LGI International Holding S.à r.l. and Subsidiaries

Consolidated Financial Statements together with
Independent Auditor’s Report
December 31, 2020

Contents

LGI International Holding S.à r.l.

Management Report to the consolidated accounts as at December 31, 2020

Dear Shareholders,

In conformity with the applicable legal provisions, we report to you on the financial situation of LGI International Holding S.à r.l. and its consolidated affiliated undertakings (the Group) as of December 31, 2020 and on the performance of the business of the Group for the year ended December 31, 2020. Accordingly, we submit the consolidated financial statement as at December 31, 2020, as well as the related notes for your approval. All amounts are presented in thousands of U.S. Dollars.

The consolidated financial statements as at December 31, 2020 have been audited by RSM Audit Luxembourg S.à r.l..

Business development

1. Main activities

The Parent Company LGI International Holding S.à r.l. was incorporated on May 5, 2014, as a "*société a responsabilitè limitèe*" within the definition of the Luxembourg Law of August 10, 1915, as amended, on commercial companies for an unlimited period of time.

The Group operates 21 plants in Europe (Denmark, France, Germany, Great Britain, Lithuania, Northern Ireland, Poland, Spain, and Sweden) and two plants in New Zealand which are primarily engaged in the manufacturing of edible and nonedible protein products. The Group is also a partner in joint ventures in Canada, Denmark, Finland, Hungary, and Sweden, which are primarily in the same business as the Group.

The net consolidated result for the year ended December 31, 2020, was net income of $28,320.

Below are the key economic performances of the consolidated Group for 2020, compared to 2019:

Consolidated profit and loss account – LGI International Holding S.à r.l. (USD/000)	**31.12.2020**	**31.12.2019**
Net sales	$ 516,602	$ 459,323
Costs of sales	(441,944)	(392,116)
Gross profit	**74,658**	**67,207**
Selling, general and administrative expenses	(45,711)	(43,007)
Operating profit	**28,947**	**24,200**
Equity in income of joint venture	4,376	3,360
Interest expense	(1,243)	(1,654)
Interest income	757	707
Other income (loss), net	5,762	(1,658)
Loss on foreign currency	(1,789)	(163)
Gain on sale of assets	(14)	8
Income before tax	**36,796**	**24,800**
Income taxes expense	(7,905)	(5,911)
Net income	**28,891**	**18,889**
Net income attributable to noncontrolling interest in consolidated affiliates	(571)	(478)
Net income attributable to LGI International Holding S.a.r.l.	**$ 28,320**	**$ 18,411**

In 2020, gross profit increased by $7,451 as compared to 2019. Gross profit margin was 14.5% in 2020 compared to 14.6% in 2019.

Income before tax increased by $11,996 in 2020 or 48.4% compared to 2019.

Balance-Sheet and Net Financial Position

The tables set out below include the key indicators of the consolidated balance sheet of LGI International Holding S.à r.l. as at December 31, 2020, compared to December 31, 2019:

Consolidated Balance sheet – LGI International Holding S.à r.l. (USD/000)		**31.12.2020**		**31.12.2019**
Intangible assets	$	15,385	$	7,172
Goodwill		31,459		26,996
Tangible assets		105,659		89,018
Investment in joint venture		11,816		10,144
Deferred tax assets		10,811		10,292
Other assets		(21)		866
Noncurrent assets		**175,109**		**144,488**
Inventories		64,701		68,856
Receivables		71,457		58,233
Prepaid and income taxes receivable		2,496		511
Cash and cash equivalents		12,459		7,873
Current assets		**151,113**		**135,473**
Total assets	**$**	**326,222**	**$**	**279,961**

Consolidated Balance sheet – LGI International Holding S.à r.l. (USD/000)		**31.12.2020**		**31.12.2019**
Equity	$	150,174	$	112,020
Noncontrolling interest		5,751		626
Current liabilities		150,559		144,204
Noncurrent liabilities		19,738		23,111
Total liabilities and equity	**$**	**326,222**	**$**	**279,961**

Total assets for the Group are $326,222, of which equity amounts to $150,174 or 46.0%.

Strategy and outlook

The Group is expected to continue to be profitable in 2021. The Group will continue to leverage synergies from recent acquisitions. Sales generated from Proliant New Zealand are forecasted to increase as customers continue to qualify the products. Actual results may differ materially from those expected due to unforeseen market conditions or due to several risk factors as discussed in the next section.

Risks relating to the industry and our business

The products of the Group are primarily sourced from by-products of the meat production cycles and are sold into the animal feed, pet food, human food and nutrition, and pharmaceutical markets. Therefore, the outbreak of animal disease poses a significant risk to the Group's business model. Business may be negatively impacted by the occurrence of any disease correctly or incorrectly linked to animals, animal by-products, or the Group's products which has a negative impact on humans or animals. The outbreak of disease can negatively impact the availability of raw materials due to related reductions in animal herds or regulatory action. In addition, such outbreaks can negatively impact the demand for products of the Group due to real or perceived safety concerns among customers or consumers of downstream products, or due to import bans on products. Also, disease outbreak or its threat can significantly impact the cost to produce, sell or deliver products due to related regulatory changes causing investment in capital at production facilities, controls or processes, obtaining enhanced approvals for operations, or importation of our products.

The Group conducts operations throughout the world. The geographic diversity of the Group reduces overall risk exposure versus operating solely in any one country or part of the world, but it also subjects the Group to the various risks and uncertainties relating to international sales and operations which could negatively affect sales to customers in foreign countries and operations and assets in such countries. Possible risks include:

- Political or economic instability, social or labor unrest or changing macroeconomic conditions or other changes in political, economic or social conditions in the respective jurisdictions;

- Varied and differentiated regulatory environments together with the risks, difficulties and costs associated with complying with and enforcing remedies under, a wide variety of complex international laws, treaties and regulations and unexpected changes in these structures which can result in adverse tax consequences, price or industry controls, employee welfare schemes or other government controls; and,

- Numerous volatile and shifting taxation environments.

These risks and uncertainties could jeopardize or limit the Group’s ability to transact business in one or more international markets and may have a material adverse effect on business, results of operations, cash flows and financial condition.

Exposure to fluctuations in currency exchange rates is a risk to the Group, which carries out transactions or is exposed to markets denominated in a number of currencies, principally (but not limited to) the: Argentine peso, British pound sterling, Danish kroner, Euro, New Zealand dollar and Russian ruble. To the extent possible, the Group attempts to match revenues and expenses in each of the currencies in which they operate. While the Group may enter into the use of currency hedging instruments to provide protection from such adverse fluctuations, there can be no assurance that such instruments will successfully protect the Group from more pronounced swings in exchange rates. Further, by utilizing these instruments the Group may potentially forego the benefits that might result from favorable fluctuations in currency exchange rates.

