A. Espersen A/S

Fiskerivej 1, 3700 Rønne

Annual report 2016

The annual report 2016 was adopted by the Annual General Meeting on 28 March 2017

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(chairman)

CVR-nr. 38 38 99 12

Contents

Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of A. Espersen A/S 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 consolidated financial statements and the parent company financial statements give 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.

Further, in our opinion, the Management's review gives a fair review of the development in the Group's and the Company's operations and financial matters and the results of the Group's and the parent company's operations and financial position.

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

Rønne, 28 March 2017

Executive Board:

Klaus B. Nielsen *CEO*	Max Sørensen *COO*	Ole Keilberg *CFO*

Board of Directors:

Sven-Gunnar Schough *Chairman*	Lars Holm Jensen	Turan Savas
Diane Huges	Christopher Thomas	Klaus B. Nielsen

Independent auditor's report

To the shareholders of A. Espersen A/S

Opinion

We have audited the consolidated financial statements and the parent company financial statements of A. Espersen A/S for the financial year 1 January – 31 December 2016, which comprise an income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for both the Group and the Parent Company, as well as a consolidated statement of cash flows. 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 as 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.

Independent auditor's report

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.

- 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 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.

Independent auditor's report

Auditors' responsibility

- 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 Statement Act. We did not identify any material misstatement of the Management's review.

Aarhus, 28 March 2017

ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR. No. 30700228

Morten Friis
State Authorised Public Accountant

Gert Foldager
State Authorised Public Accountant

Management's review

Company details

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Denmark

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Web site:	www.espersen.dk
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Registration No.:	38389912
Established:	23.02.1945
Registred office:	Bornholm, Denmark

Board of Directors

Sven-Gunnar Schough (Chairman)
Lars Holm Jensen (employee representative)
Turan Savas (employee representative)

Christopher Thomas
Diane Hughes
Klaus B. Nielsen

Executive Board

Klaus B. Nielsen, CEO

Max Sørensen, COO

Ole Keilberg, CFO

Auditors

ERNST & YOUNG, Godkendt Revisionspartnerselskab, CVR. No. 30700228
Værkmestergade 25
Postboks 330
DK-8100 Aarhus C
Denmark

Annual general meeting

The annual general meeting is to be held on 28 March 2017.

Management's review

Financial highlights for the Group

DKKm	2016	2015	2014	2013	2012
Key figures					
Revenue	2,159	2,067	1,913	1,881	1,946
Ordinary operating profit	-10	-52	6	39	12
Interest income and expenses	-26	-29	-41	-21	-16
Profit/loss before tax	-35	-82	-34	19	-3
Profit/loss for the year	**-33**	**-76**	**-23**	**16**	**-5**
Non-current assets	268	288	277	244	236
Current assets	830	1,048	924	796	859
Total assets	**1,098**	**1,336**	**1,201**	**1,040**	**1,095**
Share capital	30	30	30	30	30
Equity	**233**	**277**	**173**	**207**	**195**
Non-controlling shareholder's interest	0	0	0	0	0
Provisions	11	11	8	8	13
Non-current liabilities other than provisions	84	92	76	46	51
Current liabilities other than provisions	770	956	944	779	837
Cash flows from operating activities	192	20	-135	115	62
Cash flows from investing activites, net	-29	-51	-82	-48	-43
Hereof investing in tangible assets	-31	-37	-35	-53	-31
Cash flows from financing activities	-153	34	207	-67	-5
Total cash flows	**10**	**3**	**-8**	**0**	**13**
Financial ratios					
Solvency ratio	21,2	20,7	14,4	20,0	17,8
Return on equity	-12,9	-33,8	-12,2	7,7	3,5
Average number of full-time employees	2.374	2.163	1.955	1.524	1.528

Financial ratios are calculated in accordance with the Danish Finance Society's guidelines on the calculation of financial ratios "Recommendations and Financial Ratios 2016".

Financial ratios

The financial ratios stated in the survey of financial highlights have been calculated as follows:

Solvency ratio: Equity at year end x 100/Total equity and liabilities at year end

Return on equity: Profit for the year after tax x 100/Average equity

Management's review

Principal activities of the Group

Espersen's activities include production of frozen fish blocks and other white fish fillets and breading of different fish species for retail and foodservice markets, primarily in Europe. The raw materials used are especially imported frozen cod and fresh cod from the Baltic Sea as well as and other white fish species and semimanufactured products from other parts of the world.

Customers

Espersen exports 98 % of its production. The products are sold to a variety of major international customers with whom partnerships are made and new products are developed.

Suppliers

Espersen continuously works on strengthening its supplier relations. Our suppliers ensure a stable production in spite of considerable and often unpredictable fluctuations in the size of fishing quotas.

Local engagement

Through the Foundation of Director J.P.A. Espersen and wife, Mrs. Dagny Espersen, Espersen contributes to charities in a still increasing extent, especially to the local areas where Espersen operates.

Development in activities and financial position

Profit/loss for the year

In 2016, Espersen has realized an unsatisfactory result (after tax) of -33 mDKK, but is an improvement of 43 mDKK compared to 2015 and showing a positive trend.

Overall we had a volume on the same level as in 2015 and also equally split between two divisions Primary, handling fillets and blocks and Consumer, handling value-added products.

This result is mainly influenced by Primary division due to three main areas;

- Fresh cod from Baltic sea lost MSC certification during Q1-2016, so we had to replace orders with H&G from Barents sea.

- Assortment turned out differently as there were a high marked demand for blocks increasing during the year, where we followed our major B2B customers in supplying.

- Brexit, that caused a significant drop in GBP, but we decided to stay-on in a period of transition to keep the customers.

Opposite we have had a positive development in our chilled segment compared to 2016.

Management's review

Continued

The process of terminating the processing in China was done according to plan.

For Consumer we have improved compared to 2015 despite the European markets have been tough on the pricing, but we have improved our efficiency at our factories. In Russia there has been a good development and plant is now fully utilized.

Cash flow from the activities was positive with 192 mDKK due to terminating processing and reducing stock combined with the run-rate effects of our actions initiated during 2015 on other related working capital. Finally we improved EBITDA compared to 2015.

