**PESQUERA EXALMAR S.A.A.**

**SEPARATE FINANCIAL STATEMENTS**
AS AT JUNE 30TH 2017 AND DECEMBER 31ST 2016

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INDEX Páginas



US$ = Dollar
S/ = Sol

**PESQUERA EXALMAR S.A.A.**

**FINANCIAL SITUATION STATEMENTS**

**ASSETS**

| | Note | As at June 30 2017 US$000 | As at December 31 2016 US$000 |
|---|---|---|---|
| **CURRENT ASSETS** | | | |
| Cash and Cash Equivalents | 6 | 3.132 | 6.743 |
| Trade Account Receivable (Net) | 7 | 15.624 | 2.295 |
| Inventories (Net) | 8 | 65.173 | 69.712 |
| Account Receivable form Related Entities | 9 | 2.634 | 2.146 |
| Other Accounts Receivable | 10 | 16.799 | 26.598 |
| Current Income Tax Asset | | - | 2.446 |
| **Total Current Assets** | | 103.362 | 109.940 |
| **NON CURRENT ASSETS** | | | |
| Other Account Receivables | 10 | 12.565 | 17.151 |
| Properties, Plant and Equipment (Net) | 11 | 212.330 | 216.530 |
| Intngible Assets (Net) | 12 | 116.833 | 114.556 |
| Goodwill | 13 | 88.719 | 88.719 |
| Other Assets | | 700 | 1.620 |
| **Total Non-Current Assets** | | 431.147 | 438.576 |
| **TOTAL ASSETS** | | 534.509 | 548.516 |

**LIABILITIES AND EQUITY**

| | Note | As at June 30 2017 US$000 | As at December 31 2016 US$000 |
|---|---|---|---|
| **CURRENT LIABILITIES** | | | |
| Short-Term Borrowings | 14 | 53.583 | 78.633 |
| Trade Account Payables | 15 | 25.202 | 35.243 |
| Account Payables from Related Entities | 9 | 26 | 22 |
| Other Liabilities | 15 | 12.441 | 8.407 |
| **Total Current Liabilities** | | 91.252 | 122.305 |
| **NON-CURRENT LIABILITIES** | | | |
| Long-Term Borrowings | 14 | 190.884 | 191.486 |
| Deferred Tax | 15 | 3.648 | 3.648 |
| Provisions | 16 | 17.707 | 11.793 |
| Total Non-Current Liabilities | | 212.239 | 206.927 |
| **Total Liabilities** | | 303.491 | 329.232 |
| **EQUITY** | 17 | | |
| Issued Capital | | 89.772 | 89.772 |
| Share Premium | | 69.721 | 69.721 |
| Revaluation surplus | | 25.885 | 25.885 |
| Other Capital Reserve | | 3.609 | 3.609 |
| Retained Earnings | | 42.031 | 30.297 |
| **Total Equity** | | 231.018 | 219.284 |
| **TOTAL EQUITY AND LIABILITIES** | | 534.509 | 548.516 |

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The accompanying notes on pages 7 to 52 are part of the financial statements.

**PESQUERA EXALMAR S.A.A.**

**FINANCIAL SITUATION STATEMENTS**

| | Note | As at June 30 2017 US$000 | 2016 US$000 |
|---|---|---|---|
| Net Revenues | 19 | 159.297 | 80.000 |
| Cost of Sales | 20 | (106.138) | (54.970) |
| Ban Expenses | 21 | (8.193) | (7.705) |
| GROSS PROFIT | | 44.966 | 17.325 |
| Sales Expenses | 22 | (9.724) | (4.141) |
| Administration Expenses | 23 | (4.386) | (3.908) |
| Other Income | 24 | 2.688 | 1.469 |
| Other Expenses | 24 | (1.390) | (2.494) |
| | | (12.812) | (9.074) |
| OPERATING INCOME | | 32.154 | 8.251 |
| Financial income | 25 | 31 | 21 |
| Financial expenses | 25 | (8.833) | (8.166) |
| Difference, net | 3-a-i | (386) | (84) |
| | | (9.188) | (8.229) |
| (Loss) income before income tax | | 22.966 | 22 |
| Income tax expense | 26 | (11.232) | (3.689) |
| (Loss) profit for the year | | 11.734 | (3.667) |
| Other comprehensive results: | | - | - |
| Full year results | | 11.734 | (3.667) |
| (Loss) basic and diluted earnings per share (In US dollars) | 27 | 0,040 | (0,012) |

The accompanying notes on pages 7 to 52 are part of the financial statements.

**PESQUERA EXALMAR S.A.A.**

**STATEMENT OF CHANGES IN EQUITY**
**FOR THE YEARS ENDED JUNE 30, 2017 AND DECEMBER 31, 2016**

| | Note | Share Capital<br>US$000 | Shares Premium<br>US$000 | Other Reserves<br>US$000 | Retained Earnings<br>US$000 | Total Equity<br>US$000 |
|---|---|---|---|---|---|---|
| Balances as of January 1, 2016 | | 89,772 | 69,721 | 28,392 | 55,021 | 242,906 |
| Full year results | | - | - | - | (24,724) | (24,724) |
| Revaluation surplus | 17 | - | - | 1,102 | - | 1,102 |
| Balances as of December 31, 2016 | | 89,772 | 69,721 | 29,494 | 30,297 | 219,284 |
| | | 89,772 | 69,721 | 29,494 | 30,297 | 219,284 |
| Full year results | | - | - | - | 11,734 | 11,734 |
| Balances as of June 30, 2017 | | 89,772 | 69,721 | 29,494 | 42,031 | 231,018 |

**PESQUERA EXALMAR S.A.A.**

**STATEMENT OF CASH FLOWS**

| | As at June 30 | |
|---|---|---|
| | **2017** | **2016** |
| | **US$000** | **US$000** |
| **OPERATING ACTIVITIES** | | |
| Collections to customers | 145.968 | 79.013 |
| Other cash receipts related to the activity | 2.290 | 1.798 |
| Payments to suppliers | (88.016) | (27.742) |
| Payments of remuneration | (17.884) | (9.965) |
| Tax payments | (1.678) | (921) |
| Other cash payments related to the activity | (5.433) | (4.076) |
| Cash generated by operating activities | 35.247 | 38.107 |
| | | |
| **INVESTMENT ACTIVITIES** | | |
| Collection by: | | |
| Sale of real estate, machinery and equipment | - | - |
| Payments to: | | |
| Purchase of real estate, machinery and equipment | (5.066) | (9.725) |
| Income from the sale of real estate, machinery and equipment | - | - |
| Purchase of intangible assets | (2.451) | (86) |
| Other cash payments related to the activity | - | (1.007) |
| Cash used in investing activities | (7.517) | (10.818) |
| | | |
| **FINANCING ACTIVITIES** | | |
| Increase in financial obligations | 116.500 | 67.813 |
| Payment of financial obligations | (147.841) | (79.567) |
| Cash applied to financing activities | (31.341) | (11.754) |
| | | |
| Net increase in cash and cash equivalents | (3.611) | 15.535 |
| Balance of cash and cash equivalent at the beginning of the year cash | 6.743 | 1.693 |
| Balance of cash and cash equivalent at the end of the period | 3.132 | 17.228 |
| | | |
| **CONCILIATION OF NET INCOME WITH CASH GENERATED BY (APPLIED TO) OPERATING ACTIVITIES** | | |
| Profit (Loss) for the period | 11.734 | (3.667) |
| Adjustments to net income that do not affect the cash flows of the Operating activities: | | |
| Depreciation | 9.292 | 9.694 |
| Amortization | 174 | 147 |
| Removals of real estate, machinery and equipment | 469 | 329 |
| Deferred income tax expense (income) | 5.914 | 3.688 |
| Difference in cash and cash equivalents | - | - |
| **Net changes in working capital:** | | |
| Trade accounts receivable | (13.329) | (987) |
| Accounts receivable from related entities | (488) | (460) |
| Inventories | 4.539 | 30.605 |
| Other accounts receivable | 17.430 | (15.121) |
| Commercial accounts payable | (9.720) | 12.994 |
| Accounts payable to related entities | 4 | 6 |
| Other accounts payable | 9.228 | 879 |
| | | |
| Net cash used by operating activities | 35.247 | 38.107 |
| | | |
| Transactions that do not affect cash flows: | | |
| Leasing of real estate, machinery and equipment | 494 | 2.057 |
| Financial leases of intangible assets - fishing licenses | - | - |
| Financial leases of intangible assets - fishing licenses | - | - |

The accompanying notes on pages 7 to 52 are part of the financial statements.

## 1 INFORMACION GENERAL

a) Constitution and economic activity -

Pesquera Exalmar S.A.A. (hereinafter “The Company”), is a subsidiary from Caleta de Oro Holding S.A., company domiciled in Panama, which owns 60.62% to the social capital shares. The Company was constituted in Peru on November 25, 1997. The Company’s legal domicile, where its administrative offices are, is Av. Victor Andres Belaunde 214, San Isidro - Lima, Peru.

The Company are mainly dedicated to the extraction, transformation, marketing and export of hydro-biological products for direct human consumption (DHC) and indirect human consumption (IHC), as well as the import of raw material for the activities of its line of business, wholesale purchase/sale of said products, their representation and other related activities, such as the production of fishmeal, fish oil and frozen products.

The Company operates 6 plants of fishmeal and fish oil production located along the Peruvian coastline (in the cities of Tambo de Mora, Chimbote, Chicama, Callao, Huacho and Paita in the regions of Ica, Ancash, La Libertad, Lima and Piura) and 2 frozen plants, dedicated to process hydro-biological products related to direct human consumption (DHC), located in the cities of Paita and Tambo de Mora. The Company, in a board meeting in June 2016, approved the temporary closure of the Paita frozen plant from that date until a consistent supply of raw material is achieved to allow adequate utilization of the plant's installed capacity, Using only the storage area of finished products for direct human consumption.

IHC Plants produces, through indirect drying systems (Steam Dried – SD), fishmeal from a variety of qualities, such as “Prime”, “Super Prime”, “Taiwan”, “Thai” and “Standard” and fish oil; while the DHC Plants produces frozen products.

As of June 30, 2017, the Company has 32 purse seine vessels with a total warehouse capacity of 8,782 M3, with a share in the North-Central region of 6.73% and in the South region of 4.64% (33 purse seiners Whose total warehouse capacity is 8,985 M3, with a share in the Center-North region of 6.67% and in the South region of 4.52% in 2016). During the period 2017 the Company dismantled 2 steel vessels and their respective fishing quotas transferred to the remaining operational vessels (10 vessels in 2016).