Financial results have been, and will continue to be, materially affected by general economic conditions and commodity markets worldwide, particularly as they affect agricultural markets. Downturns and volatility in global economies and commodity and credit markets could have a material adverse effect on business, results of operations and financial condition. Among other things, the Group may be adversely impacted if customers and suppliers are not able to access sufficient capital to continue to operate their businesses or to operate them at prior levels. The prices of many of the Group’s products are subject to significant volatility associated with commodities markets, including the markets for blood-based and other protein commodities in agricultural production markets used as the basis for pricing certain raw materials, certain of the finished good products or certain products seen as substitutes to the Group’s products. Furthermore, rapid and material changes in finished goods prices, including competing agricultural-based alternative ingredients, generally have an immediate and potentially material impact on the gross margin and profitability resulting from the lag effect or lapse of time from the procurement of the raw materials until they are processed and the finished goods are sold.

The Group is subject to various and increasingly stringent environmental requirements in the various jurisdictions where they operate, including those governing air emissions, wastewater discharges, the management, storage and disposal of materials in connection with facilities, occupational health and safety, product packaging and labeling and handling of hazardous materials and wastes. Failure to comply with these requirements could have significant consequences, including recalls, penalties, injunctive relief, claims for personal injury and property and natural resource damages and negative publicity.

Increased information technology security threats and more sophisticated computer crime pose a risk to the Group's systems, networks, products and services. The Group relies upon its information systems and networks in connection with a variety of business activities, and they collect and store sensitive data. Increased security threats to information systems and more sophisticated computer crime pose a risk to the security of systems and networks and the confidentiality, availability and integrity of data. A failure of or breach in technology security could expose The Group and its customers and suppliers to risks of misuse of information or systems, the compromising of confidential information, manipulation and destruction of data, defective products, production downtimes and operating disruptions, which in turn could adversely affect reputation, competitive position, business and results of operations. In addition, such breaches in security could result in litigation, regulatory action and potential liability and the costs and operational consequences of implementing further data protection measures.

In March 2020, the World Health Organization declared the outbreak of the COVID-19 virus a pandemic. While the disruption is expected to be temporary, there is uncertainty about its possible duration and significant economic uncertainties have arisen worldwide. The Group's activities as well as many of the Group's suppliers are deemed essential and have continued to operate, although the outbreak may have a material negative impact on the Group's supply chain and ability to transport raw material and finished product. Financial impact to the Group is not expected to be significant in the long term and the Group continues to operate as a going concern.

Research and development activities
The Group incurred expense of $1,296 for research and development activities related to employee salary costs and the cost of the premises. Research and development activities include development of new products and new product applications for existing products and are recorded in the Company consolidated statements of income.

Subsequent events and other future business developments
No events have occurred from year end 2020 to the date of preparation of this Management Report that would have a significant effect on the consolidated annual financial statements as at and for the year ended 31 December 2020.

Acquisition of own shares
As at December 31, 2020, the Parent Company does not hold any of its own shares.

Board of Directors
The board of Managers are composed as follows:

1. Mr. Duane Willey, Manager A

2. Mr. John Wheeler, Manager A

3. Mr. Luc Sunnen, Manager B

To the Sole Shareholders of

LGI International Holding S.à r.l.
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L-1821 Luxembourg

RSM Audit Luxembourg S.à r.l.
Cabinet de révision agréé

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Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of LGI International Holding S.à r.l. (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated balance sheet as at December 31, 2020, and the consolidated statement of income, consolidated statement of stockholders' equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audit in accordance with the Law of July 23, 2016 on the audit profession (Law of July 23, 2016) and with International Standards on Auditing (ISAs) as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" (CSSF). Our responsibilities under the Law of 23 July 2016 and ISAs as adopted for Luxembourg by the CSSF are further described in the « Responsibilities of "réviseur d'entreprises agréé" for the Audit of the consolidated financial statements » section of our report. We are also independent of the Group in accordance with the International Code of Ethics for Professional Accountants, including International Independence Standards, issued by the International Ethics Standards Board for Accountants (IESBA Code) as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the consolidated financial statements, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The Board of Managers is responsible for the other information. The other information comprises the information stated in the consolidated management report but does not include the consolidated financial statements and our report of "réviseur d'entreprises agréé" thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

Responsibilities of the Board of Managers and Those Charged with Governance for the consolidated financial statements

The Board of Managers is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles, and for such internal control as the Board of Managers determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Managers is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Managers either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Responsibilities of the "réviseur d'entreprises agréé" for the Audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of "réviseur d'entreprises agréé" that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Law dated July 23, 2016 and with ISAs as adopted for Luxembourg by the CSSF 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.

As part of an audit in accordance with the Law dated July 23, 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated 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 internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Managers.
- Conclude on the appropriateness of Board of Managers use of the going concern basis of accounting 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 ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of "réviseur d'entreprises agréé" to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of "réviseur d'entreprises agréé". However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities and 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.

Report on Other Legal and Regulatory Requirements

The consolidated management report is consistent with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.

RSM Audit Luxembourg
Cabinet de Révision agréé

Pierre LEROY
Partner

Luxembourg, 20 May 2021

LGI International Holding S.a.r.l. and Subsidiaries

Consolidated Balance Sheets
December 31, 2020 and 2019
(in 000’s of USD)

	Note	**2020**	2019
Assets			
Current assets:			
Cash and cash equivalents		**$ 12,459**	$ 7,873
Accounts receivables	2	**71,457**	58,233
Inventories	3	**64,701**	68,856
Prepaids		**343**	511
Income taxes receivable		**2,153**	-
Total current assets		**151,113**	135,473
Property, plant and equipment, net	4	**105,659**	89,018
Investments in joint ventures	5	**11,816**	10,144
Goodwill		**31,459**	26,996
Intangible assets, net of accumulated amortization	6	**15,385**	7,172
Other assets		**(21)**	866
Deferred income taxes	10	**10,811**	10,292
Total noncurrent assets		**175,109**	144,488
		$ 326,222	$ 279,961