Year 2016 has been a normal with what concerns investments as focus on production improvements.

Compared to 2015 the solvency ratio is on the same level at 20.9 %.

Outlook

Espersen expects an improved result for 2017 compared to 2016 primarily driven by improved contribution performance. The increase is expected from improvement of activities especially in the Primary division.

Focus will be maintained on improving performance in sales assortment and executing according to strategy.

Volume in Consumer will increase due to organic growth, improved performance in Russia and especially executing according to strategy.

Finally, the company expects cash flow at a lower level compared to 2016 due to the one-time effects from reducing activity in 2016 will not come again, but opposite EBITDA will improve. An improved solvency ratio is also expected.

Particular risks

General risks

Espersen's main concern is its dependence on raw material procurement. Espersen depends on a good development of whitefish stocks, including especially cod, and is working both locally and globally to ensure sustainable fishing. A further risk could be an environmental disaster and its consequences for global fishing.

Management's review

Continued

Currency and financial risks

A considerable part of Espersen's purchases and sales are performed in foreign currency, and fluctuations in the rates of exchange may have a short-term effect on the Company's results; in the long-term, these fluctuations are, however, included in the market. From beginning of 2016 Espersen has hedged strategical partners in connection to commercial agreement and approx. 50% of coming 12 months other currency cash flow according to decided staircase model end of 2015.

To ensure the expected profit on contracted orders, Espersen mainly uses foreign exchange contracts.

As the activities are based on working capital financing the focus is to minimize the level at all times, which we have shown be reducing activities in Asia by closing processing in China. We have sufficient liquidity going forward as Espersen is financed through Insepa and the new banking structure.

Changes in the interest rate only have limited influence on the results of the Company as we have interest swaps covering the mortgage and 1/3 of free cash flow.

Credit risks

The credit risks of the Company primarily relates to trade debtors. As a rule, an international credit insurance institution insures all debtors in order to minimise credit risks.

Intellectual capital

Espersen's staff has a high seniority.

Espersen's main activities are processed on standard production equipment, and the high seniority of the staff is a contributing factor to higher yields and profits.

Environmental issues

It is important for Espersen to act in an ethical correct way, to support and work for sustainable fishing and to have a good image towards our business partners and in the local communities.

Social responsibility

The Company's CSR policy is published on its website:

http://www.espersen.com/commitment/reports---awards

Subsequent events

No events have occurred after the year-end closing which could significantly affect the evaluation of the financial position of the Company.

Consolidated financial statements and parent company financial statements 1 January – 31 December

Accounting policies

The annual report of A. Espersen A/S for 2016 has been prepared in accordance with the provisions applying to reporting class C large enterprises under the Danish Financial Statements Act.

Effective 1 January 2016, the Company has adopted act no. 738 of 1 July 2015. This implies changes in the recognition and measurement in the following areas:

1. Yearly reassessment of residual values of property, plant and equipment
2. Method applied to intra-group business combinations
3. Restructuring in connection with business combinations
4. Amortisation period, intangible assets

Re 1: In future, residual values of property, plant and equipment are subject to annual reassessment. The Company has no significant residual values relating to property, plant and equipment other than those relating to the Company's land. Consequently, the change is made in accordance with section 4 of the executive order on transitional provisions[1] with future effect only as a change in accounting estimates with no impact on equity.

Re 2: In connection with business combinations involving entities controlled by the Parent Company, the book value method is applied going forward, meaning that the combination is considered complete at the time of acquisition without any restatement of comparative figures. Previously, the combination was considered completed at the beginning of the financial year with restatement of comparative figures.

Re 3: Going forward, only restructuring costs which are recognised in the acquired entity before the date of acquisition and which are not agreed as part of the acquisition will be recognised in the acquisition balance sheet and, accordingly, the calculation of goodwill. Costs relating to restructuring decided by the acquiring entity must be recognised in the income statement in future. Previously, provisions for restructuring decided in connection with the business combination were recognised.

Re 4: Intangible assets are amortised over the useful life of the assets. The amortisation period in respect of goodwill extends from 5 to 20 years. Previously, the maximum amortisation period in respect of intangible assets was 20 years. The changes has been made with future effect as a change in accounting estimate.

[1] The executive order on transitional provisions based in connection with application of certain provisions in the Danish Financial Statements Act, as amended by act no. 738 of 1 June 2015 regarding amendments to the Danish Financial Statements Act and a number of other acts.

Consolidated financial statements and parent company financial statements 1 January – 31 December

Accounting policies

None of the above changes impacts on the income statement or the balance sheet for 2016 or the comparative figures.

Apart from the above new and changed presentation and disclosure requirements, which follow from act. no. 738 of 1 June 2015, the accounting policies are consistent with those of last year.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the Company and the value of the asset can be reliably measured.

Liabilities are recognised in the balance sheet when an outflow of economic benefits is probable and when the value of the liability can be reliably measured.

On initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described below for each individual item.

Certain financial assets and liabilities are measured at amortised cost implying the recognition of a constant effective interest rate to maturity.

In recognising and measuring assets and liabilities, any gains, losses and risks occurring prior to the presentation of the annual report that evidence conditions existing at the balance sheet date are taken into account.

Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities measured at fair value or amortised cost. Equally, costs incurred to generate the year's earnings are recognised, including depreciation, amortisation, impairment losses and provisions as well as reversals as a result of changes in accounting estimates of amounts which were previously recognised in the income statement.

Consolidated financial statements

The consolidated financial statements comprise the Parent Company, A. Espersen A/S, and subsidiaries in which A. Espersen A/S 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, see the group chart.

The consolidated financial statements have been prepared as a consolidation of the Parent Company's and the individual subsidiaries' financial statements, which are prepared according to the Group's accounting policies. On consolidation, intra-group income and expenses, shareholdings, intra-group balances and dividends, and realised and unrealised gains on intra-group transactions are eliminated. Unrealised gains on transactions with associates are eliminated in proportion to the Group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains in so far as they do not reflect impairment.

Consolidated financial statements and parent company financial statements 1 January – 31 December

Accounting policies

Consolidated financial statements

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.