The Company currently operates 18 steel vessels and 5 wooden vessels, with an operational hold capacity of approximately 6,661 M3 of steel and 418 M3 of wood.

On December 18, 2016, the Company had the loss of a wooden vessel named "Maria Mercedes 2" for which the Company was indemnified by the corresponding insurance (Note 24-a).

b) Operating Regulation -

The industrial activities of the Company are mainly regulated by Decree Law Nº 25977 – General Fishing Law dated November 7, 1992 and its Regulation, Supreme Decree Nº 012-2001-PE dated March 13, 2001, Law Nº 28611 – General Law on Environment dated June 23, 2005 and Legislative Decree Nº 1084 – Law on Maximum Limits of Catch by Vessel dated June 28, 2008 and its Regulation, Supreme Decree Nº 021-2008-PRODUCE dated

December 12, 2008, which set the rules for the fishing activity with the purpose of promoting its sustainable development as a source of nourishment, employment and income and ensuring a responsible exploitation of the hydro-biological resources, optimizing the economic benefits, in harmony with the preservation of the environment and the conservation of biodiversity.

Likewise, it establishes the exigency to supervise the protection and preservation of the environment, demanding that the necessary measures be adopted to prevent and reduce the damages and contamination risks in the marine, land and atmospheric environment.

The administration and control of the fishing activity nationwide corresponds to the Ministry of Production, which sets forth during the year, based on the information provided by IMARPE, the biological bans of the fishing resources to preserve some marine species such as anchovy, white anchovy and hake. These bans are established during the reproductive stages of the corresponding species or when the annual extraction quota assigned is reached. The ban periods affect the operations of the Company since they limit the catch of marine species used in the production of fishmeal and fish oil.

The General Fishing Law establishes that the fishing permits (fishing licenses) are those specific rights that the Ministry of Production grants to engage in fishing activities. The fishing permits are granted in relation to each specific fishing vessel and, in accordance with the current legislation, have no defined term.

The above-mentioned legislation additionally establishes that in case the vessel suffers an accident the causes its total loss or scrapping, the owner of the vessel has the right to obtain an authorization from the Ministry of Production for the construction of another vessel of identical hold capacity. The legislation does not establish limitations for the exercise of this right regarding the construction characteristics of the new vessel and the deadlines for the construction.

On June 28 and December 12, 2008, the Law and Regulations on Maximum Catch Limits per Vessel (LMCE due to its initials in Spanish), were approved, respectively, which are in effect as of the first fishing season of 2009. The allocation of the LMCE was done based on the greater participation percentage in the annual national fishing and the authorized capacity in the fishing permit in a proportion of 60% and 40%, respectively, for the industrial fleet and only based on the best fishing year for the wooden vessels. The years considered for the determination of the greater percentage of each vessel were 2004 to 2007 inclusive. This rule establishes the possibility that the holders of fishing permits can execute Permanence Guarantee Covenants of the LMCE Regime with the Ministry of Production to guarantee the in-effect period of the regime up to 10 renewable years. This deadline expires in 2018.

The Company limited the extractive activities of the fishing resource in each fishing season up to the sum of the LMCE assigned to it, being able to use one or more of the vessels with fishing permit in force on the date of publication of the Law for the extraction Of the fishing resource that obtains the corresponding permit afterwards.

c) Operations -

i) Fishmeal and Fish Oil -

As of June 30, 2017, the Company had 97 days of production and 84 days of plant shutdown, considering the days of exploratory fishing (44 and 138 days of production and shutdown, respectively, as of June 30, 2016). Also, as of June 30, 2017, costs incurred in periods of non-production generated operating costs for the Company for US $ 8,193 thousand (US $ 7,705 thousand as of June 30, 2016).

As of June 30, 2017, the Company was allocated the following aliquot for anchovy extraction:

- In the Central - North region 6.73% (6.67% in 2016) of the total country quota ascending to 2.8 million MT during the first fishing season 2017 that began on April 26 and will culminate after reaching the Total Maximum Capture Limit Permissible from the North-Center Zone (1.8 million MT in the first fishing season 2016 that began on June 18 and ended July 27, 2016).

- In the South region 4.64% (4.52% in 2016) of the total country quota ascending to 0.515 million MT during the first fishing season 2017 that began on January 17 and culminated on June 30, 2017 (0.382 million MT In the first fishing season 2016 that began on January 30 and culminated on June 30, 2016).

- As of June 30, 2017, the Company processed 378,938 MT of anchovy (71,592 MT as of June 30, 2016) of which 194,157 MT were extracted with our fleet (41,294 MT as of June 30, 2016) and 184,781 MT were acquired Third parties (30,298 MT as of June 30, 2016).

- As of June 30, 2017, the Company's production reached 90,711 MT of SD fishmeal and 8,698 MT of fish oil (16,366 MT and 2,851 MT of fishmeal and fish oil respectively as of June 30, 2016).

- As of June 30, 2017, local sales represent 8% (12% in 2016) and export sales 92% (88% in 2016) of total sales of fishmeal and fish oil mainly.

ii) Direct Human Consumption –

| | **2017**<br>**TM** | **2016**<br>**TM** |
|---|---|---|
| Own Capture: | | |
| Mackerel | 8.646 | 116 |
| Third Party Raw Material: | | |
| Giant Squid (Pota) | 7.075 | 5.647 |
| Perico | 59 | 670 |
| Concha de Abanico | 66 | 19 |
| Others | - | 401 |

| | **2017**<br>**TM** | **2016**<br>**TM** |
|---|---|---|
| Producción: | | |
| Giant Squid (Pota) | 4.403 | 2.778 |
| Perico | 130 | 387 |
| Concha de Abanico | 69 | 19 |
| Others | 5 | 377 |

As of June 30, 2017, local sales represent 5% (16% in 2016) and export sales 95% (84% in 2016) of total frozen sales.

d) Environmental Regulation -

The General Fishing Law requires that an Environmental Impact Study be made before initiating any fishing activity.

According to Decree Law N° 25977 – General Fishing Law, Article 6 and its Regulation as per Supreme Decree N° 01-94-PE, for the protection and preservation of the environment, it is required and necessary measures be adopted to prevent and reduce pollution damages and risks to the land, sea and atmospheric environments.

The Company’s operations are carried out protecting public health and the environment and they comply with all the applicable regulations.

As of June 30, 2017, the Company has executed works in its different sites related to environmental protection in the amount of US $ 1,070 thousand (US $ 697 thousand in 2016), such as the installation of a water treatment and recovery system Solids, procurement of pumps and steam dryers. There are no liabilities for environmental obligations as of June 30, 2017.

e) Approval of the Financial Statements -

The financial statements as of June 30, 2017 have been issued with the authorization of the Company's Management. The financial statements as of December 31, 2016 were approved by the Annual General Meeting of Shareholders dated March 28, 2016.

## 2 SIGNIFICANT ACCOUNTING POLICIES

The main accounting policies applied in the preparation of the financial statements are detailed below. These policies have been applied uniformly in all years presented, unless otherwise noted.

### 2.1 Basis of preparation -

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards (hereinafter referred to as "IFRS"), issued by the International Accounting Standard Board (hereinafter "IASB") as of June 30, 2017, which International Financial Reporting Standards (IFRS), International Accounting Standards (IAS) and Interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC). Also, these financial statements include the investment in the company under joint control Corporación del Mar S.A. (CORMAR) measures under the equity method (Note 2.11).

The information contained in these financial statements is the responsibility of the Company's Board of Directors, which expressly confirms that all the principles and criteria set forth in the IFRS issued by the IASB in force at the end of the year have been applied.

The financial statements arise from the accounting records of the Company and the jointly controlled corporation Corporación del Mar S.A., have been prepared based on historical cost modified by land recognized at fair value (Note 11-d). The financial statements are presented in thousands of US dollars (US $ 000), except when a different monetary expression is indicated.

The preparation of the financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies.

Areas that involve a greater degree of judgment or complexity or areas in which assumptions and estimates are significant for the financial statements are described in Note 4.

## 2.2 Changes on Accounting Polices and Disclosures -

New norms and modification of norms adopted for the Company –

During the year 2016 certain IFRS and IFRIC came into force, however, they are not applicable to the Company's activities or have not had a significant impact on the financial statements.

New standards and amendments and interpretations in force for annual financial statements that begin on or after January 1, 2018 and have not been adopted in advance –

- IFRS 9, "Financial Instruments

  IFRS 9 addresses the classification, measurement and recognition of financial assets and liabilities. The full version of IFRS 9 was issued in July 2014 and retains, but simplifies, the mixed measurement model of the financial instruments of IAS 39 and establishes three categories for the measurement of financial assets: amortized cost, fair value at Through other comprehensive income and fair value through profit and loss.

  IFRS 9 addresses the classification, measurement and recognition of financial assets and liabilities. The full version of IFRS 9 was issued in July 2014 and retains, but simplifies, the mixed measurement model of financial instruments in IAS 39 and establishes three categories for the measurement of financial assets: amortized cost, fair value at Through other comprehensive results and fair value through profit and loss.

  IFRS 9 addresses the classification, measurement and recognition of financial assets and liabilities. The full version of IFRS 9 was issued in July 2014 and retains, but simplifies, the mixed measurement model of financial instruments in IAS 39 and establishes three categories for the measurement of financial assets: amortized cost, fair value at Through other comprehensive results and fair value through profit and loss.

  The basis for classification will depend on the entity's business model and the contractual characteristics of the cash flow of financial assets. The guidance in IAS 39 regarding the impairment of financial assets and hedging contracts continues to be applicable. For financial liabilities, there were no changes in classification and measurement, except for recognition of changes in own credit risk in Other Comprehensive Income, in the case of liabilities at fair value through profit and loss. IFRS 9 simplifies the requirements for determining the effectiveness of coverage.

  IFRS 9 requires an economic relationship between the hedged item and the hedging instrument and that the hedging ratio is the same as the entity uses for its risk management. The updated documentation is still required but is different from that required under IAS 39.
  The standard will be effective for annual periods beginning on January 1, 2018. Early adoption is permitted.

- IFRS 15, "Revenue from contracts with customers" -

  It establishes the principles for recognizing income and disclosing useful information to users of financial statements in relation to the nature, amount, timing, and uncertainty associated with income and cash flows arising from customer contracts.

  Revenue is recognized when a customer obtains control of a good or service and therefore has the ability to direct the use and obtain the benefits from such goods and services. This standard replaces IAS 18 Income and IAS 11 Construction Contracts and their interpretations. IFRS 15 will enter into force for annual periods beginning on or after 1 January 2018 and early application is permitted.