The notes form an integral part of the consolidated financial statements

	Note	2020	2019
Liabilities and Stockholders' Equity			
Current liabilities:			
Lines of credit and notes payable	7	**$ 83,027**	$ 84,602
Current maturities of long-term debt	7	**3,608**	3,634
Accounts payable	8	**36,438**	32,833
Due to affiliates		**243**	657
Due to joint ventures		**1,846**	1,386
Accrued expenses	9	**25,397**	20,876
Income taxes payable	10	**-**	216
Total current liabilities		**150,559**	144,204
Deferred income taxes	10	**3,732**	2,819
Long-term debt, net of current maturities	7	**16,006**	20,292
Total noncurrent liabilities		**19,738**	23,111
Total liabilities		**170,297**	167,315
Stockholders' equity:			
Common stock, 1.00 euro nominal value. Authorized 12,500 shares; issued and outstanding 12,500 shares at December 31, 2020 and 2019		**17**	17
Additional paid-in-capital		**124,562**	124,562
Retained earnings		**42,904**	14,584
Accumulated other comprehensive loss		**(17,309)**	(27,143)
Total LGI International Holding S.a.r.l. stockholders' equity		**150,174**	112,020
Noncontrolling interest		**5,751**	626
Total stockholders' equity		**155,925**	112,646
Total liabilities and equity		**$ 326,222**	$ 279,961

LGI International Holding S.a.r.l. and Subsidiaries

Consolidated Statements of Income
Years Ended December 31, 2020 and 2019
(in 000's of USD)

	Note	**2020**	2019
Net sales	11	**$ 516,602**	$ 459,323
Cost of sales		**(441,944)**	(392,116)
Gross profit		**74,658**	67,207
		14.45%	14.63%
Selling, general and administrative expenses		**45,711**	43,007
Operating profit		**28,947**	24,200
Other income (expense):			
Equity in income of joint ventures		**4,376**	3,360
Interest expense		**(1,243)**	(1,654)
Interest income		**757**	707
Other income (loss), net		**5,762**	(1,658)
Loss on foreign currency		**(1,789)**	(163)
Gain (loss) on sale of assets		**(14)**	8
Total other income (expense)		**7,849**	600
Income before income taxes		**36,796**	24,800
Income tax expense	10	**7,905**	5,911
Net income		**28,891**	18,889
Net income attributable to noncontrolling interest in consolidated affiliates		**(571)**	(478)
Net income attributable to LGI International Holding S.a.r.l.		**$ 28,320**	$ 18,411

The notes form an integral part of the consolidated financial statements

LGI International Holding S.a.r.l. and Subsidiaries

Consolidated Statements of Stockholders' Equity
Years Ended December 31, 2020 and 2019
(in 000's of USD)

	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total LGI International Holding and Subsidiaries Equity	Noncontrolling Interest in Consolidated Affiliates	Total Equity
Balance, December 31, 2018	$ 17	$ 124,562	$ 56,173	$ (24,887)	$ 155,865	$ 545	$ 156,410
Net income	-	-	18,411	-	18,411	478	18,889
Foreign currency translation adjustment	-	-	-	(2,256)	(2,256)	(7)	(2,263)
Dividends	-	-	(60,000)	-	(60,000)	(390)	(60,390)
Balance, December 31, 2019	17	124,562	14,584	(27,143)	112,020	626	112,646
Net income	-	-	28,320	-	28,320	571	28,891
Foreign currency translation adjustment	-	-	-	9,834	9,834	199	10,033
Acquisition	-	-	-	-	-	4,765	4,765
Dividends	-	-	-	-	-	(410)	(410)
Balance, December 31, 2020	**$ 17**	**$ 124,562**	**$ 42,904**	**$ (17,309)**	**$ 150,174**	**$ 5,751**	**$ 155,925**

The notes form an integral part of the consolidated financial statements

LGI International Holding S.a.r.l. and Subsidiaries

Consolidated Statements of Cash Flows
Years Ended December 31, 2020 and 2019
(in 000's of USD)

	Note	**2020**	2019
Cash flows from operating activities:			
Net income		**$ 28,891**	$ 18,889
Adjustments to reconcile net income to net cash provided by operating activities:			
Equity in income of joint ventures	5	**(4,376)**	(3,360)
Distributions from joint ventures	5	**2,142**	1,705
Deferred income taxes		**1,150**	(314)
(Gain) loss on sale of assets		**14**	(8)
Gain on sale of business		**(6,354)**	-
Depreciation and amortization	4, 6	**16,564**	15,679
Changes in operating assets and liabilities:			
Trade receivables		**(2,578)**	(3,398)
Other receivables		**65**	1,991
Inventories		**9,544**	(6,490)
Prepaids		**258**	40
Due to joint ventures		**246**	273
Other assets		**931**	48
Accounts payable and accrued expenses		**1,705**	1,058
Income taxes payable		**(2,486)**	938
Net cash provided by operating activities		**45,716**	27,051
Cash flows from investing activities:			
Purchases of property, plant and equipment		**(16,302)**	(12,984)
Proceeds from sale of property, plant and equipment		**106**	49
Acquisition of companies, net of cash acquired	14	**(14,203)**	(2,466)
Proceeds from sale of business		**7,282**	-
Net cash used in investing activities		**(23,117)**	(15,401)
Cash flows from financing activities:			
Net borrowings (repayments) on lines of credit	7	**(9,025)**	50,374
Payments of long-term debt	7	**(6,273)**	(4,289)
Increase (decrease) in due to/from affiliate		**(2,095)**	2,094
Dividends paid		**-**	(60,000)
Dividends paid to noncontrolling interests		**(410)**	(390)
Net cash used in financing activities		**(17,803)**	(12,211)
Net effect of exchange rate changes on cash and cash equivalents		**(210)**	(340)
Net change in cash and cash equivalents		**4,586**	(901)
Cash and cash equivalents:			
Beginning of year		**7,873**	8,774
End of year		**$ 12,459**	$ 7,873
Supplemental disclosures of cash flow information:			
Cash paid for interest		**$ 1,174**	$ 1,535
Cash paid for income taxes		**$ 7,232**	$ 4,759

The notes form an integral part of the consolidated financial statements

Note 1. Description of Business and Summary of Significant Accounting Policies

Description of business and risks: LGI International Holding S.à r.l. - hereafter "LGI" - was incorporated on May 5, 2014 as a "Société à responsabilité limitée" within the definition of the Luxembourg Law of August 10, 1915, as amended, on commercial companies for an unlimited period of time. LGI's registered office is established in Luxembourg.

The financial year of LGI runs from the 1st of January until the 31st of December of each year.