Corporate acquisitions are accounted for using the purchase method according to which the acquired entity identifiable assets and liabilities are measured at fair value at the date of acquisition. Restructuring costs recognised in the acquired entity before the date of acquisition and not agreed as part of the acquisition are part of the acquisition balance sheet and, hence, the calculation of goodwill. Costs relating to restructuring decided by the acquiring entity must be recognised in the income statement. 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 12 months after the year of acquisition.

Intra-group business combinations

The book value method is applied to business combinations such as acquisition and disposal of investments, mergers, demergers, additions of assets and share conversions, etc. in which entities controlled by the Parent Company are involved, provided that the combination is considered completed at the time of acquisition without any restatement of comparative figures. Differences between the agreed consideration and the carrying amount of the acquired entity are recognised in equity.

Consolidated financial statements and parent company financial statements 1 January – 31 December

Accounting policies

Non-controlling interests

On initial recognition, non-controlling interests are measured at the fair value of the non-controlling interests' ownership share or at the non-controlling interests' proportionate share of the fair value of the acquired entity's identifiable assets, liabilities and contingent liabilities.

In the former scenario, goodwill relating to the non-controlling interests' ownership share in the acquired entity is thus recognised, while, in the latter scenario, goodwill relating to the non-controlling interests' ownership share is not recognised. Measurement of non-controlling interests is chosen on a transaction-by-transaction basis and is stated in the notes in connection with the description of acquired entities.

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and at the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and at the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.

Foreign subsidiaries and associates are considered separate entities. The income statements are translated at the average exchange rates for the month, and the balance sheet items are translated at the exchange rates at the balance sheet date. Foreign exchange differences arising on translation of the opening equity of foreign subsidiaries at the exchange rates at the balance sheet date and on translation of the income statements from average exchange rates to the exchange rates at the balance sheet date are recognised directly in equity.

Foreign exchange adjustments of intra-group balances with independent foreign subsidiaries which are considered part of the investment in the subsidiary are recognised directly in equity. Foreign exchange gains and losses on loans and derivative financial instruments designated as hedges of foreign subsidiaries are also recognised directly in equity.

On recognition of foreign subsidiaries which are integral entities, monetary items are translated at the exchange rates at the balance sheet date. Non-monetary items are translated at the exchange rates at the acquisition date or at the date of any subsequent revaluation or impairment of the asset. Income statement items are translated at the exchange rates at the transaction date, although items derived from non-monetary items are translated at the historical exchange rates applying to the non-monetary items.

Consolidated financial statements and parent company financial statements 1 January – 31 December

Accounting policies

Derivative financial instruments

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

Changes in the fair value of derivative financial instruments designated as and qualifying for recognition as a hedge of the fair value of a recognised asset or liability are recognised in the income statement together with changes in the fair value of the hedged asset or liability.

Accounting policies

Changes in the fair value of derivative financial instruments designated as and qualifying for recognition as a hedge of future assets and liabilities are recognised in other receivables or other payables and in equity.

Income statement

Revenue

Income from the sale of goods for resale and finished goods, comprising sale of fish is recognised in the income statement when delivery and transfer of risk to the buyer have taken place and provided that the income can be reliably measured and is expected to be received. Revenue is measured ex. VAT and taxes charged on behalf of third parties.

Raw materials and consumables

Costs of raw materials and consumables comprise purchases for the year and the change in the inventory of raw materials and consumables.

Other external costs

Other external costs comprise all other costs, among these administration, bad debts and fixed costs.

Staff costs

Staff costs comprise wages and salaries, including holiday allowances and pensions, and other social security cost etc. for the Company's employees. Refund received from public authorities are deducted from staff costs.

Consolidated financial statements and parent company financial statements 1 January – 31 December

Other operating income

Other operating income comprises items secondary to the activities of the Company, including gains on the disposal of intangible assets and property, plant and equipment.

Depreciation, amortisation and impairment losses

Depreciation, amortisation and impairment losses which comprise depreciation, amortisation and impairment losses regarding goodwill, intangible assets and property and equipment are provided on a straight-line basis over the expected useful lives of the assets, based on the assessed useful lives.

Profits/losses from investments in subsidiaries and associates

The proportionate share of the results after tax of the individual subsidiaries is recognised in the income statement of the parent company after full elimination of intra-group profits/losses.

The proportionate share of the results after tax of the associates is recognised in both the consolidated income statement and the parent company income statement after elimination of the proportionate share of intra-group profits/losses.

Financial income and expenses

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

Tax on profit/loss for the year

The Company is covered by the Danish rules on compulsory joint taxation of Insepa A/S Group's Danish subsidiaries. Subsidiaries form part of the joint taxation from the date when they are included in the consolidation of the consolidated financial statements and up to the date when they exit the consolidation.

The parent company Insepa A/S is the administrative company for the joint taxation and consequently settles all corporation tax payments with the tax authorities.

The current Danish corporation tax is allocated by settlement of joint taxation contribution between the jointly taxed companies in proportion to their taxable income. In this relation, companies with tax loss carry forwards receive joint taxation contribution from companies that have used these losses to reduce their own taxable profits.

Tax for the year comprises joint taxation contributions for the year and changes in deferred tax for the year – due to changes in the tax rate. The tax expense relating to the profit/loss for the year is recognised in the income statement, and the tax expense relating to amounts directly recognised in equity is recognised directly in equity.

Consolidated financial statements and parent company financial statements 1 January – 31 December

Accounting policies

Balance sheet

Intangible assets

Acquired rights

Acquired rights are measured at cost amortised over the remaining period and adjusted for impairment losses.

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 the amortisation period, which is between 5 and 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.

Property, plant and equipment

Land and buildings, plant and machinery and fixtures and fittings, other plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

The basis of depreciation, which is calculated as cost less any residual value, is depreciated on a straight-line basis over the expected useful life. The expected useful lives are as follows:

Buildings	5-50 years
Plant and machinery	3-10 years
Fixtures and fittings, other plant and equipment	3-10 years

Gains and losses on the disposal of property, plant and equipment are determined as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains or losses are recognised in the income statement as other operating income or other operating costs, respectively.