- IFRS 16, "Leases" -

  On January 13, 2016, IFRS 16, "Leases" (IFRS 16) was issued, replacing current lease agreements (IAS 17, "Leases" and IFRIC 4, "Contracts that could contain a lease "And other related interpretations). IFRS 16 proposes a new definition of leasing and a new accounting model that will substantially impact tenants.

  As a result of the new model, an entity will recognize in its statement of financial position at the commencement of the lease an asset representing its right to use the leased asset and a debt for the obligation to make future contractual payments.

  The assets and liabilities will be measured at the initial recognition by the present value of the minimum contract payments. With this change it is expected that a significant number of leases classified with the current rules as 'operating leases' will be reflected in the statement of financial position from the beginning of the lease.

  This new model applies to all contracts that qualify as leases with the exception of contracts with a term of less than 12 months (considering for such determination the evaluation of how likely the possibility of extension) and leases of minor goods.

  IFRS 16 is effective as of fiscal years beginning on January 1, 2019 and early adoption is permitted provided that IFRS 15 is also adopted in advance.

- IFRS 10 "Consolidated financial statements" and IAS 28 "Investments in associates and joint ventures", initiatives for changes in the sale or contribution of assets between an investor and its associate or joint venture -

  The IASB has made limited changes to IFRS 10 "Consolidated financial statements" and IAS 28 "Investments in associates and joint ventures".

  The modifications clarify the accounting treatment of sales or contributions of assets between an investor and its associates or joint ventures. They confirm that the accounting treatment depends on whether the non-monetary assets sold or contributed to an associate or joint venture constitute a "business" (as defined in IFRS 3 "Business Combinations").

  When non-monetary assets constitute a "business", the investor will recognize the total gain or loss on the sale or contribution of the asset. If the assets do not meet the definition of business, the gain or loss will be recognized by the investor only to the extent of the investor's participation in the associate or joint venture. Modifications are applied prospectively.

  The IASB has decided to defer the date of application of this amendment until the IASB completes its research project on the equity method.

  To date, Management is in the process of evaluating the impact of these standards in the preparation of its financial statements. Other IFRS or IFRIC interpretations that are not yet in force are not expected to have a material impact on the Company's financial statements.

### 2.3 Segment Information -

Information by operating segments is presented in a consistent manner with the internal reports provided to the operational decision maker. The operational decision maker, who is responsible for allocating resources and evaluating the performance of the operating segments, has been identified as the General Manager responsible for strategic decision making.

Management considers the business from a perspective by type of fishing activity: indirect human consumption and direct human consumption in the years 2017 and 2016. As the main segment, in terms of income and results of the Company, is the indirect human consumption, The other segment does not constitute a reportable segment. In this sense, Management has determined a single reportable operating segment. Management manages the resources of the business from a productive point of view.

Management evaluates the yield of fishmeal and fish oil on a consolidated basis. These products are sold in markets all over the world. Other products sold by the Company include other minor species for direct human consumption.

The General Manager evaluates the performance of the operating segment based on the measurement financial indicator adjusted EBITDA determined by Management that considers earnings before interest, tax, depreciation and amortization. This measurement basis, which is not regulated by accounting standards, excludes the effects of other income and expenses as non-recurring items of the operating segment, financial income and expenses and the difference in exchange.

A reconciliation of Adjusted EBITDA determined by Management to the pre-income loss comprises:

| | 2017 | 2016 |
|---|---|---|
| | **US$000** | **US$000** |
| Adjusted EBITDA | 40.322 | 19.117 |
| Depreciation (Note 11) | (9.292) | (9.694) |
| Amortization (Note 12) | (174) | (147) |
| Other income and expenses, net (Note 24) | 1.298 | (1.025) |
| Financial income and expenses, net (Note 25) | (8.802) | (8.145) |
| Net change (Note 3.1-a-i) | (386) | (84) |
| Profit before income tax | 22.966 | 22 |

### 2.4 Foreign Currency Translation -

Functional currency and presentation currency -

The items included in the Company's financial statements are expressed in US dollars which is the currency of the primary economic environment where the entity operates (functional currency). The financial statements are presented in US Dollars (US $), which is the functional currency and presentation currency of the Company.

Transactions and balances -

Transactions in foreign currency are translated to the functional currency using the exchange rates prevailing at the dates of the transactions or the valuation when the items are redeemed. The exchange rates used correspond to those published by the Superintendency of Banking, Insurance and AFP (Note 3).

Exchange gains and losses resulting from the collection and / or payment of such transactions and the translation of monetary assets and liabilities denominated in foreign currency at the exchange rate at the end of the period are recognized in the statement of comprehensive income The item difference in exchange, net.

### 2.5 Financial Assets -

Classification -

The Company classifies its financial assets into the following categories: financial assets at fair value through profit or loss, financial assets held to maturity, loans and accounts receivable and available-for-sale financial assets.
The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets as of the date of its initial recognition. As of June 30, 2017 and December 31, 2016, the Company only maintains loans and accounts receivable, the characteristics and treatment of which is as follows:
Loans and accounts receivable –

Loans and accounts receivable are non-derivative financial assets that give rise to fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those that mature more than 12 months from the date of the statement of financial position. The latter are classified as non-current assets. The Company's loans and receivables comprise cash and cash equivalents, trade accounts receivable, accounts receivable from related entities and other accounts receivable in the statement of financial position (Notes 2.8 and 2.9).

Loans and accounts receivable are initially recognized at fair value and are subsequently measured at amortized cost using the effective interest method less the impairment estimate (Note 2.7).

Commercial receivables are the amounts owed by customers for the sale of products in the ordinary course of business. Commercial receivables have an average collection of approximately 33 days. There are no significant amounts of sales that deviate from the usual credit conditions, which is why no financial component has been identified in product sales.

### 2.6 Compensation of Financial Instruments -

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to offset the amounts recognized and if there is an intention to liquidate them on a net basis or to realize the asset and pay the liability simultaneously. Products.

The legally enforceable right must not be contingent on future events and must be enforceable in the ordinary course of business and in some event of default or insolvency of the Company or the counterparty.

### 2.7 Impairment of financial assets -

Assets recorded at amortized cost -

The Company evaluates at the end of each period whether there is objective evidence of impairment of a financial asset or group of financial assets. If there is impairment of a financial asset or group of financial assets, the impairment loss is recognized only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and That the loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be estimated reliably.

Evidence of impairment may include indicators that debtors or group of debtors are experiencing financial difficulties, default or late payment of principal or interest on their debts, the likelihood of them falling into bankruptcy or other financial reorganization, and when Objectively observable information indicates that there has been a measurable decrease in the estimate of future cash flows, such as changes in past due balances or economic conditions that correlate with non-conformities.

For the category of loans and accounts receivable, the amount of the impairment loss is measured as the difference between the carrying amount of the assets and the present value of the estimated future cash flows (excluding future credit losses that are not Have incurred and considering the guarantees received from customers if applicable) discounted at the original effective interest rate of the financial asset. The carrying amount of the asset is reduced and the amount of the loss is recognized in the income statement.
If, in a subsequent period, the amount of the impairment loss decreases and that impairment is objectively related to an event that occurred after such impairment was recognized (such as an improvement in the debtor's credit ratio), the reversal of the impairment Impairment loss is recognized in the income statement.

**2.8 Cash and cash equivalents -**

In the cash flow statement prepared under the direct method, cash and cash equivalents include available cash, time deposits and demand deposits at banks with original maturities of three months or less.

**2.9 Accounts Receivables -**

Commercial receivables are the amounts owed by customers for the sale of fishmeal and fish oil and frozen in the normal course of business. If they are expected to be collected in a year or less they are classified as current assets.

Otherwise, they are presented as non-current assets. Commercial receivables are initially recognized at fair value and are subsequently measured at amortized cost using the effective interest method, less the impairment estimate (Note 2.7).

**2.10 Inventories -**

Inventories are recorded at cost or net realizable value, whichever is lower. Cost is determined using the weighted average cost method, except for inventories receivable, which is determined using the specific identification method. The cost of finished products and products comprises the costs of raw material, direct labor, and other indirect manufacturing costs, including costs incurred in periods of non-production (Note 4.2) (calculated on the basis of a capacity of Normal operation), including also those incurred in moving the inventories to their current location and conditions.

The net realizable value is the estimated selling price in the normal course of operations, less estimated costs to put the inventories in condition of sale and to carry out their commercialization. Due to the reductions in the book value of the inventories at their net realizable value, an estimate for devaluation of inventories is made against the results of the year.

The estimate for obsolescence of materials and spare parts in warehouse is determined on the basis of slow rotation items.

**2.11 Joint Ventures -**

The Company applies IFRS 11 to all of its joint agreements and after analyzing the nature of the agreements it has determined to be jointly controlled businesses.

The Company holds a 50% interest in Corporación del Mar S.A., which is a jointly controlled entity through an agreement signed by the Company with Austral Group S.A.A. The accounting policies of the jointly controlled business, if necessary, have been modified to ensure consistency with the policies adopted by the Company.

The value of the Company's investment in jointly-controlled businesses is recognized by the equity method in the financial statements and is recognized at cost in the separate financial statements as required by IFRS 11 and IAS 27, respectively. As of June 30, 2017 and December 31, 2016, the value of said investment recognized by the equity method is zero.

Dividends are recognized in results when their right to receive them is established.

**2.12 Property, plants and equipment -**

Real estate (except land), fishing vessels, fleet equipment and machinery and equipment are presented at historical cost less accumulated depreciation and impairment of their carrying amount. Land is presented at fair value. The historical cost of an item of property, machinery and equipment comprises its purchase price and includes the disbursements directly attributable to the acquisition or construction required to place the asset in its location and conditions necessary for it to be able to operate as expected .

Subsequent costs are included in the carrying amount of the asset or recognized as a separate asset, as applicable, only when it is probable that it is expected to generate future economic benefits for the Company, and the cost of these assets can reasonably be measured.

Expenses incurred to replace a component of a line item or item of property, plant and equipment are capitalized separately and the carrying amount of the component being replaced is written off. Other disbursements for maintenance and repair are charged to the income statement during the financial period in which they are incurred.

Land is not depreciated. Depreciation of other fixed assets is calculated using the straight-line method to allocate its cost less its residual value in the estimated useful life as follows:

| | **Years** |
|---|---:|
| Buildings and other constructions | 33 |
| Vessels | 2 - 29 |
| Machinery and equipment | 2 - 35 |
| Transportation Units | 5 |
| Furniture and fixtures | 10 |
| Computer and miscellaneous equipment | 5 - 10 |

The residual values and the useful life of the assets are reviewed and adjusted, if necessary, at the date of each statement of financial position. Any changes in these estimates are adjusted prospectively.

The carrying amount of an asset is immediately written off at its recoverable value if the carrying amount of the asset is greater than its estimated recoverable value (Note 2.15).