The purpose of LGI is the acquisition of ownership interests, in Luxembourg or abroad, in any companies or enterprises in any form whatsoever and the management of such ownership interests. LGI may in particular acquire by subscription, purchase, and exchange or in any other manner any stock, shares and any other securities, including without limitation bonds, debentures, certificates of deposit, trust units, any other debt instruments and more generally any securities and financial instruments issued by any public or private entity whatsoever, including partnerships. It may participate in the creation, development, management and control of any company or enterprise. It may further invest in the acquisition and management of a portfolio of patents or other intellectual property rights of any nature or origin whatsoever. LGI may borrow in any form, except for borrowing from the public. It may issue notes, bonds, debentures and any other kind of debt and/or equity securities, including but not limited to preferred equity certificates and warrants, whether convertible or not in all cases. LGI may lend funds, including the proceeds of any borrowings and/or issues of debt securities, to its subsidiaries, affiliated companies or to any other company. It may also give guarantees and grant security interests in favor of third parties to secure its obligations or the obligations of its subsidiaries, affiliated companies or any other company. LGI may further mortgage, pledge, transfer, encumber or otherwise hypothecate all or some of its assets. LGI may generally employ any techniques and utilize any instruments relating to its investments for the purpose of their efficient management, including techniques and instruments designed to protect LGI against creditors, currency fluctuations, interest rate fluctuations and other risks.

LGI may carry out any commercial, financial or industrial operations and any transactions with respect to real estate or movable property, which directly or indirectly, further or relate to its purpose.

LGI and subsidiaries (the Company) operate 21 plants in Europe (Denmark, France, Germany, Great Britain, Lithuania, Northern Ireland, Poland, Spain, and Sweden) and two plants in New Zealand which are primarily engaged in the manufacturing of edible and nonedible protein products. The Company is also a partner in joint ventures in Canada, Denmark, Finland, Hungary, and Sweden, which are primarily in the same business as the Company.

The Company's primary customers are food and feed manufacturers located throughout Europe, South America, and Asia.

Principles of consolidation and basis of presentation: The consolidated financial statements are approved by the shareholders during the Annual General Meeting.

Note 1. Description of Business and Summary of Significant Accounting Policies (Continued)

The consolidated financial statements of the Company include LGI International Holding S.a.r.l. and its owned subsidiaries. All amounts are presented in US dollar, unless noted otherwise. All the below subsidiaries are fully owned (100%).

Wholly Owned Subsidiaries
APC Technologies, Ltd., Arthur Cox Building, Earlsport Terrace, Dublin Ireland
ADAX S.A.S., RTE De La Bressandiere, Chatillon Sur Thouet, France 79200
Bensa Management GmBH, Enschedestrasse 31-35, DE-48529 Nordhorn Germany
BHJ A/S, Ulsnaes 33, Grasten, Region Syddanmark, Denmark 6300
BHJ Baltic UAB, Vytauto Didziojo G. 120, Kaisiadory's, Lithuania 56111
BHJ Germany Gmbh, Romerstrabe 7, Vaihingen An Der Enz, Germany 71665
BHJ LLC, 4th Dobryninsky Lane. 8, Moscow 119049 RS
BHJ New Zealand, Ltd., 1-11 Gilberd Street Wanganui 4501, Wanganui 4540 New Zealand
BHJ Polska Sp. Z.o.o., Michorzewko 65, Kuslin, Poland 64 316
BHJ Russia Aps, Ulsnaes 33, Graasten, Denmark 6300
BHJ Russia Holdings Aps, Ulsnaes 33, Graasten Denmark, 6300
BHJ UK Food Ltd. (United Kingdom), 30 Neptune Street, Hull, HU3 2BP
BHJ UK Seafood Ltd. (United Kingdom), 30 Neptune Street, Hull, HU3 2BP
Corsa Petfood S.L., Calle Santalo No. 10 3.2A, Barcelona, Spain 8021
Danexport Ltd. (United Kingdom), 30 Neptune Street, Hull, HU3 2BP
Essentia Argentina S.A. (Argentina), Herrera 1855, 2nd Floor B, Office 205/208, 1008 Buenos Aires, 1295ACI
Essentia Protein Solutions PTE, Ltd., 20 Cecil Street, #14-01 Equity Plaza, 49705 Singapore
Essentia Protein Solutions, Ltd., Ramsay Road, Tipton, West Midlands, DY4 9DU, United Kingdom
Essentia Protein Solutions SRL (Romania), Str. Alexandriei Nr. 2A, 077025 Bragadiru
Essentia Protein Solutions AB (Sweden), Pinnaavagen3, Stidsvig, Skane Ian [SE-12], SE-264 91 Klippan
Gunther JanBen Handels GmbH, Rehornweg 1, 26180 Rastede, Germany
Hewico GmbH, Enschedestrasse 31-35, DE-48529 Nordhorn Germany
Hewico GmbH & Co. KG, Enschedestrasse 31-35, DE-48529 Nordhorn Germany
Hoejmark Group A/S, Ulsnaes 33, Grasten, Region Syddanmark, Denmark 6300
LGI Denmark ApS, Ulsnaes 33, Grasten, Region Syddanmark, Denmark 6300
LGI Denmark Invest ApS, Ulsnaes 33, Grasten, Region Syddanmark, Denmark 6300
LGI International Finance S.a.r.l., 26, Boulevard de Kockelscheuer, L-1821 Luxembourg
OOO Essentia, UL. Schepkina D.28, Office 713, Moscow, Russia 129090
PetRus Aps, Ulsnaes 33, Graasten, Denmark 6300
Proliant New Zealand, LLC, 33 Kawakawa Rd., Feilding, Manawata, New Zealand 4702
Prowico GmbH, Enschedestrasse 31-35, DE-48529 Nordhorn Germany
Regal Processors, Ltd., 2 Silverwood Industrial Estates, Armagh, Craigavon BT66 6LN, United Kingdom
Scanflavour A/S, Erhvervsvej 12, Moldrup, Denmark 9632
TM Petfood ApS, Ulsnaes 33, Graasten, Denmark 6300
Union Foods, S.L., Avenida Antoni Gaudi No. 6, Olot, 17800, Girona Spain

Note 1. Description of Business and Summary of Significant Accounting Policies (Continued)

The financial statements of greater than 50% owned subsidiaries are also fully consolidated into the Company's consolidated financial statements since the Company has the power to direct their most significant activities with an impact on their economic performances. The proportionate shares of the results and equity attributable to non-controlling interests are stated separately in the statements of income, comprehensive income and balance sheets. The consolidated subsidiaries include the following:

Company	Ownership interest
BHJ Finland Oy AB	80%
BHJ Kalino Food AB	51%
Organo-Pet Kft.	75%

All material intercompany balances and transactions have been eliminated in consolidation.