Investments in subsidiaries and associates

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

Investments in subsidiaries and associates are measured at the proportionate share of the entities' net asset value calculated in accordance with the Group's accounting policies minus or plus unrealised intra-group profits and losses and plus or minus any residual value of positive or negative goodwill determined in accordance with the purchase method of accounting.

Consolidated financial statements and parent company financial statements 1 January – 31 December

Accounting policies

Investments in subsidiaries and associates with negative net asset values are measured at DKK 0 (nil), and any amounts owed by such entities are written down in so far as the amount receivable is considered irrecoverable. 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.

Net revaluation of investments in subsidiaries and associates is recognised in the reserve for net revaluation according to the equity method in equity where the carrying amount exceeds cost. Dividends from subsidiaries which are expected to be declared before the annual report of A. Espersen A/S is adopted are not taken to the net revaluation reserve.

The purchase method of accounting is applied to corporate acquisitions, see the above description under "Consolidated financial statements".

Securities and investments

Listed securities and investments are measured at fair value at the balance sheet date.

Impairment of non-current assets

The carrying amount of intangible assets and property, plant and equipment and investments in subsidiaries and associates is subject to an annual test for indications of impairment other than the decrease in value reflected by amortisation or depreciation.

Impairment tests are conducted of individual assets or groups of assets when there is an indication that they may be impaired. Write-down is made to the recoverable amount if this is lower than the carrying amount.

The recoverable amount is the higher of an asset's net selling price and its value in use. The value in use is determined as the present value of the expected net cash flows from the use of the asset or the group of assets and expected net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

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.

Goods for resale and raw materials and consumables are measured at cost, comprising purchase price plus delivery costs.

Consolidated financial statements and parent company financial statements 1 January – 31 December

Accounting policies

Finished goods and work in progress are measured at cost, comprising the cost of raw materials, consumables, direct wages and salaries and indirect production overheads.

Receivables

Receivables are measured at amortised cost. Write-down is made for expected bad debt losses.

Prepayments

Prepayments comprise costs incurred in relation to 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 may be eliminated in case of losses, realisation of investments or a change in accounting estimates.

The reserve cannot be recognised at a negative amount.

Dividends

Proposed dividends are recognised as a liability at the date when they are adopted at the annual general meeting (declaration date). The expected dividend payment for the year is disclosed as a separate item under equity.

Corporation tax and deferred tax

Current tax payable and receivable is recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid on account.

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities.

Consolidated financial statements and parent company financial statements 1 January – 31 December

Accounting policies

Deferred tax is measured in accordance with 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. The change in deferred tax as a result of changes in tax rates is recognised in the income statement.

Liabilities

Financial liabilities are recognised at the date of borrowing at the net proceeds received less transaction costs paid. In subsequent periods, the financial liabilities are measured at amortised cost, corresponding to the capitalised value using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan.

Other liabilities are measured at net realisable value.

Consolidated cash flow statement

The cash flow statement shows the Group's cash flows from operating, investing and financing activities for the year, 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.

Cash flows from operating activities

Cash flows from operating activities are calculated as the profit/loss for the year adjusted for non-cash operating items, changes in working capital and corporation tax paid.

Cash flows from investing activities

Cash flows from investing activities comprise payments in connection with acquisitions and disposals of enterprises and activities and of 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 Company's share capital and related costs as well as the raising of loans, repayment of interest-bearing debt.

Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term marketable securities that are readily convertible to cash and are subject to an insignificant risk of changes in value.

INCOME STATEMENT DKK'000

Note		CONSOLIDATED		PARENT	
		2016	2015	2016	2015
1	**Revenue**	2.158.857	2.067.594	2.008.911	1.785.950
	Changes in inventories of finished goods	-129.277	41.532	-69.864	21.807
	Other operating income	11.325	8.375	48.436	8.492
		2.040.905	2.117.501	1.987.483	1.816.249
	Raw materials, consumables, etc.	-1.486.216	-1.649.200	-1.735.203	-1.594.410
	Other external costs	-224.420	-214.790	-123.183	-124.162
	Gross profit	330.270	253.511	129.097	97.677
2	Staff costs	-298.183	-259.899	-113.808	-104.904
3,4	Depreciation, amortisation and impairment losses of intangible assets and property, plant and equipment	-41.703	-46.494	-17.162	-20.148
	Operating profit/loss	-9.616	-52.882	-1.873	-27.375
5	Income from investments in subsidiaries	0	0	-17.427	-41.664
6	Income from investments in associates	467	501	467	501
7	Interest income	6.176	34.668	1.984	4.637
7	Interet expense	-32.134	-63.889	-20.878	-21.209
	Profit/loss before tax	-35.107	-81.602	-37.727	-85.110
8	Corporation tax	1.859	6.116	4.464	9.540
	Profit/loss for the year	-33.248	-75.486	-33.263	-75.570

Breakdown of Consolidated results of Operations:		
Shareholders, A. Espersen	-33.263	-75.570
Non-controlling interests	15	84
	-33.248	-75.486

BALANCE SHEET **DKK'000**

Note		CONSOLIDATED		PARENT	
		2016	2015	2016	2015
	ASSETS				
	Non-current assets				
3	**Intangible fixed assets**				
	Acquired rights	0	3.479	0	3.479
	Goodwill	26.761	30.163	10.750	13.750
	Software	1.633	0	1.525	0
		28.395	33.642	12.275	17.229
4	**Tangible fixed assets**				
	Buildings	125.655	131.300	51.519	54.669
	Plant and machinery	86.897	87.913	17.521	21.814
	Other fixtures and operating equipment	8.719	11.224	1.726	3.185
	Property, pland and equipment under construction	6.658	6.947	701	1.188
		227.929	237.384	71.467	80.856
	Investments				
5	Investments in subsidiaries	0	0	262.959	257.173
6	Investments in associated	9.088	8.522	9.088	8.522
9	Other securities, investments	858	5.648	858	5.648
	Other receivables	2.186	3.167	2.186	3.167
		12.133	17.337	275.092	274.510
	Non-current assets	268.457	288.363	358.834	372.595
	Current assets				
	Inventories				
	Raw materials and consumables	173.098	158.328	60.213	54.298
	Finished goods and goods for resale	190.764	320.041	81.345	151.209
		363.862	478.369	141.558	205.507
	Receivables				
	Trade receivables	375.279	404.176	297.224	301.389
	Receivables from group enterprises	54	83.835	77.994	173.528
	Other receivables	60.007	56.551	51.288	48.416
10	Deferred tax	5.463	6.266	0	0
	Prepayments	1.754	719	1.891	658
		442.558	551.547	428.397	523.991
	Securities	0	492	0	492
	Cash at bank and in hand	28.605	18.031	4	32
	Current assets	835.024	1.048.439	569.958	730.022
	TOTAL ASSETS	1.103.481	1.336.802	928.793	1.102.617