Gains and losses arising from the sale or withdrawal of an item of property, plant and equipment correspond to the difference between the sale price and its carrying amounts and are recognized in Other income and Other expenses in the statement of comprehensive income.

The losses of a consignment of real estate, machinery and equipment will occur when no future economic benefits are expected to be derived from its use or disposal.

## 2.13 Intangible Assets -

Computer programs -

Costs associated with the maintenance of software programs are recognized as expenses when incurred. Development costs that are directly attributable to the design and testing of unique and identifiable computer programs controlled by the Company are recognized as intangible assets when they meet the following criteria:

- Technically it is possible to complete the computer program so that it can be used;
- Management intends to terminate the computer program and to use or sell it;
- Have the ability to use or sell the computer program;
- It can be shown that the computer program is likely to generate future economic benefits;
- Have the technical, financial and other resources necessary to complete the development of the computer program that allows its use or sale; and
- The expenditure attributable to the computer program during its development can be measured reliably.

Costs directly attributable to cost include: development of computer programs, employee costs, and a portion of relevant indirect costs. Other development costs that do not meet these criteria are recognized in results as incurred. Development costs previously recognized in income are not recognized as an asset in subsequent periods.

Computer software licenses acquired are capitalized on the basis of the costs incurred to acquire and put into use the specific computer program. These costs are amortized in a straight line over their estimated useful lives not exceeding 10 years.

Fishing licenses -

The cost of fishing licenses for anchovy fishing was primarily determined using the cost of acquisition, which represents the estimate of its fair value calculated by independent appraisers. Fishing licenses acquired through a business combination are shown at fair value at the acquisition date determined by independent appraisers. Fishing licenses are intangible assets with indefinite useful lives; Consequently they are not amortized and recognized at cost. The book values of the fishing licenses are reviewed at the date of each closure to determine if there is any deterioration. If the fair value of the licenses is estimated to be less than their corresponding carrying amount, they are written off at fair value (Note 2.15).

## 2.14 Goodwill -

Goodwill represents the excess of the cost of acquisition over the fair value of the Company's interest in the identifiable net assets, liabilities and contingent liabilities of the subsidiary acquired at the acquisition date. The carrying amount of goodwill is tested annually for impairment and is shown at cost less accumulated impairment losses. The gain or loss on the sale of subsidiaries includes the carrying amount of the goodwill related to it.

For impairment testing purposes, goodwill is allocated to Cash Generating Units (hereinafter UGEs). The distribution is made to those CGUs or group of CGUs that are expected to benefit from the business combination in which the goodwill originated, identified in accordance with the operating segments.

Revisions are made to the deterioration of goodwill annually or more frequently when events occur or changes in circumstances that indicate a potential deterioration in value. The book value of the CGU, which contains goodwill, is compared to its recoverable value, which is the higher of its value in use and its fair value less costs to sell. Any impairment is recognized as an expense and its subsequent reversal is not possible.

**2.15 Impairment of non-financial assets -**

Assets that have an indefinite useful life, such as goodwill and fishing licenses, are not subject to depreciation and are subject to annual impairment tests. Assets subject to depreciation or amortization are tested for impairment when events or circumstances occur that indicate that their carrying amount may not be recoverable. Impairment losses correspond to the amount in which the carrying amount of the asset exceeds its recoverable value.
The recoverable value of the assets corresponds to the higher of the net amount that would be obtained from its sale or its value in use. For the purposes of the impairment assessment, the assets are grouped at the lower levels in which they generate identifiable cash flows (Cash Generating Units). Book balances of non-financial assets other than goodwill that have been reduced by impairment are reviewed at each reporting date to verify whether there have been reversals of impairment at the reporting date.

If the carrying amount of an asset or cash generating unit exceeds its recoverable amount, a provision is recognized in profit or loss to adjust the asset to its recoverable value. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

**2.16 Financial Liabilities -**

The Company classifies its financial liabilities in the following categories: Financial liabilities at fair value through profit or loss and Other financial liabilities. The classification depends on the purpose for which the liabilities were assumed and how they are managed. Management determines the classification of its financial liabilities at the date of its initial recognition.

As of June 30, 2017 and December 31, 2016, liabilities under the category of Other financial liabilities correspond substantially to bank obligations and to commercial accounts payable whose characteristics and treatment are as follows:

Financial obligations -

The financial obligations are initially recognized at their fair value, net of the costs incurred in the transaction. These obligations are subsequently recorded at amortized cost; Any difference between the funds received (net of transaction costs) and the redemption value is recognized in the income statement during the period of the loan using the effective interest method.

Commissions incurred in obtaining credit are recognized as transaction costs to the extent that it is probable that some or all of the loan will be received. In this case the commissions are deferred until the loan is received. To the extent that there is no evidence that a part or all of the loan is likely to be received, commissions are capitalized as service payments to obtain liquidity and amortized over the life of the credit line.

Financial obligations are classified in current liabilities unless the Company has an unconditional right to defer payment of the obligation for at least 12 months as from the date of the statement of financial position.

Commercial accounts payable -

Commercial accounts payable are payment obligations for goods or services received from suppliers in the normal course of business. Accounts payable are classified as current liabilities if the payment is to be made within one year or less, otherwise they are presented as non-current liabilities.

Accounts payable are initially recognized at fair value and subsequently, to the extent that the effect of their discount to their present value is significant, are remitted to the amortized cost using the effective interest method, otherwise they are shown to their value nominal.

**2.17 Provisions -**

Provisions are recognized when: i) the Company has a present legal or assumed obligation, resulting from past events; Ii) is likely to require the outflow of resources to pay the obligation; And iii) the amount can be estimated reliably. Provisions are not recognized for future operating losses.

Provisions are measured at the present value of the disbursements that are expected to be required to cancel the obligation using an interest rate pre-tax that reflects the current market conditions on the value of the money and the specific risks for that obligation.

**2.18 Leases -**

Leases in which a significant portion of the property-related risks and rewards are retained by the lessor are classified as operating leases. Payments made under an operating lease are charged to the statement of comprehensive income on the straight-line method over the lease period.

Leases of property, plant and equipment in which the Company substantially assumes all risks and rewards of its property are classified as financial leases. Financial leases are capitalized at the inception of the lease at the lower of the fair value of the leased asset and the present value of the minimum lease payments.

Cada cuota de arrendamiento se distribuye entre el pasivo y el cargo financiero. La obligación por cuotas de arrendamiento correspondientes, neto de cargos financieros, se incluye en otras cuentas por pagar a largo plazo.

The interest element of the financial cost is charged to the statement of comprehensive income in the period of the lease so as to obtain a constant periodic interest rate on the balance of the liability for each period. Property, machinery and equipment acquired through finance leases are depreciated on a systematic basis over the expected period of use consistent with the policy of depreciation that the lessee has adopted with respect to the other depreciable assets held.

In case there is reasonable certainty that the lessee will obtain the property at the end of the lease term, the expected period of use will be the useful life of the asset; In another case, the asset will depreciate in the shorter period that results from comparing the useful life of the asset and the period of the lease.

### 2.19 Deferred tax liabilities -

The income tax for the period comprises the current and deferred income tax. Income tax is recognized in the income statement, except to the extent that it relates to items recognized as Other comprehensive income or directly in equity. In this case, the income tax is also recognized in Other deferred tax liability results, either in full or directly in equity, respectively

Current income tax is calculated on the basis of tax laws enacted or substantially promulgated at the date of the statement of financial position. Management periodically evaluates the position taken in the affidavits of taxes regarding situations in which the tax laws are object of interpretation. The Company, when applicable, makes provisions on the amounts it expects to pay to the tax authorities.

Deferred income tax is recorded in full by the liability method, recognizing the effect of temporary differences arising between the tax base of assets and liabilities and their respective balances shown in the financial statements.

However, the deferred income tax arising from the initial recognition of goodwill; Or if they arise from the initial recognition of an asset or liability in a transaction other than a business combination that at the date of the transaction does not affect the accounting or taxable profit or loss, is not accounted for. Deferred tax is determined using the tax rate (and legislation) in force or substantially in effect at the date of the statement of financial position and is expected to be applicable when the deferred tax is realized or the deferred tax is paid.

Deferred tax assets are recognized only to the extent that future tax benefits are likely to occur against which temporary differences may be used.

### 2.20 Employee Benefits -

Holiday break. -

Annual staff leave and other paid absences are recognized on an accrual basis. The provision for the estimated annual leave of staff, which is calculated on the basis of a remuneration for every twelve months of services provided by employees, is recognized on the date of the statement of financial position.

The Company does not provide post-employment benefits and does not operate a stock-based compensation plan.

Compensation for length of service -

The compensation for time of service of the Company's personnel corresponds to its indemnification rights calculated in accordance with current legislation which must be deposited in the bank accounts designated by the workers in the months of May and November of each year. The compensation for time of services of the personnel is equivalent to average monthly remuneration in force at the date of their deposit. The Company has no additional payment obligations once it makes the annual deposits of the funds to which the worker is entitled

Rewards -

The Company recognizes a liability and an expense for gratuities to the workers based on the legal provisions in force in Peru. The rewards correspond to two annual salaries paid in July and December of each year.

Profit Sharing -

The Company recognizes a liability and an expense for employee participation in the Company's profits based on the legal provisions in force. The participation of workers in profits equals 10% to the taxable matter determined in accordance with the legislation of the current income tax. The Company recognizes the participation of the workers as cost of production or administrative expenses depending on the function of the employees.

**2.21 Issued capital -**

Common shares are classified in equity when there is no obligation to transfer cash or other assets.

Incremental costs directly attributable to the issuance of new shares or options are shown in equity as a deduction from the amount received, net of taxes.

Own equity instruments that are re-acquired (treasury shares) are recognized at cost and are deducted from equity. No gain or loss is recognized in the income statement resulting from the purchase, sale, issue or amortization of the Company's own equity instruments.

These own shares may be acquired and held by the entity or by other members of the consolidated group. The consideration paid or received will be recognized directly in equity.

**2.22 Contingent liabilities and assets -**

Contingent liabilities are not recognized in the financial statements, are disclosed only in a note to the financial statements, unless the possibility of the use of resources is remote. Contingent assets are not recognized in the financial statements and are disclosed only when it is probable that there will be an inflow of resources.

**2.23 Income recognition -**

Revenues are recognized at the fair value of the consideration collected or receivable for sales of goods and services made in the normal course of business of the Company. Revenues are shown net of sales taxes, returns, rebates and discounts.

The Company recognizes its income when it can be reliably measured, it is probable that future economic benefits will flow to the entity and when the transaction meets specific criteria for each of the Company's activities, as described below.