Based on the law of 19 December 2002 concerning the Register of Commerce and Companies and the Accounting and Annual Accounts of Undertakings (The Law) Article 27; the Company has obtained a specific derogation from the Luxembourg Ministry of Justice to prepare and file their consolidated financial statements under accounting principles generally accepted in the United States of America (U.S. GAAP). Such derogation was granted on the condition that an equity reconciliation from U.S. GAAP to Lux GAAP should be included in the consolidated financial statements of the Company (see Note 20).

Use of estimates: The preparation of consolidated financial statements in conformity with U.S. GAAP requires the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Revenue recognition: The Company recognizes revenue in accordance with *FASB Accounting Standard Codification* (ASC) Topic 606, Revenue from Contracts with Customers, which provides a five-step model for recognizing revenue from contracts with customers as follows:

1. Identify the contract with a customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognize revenue when or as performance obligations are satisfied

The Company's revenue is primarily derived from sales of edible and non-edible protein products to commercial customers in the United States and international markets. The Company's operations are impacted by economic conditions and revenues may fluctuate based on changes in the industry, trade policies and financial markets.

Note 1. Description of Business and Summary of Significant Accounting Policies (Continued)

The Company assesses the contract term as the period in which the parties to the contract have presently enforceable rights and obligations. The contract term can differ from the stated term in contracts that include certain termination or renewal rights, depending on whether there are penalties associated with those rights. Customer contracts generally are standardized and noncancelable for the duration of the stated contract term. The Company has determined that no significant financing components exist.

Revenue from the sale of products is recognized upon transfer of control to the customer, which is upon shipment. The Company has elected to treat shipping and handling activities related to contracts with customers as costs to fulfill the promise to transfer the associated products and not as a separate performance obligation. All amounts billed to customers in a sales transaction related to shipping and handling are recorded as revenue, and costs incurred by the Company for shipping and handling are recorded as costs of goods sold.

The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring goods and services to the customer. Revenue is recorded based on the transaction price, which includes fixed consideration and estimates of variable consideration such as early payment discounts and rights of return. The Company excludes from revenue sales taxes and use taxes from revenue generating activities that are invoiced to customers.

The Company generally provides limited-assurance-type warranties for its products. The warranty periods typically extend for a limited duration following transfer of control of the product. Historically, warranty claims have not resulted in material costs incurred. The Company does not consider these warranties to be performance obligations.

Foreign currency: Foreign currency transaction gains and losses are reflected in operations. The financial statements not denominated in United States currency have been translated to United States currency in accordance with ASC 830, Foreign Currency Matters. Accordingly, asset and liability accounts are translated at the current exchange rate, equity accounts are translated at the historical exchange rate, and statement of income items are translated at the average exchange rate for the year; resulting translation adjustments are made directly to a separate component of stockholders' equity. Unrealized translation gains of $9,834 and losses of $2,256 for the years ended December 31, 2020 and 2019, respectively, have been recorded in the statements of comprehensive income. Accumulated translation losses of $17,309 and $27,143 have been recorded as of December 31, 2020 and 2019, respectively, as a component of stockholders' equity.

Cash and cash equivalents: The Company considers interest-bearing instruments with maturity of three months or less at the date of purchase to be the equivalent of cash.

Accounts receivable, net: Accounts receivable are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts. The financial status of customers are routinely checked and monitored by the Company when granting credit. The Company provides an allowance for doubtful amounts based upon historical experience and management's analysis of past due accounts. Receivables are written off when deemed uncollectable. Recoveries of receivables previously written off are recorded when received.

Inventories: Inventories are stated at the lower of weighted average cost or market, and include the cost of material, labor, and factory overhead.

(in 000's of USD)

Note 1. Description of Business and Summary of Significant Accounting Policies (Continued)

Property, plant and equipment: Property, plant, and equipment are stated at cost. Depreciation is calculated using the straight-line method over the following estimated useful lives:

Building and improvements	15-39 years
Machinery and equipment	3-10 years

Expenditures for maintenance and minor repairs are charged against income as incurred; improvements which increase the value or materially extend the life of the related assets are capitalized. When assets are sold or retired, the cost and accumulated depreciation are removed from the accounts, and any gain or loss is included in income.

Goodwill and other intangible assets: During the year ended December 31, 2019, the Company adopted Accounting Standards Update (ASU) No. 2014-02, *Intangibles—Goodwill and Other (Topic 350)* which allows the Company to amortize goodwill over a 10 year life. Under the provisions of ASU 2014-02, goodwill impairment is evaluated at the entity level when there is a triggering event that occurs that would indicate that the fair value of an entity may be below its carrying amount. Management has determined that no impairment charge is required for 2020 or 2019.

Amortization expense was $3,317 and $3,033 for the year ended December 31, 2020 and 2019, respectively. The approximate amortization expense by year for the remaining life is as follows:
2021 through 2025 $3,550 per year; thereafter $13,709.

Intangible assets are amortized over their estimated useful lives of three to ten years. Amortization expense was $2,059 and $983 in 2020 and 2019, respectively. Intangible assets are tested for impairment when management determines a triggering event under ASC 360-10, Impairment or Disposal of Long-Lived Assets, has occurred. There were no triggering events in 2020 or 2019.

Expected future amortization of intangible assets is as follows:

Years ending December 31:		
2021	$	2,567
2022		2,292
2023		2,005
2024		1,804
2025		1,664
Thereafter		5,053
Total	$	15,385

Joint ventures accounted for under the equity method: The Company has joint venture operations in Canada and Denmark. The Company's investment in these joint ventures is accounted for by the equity method, reflecting its share of the joint venture's net earnings or losses in the statement of income. The Company has a net payable due to joint ventures of $1,613 and $1,242 as of December 31, 2020 and 2019, respectively.

Note 1. Description of Business and Summary of Significant Accounting Policies (Continued)

Income taxes: Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and the respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance to reduce deferred tax assets is established when deemed appropriate.

The Company follows the authoritative accounting guidance under ASC Topic 740, Income Taxes, on accounting for uncertainty in income taxes, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, the Company may recognize the tax benefit from an uncertain tax position only if it is more-likely-than-not the tax position will be sustained on examination by taxing authorities, based on technical merits of the position. Judgment is required in evaluating each uncertain tax position to determine whether the more-likely-than-not threshold has been met. The Company had no unrecognized tax positions for income tax uncertainties as of December 31, 2020 and 2019.