BALANCE SHEET **DKK'000**

Note		CONSOLIDATED		PARENT	
		2016	2015	2016	2015
	EQUITY AND LIABILITIES				
	Equity				
	Equity	30.000	30.000	30.000	30.000
	Retained earnings	194.897	239.932	199.552	244.021
	Reserve for net revaluation under the equity method	4.655	4.089	0	0
	Proposed dividends	3.000	3.000	3.000	3.000
	Shareholders, A. Espersen	232.552	277.021	232.552	277.021
	Non-controlling interests	240	300	0	0
		232.792	277.321	232.552	277.021
	Provisions				
10	Deferred tax	11.258	11.449	9.560	10.593
	Other provisions	0	0	12.787	0
		11.258	11.449	22.347	10.593
11	**Non-current liabilities**				
	Mortgage debt	84.086	92.128	33.095	37.311
		84.086	92.128	33.095	37.311
	Current liabilities				
	Falling due in next financial year Mortgage debt	4.191	4.142	4.191	4.142
	Bank loans and overdrafts	367.132	651.659	216.072	441.015
	Trade payables	220.566	163.589	113.053	77.785
	Other payables	100.933	112.479	69.966	76.822
	Payables to group enterprises	82.523	24.035	237.517	177.928
		775.345	955.904	640.798	777.692
	Total liabilities	859.431	1.048.032	673.894	815.003
	TOTAL EQUITY AND LIABILITIES	1.103.481	1.336.802	928.793	1.102.617

12 Distribution of profit
13 Contingent liabilities and collateral
14 Fees paid to the auditors appointed
15 Currency and interest rate risks and the use of derivative financial instruments
16 Related parties

CASH FLOW STATEMENT **DKK'000**

	2016	2015
Operating profit/loss	-9.616	-52.882
Depreciations	41.703	46.494
Adjustment from other non cash transactions	-8.276	-12.305
Cash flows from operations (operative activities) before changes in working capital	23.811	-18.693
Changes in inventories	116.359	35.805
Changes in receivables	32.791	-59.674
Changes in trade and other payables	37.266	75.071
Cash flows from operations (operating activities)	210.227	32.509
Interest income and expense	-20.347	-22.080
Corporation tax paid	2.470	9.086
Cash flows from operating activities	192.350	19.515
Acquisition of subsidiaries	0	0
Acquisition of property, plant and equipment	-31.133	-37.328
Disposal of property, plant and equipment	2.116	1.545
Acquisition of non-tangible assets	0	-15.000
Cash flow from investing activities	-29.017	-50.783
External financing		
Mortgage	-7.993	15.940
Group loans	142.269	-226.147
Bank loans and overdrafts	-284.527	83.710
Shareholders	0	163.000
Dividends paid/recieved	-3.000	-2.617
Cash flows from financing activities	-153.251	33.886
Net cash flows for the year	10.082	2.618
Cash and cash equivalents at 1 January	18.523	15.905
Cash and cash equivalents at 31 December	28.605	18.523

Cash and cash equivalents represent the total of cash and securities.

The cash flow statement cannot be directly derived from the other components of the consolidated financial statements and the parent company financial statements as exchange rate adjustment is included in the individual balance sheet components.

STATEMENT OF CHANGES IN EQUITY — DKK'000

Equity - Consolidated

	Share capital	Reserve for net revaluation under the equity method	Retained earnings	Dividend	Total	Non-contr. interests	Total
Equity at 1 January 2015	30.000	4.198	135.939	3.000	173.137	215	173.352
Dividends paid	0	-383	383	-3.000	-3.000	0	-3.000
Dividends proposed	0	0	0	3.000	3.000	0	3.000
Capital increase	0	0	163.000	0	163.000	0	163.000
Transf. from profit/loss for the year	0	501	-79.071	0	-78.570	85	-78.485
Foreign exchange rate adj.associated	0	-227	0	0	-227	0	-227
Foreign exchange rate adj. subsidiaries	0	0	3.663	0	3.663	0	3.663
Derivative financial instr. at 1 January	0	0	22.430	0	22.430	0	22.430
Derivative financial instr. at 31 Dec	0	0	-6.412	0	-6.412	0	-6.412
Equity at 1 January 2016	30.000	4.089	239.932	3.000	277.021	300	277.321
Dividends paid	0	0	0	-3.000	-3.000	-75	-3.075
Dividends proposed	0	0	-3.000	3.000	0	0	0
Capital increase	0	0	0	0	0	0	0
Transf.from profit/loss for the year	0	467	-33.730	0	-33.263	15	-33.248
Foreign exchange rate adj. associated	0	99	0	0	99	0	99
Foreign exchange rate adj. subsidiaries	0	0	-4.582	0	-4.582	0	-4.582
Derivative financial instr. at 1 January	0	0	6.412	0	6.412	0	6.412
Derivative financial instr. at 31 Dec	0	0	-10.135	0	-10.135	0	-10.135
Equity at 31 December 2016	30.000	4.655	194.897	3.000	232.552	240	232.792

The share capital is broken down as follows:

30.000 shares of DKK 1,000 each

Share capital during the latest 5 years:

Share capital until 2011	20.448
Increase of share capital in 2011	9.552
	30.000

STATEMENT OF CHANGES IN EQUITY DKK'000

Equity - Parent

		Share capital	Retained earnings	Dividend	Total
	Equity at 1 January 2015	30.000	140.137	3.000	173.137
	Dividends paid	0	0	-3.000	-3.000
	Dividends proposed	0	0	3.000	3.000
	Capital increase	0	163.000	0	163.000
	Transferred from profit/loss for the year	0	-78.570	0	-78.570
	Foreign exchange rate adjustments associated	0	-227	0	-227
	Foreign exchange rate adjustments subsidiaries	0	3.663	0	3.663
	Derivative financial instruments at 1 January	0	22.430	0	22.430
	Derivative financial instruments at 31 December	0	-6.412	0	-6.412
	Equity at 1 January 2016	30.000	244.021	3.000	277.021
	Dividends paid	0	0	-3.000	-3.000
12	Dividends proposed	0	-3.000	3.000	0
	Transferred from profit/loss for the year	0	-33.263	0	-33.263
	Foreign exchange rate adjustments associated	0	99	0	99
	Foreign exchange rate adjustments subsidiaries	0	-4.582	0	-4.582
	Derivative financial instruments at 1 January	0	6.412	0	6.412
	Derivative financial instruments at 31 December	0	-10.135	0	-10.135
	Equity at 31 December 2016	30.000	199.552	3.000	232.552

The share capital is broken down as follows:

30.000 shares of DKK 1,000 each

Share capital during the latest 5 years:

Share capital until 2011	20.448
Increase of share capital in 2011	9.552
	30.000

NOTES **DKK'000**

Note

1 **Segment information**

	Consolidated	Parent
Revenue in fish products to the domestic market	53.426	53.426
Revenue in fish products to the export market	2.105.431	1.955.485
	2.158.857	2.008.911

2 **Staff costs**

	Consolidated		Parent	
	2016	2015	2016	2015
Wages and salaries	251.494	218.030	103.190	95.963
Pensions	28.913	27.049	8.642	7.251
Other social security costs	17.777	14.820	1.976	1.691
	298.183	259.899	113.808	104.905

During the year under review the Group had 2.374 full-time employees (2.163 in 2015) of which 232 were employed in the parent company (223 in 2015).

	Consolidated 2016	Consolidated 2015	Parent 2016	Parent 2015
Remuneration Executive Board	7.032	7.414	7.032	7.414
Remuneration Board of Directors	712	595	565	528
	7.744	8.009	7.597	7.942

A part of the remuneration for the Executive Board is covered by the ultimate parent company, Insepa A/S.

NOTES **DKK'000**

Note

3 **Intangible fixed assets consolidated 2016**

	Acquired rights	Goodwill	Software	In course of constru.
Cost at 1 January 2016	21.773	33.153	4.976	581
Value adjustment in foreign companies	0	592	-34	0
Assets into service	0	0	581	-581
Cost at 31 December 2016	21.773	33.745	5.523	0
Depreciation at 1 January 2016	18.294	2.990	3.092	0
Value adjustment in foreign companies		97	-26	0
Depreciation	3.479	3.897	824	0
Depreciation at 31 December 2016	21.773	6.984	3.890	0
Carrying amount at 31 December 2016	0	26.761	1.633	0

3 **Intangible fixed assets parent 2016**

	Acquired rights	Goodwill	Software	In course of constru.
Cost at 1 January 2016	21.773	15.000	3.865	580
Assets into service	0	0	580	-580
Cost at 31 December 2016	21.773	15.000	4.445	0
Depreciation at 1 January 2016	18.294	1.250	2.335	0
Depreciation	3.479	3.000	585	0
Depreciation at 31 December 2016	21.773	4.250	2.920	0
Carrying amount at 31 December 2016	0	10.750	1.525	0

NOTES **DKK'000**

Note

4 **Tangible fixed assets consolidated 2016**

	Buildings	Plant and machinery	Opera-ting equipment	In cour-se of constru.
Cost at 1 January 2016	353.677	457.036	61.007	6.366
Value adjustment in foreign companies	-3.290	-2.774	-504	-124
Additions	1.236	6.000	1.944	21.953
Disposals	0	-5.656	-1.386	-604
Transfer to other assets	4.865	13.815	2.253	-20.933
Total cost at 31 December 2016	356.488	468.421	63.314	6.658
Depreciation at 1 January 2016	222.377	369.123	51.667	0
Value adjustment in foreign companies	-1.732	-3.766	467	0
Depreciation of disposed assets	0	-3.682	-1.004	0
Depreciation of the year	10.188	19.849	3.465	0
Total depreciation 31 December 2016	230.833	381.524	54.595	0
Carrying amount 31 December 2016	125.655	86.897	8.719	6.658

4 **Tangible fixed assets parent 2016**

	Buildings	Plant and machinery	Opera-ting equipment	In cour-se of constru.
Cost at 1 January 2016	203.107	247.251	37.800	608
Additions	0	0	0	3.497
Disposals	0	-1.813	0	-225
Transfer to/from other assets	941	1.345	893	-3.179
Total cost at 31 December 2016	204.048	246.783	38.693	701
Depreciation 1 January	148.438	225.437	36.145	0
Depreciation disposed assets	0	-1.359	0	0
Depreciation	4.091	5.184	822	0
Total depreciation 31 December 2016	152.529	229.262	36.967	0
Carrying amount 31 December 2016	51.519	17.521	1.726	701

NOTES **DKK'000**

Note

5 **Investments in subsidiaries**

	2016	**2015**
Cost at 1 January	324.426	324.426
Disposal	0	0
Additions	0	0
Cost at 31 December	324.426	324.426
Value adjustments at 1 January	-67.253	-49.447
Negative equity offset against I/C loan	15.305	20.195
Adjustments exchange rates	-4.581	8.858
Profit/loss for the year after tax	-17.427	-41.664
Dividends paid	-298	0
Ensurance net investment	12.787	-5.195
Value adjustments at 31 December	-61.467	-67.253
Carrying amount at 31 December	262.959	257.173