Sale of fishmeal and fish oil and other products -

The sale of products derived from fishing and other products are recognized when all of the following conditions are met:

- The Company has transferred to the buyer the significant risks and benefits derived from the ownership of the assets;
- The Company does not retain any involvement in the current management of the goods sold, in the degree usually associated with the property, nor does it retain effective control over them;
- The amount of income can be measured reliably;
- The Company is likely to receive the economic benefits associated with the transaction; and
- Costs incurred, or to be incurred, in relation to the transaction can be measured reliably.

Interests -

Interest income is recognized on the basis of the proportion of time elapsed, using the effective interest method. Interest income from impaired loans and placements is recognized using the original effective rate of the instrument.

### 2.24 Recognition of costs and expenses -

The cost of sales of the products is recognized in results on the date the products are delivered, simultaneously with the recognition of revenues from their sale. Other costs and expenses are recognized on an accrual basis regardless of when they are paid and, if applicable, in the same period in which the revenues to which they relate are recognized.

### 2.25 Distribution of dividends -

The distribution of dividends to shareholders of the Company is recognized as a liability in the financial statements in the period in which the dividends are approved by the General Shareholders' Meeting.

## 3 ADMINISTRATION OF FINANCIAL RISKS

### 3.1 Financial Risk Factors -

The Company's activities expose it to a variety of financial risks: market risks (including exchange rate risk, fair value interest rate risk, interest rate risk on cash flows and price risk) , Credit risk and liquidity risk. The Company's overall risk management program focuses primarily on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

Financial Management is responsible for general risk management in specific areas, such as exchange rate risk, fair value interest rate risk, credit risk and liquidity risk.
The Financial Management identifies, evaluates and covers financial risks in close coordination with the Company's operating units. The main financial risks to which the Company is exposed are as follows:

a) Market Risks -

i) Exchange rate risk -

The Company is exposed to the risk of exchange rate fluctuations in those items that are held in currencies other than US dollars, mainly from the Sun. Domestic and foreign sales of the Company are denominated and settled mainly in US dollars. Exchange rate risks arise from transactions with suppliers and the financial indebtedness that are agreed upon in Soles. Management periodically evaluates the impact of this effect on the Company.

The Company does not have a specific policy regarding future foreign currency contracts to hedge foreign currency exposure. In 2017 and 2016, the Company does not maintain any future foreign currency contract in effect at the date of the financial statements.

The balances in foreign currency (S /) as of June 30, 2017 and December 31, 2016 were as follows:

| | 2017 | 2016 |
|---|---|---|
| | S/.000 | S/.000 |
| **Assets:** | | |
| Cash and cash equivalents | 2.343 | 4.138 |
| Trade accounts receivable | 2.278 | 1.450 |
| Accounts receivable from related entities | 7.660 | 6.315 |
| Other accounts receivable | 1.021 | 53.387 |
| | 13.303 | 65.290 |
| **Liabilities:** | | |
| Financial obligations | 1 | - |
| Commercial accounts payable | 40.685 | 49.766 |
| Accounts payable to related entities | 81 | 75 |
| Other accounts payable | 43.939 | 27.562 |
| | 84.705 | 77.403 |
| **Liabilities, net** | (71.402) | (12.113) |

As of June 30, 2017, the exchange rates used by the Company to translate foreign currency balances have been US $ 0.307 per S / 1 for assets and liabilities (US $ 0.298 per S / 1 for assets and liabilities in 2016).

As of June 30, 2017, the Company recorded a net loss of US $ 386 thousand (loss in net exchange for US $ 84 thousand in 2016), net of which is included in the difference item, net, in the statement of income Comprehensive. The difference in exchange is mainly generated from other accounts receivable by ratings and other fishing vessels, commercial accounts payable and other accounts payable maintained in Soles.

ii) Price risk -

The Company is exposed to a price risk arising from changes in the selling prices of fishmeal and fish oil, which are determined in an international market subject to changes based on the world economy.

iii) Interest rate risk on fair value and cash flows -

The interest rate risk for the Company arises from its financial obligations. Indebtedness at variable rates exposes the Company to interest rate risk on its cash flows. Fixed rate debt exposes the Company to the interest rate risk on the fair value of its liabilities.

The Company's policy is to maintain financing primarily at fixed interest rates. Management assumes the interest rate risk on the fair value of its liabilities (Note 14).

b) Credit risk -

Management believes that the Company does not have significant credit risk on commercial accounts receivable from third parties, ratings to fishing vessel owners and related entities because there have been no significant problems of uncollectibility. Regarding the other accounts receivable for the qualifications of fishing vessel owners, Management evaluates case by case and considers it necessary to obtain guarantees on vessels, properties and other assets in order to cover the account receivable.

The Company places its surpluses of liquidity in prestigious financial institutions, establishes conservative credit policies and constantly evaluates the existing conditions in the market in which it operates. Consequently, Management does not expect the Company to incur significant losses on the performance of the counterparties.

c) Liquidity risk -

The Finance Management makes cash flow projections on a periodic basis to determine the Company's liquidity requirements to ensure sufficient cash for the maintenance of operations. In this regard, the Company has sufficient lines of credit in banks and financial institutions to finance working capital requirements, including a working capital line committed for US $ 20 million and all credit facilities in banks for a capital of Work for approximately US $ 183 million. These projections take into consideration the Company's operating and investment plans and the fulfillment of the financial ratios objectives of the statement of financial position.

Cash surpluses and balances above those required for the management of working capital are invested mainly in time deposits.

The following table shows an analysis of the non-derivative financial liabilities of the Company, which have been classified in maturity groups, based on the period between the date of the statement of financial position and the dates of their contractual maturities.

The amounts presented in the table correspond to the cash flows including interest that will accrue during the remaining contractual period and, in the case of liabilities with variable interest rates, the flows have been estimated applying the existing interest rate to date Of the statement of financial position.

| | Less than 1 year | Between 1 and 2 years | Between 2 and 3 years | Between 3 and 4 years | Total |
|---|---|---|---|---|---|
| | US$000 | US$000 | US$000 | US$000 | US$000 |
| **As of June 30, 2017** | | | | | |
| Financial obligations | 48,388 | 19,549 | 18,939 | 196,874 | 283,750 |
| Commercial accounts payable | 25,202 | - | - | - | 25,202 |
| Accounts payable to related entities | 26 | - | - | - | 26 |
| Other accounts payable | 12,441 | - | - | - | 12,441 |
| Total | 86,057 | 19,549 | 18,939 | 196,874 | 321,419 |
| **As of December 31, 2016** | | | | | |
| Financial obligations | 78,757 | 19,570 | 19,033 | 188,276 | 305,636 |
| Commercial accounts payable | 35,243 | - | - | - | 35,243 |
| Accounts payable to related entities | 22 | - | - | - | 22 |
| Other accounts payable | 8,407 | - | - | - | 8,407 |
| Total | 122,429 | 19,570 | 19,033 | 188,276 | 349,308 |

The Company, in compliance with its contractual obligations, has made short-term financing at local banks for US $ 41,534 thousand (Note 14), for working capital required for the first production season 2017, which will be sold in the coming months of 2017. The intensive working capital requirement due to the nature of the fishing activity in which the production stages are concentrated in two seasons of approximately 2.5 months each has generated the Company's positive working capital in the statement of financial position at 30 Of June of 2017 of US $ 12,110 thousand (working capital negative US $ 12,365 thousand in 2016). The Company's short-term obligations are covered by accounts receivable, fish and fish oil inventories (Note 8). On the other hand, of the total financial obligations, there are US $ 7,500 thousand maturing in November 2017 with Which ensures an adequate management of the Company's liquidity.

### 3.2 Risk management of the capital structure -

The Company's objectives in managing capital are to safeguard its ability to continue as a going concern with the purpose of generating returns to its shareholders, benefits to other interest groups and maintaining an Optima capital structure. To maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell or reduce debt.

The Company monitors its capital based on the leverage ratio. This ratio is calculated by dividing the net debt by the total capital. Net debt corresponds to total indebtedness (including current and non-current debt as shown in the statement of financial position) less cash and cash equivalents. The total capital corresponds to equity as shown in the statement of financial position plus net debt.

The Finance Department considers that the cost of capital and the risk associated with each class of capital are adequate as of June 30, 2017 and December 31, 2016. The December leverage ratios were as follows:

| | 2017 | 2016 |
|---|---|---|
| | US$000 | US$000 |
| Total financial obligations (Note 14) | 244.467 | 270.119 |
| Less: Cash and cash equivalents (Note 6) | (3.132) | (6.743) |
| Net debt (A) | 241.335 | 263.376 |
| Total Equity | 231.018 | 219.284 |
| Total capital (B) | 472.353 | 482.660 |
| Leverage Ratio (%): (A) / (B) | 0,51 | 0,55 |

### 3.3 Estimation of fair value of financial instruments: -

The carrying amount less the impairment estimate of accounts receivable and accounts payable does not differ significantly from their fair values. The fair value of the financial liabilities for the purposes of the exposure is determined by estimating the future contractual cash flows, discounted at market interest rates and available for similar financial instruments of the Company (Note 14-f).

For the classification of the type of valuation used by the Company of financial instruments at fair value, the following measurement levels have been established:

- Level 1: Quoted market prices are used for identical assets or liabilities.
- Level 2: Information on the asset or liability other than quoted values (Level 1) is used but can be confirmed, either directly (eg prices) or indirectly (eg from prices).
- Level 3: Information on the asset or liability is used that is not based on data that can be confirmed in the market (ie, unobservable information).

Although Management has used its best judgment in estimating the fair values of its financial instruments, any technique to make such an estimate carries with it a certain level of inherent fragility. As a result, the fair value is not indicative of the net realization or settlement value of the financial instruments.

Land is measured at the revalued value resulting from technical appraisals by independent experts, which are based on market values at the date of the financial statements (Level 2).

## 4 ESTIMATES AND CRITICAL ACCOUNTING CRITERIA

The estimates and criteria used are continuously evaluated and are based on historical experience and other factors, including the expected occurrence of future events that are considered reasonable under the circumstances.

### 4.1 Critical Accounting Estimates and Criteria -

The Company makes estimates and assumptions about the future. The resulting accounting estimates will very rarely be the same as actual results. The Company's Management does not expect any variations, if any, to have a material effect on the financial statements.

Estimates and assumptions that have a significant risk of causing a material adjustment to the balances of assets and liabilities in the next year are presented below.

a) Estimated on the impairment of goodwill, intangibles and real estate machinery and equipment

The Company applies the guidelines set forth in IAS 36 'Impairment of Assets' to determine annually whether its permanent assets require a provision for impairment in accordance with the accounting policy indicated in Notes 2.14 and 2.15. This determination requires the use of professional judgment by the Management to analyze the indicators that could indicate deterioration as well as in the determination of the value in use. In the latter case, the variables and assumptions that determine the future cash flows are supported by projections of the operations and the discount rate to be applied.