Derivative financial instruments: Under accounting requirements, all derivative instruments are recognized on the balance sheet at fair value. The accounting for changes in the fair value (gains or losses) depends on the nature of the derivative and hedging relationship.

The Company uses foreign exchange contracts to reduce its risks related to certain foreign currency transactions. The foreign exchange contracts the Company enters into are accounted for at fair value and any changes in fair value are recognized in the consolidated statements of income when they occur. Fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and therefore the foreign exchange contracts are classified within Level 2 of the valuation hierarchy. Market adjustments included in (loss) gain on foreign currency resulted in gains of $417 and losses of $542 during 2020 and 2019, respectively. The Company does not hold or issue foreign currency contracts for trading purposes.

Comprehensive income: Comprehensive income consists of net income and unrealized translation adjustments for foreign currency financial statements of its subsidiaries and joint ventures.

Research and development: Research and development costs for company sponsored research and development projects are expensed as incurred. Such costs are classified as part of selling, general, and administrative expenses. The Company incurred $1,296 and $1,328 of such costs for the years ended December 31, 2020 and 2019, respectively.

Recent accounting pronouncements: In February 2016, the Financial Accounting Standards Board (FASB) issued ASU No. 2016-02, *Leases (Topic 842).* The guidance in this ASU supersedes the leasing guidance in Topic 840, Leases. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The standard also requires additional disclosures to help financial statement users understand the amount, timing and uncertainty of cash flows arising from lease transactions. The new standard is effective for annual reporting periods beginning after December 15, 2021. A modified retrospective transition approach is available, with certain practical expedients available. The Company is currently evaluating the impact the adoption of the new standard will have on the financial statements.

(in 000's of USD)

Note 1. Description of Business and Summary of Significant Accounting Policies (Continued)

In March 2020, the FASB issued ASU No. 2020-04, *Reference Rate Reform (Topic 848)—Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. The amendments in ASU 2020-04 provide optional temporary financial reporting relief from the effect of certain types of contract modifications due to the planned discontinuation of LIBOR (London Interbank Offering Rate) and other interbank-offered based reference rates as of the end of 2021. ASU 2020-04 is effective for certain reference rate-related contract modifications that occur during the period March 12, 2020 through December 31, 2022. The Company is currently assessing the impact that this guidance will have on its financial statements.

Risks and uncertainties: The spread of COVID-19, a novel strain of coronavirus, is altering the behavior of businesses and people throughout the United States. The continued spread of COVID-19 may adversely impact the local, regional and national economies. The extent to which the coronavirus impacts the Company's results will depend on future developments, which are highly uncertain and cannot be predicted. The impact is highly dependent on the breadth and duration of the outbreak and could be affected by other factors that cannot currently be predicted. Accordingly, management cannot presently estimate the overall operational and financial impact to the Company.

Note 2. Accounts Receivables, Net

Accounts Receivable at December 31, 2020 and 2019, consisted of the following:

	2020	2019
Trade receivables—third parties	$ 68,113	$ 57,227
Trade receivables—related parties	3,034	646
Other receivables	310	360
	$ 71,457	$ 58,233

Allowance for doubtful accounts on trade receivables from third parties was $795 and $992 at December 31, 2020 and 2019; respectively.

Note 3. Inventories

Major classes of inventory at December 31, 2020 and 2019, were as follows:

	2020	2019
Functional Proteins	$ 28,543	$ 26,125
BHJ Pet Food	19,276	20,593
Stocks, broths and flavoring	5,784	4,716
Bovine Serum Albumin	3,275	9,273
BHJ Food	2,289	3,215
Plasma—value added	714	2,408
Plasma	1,418	941
Red cells	168	471
Other	3,234	1,114
	$ 64,701	$ 68,856

There was an inventory provision of $2,026 and $958 December 31, 2020 and 2019, respectively.

(in 000's of USD)

Note 4. Property, Plant and Equipment, Net

Property, plant and equipment, net at December 31, consisted of the following:

	2020	2019
Land and improvements	$ 10,413	$ 10,090
Buildings and improvements	77,294	67,798
Machinery and equipment	133,225	114,616
Construction in process	9,556	6,649
	230,488	199,153
Less accumulated depreciation	(124,829)	(110,135)
Property, plant and equipment, net	$ 105,659	$ 89,018

Activity in property, plant and equipment accounts for the year ended December 31, 2020, is as follows:

	Land and Improvements	Building and Improvements	Machinery and Equipment	Construction in Process	Total
Cost, December 31, 2019	$ 10,090	$ 67,798	$ 114,616	$ 6,649	$ 199,153
Additions related to acquisitions	35	1,880	2,755	3	4,673
Additions for the period	106	560	4,009	11,627	16,302
Disposals for the period	-	(195)	(4,633)	(13)	(4,841)
Transfers and other movements	(644)	1,281	6,071	(9,464)	(2,756)
Exchange difference on translation	826	5,970	10,407	754	17,957
Cost, December 31, 2020	$ 10,413	$ 77,294	$ 133,225	$ 9,556	$ 230,488
Accumulated Depreciation, December 31, 2019	$ 53	$ 40,936	$ 69,146	$ -	$ 110,135
Depreciation for the period	14	3,096	8,078	-	11,188
Disposals for the period	-	(153)	(4,568)	-	(4,721)
Transfers and other movements	-	(321)	(1,389)	-	(1,710)
Exchange difference on translation	5	3,842	6,090	-	9,937
Accumulated Depreciation, December 31, 2020	$ 72	$ 47,400	$ 77,357	$ -	$ 124,829
Net book value—December 31, 2020	$ 10,341	$ 29,894	$ 55,868	$ 9,556	$ 105,659
Net book value—December 31, 2019	10,037	26,862	45,470	6,649	89,018

Note 5. Investments in Joint Ventures

Investments in joint ventures consist of the following:

Entity	Registered Office	Ownership Interest	2020
BHJ Canada Meat Products, Inc.	Canada	50%	$ 8,315
Farmfood A/S	Denmark	33%	3,501
			$ 11,816

(in 000's of USD)

Note 5. Investments in Joint Ventures (Continued)

Activity for the year ended December 31, 2020, is as follows:

Balance December 31, 2019	$	10,144
Profit for the year		4,376
Dividend		(2,142)
Exchange difference on translation		(562)
Balance December 31, 2020	$	11,816

Note 6. Intangible Assets

Intangible assets consist of rights, including software rights, customer lists and production recipes. Activity for the year ended December 31, 2020, is as follows:

		Rights		Customer Lists		Production Recipies		Supply Agreements		Total
Cost, December 31, 2019	$	6,918	$	1,078	$	2,579	$	890	$	11,465
Additions related to acquisitions		8,276		-		-		-		8,276
Transfers		1,451		-		-		-		1,451
Disposals		(1,431)		-		-		-		(1,431)
Exchange difference on translation		1,037		102		268		63		1,470
Cost, December 31, 2020	$	16,251	$	1,180	$	2,847	$	953	$	21,231
Accumulated amortization, December 31, 2019	$	3,588	$	230	$	386	$	89	$	4,293
Amortization for the period		1,553		156		264		86		2,059
Transfers		405		-		-		-		405
Disposals		(1,431)		-		-		-		(1,431)
Exchange difference on translation		420		60		24		16		520
Accumulated amortization, December 31, 2020	$	4,535	$	446	$	674	$	191	$	5,846
Net book value—December 31, 2020	$	11,716	$	734	$	2,173	$	762	$	15,385
Net book value—December 31, 2019		3,330		848		2,193		801		7,172

Note 7. Debt

Short-term debt—Lines of credit and notes payable: Lines of credit and note payable at December 31, 2020 and 2019, consisted of the following:

		2020		2019
Lines of credit (a)	$	77,988	$	73,266
BHJ A/S subsidiaries line (b)		4,988		3,526
BHJ subsidiary line		-		225
Scanflavour A/S (c)		51		7,585
	$	83,027	$	84,602

(in 000's of USD)

Note 7. Debt (Continued)

Long-term debt and current maturities of long-term debt: Long-term debt at December 31, 2020 and 2019, consisted of the following:

	2020	2019
Scanflavour A/S (d)	$ 7,651	$ 7,979
Scanflavour A/S (e)	11,963	15,947
	19,614	23,926
Less current installments	(3,608)	(3,634)
	$ 16,006	$ 20,292

(a) The Company has two unsecured lines of credit with a bank. LGI Denmark Aps, BHJ A/S, and LGI Denmark Invest ApS are co-borrowers on a 550,000 DKK line of credit. Hewico GmbH & Co KG, Prowico GmbH and Günther Janssen Handels GmbH are co-borrowers on a 5,000 EUR line of credit. In total these lines of credit are equivalent to approximately $96,500 at December 31, 2020. The maturity date is not fixed. The lines are callable by the bank with 14 days' notice. Interest on the lines is payable quarterly at an adjustable rate equal to the Sydbank Bank Rate plus 0.75%. This rate on December 31, 2020, was 0.75%.

(b) BHJ A/S, eight of its subsidiaries and two of its consolidated joint ventures have an unsecured 45,000 DKK (equivalent to approximately $7,400 at December 31, 2020), line of credit with a bank. The maturity date is not fixed. The line is callable by the bank with 14 days' notice. Interest on the line, net of cash balance at the bank, is payable monthly at an adjustable rate. The loan is guaranteed by BHJ A/S and LGI Denmark ApS.

(c) Scanflavour A/S has a 5,000 DKK (equivalent to approximately $800 at December 31, 2020), line of credit with a bank. The maturity date is not fixed. The line is callable by the bank with 14 days' notice. Interest on the line is payable quarterly at an adjustable rate. The credit line is guaranteed by LGI Denmark Aps.

(d) Scanflavour A/S has loans with a bank with an outstanding balance of 46,395 DKK at December 31, 2020. Principle and interest payments are made quarterly with final payment on the loans due in 2024, 2025 and 2029. The loans are guaranteed by LGI Denmark ApS.

(e) Scanflavour A/S obtained several pieces of equipment under capital leases with approximately five leases outstanding at December 31, 2020. Payments are made monthly. The life of the leases extend through 2024. The leases are guaranteed by LGI Denmark ApS.

Note 8. Accounts Payable

Trade accounts payable have a maturity within one year.

Note 9. Accrued Expenses

Accrued expenses consist of provisions for holiday pay, wages, and expenses which are owed but have not yet been invoiced for services.

(in 000's of USD)

Note 10. Income Taxes

Income tax expense (benefit) for the years ended December 31, 2020 and 2019, consisted of the following:

	2020	2019
Current	$ 8,322	$ 6,743
Deferred	(417)	(832)
	$ 7,905	$ 5,911

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities are presented below. This table presents the gross deferred tax asset or liability for each temporary difference. The consolidated balance sheet is presented as a net deferred tax asset or liability based on each tax jurisdiction.

	2020	2019
Deferred tax assets:		
Allowance for doubtful accounts	$ 89	$ 77
Inventory valuation	1,583	1,146
Net operating loss (NOL)	1,331	356
Property, plant and equipment	4,952	6,064
Total deferred tax assets	7,955	7,643
Deferred tax liabilities:		
Intangibles	(637)	(55)
Other	(239)	(115)
Total deferred tax liabilities	(876)	(170)
Net deferred tax asset	$ 7,079	$ 7,473

At December 31, 2020, the Company has net operating loss carryforwards of approximately $12,112 resulting in deferred tax assets of $441 in Denmark and $890 in New Zealand, net of a valuation allowance of $1,697, which have no expiration date.

Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, management believes it is more likely than not that the Company will realize the benefits of these deductible differences at December 31, 2020.

(in 000's of USD)

Note 11. Net Sales

For competitive reasons, the distribution of the group net sales on main activities is not disclosed. Distribution of net sales by geographic region is as follows:

	2020	2019
Scandinavia	$ 102,346	$ 94,444
Western Europe	225,567	217,228
Eastern Europe	75,049	57,460
The Far East	60,796	55,443
Other	52,844	34,748
Total net sales	$ 516,602	$ 459,323

Note 12. Employees

The average number of employees was 1,016 and 976 in 2020 and 2019, respectively. Wages, salaries, and related costs totaled approximately $65,100 and $56,700 in the years ended December 31, 2020 and 2019, respectively, and are included in cost of sales and selling, general and administrative expenses on the consolidated statements of income.

Note 13. Commitments and Contingencies

The Company leases certain facilities under operating leases, many of which contain renewal options. Total rental expense on all operating leases was $1,282 and $1,404 for the years ended December 31, 2020 and 2019, respectively. Minimum rental commitments under all noncancelable operating leases is as follows:

Years ending December 31:	
2021	$ 847
2022	601
2023	444
2024	264
2025	133
Thereafter	409
	$ 2,698

Note 14. Acquisitions and Dispositions

The Company completed one business acquisition in 2020 and one in 2019 as follows:

- Effective July 1, 2020, LGI Denmark ApS acquired 75% ownership in Organo-Pet Kft.
- Effective October 1, 2019, LGI Denmark ApS acquired Gunther JanBen Handels GmbH.