	Reg. Office	**Stake %**	**Share Cap.**	**Part of equity**	**Profit/ loss**
A. Espersen LLC	Rusia	100%	TRUC 100	9.829	-7.967
UAB Espersen Lietuva	Lithuania	100%	TLTL 12,700	51.556	884
Espersen Asia Ltd.	Hong Kong	100%	THKD 32,024	28.938	-5.945
Baltic Fish AB	Sweden	100%	TSEK 100	56	-6
Espersen Seafood S.A.	Spain	80%	TEUR 123	-12.787	-8.232
Espersen France	France	80%	TEUR 130	960	62
Espersen Polska Sp. z o.o.	Poland	100%	TPLN 65,500	173.445	3.687
				251.997	-17.517
Adjustment internal profit inventory				-1.630	40
Adjustment internal profit fixed assets				-195	50
Negative equity recognized as provision				12.787	0
				262.959	-17.427

NOTES **DKK'000**

Note

6 Investments in associates

	2016	2015
Cost at 1 January	4.433	4.433
Cost at 31 December	4.433	4.433
Value adjustments at 1 January	4.089	4.198
Adjustments exchange rates	99	-227
Profit for the year	467	501
Dividend	0	-383
Value adjustments at 31 December	4.655	4.089
Carrying amount at 31 December	9.088	8.522

	Reg. Office	Stake %	Share capital	Part of Equity	Profit/ loss
Scanfish AS	Norway	49%	TNOK 500	4.901	516
Bornholm Fisk A/S	Denmark	50%	TDKK 500	1.165	177
Sweryb International AB	Sweden	50%	TSEK 200	118	0
Espan Sp. z o.o.	Poland	50%	TPLN 4000	2.904	-226
				9.088	467

NOTES **DKK'000**

Note

7 Financial income and expenses

	Consolidated		Parent	
	2016	2015	2016	2015
Financial income				
Interest income	104	63	81	54
Interest income from group enterprises	2.062	2.416	1.723	2.126
Foreign exchange adjustments	3.830	29.711	0	209
Capital gains on securities and adjustments	180	2.478	180	2.248
	6.176	34.668	1.984	4.637
Financial expenses				
Interest expense	16.320	20.723	8.886	11.987
Interest expense to group enterprises	6.193	3.838	4.470	2.136
Foreign exchange adjustments	883	32.240	0	0
Capital losses on securities and adjustments	8.256	7.088	7.173	7.086
Other financial costs	482		349	
	32.134	63.889	20.878	21.209
	-25.958	-29.221	-18.894	-16.572

8 Tax on profit/loss for the year

The corporate tax for the year:

	Consolidated		Parent	
	2016	2015	2016	2015
Expected current tax for the year	-3.369	-6.811	-4.481	-8.710
Tax on equity entries	746	-1.718	746	-1.718
Adjustment in respect of deferred tax	1.035	2.040	-729	146
Impact from changed taxation per cent	0	-9	0	135
Tax in respect of previous years.	-271	382	0	607
Total tax for the year	-1.859	-6.116	-4.464	-9.540
Tax analysis				
Profit/loss before tax	-35.107	-86.797	-37.727	-85.110
Adjustments previous years	-1.426	3.142	0	3.142
Other	27.616	57.129	477	205
Profit/loss subsidiaries/investments	467	501	16.960	41.163
Profit/loss before tax, adjusted	-8.450	-26.025	-20.290	-40.600
Tax on profit/loss for the year in % of the above	22,0%	23,5%	22,0%	23,5%

NOTES **DKK'000**

Note

9 **Investments - Consolidated**

	Other securities and investments	
	2016	**2015**
Cost at 1 January	481	481
Sale of investments	-412	
Total cost at 31 December	69	481
Value adjustment to fair value at 1 January	5.167	3.534
Value adjustments for the year to fair value	-4.378	1.633
Value adjustments to fair value at 31 December	789	5.167
Carrying amount at 31 December	858	5.648

9 **Investments - Parent**

	Other securities and investments	
	2016	**2015**
Cost at 1 January	481	481
Sale of investments	-412	
Total cost at 31 December	69	481
Value adjustmetn to fair value at 1 January	5.167	3.534
Value adjustments for the year to fair value	-4.378	1.633
Value adjustments to fair value at 31 December	789	5.167
Carrying amount at 31 December	858	5.648

NOTES **DKK'000**

Note

10 Provisions for deferred tax

The amount relating to debtors, foreign exchange contracts, properties, plant and machinery is provided at the expected tax rate for 2017.

At 31 December 2016, the Group recognised an asset totalling DKK 5.463 thousand. The tax asset consists of tax loss carry-forwards totalling DKK 3.952 thousand and non-utilised tax deductions in form of timing differences totalling DKK 1.511 thousand.

Based on the budgets until 2020, Management considers it likely that there will be future taxable income against which non-utilised tax losses and tax deductions can be offset.

The changes for the year are specified as follows:

	Consolidated		Parent	
	2016	2015	2016	2015
Deferred tax liabilities at 1 January	11.449	7.629	10.593	7.545
Deferred tax assets at 1 January	-6.266	-5.416	0	0
Deferred tax net liability at 1 January	5.183	2.213	10.593	7.545
Adjustments in respect of previous years	40	-1.966		11
Opening adjustment, foreign exchange rates	-159	511	0	0
Deferred tax, equity items	-304	10.708	-304	3.098
Adjustments for the year, income statement	1.035	-6.076	-729	146
Impact of changed tax per cent, income statement		-207		-207
Deferred tax net at 31 December	5.795	5.183	9.560	10.593
Deferred tax liabilities at 31 December	11.258	11.449		
Deferred tax assets at 31 December	-5.463	-6.266		
	5.795	5.183		

11 Non-current liabilities

	Consolidated		Parent	
	2016	2015	2016	2015
Mortage debt falling due between 2 and 5 years after expiry of the financial year	67.676	71.387	16.685	16.570
Mortgage debt falling due after more than 5 years after expiry of the financial year	16.410	20.741	16.410	20.741
	84.086	92.128	33.095	37.311

NOTES **DKK'000**

Note

12	**Proposed profit appropriation/distribution of loss**		
	Proposed dividends	3.000	3000
	Retained earnings	-36.263	-78570
		-33.263	-75.570