As a result of this process, the Company concluded that no provision is required for impairment.

The recoverable amount of a cash-generating unit (hereinafter CGU) is determined on the basis of its fair value less costs to sell. These calculations require the use of estimates. The Company has evaluated and concluded that it has three CGUs, which are:

- Ships (Fleet)
- Indirect Human Consumption Plants (CHI)
- Direct Human Consumption Plants (CHD)

In Management's opinion, the main critical assumptions used in the model to determine fair value less costs to sell the CGUs are as follows:

Prices: For boats, the model assumes as raw material cost 18% of the value of fishmeal. For plants, the model uses the average prices of fishmeal and fish oil of US $ 1,448 / MT and US $ 1,474 / MT, respectively. Management expects prices to be stable and increase consistently according to market expectations and demand.

LMCE - Total Fee: The Company has an anchovy extraction quota of 6.67% of the total biomass determined by the Institute of the Peruvian Sea (IMARPE) based on the Law and Regulation on Maximum Limits of Capture by Vessel (LMCE) . To this quota is added the participation of third parties (5.50%), reaching a total of 12.11% of participation. The Company's total quota for 2016 (first and second season) amounts to 3,800,000. CHI and CHD plants process under normal capacity.

Discount Rate (WACC): The model uses a pre-tax interest rate of 7.85% not adjusted for inflation.

Others -

Costs: For ships, the costs of extraction, such as operating and maintenance costs, are considered. Costs incurred in periods of non-production are kept stable over time only for inflation. Extraction costs are based on the budgeted costs prepared by Management. For plants, production costs are considered where the model assumes that the total raw material comprises what the Company's vessels fished and sold to its plants at market prices.

In order to generate a deterioration, the following variables should vary as follows, keeping the other variables constant:

- The WACC discount rate should have been greater than 12% for Fleet EGU, 12.65% for UGE Plants CHI and 18% for CHD Plants UGE.
- The total allocated quota should be 2,750,000 MT for the Fleet UGE, 3,000,000 MT for the CHI Plant. For the CHD Plant, a minimum allocation has been calculated for each type of product (horse mackerel, mackerel, squid, small and large parrot), obtaining a quota of 24,858 MT.
- The minimum price should be US $ 1,125 / MT for flour and US $ 1,474 / MT for Fleet UGE oil, US $ 1,100 / TM for flour and US $ 1,834 / MT for CHI UGE oil. For the CHD Plant, a minimum allocation has been calculated for each type of product, as follows: Horse mackerel and mackerel for US $ 942 / TM, Pota for US $ 1,834 / TM, Nice for US $ 1,200TM and Small and large perico for US $ 8.235 / TM .

The evaluation of the fair value of the Paita Plant that is in temporary closure condition, until a consistent supply of raw material is obtained that allows an adequate utilization of the installed capacity, was made based on the valuation of the good in charge Of an independent appraiser minus the selling expenses.

Notwithstanding the foregoing, Management determined that the budgeted costs based on past performance and market expectations are in accordance with the conditions of the LMCE law. Therefore, the generation of future economic benefits for the Company is supported by the increase in volumes of capture and production.

b) Useful life and recoverable value of real estate, machinery and equipment –

The depreciation of fixed assets is calculated by the straight-line method to allocate its cost less its residual value in the estimated useful life. This results in charges for depreciation and / or amortization proportional to the estimated wear and tear of assets measured in number of years. The useful life of the assets is evaluated on the basis of: i) the physical limitations of the asset, and ii) the assessment of the demand. These calculations require estimates and assumptions about the total demand for the Company's production and the capital expenditures that will be required in the future.

c) Income tax –

The determination of tax obligations and expenses requires interpretations to the applicable tax legislation. The Company seeks professional advice in tax matters before making any decisions on tax matters. Even if management believes that its estimates are prudent and appropriate, differences in interpretation may arise with the tax administration that may affect future tax charges. The Company recognizes liabilities for observations in tax audits when the payment of additional taxes corresponds, the differences are impacted by current and deferred tax assets and liabilities in the period in which this fact is determined.

### 4.2 Critical judgments in the application of accounting policies -

Functional currency and presentation currency -

The functional currency of the Company is determined by the currency of the primary economic environment in which it carries out its operations. For the determination of the functional currency, Management uses its criteria to evaluate the nature of the Company's operations taking into account certain primary indicators established in IAS 21 that include the currency that influences the sales prices and the cost of services , As well as the currency of the country whose competitive forces and regulations mainly determine its sales prices.

In addition, Management has used its judgment to determine the functional currency, taking into account some of the secondary factors contemplated in IAS 21 and concluded that the US dollar is the currency that faithfully represents the economic substance of its business and transactions. sale.

Allocation of costs incurred in periods of non-production to inventories -

Management believes that the Company's production period corresponds to the calendar year, regardless of the closure periods imposed by the Peruvian fishing authorities.
In this regard, Management understands that the Company's annual production costs comprise all expenses incurred in the calendar year.

Consequently, costs incurred in periods of non-production during the year are allocated to the cost of inventories or are recognized against the results of the year in which they are incurred on the basis of the actual normal operating capacity of each year, which includes The respective quota allocated to the Company by the regulator in Peru. As of June 30, 2017, costs incurred in periods of non-production of US $ 8,193 thousand are recognized as expenses for the period in the statement of comprehensive income (US $ 7,705 thousand in 2016) (Note 20).

## 5 FINANCIAL INSTRUMENTS BY CATEGORY

The classification of financial instruments by category is as follows:

| | 2017<br>US$000 | 2016<br>US$000 |
|---|---|---|
| **Financial assets:** | | |
| Cash and cash equivalents | 3.132 | 6.743 |
| Trade accounts receivable | 15.624 | 2.295 |
| Other accounts receivable, net (*) | 21.870 | 34.370 |
| Accounts receivable from related entities | 2.634 | 2.146 |
| Total | 43.260 | 45.554 |
| **Financial liabilities:** | | |
| Financial obligations | 244.467 | 270.119 |
| Commercial accounts payable | 25.202 | 35.243 |
| Other accounts payable | 12.441 | 8.407 |
| Accounts receivable from related entities | 26 | 22 |
| Total | 282.136 | 313.791 |

(*) Does not include social contributions, prepaid expenses and taxes.

## 6 CASH AND CASH EQUIVALENTS

This item comprises:

| | 2017<br>US$000 | 2016<br>US$000 |
|---|---|---|
| Cash Available | 2.232 | 5.843 |
| Deposits | 900 | 900 |
| Total | 3.132 | 6.743 |

As of June 30, 2017, current accounts are denominated in Soles and US Dollars for S / 2,207 thousand and US $ 2,453 thousand, respectively (S / 4,138 thousand and US $ 5,510 thousand, respectively in 2016). These amounts are kept at local banks and are freely available.

As of June 30, 2017, the term deposit is denominated in US Dollars for US $ 900 (US $ 900 thousand in 2016), correspond to funds held in local banks, which bear interest at an effective annual rate of 0.25% , With maturity in September 2017.

## 7 ACCOUNTS RECEIVABLE

This item comprises:

| | 2017<br>US$000 | 2016<br>US$000 |
|---|---|---|
| Invoices receivable | 15.642 | 2.313 |
| Estimation of doubtful accounts | (18) | (18) |
| Total | 15.624 | 2.295 |

The carrying amounts of these trade receivables are similar to their fair values due to their short-term maturities. Commercial accounts receivable are denominated in US dollars, have a current maturity and do not accrue interest.

The carrying amounts of these trade receivables are similar to their fair values due to their short-term maturities. Commercial accounts receivable are denominated in US dollars, have a current maturity and do not accrue interest.

As of June 30, 2017, approximately 87% of commercial accounts receivable from foreign customers are with letters of credit payable on demand and 13% are subject to bank collections in the form of cash against delivery of export documents (' Cash Against Documents' (approximately 80% and 20% in 2016).

The Company assesses the credit limits of its new customers through an internal analysis of its credit experience, and assigns credit limits per customer. These credit limits are reviewed twice a year. 99% (89% in 2016) of trade accounts receivable corresponds to customers with balances not yet due and for which no impairment losses are estimated given the credit experience with them. 76% (77% in 2016) of commercial accounts receivable is concentrated in fourteen (ten in 2016) major customers. There are no other customers representing individually or as a whole, more than 24% (23% in 2016) of the total balance of trade receivables.

The credit quality of accounts receivable that are not past due or impaired has been evaluated on the historical information that reflects the compliance rates:

| | 2017<br>US$000 | 2016<br>US$000 |
|---|---|---|
| Valid maturity periods | 14.368 | 2.034 |
| Expired up to 60 days | 1.043 | 96 |
| Overdue between 61 and 180 days | 213 | 165 |
| Overdue more than 361 days | 18 | 18 |
| Total | 15.642 | 2.313 |

## 8 INVENTORIES

This item comprises:

| | 2017<br>US$000 | 2016<br>US$000 |
|---|---|---|
| Finished Products (CHI): | | |
| - Fishmeal | 41.883 | 42.371 |
| - Fish Oil | 9.416 | 12.854 |
| Finished Products (CHD): | 6.879 | 7.922 |
| Supplies Various | 6.320 | 6.010 |
| Containers and packaging | 1.265 | 1.145 |
| | 65.763 | 70.302 |
| Less: Estimation for devaluation of inventories | (590) | (590) |
| Total | 65.173 | 69.712 |

As of June 30, 2017, fish and fish oil inventories amounted to 44,112 MT and 8,560 MT, respectively (45,515 MT and 6,647 MT, respectively, as of December 31, 2016).

As of June 30, 2017, the Company maintains fishmeal pledged to local banks for 23,380 MT as collateral for bank loans for US $ 31,165 thousand (21,235 MT as collateral for bank loans for US $ 32,972 thousand in 2016) (Note 14) .

The annual movement of the estimate for devaluation of inventories has been as follows:

| | 2017<br>US$000 | 2016<br>US$000 |
|---|---|---|
| Beginning balance | 590 | 1.006 |
| Additions (Note 23) | - | 302 |
| Punishments | - | (718) |
| Final balance | 590 | 590 |

The estimate for devaluation of inventories has been determined according to the evaluation made by the Company's operational areas, identifying those supplies and materials that are obsolete.

Accordingly, the Company's Management considers that no additional provisions are required to the estimate for devaluation of inventories as of June 30, 2017 and December 31, 2016.