The businesses acquired operate plants that manufacture and sell protein products. The Company acquired these businesses to expand its operating territory.

(in 000's of USD)

Note 14. Acquisitions and Dispositions (Continued)

The allocation of the purchase price of the acquisitions to the fair value of assets acquired and liabilities assumed is as follows:

	2020	2019
Cash	$ 232	$ -
Trade receivables	2,480	566
Inventories	406	524
Property and equipment	4,673	2,777
Intangible assets	8,070	-
Goodwill	4,575	73
Deferred tax asset (liability)	(903)	(114)
Current liabilities assumed	(333)	(1,360)
Total purchase price	19,200	2,466
Minority interest	(4,765)	-
Cash paid	$ 14,435	$ 2,466

The goodwill recorded as a result of the acquisitions reflects the benefits expected to be derived from product line expansion and operational synergies. The amount of goodwill is believed to be deductible for taxes in the future. The Company incurred approximately $180 and $160 of expense to acquire these companies in 2020 and 2019, respectively.

The Company sold its minority interest ownership in a European meat processing company in 2020. A gain on sale of $6,354 was recognized in other income (loss), net on the consolidated statement of income for the year ending December 31, 2020.

Note 15. Major Customers

The Company has a major customer which generated approximately 8% and 12% of net sales for the years ended December 31, 2020 and 2019, respectively. The receivable from this customer represented approximately 4% of trade accounts receivable as of December 31, 2020 and 2019.

The risk of concentration of sales and trade receivables is deemed low considering a loss of sales recorded towards the major customer would not result in a severe impact on the company overall financial and economic results. In addition, the possibility of such loss would occur in the near term is deemed remote.

(in 000's of USD)

Note 16. Related Parties

In the normal course of operations, the Company has transactions with related parties which are also owned by The Lauridsen Group, Inc. Transactions with related parties during the years ended December 31, 2020 and 2019, are as follows:

	2020	2019
Sale of goods and services	$ 41,523	$ 30,419
Purchase of goods and services	21,022	18,917
Management fee expense (income)	83	(12)
Amounts receivable from related parties	3,034	646
Amounts owed to related parties	2,089	2,043

Note 17. Auditor Fees

The Company has recognized audit fees of $733 during the year ended December 31, 2020 (2019: $871), of which $271 related to other services (2019: $423). The fees recognized to the approved statutory auditor were $68 and all related to the statutory audit of the consolidated financial statements (2019: $84).

Note 18. Management and Supervisory Bodies Emoluments

The emoluments granted to the members of the management and supervisory bodies of the Parent Company was $5 for the year ended December 31, 2020.

Note 19. Subsequent Events

The Company has reviewed and considered events subsequent to year end through the date the consolidated financial statements were available to be issued on May 20, 2021, to ensure that the financial statements include appropriate recognition or disclosure of subsequent events.

Management is unaware of any significant events that would require disclosure.

(in 000's of USD)

Note 20. Equity Reconciliation from U.S. GAAP to LUX GAAP

The following table presents an equity reconciliation from U.S. GAAP to Lux GAAP with Fair Value Option on derivatives:

NET INCOME RECONCILIATION

	2020	2019
Net income per U.S. GAAP	$ 28,320	$ 18,411
LUX GAAP Adjustments		
Goodwill amortization	1,009	983
Deferred tax assets	231	(2,843)
Unrealized forex loss	(561)	(94)
Deferred tax assets on unrealized forex loss	124	34
Net income per Lux GAAP	$ 29,123	$ 16,492

EQUITY RECONCILIATION

	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total LGI Intl Holding & Sub Equity	Noncontrolling Interest in Consolidated Affiliates	Total Equity
Lux GAAP Balance, December 31, 2018	$ 17	$ 124,562	$ 37,975	$ (24,703)	$ 137,851	$ 545	$ 138,396
Net income per US GAAP	-	-	18,411	-	18,411	478	18,889
Foreign currency translation adjustment	-	-	-	(2,256)	(2,256)	(7)	(2,263)
Dividends	-	-	(60,000)	-	(60,000)	(390)	(60,390)
U.S. GAAP Balance, December 31, 2019	$ 17	$ 124,562	$ 14,584	$ (27,143)	$ 112,020	$ 626	$ 112,646
Net income per US GAAP	-	-	(18,411)	-	(18,411)	-	(18,411)
Net income per Lux GAAP	-	-	16,492	-	16,492	-	16,492
Additional foreign currency translation adj - Lux GAAP	-	-	-	(5)	(5)	-	(5)
Lux GAAP Balance, December 31, 2019	$ 17	$ 124,562	$ (5,533)	$ (26,964)	$ 92,082	$ 626	$ 92,708
Net income per U.S. GAAP	$ -	$ -	$ 28,320	$ -	$ 28,320	$ 571	$ 28,891
Foreign currency translation adjustment	-	-	-	9,834	9,834	199	10,033
Acquisition	-	-	-	-	-	4,765	4,765
Dividends	-	-	-	-	-	(410)	(410)
U.S. GAAP Balance, December 31, 2020	$ 17	$ 124,562	$ 42,904	$ (17,309)	$ 150,174	$ 5,751	$ 155,925
LUX GAAP Adjustments							
Net income per U.S. GAAP	-	-	(28,320)	-	(28,320)	-	(28,320)
Net income per Lux GAAP	-	-	29,123	-	29,123	-	29,123
Additional foreign currency translation adj - Lux GAAP	-	-	-	(178)	(178)	-	(178)
Lux GAAP Balance, December 31, 2020	$ 17	$ 124,562	$ 23,590	$ (17,308)	$ 130,861	$ 5,751	$ 136,612

Note 20. Equity Reconciliation from U.S. GAAP to LUX GAAP (Continued)

Details of the adjustments to the consolidated statements of stockholders' equity:

Goodwill: In accordance with LUX GAAP and more specifically Article 59 of The Law, in exceptional cases where the useful life of goodwill cannot be reliably estimated, it shall be written off within a maximum period which shall not exceed 10 years. Such difference between LUX GAAP and U.S. GAAP was adjusted. As the useful life of most of the goodwill could not be estimated reliably, a 10 years period was adopted to amortize them retroactively.

Deferred Tax Assets (DTA): In accordance with LUX GAAP and more specifically the prudency principle, Deferred Tax Assets were reversed when the amount exceeded Deferred Tax Liabilities.

Unrealized foreign exchange gains: In accordance with the prudency principle under LUX GAAP, unrealized foreign exchange gains were reversed.