NOTES DKK'000

Note

13 **Contingent liabilities and collateral**

Contingent liabilities
Operationel leasing - Consolidated

	Sites	Cars	Equipment	Total
Falling due within one year after expiry of the financial year	3.495	770	121	4.386
Falling due between 1-5 years after expiry of the financial year	3.618	726	0	4.344
Falling due after more than 5 year after expiry of the financial year	11.691	0	0	11.691
	18.804	1.496	121	20.421

Contingent liabilities

Operationel leasing - Parent

	Sites	Cars	Equipment	Total
Falling due within one year after expiry of the financial year	2.830	720	0	3.550
Falling due between 1-5 years after expiry of the financial year	3.592	637	0	4.229
Falling due after more than 5 year after expiry of the financial year	11.340	0	0	11.340
	17.762	1.357	0	19.119

Contingent liabilities
A. Espersen A/S has provided a guarantee for the Group's bank loan, amounting to maximally DKK 184,454 thousand. The Group's total bank loans at 31 december 2016, for which the company has provided guarantee, amounts to DKK 162,624 thousand.

A. Espersen A/S has provided a guarantee for the subsidiary Espersen Lietvua UAB loan, amounting to maximally DKK 50,000 thousand. At 31th of December 2016 the subsidiary's total loan amounts to DKK 42,579 thousand. A. Espersen has moreover provided a guarantee for the bank loan of the affiliate Beck Pack Systems A/S, amounting to maximally DKK 18,740 thousand. At 31th December 2016 the affiliates' total loan amounts to DKK 18,603 thousand.

The company is unlimited and jointly liable with other group campanies for corparate tax and withholding tax on dividends and interest within the lointly taxed group.

As colleral for the company's mortgage lending, amounting to DKK 35.257 thousand. A. Espersen has provided guarantees in its buildings with a carrying amount of DKK 51,519 thousand at the 31 December 2016.

A. Espersen har provided 2 letters of indemnity in the buildings mentioned above for the continually outstanding with the bank at the amount of DKK 20,000 thousand each.

The subsidiary Espsersen Asia Ltd. has pledged receivables worth USD 3,270 thousand as security for its bank loan with at credit max. USD 12,000 thousand.

NOTES **DKK'000**

Note

13 **Contingent liabilities and collateral**

Collateral	**Consolidated**	**Parent**
Bank guarantee for costums duty	381	381
	381	381

NOTES **DKK'000**

Note

14 **Fees paid to the auditors appointed at the general meeting**

	Consolidated		Parent	
ERNST & YOUNG	**2016**	**2015**	**2016**	**2015**
Audit fees	1.082	970	768	650
Opinions with security	0	75	0	75
Tax consultancy	148	50	135	35
Non-audit fees	252	71	57	87
	1.482	1.166	959	847
Others				
Audit fees	394	669	0	0
	394	669	0	0
Total fees	1.876	1.835	959	847

NOTES **DKK'000**

Note

15 **Currency and interest rate risks and the use of derivative financial instruments**
More than 2/3 of revenue is invoiced in foreign currencies, primarily in GBP, EUR and USD.
A significant part of raw material purchases is made in USD and NOK and in the local currency in which the subsidiaries are located. In addition, the Company also has trading in EUR and SEK. Fluctuations in these currencies vis-à-vis Danish kroner have affected the Company's income statement.

Currency		**Principal**	**Months**	**Fair value**
Sale	GBP	15.721	0-12	-1.041
Sale	USD	13.482	0-9	-3.874
Sale	SEK	5.000	0-2	-46
Purchase	USD	126.485	0-24	46.310
Purchase	NOK	155.000	0-5	1.244
Purchase	PLN	60.000	0-12	352
Total				42.945

Hedging is made in accordance with the Company's finance policy.

Interest rate risks primarily relate to interest-bearing liabilities.

To control the interest rate risk, the Company uses interest instruments such as interest swaps

Drawing rights in credit institutions are based on variable interest rates, which means that interest changes are rapidly reflected in the income statement. On the other hand, interest rate changes will not result in any significant changes in the fair value of interest-bearing debt.

As regards drawings on credit institutions, interest-rate hedging has been made for:
DKK 50 million with expiry December 2023 at 2.10 % p.a. The market value at 31 December 2016 totalled at DKK 5,980 thousand which has been recognised in equity.

DKK 52.1 million with expiry April 2020 at 3.07 % p.a. The market value at 31 December 2016 totalled a negative DKK 5,633 thousand which has been recognised in equity.

NOTES **DKK'000**

Note

15 **Currency and interest rate risks and the use of derivative financial instuments** (continued)

DKK 50 million with expiry December 2023 at 2.229 % p.a. The market value at 31 December 2016 totalled a negative DKK 6,501 thousand which has been recognised in equity.

DKK 100 million with expiry December 2023 at 2.62 % p.a. The market value at 31 December 2016 totalled a negative DKK 17,709 thousand which has been recognised in equity.

As regards mortgage debts, interest swap has been made on
DKK 17,6 million with expiry end of December 2023 at 5.43 % p.a. The market value at 31 Decembe
2016 totalled a negative DKk 3,250 thousand which has been recognised in equity.

DKK 2,6 million with expiry December 2020 at 2.53 % p.a. The market value at 31 December 2016 totalled a negative DKK 135 thousand which has been recognised in equity.

DKK 20,1 million with expiry December 2030 at 3.10 % p.a. The marked value at 31 December 201 totalled a negative DKK 3,361 thousand which has been recognised in equity.

NOTES **DKK'000**

Note

16 **Related party disclosures**

A. Espersen A/S is a wholly-owned subsidiary of:

INSEPA A/S
Kalvebod Brygge 39-41
1560 København V

Insepa A/S holds the majority of the share capital in the entity.

Insepa A/S' related parties exercising significant influence comprise group enterprices and associates and the companies' Board of Directors, Executive Boards, executive employees and their family members.

Further, related parties comprise companies in which the above persons have substantial interests.

Related party transactions are entered into and settled on an arm's length basis.