## 9 ACCOUNTS RECEIVABLE AND PAYABLE TO RELATED ENTITIES.

The balances receivable and payable to entities related to June 30, 2017 and December 31, 2016 are as follows:

| | 2017<br>US$000 | 2016<br>US$000 |
|---|---|---|
| **Accounts receivable:** | | |
| Comercializadora Global | 1.023 | 601 |
| Compañía Hotelera El Sausal S.A. | 733 | 713 |
| Complejo Agroindustrial Beta S.A. | 584 | 571 |
| Corporación Exalmar S.A. | 157 | 118 |
| Corporación del Mar S.A. | 74 | 85 |
| Inmobiliaria Seville S.A. | 38 | 34 |
| Other minor | 25 | 24 |
| | 2.634 | 2.146 |

| | 2017<br>US$000 | 2016<br>US$000 |
|---|---|---|
| **Debts to pay:** | | |
| Complejo Agroindustrial Beta S.A. | 17 | 16 |
| C.M.V. Servicios Ejecutivos S.A. | 6 | 4 |
| Other minor | 3 | 2 |
| | 26 | 22 |

The evaluation of the credibility of these accounts is carried out at the end of each period, which consists of the examination of the financial situation of the related entities.

The carrying amounts of these accounts receivable and payable are similar to their fair values due to their short-term maturities. These accounts accrue interest at an annual interest rate of 13.74% and do not have specific guarantees.

As of June 30, 2017 and December 31, 2016, the Company has granted guarantees to local financial entities on behalf of the related entities for S / 4,874 thousands.

b) The main transactions with related entities, which are carried out at market values, that result in balances receivable and payable comprise:

| | 2017<br>US$000 | 2016<br>US$000 |
|---|---|---|
| Loans granted | 442 | 557 |
| Refactoring of network and other services | - | 286 |
| Expenditure for rental of offices and others | (3) | (4) |

c) Key Management Remuneration -

As of June 30, 2017, salaries and other benefits to management personnel, considered key personnel, amounted to US $ 1,053 thousand (US $ 952 thousand in 2016).

Likewise, the remuneration to the Directory for board diets amounts to US $ 82 thousand (US $ 78 thousand in 2016). All remuneration corresponds to short-term benefits.

## 10 OTHER ACCOUNTS RECEIVABLE

This item comprises:

| | 2017<br>US$000 | 2016<br>US$000 |
|---|---|---|
| Advances to shipowners (a) | 14.469 | 26.244 |
| Tax Credits - VAT (b) | 5.492 | 6.495 |
| Shareholders © | 3.622 | 3.573 |
| Personal | 2.228 | 2.348 |
| Closure and other prepaid expenses | 2.702 | 4.504 |
| Claims to third parties | 1.000 | 731 |
| | 29.513 | 43.895 |
| Less: Allowance for impairment of other accounts receivable | (149) | (146) |
| Total | 29.364 | 43.749 |
| Non-running portion | (12.565) | (17.151) |
| Running portion | 16.799 | 26.598 |

(a) The accounts receivable from fishing shipowners correspond mainly to funds provided by the Company for the maintenance and repair of their vessels and as loans to cover their working capital needs.

As of June 30, 2017, there are accounts receivable from fishermen of indirect human consumption for US $ 7,066 (US $ 18,821 in 2016) and fishing vessels owners for direct consumption of US $ 7,403 (US $ 7,423 in 2016). These accounts receivable accrue monthly interest at rates of between 8% and 10% per year and in some cases have specific guarantees (real estate and boats, among others). The Company recovers these amounts by offsetting them with the amounts that shipowners bill for the hydrobiological resources they deliver to the Company's plants during fishing periods.

(b) Corresponds to the balance in favor of the IGV paid in the acquisition of goods and services, deductible from the IGV that is applicable to sales of goods and services that the Company makes in the future, and which are taxed with said tax, in The short term and by means of the request of return of the balance in favor matter of exporter benefit. As of June 30, 2017, the Company has recovered US $ 11,622 thousand for this concept (US $ 13,601 thousand in 2016).

(c) On July 23, 2012, the Company entered into a loan agreement with shareholders in the amount of US $ 7,500 thousand. Due to the balance receivable at December 31, 2016, which amounts to US $ 3,573 thousand, the Company has signed a new agreement whose expiration will be in 2020, leaving the previous agreement without effect.

## 11 REAL ESTATE, MACHINERY AND EQUIPMENT

a) Balance composition -

The movements in property, plant and equipment and the corresponding accumulated depreciation for the years ended June 30, 2017 and December 31, 2016 were as follows

| | Real Estate | Buildings and Other Constructions | Vessels | Machienary and Equipment | Transport Units | Furniture and Fixtures | Miscellaneous Equipment | Work in Progress | Total |
|---|---|---|---|---|---|---|---|---|---|
| | US$000 | US$000 | US$000 | US$000 | US$000 | US$000 | US$000 | US$000 | US$000 |
| **Year 2016:** | | | | | | | | | |
| Net book value | 43.750 | 24.824 | 51.751 | 96.766 | 271 | 457 | 1.604 | 3.244 | 222.667 |
| Additions | - | - | - | - | - | - | - | 15.364 | 15.364 |
| Revaluation | 2.296 | - | - | - | - | - | - | - | 2.296 |
| Retreats | - | (478) | (23.331) | (767) | (337) | (18) | (19) | - | (24.950) |
| Transfers and others | - | 2.559 | 6.497 | 7.850 | 128 | 16 | 217 | (17.267) | - |
| Depreciation Charge | - | (1.263) | (7.060) | (10.493) | (134) | (67) | (447) | - | (19.464) |
| Impairment Charge | - | - | 454 | - | - | - | - | - | 454 |
| Depreciation allowance for withdrawals | - | 183 | 18.988 | 632 | 337 | 18 | 5 | | 20.163 |
| Net book value | 46.046 | 25.825 | 47.299 | 93.988 | 265 | 406 | 1.360 | 1.341 | 216.530 |
| **As of December 31, 2016:** | | | | | | | | | |
| Cost | 46.046 | 34.280 | 158.383 | 173.056 | 2.071 | 950 | 3.432 | 1.350 | 419.568 |
| Accumulated depreciation | - | (8.455) | (111.098) | (79.064) | (1.803) | (543) | (2.075) | - | (203.038) |
| Net book value | 46.046 | 25.825 | 47.285 | 93.992 | 268 | 407 | 1.357 | 1.350 | 216.530 |
| **Year 2017:** | | | | | | | | | |
| Net book value | 46.046 | 25.825 | 47.285 | 93.992 | 268 | 407 | 1.357 | 1.350 | 216.530 |
| Additions | - | - | - | - | - | - | - | 5.561 | 5.561 |
| Retreats | - | (13) | (11.136) | (758) | (128) | (2) | (1) | - | (12.038) |
| Transfers and others | - | 19 | 2.390 | 436 | 106 | 2 | 4 | (2.957) | - |
| Depreciation charge | - | (673) | (3.119) | (5.209) | (56) | (34) | (201) | - | (9.292) |
| Depreciation allowance for withdrawals | - | 7 | 10.804 | 643 | 114 | 1 | - | | 11.569 |
| Reclassification of depreciation | - | - | - | - | - | - | - | - | - |
| Net book value | 46.046 | 25.165 | 46.224 | 89.104 | 304 | 374 | 1.159 | 3.954 | 212.330 |
| **As of June 30, 2017:** | | | | | | | | | |
| Cost | 46.046 | 34.286 | 149.637 | 172.734 | 2.049 | 950 | 3.435 | 3.954 | 413.091 |
| Accumulated depreciation | - | (9.121) | (103.413) | (83.630) | (1.745) | (576) | (2.276) | - | (200.761) |
| Net book value | 46.046 | 25.165 | 46.224 | 89.104 | 304 | 374 | 1.159 | 3.954 | 212.330 |

b) Depreciation expense for the periods ended June 30, 2017 and December 31, 2016 has been distributed in the statement of comprehensive income as follows:

| | 2017<br>US$000 | 2016<br>US$000 |
|---|---|---|
| Deferred expenses | 724 | 4.745 |
| Cost of sale (Note 19) | 5.762 | 2.023 |
| Costs incurred in non-production periods (Note 20) | 2.370 | 2.522 |
| Selling expenses (Note 21) | 135 | 130 |
| Administrative expenses (Note 22) | 301 | 274 |
| Total | 9.292 | 9.694 |

c) Financial leases -

Property, machinery and equipment include assets acquired under finance leases as follows:

| | 2017<br>US$000 | 2016<br>US$000 |
|---|---|---|
| Buildings and other constructions | 3.058 | 3.058 |
| Machinery and equipment | 31.031 | 30.787 |
| Vessels | 19.479 | 19.479 |
| Others | 869 | 837 |
| | 54.436 | 54.160 |
| Less: accumulated depreciation | (35.277) | (34.432) |
| Total | 19.159 | 19.728 |

d) The Land revaluation as of December 31, 2016 presents a balance of US $ 36,717 thousand in the movement of fixed assets that discounted from deferred income tax of US $ 10,832 thousand (Note 16), a balance of US assets $ 25,885 miles.

e) Evidence of deterioration of real estate, machinery and equipment -

i) Operating -

Management has reviewed projections of the expected results for the remaining useful lives of the fixed assets as part of the identified CGUs and in its opinion there is no need to set up any provision for impairment loss for those operating assets as of the date of the Financial statements (Note 4.1-a).

ii) Inoperative -

As of June 30, 2017, the Company has inoperative vessels whose net book value is US $ 307 thousand (US $ 454 thousand as of December 31, 2016).
(Note 1-a).

The recoverable value of these inoperative assets is their fair value less costs to sell, as determined by independent appraisers as of June 30, 2017. Management considers that it is not necessary to make additional impairment provisions to those recorded for US $ 629 thousand As of June 30, 2017.

The movement of the impairment as of June 30, 2017 and December 31, 2016 is as follows:

| | 2017<br>US$000 | 2016<br>US$000 |
|---|---|---|
| Beginning balance | 936 | 1.390 |
| Punishment | (307) | (454) |
| Closing Balance | 629 | 936 |

f) Others -

The main additions for works in progress at June 30, 2017 and December 31, 2016 are as follows:

| | 2017<br>US$000 | 2016<br>US$000 |
|---|---|---|
| Improvements in fishing vessels | 3.319 | 7.155 |
| Improvements in CHI processing plants | 1.812 | 6.797 |
| Improvements in CHD Processing Plants | 354 | 1.382 |
| Improvements in administrative headquarters | 76 | 30 |
| | 5.561 | 15.364 |

The Company maintains insurance policies to safeguard its principal fixed assets against fire and all risks, as well as possible claims that may arise for the exercise of its activity. In the opinion of the Management, its insurance policies are consistent with the international practice applicable to the industry and the risk of eventual losses due to accidents considered in the insurance policy.

