the jointly taxed group.

The Group's Danish companies are jointly and severally liable for group VAT registration.