## 12 INTANGIBLE ASSETS

The movements in intangible assets and the corresponding accumulated amortization for the years ended June 30, 2017 and December 31, 2016 were as follows:

| | SAP Software US$000 | Fishing License US$000 | Total US$000 |
|---|---|---|---|
| **Year 2016:** | | | |
| Initial Net book value | 2.842 | 109.238 | 112.080 |
| Additions | 202 | 2.593 | 2.795 |
| Amortitation charge | (319) | - | (319) |
| **Final Net book value** | 2.842 | 109.238 | 114.556 |
| **As of December 31, 2016:** | | | |
| Cost | 4.663 | 111.831 | 116.494 |
| Accumulated depreciation | (1.938) | - | (1.938) |
| **Net book value** | 2.725 | 111.831 | 114.556 |
| **Year 2017:** | | | |
| Initial Net book value | 2.725 | 111.831 | 114.556 |
| Additions | 123 | 2.328 | 2.451 |
| Amortitation charge | (174) | - | (174) |
| **Final Net book value** | 2.674 | 114.159 | 116.833 |
| **As of June 30, 2017:** | | | |
| Cost | 4.786 | 114.159 | 118.945 |
| Accumulated depreciation | (2.112) | - | (2.112) |
| **Net book value** | 2.674 | 114.159 | 116.833 |

The fishing licenses correspond to the vessels and plants of processing of fish meal and oil acquired by purchase and business combination.

According to current legislation, fishing licenses are granted by the Ministry of Production to a specific vessel. This period starts from the issuance of the resolution giving rise to the fishing license and ends (for reasons other than the vessel being withdrawn or destroyed) if the holder fails to provide certain required documentation at the beginning of each calendar year. 1 B). Likewise, as long as the Company complies with submitting the required documentation, the fishing license will continue to be in force indefinitely.

It is prohibited to transfer to third parties the fishing licenses by any means separately from the respective vessels to which they were granted. In this sense, each fishing vessel, along with its license, is considered as a separate cash generating unit.

In Management's opinion, the recoverable value of intangible assets is higher than their carrying amount, therefore, it is not necessary to establish an impairment provision for such assets at the date of the financial statements (Note 4.1-a).

## 13 PLUSVALIA MERCANTIL

As of June 30, 2017 and December 31, 2016, the amount of goodwill amounted to US $ 88,719 thousand. The distribution of surplus value to two of the three cash generating units (Boats and Indirect Human Consumption) is shown below:

| | 2017 US$000 | 2016 US$000 |
|---|---|---|
| Vessels | 70.682 | 70.682 |
| Plants for indirect human consumption | 18.037 | 18.037 |
| Total | 88.719 | 88.719 |

In Management's opinion, as of June 30, 2017 and December 31, 2016, the recoverable value is based on projections of future cash flows, which are based on budgets approved by the Management and which cover a horizon Of 10 years.

Therefore, it is not necessary to establish a provision for impairment of goodwill at the date of the financial statements (Note 4.1-a).

## 14 FINANCIAL OBLIGATIONS

This item comprises:

| | 2017 US$000 | 2016 US$000 |
|---|---|---|
| Bonds | 172.831 | 172.414 |
| Long Term Bank Loans | 25.000 | 25.000 |
| Bank promissory notes | 41.534 | 67.078 |
| Bank loans | - | - |
| Financial Leases | 5.102 | 5.627 |
| Total | 244.467 | 270.119 |
| **Less current portion of financial obligations:** | | |
| Bonds (accrued interest) | (5.195) | (6.268) |
| Long Term Bank Loans | (5.048) | (3.455) |
| Bank promissory notes | (41.534) | (67.078) |
| Financial Leases | (1.806) | (1.832) |
| | (53.583) | (78.633) |
| **Total long-term financial obligations:** | | |
| Bonds | 167.636 | 167.752 |
| Long Term Bank Loans | 19.952 | 21.545 |
| Financial Leases | 3.296 | 2.189 |
| Total | 190.884 | 191.486 |

a) Bonds -

In January 2013, the Company made an international placement of Corporate Bonds under the 144A REGS format for a value of US $ 200 million as principal for a term of 7 years, which will be paid at maturity and with a fixed annual nominal interest rate Of 7.375%. The interest payment period is semi-annual, with a maturity date of January 31, 2020.

Cash flows were used to prepay the syndicated loan that the Company had with Portigon AG, a New York branch for US $ 140 million and the balance for miscellaneous investments.

On July 11, 2016, the Company announced the initiation of a private offer for the Repurchase of Bonds for a maximum nominal value of US $ 101 million, along with a process to obtain the consent of the holders to comply with certain terms for To carry out the repurchase financing. On August 22, an extension of the private offer announced and the exemption was announced until August 30, 2016, while on August 31, the final results of the private offer for the repurchase of bonds were announced, informing consent to To carry out the financing for US $ 25 million and the acceptance of the repurchase offer for US $ 30 million, paying 76.5% of its nominal value generating a net profit of US $ 3 million, which includes a gain from the purchase of bonds Of US $ 7 million recognized in other income (Note 24) and expenses for the purchase of US $ 4 million of bonds recognized in financial expenses (Note 25)

As of June 30, 2017 and December 31, 2016, the principal of the bonds is presented net of directly related costs of US $ 2,405 thousand (US $ 2,798 thousand in 2016) and accrued interest of US $ 5,195 thousand (US $ 5,135 thousand Thousands in 2016).

During the period of validity of the placement contract in which (i) the Bonds have an Investment Grade Rating of two recognized risk rating agencies and (ii) there is no breach of payment or Event of Default that is not (The occurrence of the events described in clauses (i) and (ii) together referred to as the "Covenant Suspension Event"), the Company shall not be subject to the following provisions (collectively "Suspended Covenants" ) Of the placement agreement:

- Limitation on Indebtedness and Disqualified Shares;
- Limitation on Restricted Payments;
- Limitation on Restrictions on Dividends and Other Payments Affecting Restricted Subsidiaries;
- Limitation on Affiliate Transactions;
- Limitation on Asset Sales;
- Limitation on Business Activities; And
- Limitation on Consolidation, Merger and Sale of Assets.

As of June 30, 2017 and December 31, 2016, the Company has not incurred in any event of default.

b) Bank promissory notes -

As of June 30, 2017, this item includes US dollar-denominated promissory notes obtained to meet the working capital needs of the Company, accrue interest at an effective annual rate between 0.80% and 4.11% (0.80% and 4.11% in 2016) . These bank promissory notes are guaranteed with warrant inventories, and without guarantee and whose maturity periods do not exceed one year

c) Long Term Bank Loans -

On August 31, 2016, the Company entered into a Credit Agreement (Syndicated Loan) with Banco Santander del Perú, Banco Interbank del Perú and Credicorp Capital Servicios Financieros, with Banco de Crédito del Perú being the Agent Bank. The amount of the financing corresponded to a value of US $ 25 million for a term of 6 years (with a 1 year grace period and a Balloon Fee of 20%). Interest payments are quarterly and semi-annual, with maturity date September 6, 2022. Also, for this Syndicated Loan, guarantees were granted for vessels (in trust with La Fiduciaria), corresponding to a quota for the zone of Central-North fisheries of approximately 0.9%. Cash flows were used for the repurchase of Bonds for US $ 30 million.

d) Obligations for financial leases -

The financial lease obligations are denominated in US dollars and are maintained in local financial institutions (Banco de Crédito del Peru, BBVA Continental, Interbank and Banco Santander) in order to finance fixed asset acquisitions; Accrue interest at an effective annual rate between 3.07% and 5.25%, guaranteed with the same fixed assets, grant the Company the option to purchase the corresponding assets at the end of the lease term and whose maturity periods do not exceed 6 years.

As of June 30, 2017 and December 31, 2016, the minimum payments to be made and the present value of the obligations for financial lease contracts are as follows:

| | 2017 | 2016 |
|---|---|---|
| | US$000 | US$000 |
| Not more than 1 year | 1.994 | 2.042 |
| More than 1 year and no more than 5 years | 3.443 | 4.009 |
| | 5.437 | 6.051 |
| Future financial charges on financial leases | (335) | (424) |
| Present value of financial leases | 5.102 | 5.627 |

e) The maturity of the financial obligations is as follows:

| Year | 2017 | 2016 |
|---|---|---|
| | US$000 | US$000 |
| 2017 | 43.340 | 68.910 |
| 2018-2020 | 201.127 | 201.209 |
| Total | 244.467 | 270.119 |

f) The carrying amount and the fair value of the financial obligations are as follows:

| | Value in books | | Fair value | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| | US$000 | US$000 | US$000 | US$000 |
| Bonds | 172.831 | 172.414 | 150.698 | 126.438 |
| Long Term Bank Loans | 25.000 | 25.000 | 23.109 | 20.460 |
| Bank promissory notes | 41.534 | 67.078 | 40.485 | 66.829 |
| Financial Leases | 5.102 | 5.627 | 5.154 | 5.607 |
| Total | 244.467 | 270.119 | 219.446 | 219.334 |

The carrying amounts of short-term financial obligations approximate their fair value. The fair values of the bonds have been determined by applying the rate of 12.48%, long-term bank loans applying the rate of 3.78%, those of bank promissory notes applying the rate of 2.43% and those of financial leases by applying the rate of 4.01% (15.94% for bonds, 3.17% for bank notes and 4.01% for financial leases, in 2015).

## 15 ACCOUNTS PAYABLE FOR COMMERCIAL AND PROVISIONS

This item comprises:

| | 2017 US$000 | 2016 US$000 |
|---|---|---|
| Trade payables (a): | | |
| Invoices payable | 20.670 | 31.210 |
| Provision of invoices receivable | 4.532 | 4.033 |
| | 25.202 | 35.243 |

| | 2017 US$000 | 2016 US$000 |
|---|---|---|
| Other accounts payable: | | |
| Taxes | 353 | 525 |
| Remuneration payable | 1.025 | 677 |
| Holidays payable | 1.396 | 1.091 |
| Social security and social security debts | 337 | 337 |
| Participation of workers | 2.022 | - |
| Compensation for length of service | 320 | 271 |
| Accrued expenses (b) | 5.849 | 4.268 |
| Provisions © | 3.648 | 3.648 |
| Customer advances | 163 | 162 |
| Others | 976 | 1.076 |
| | 16.089 | 12.055 |
| Non-running portion | (3.648) | (3.648) |
| Running portion | 12.441 | 8.407 |

(a) Trade payables originate mainly from the purchase of goods and services associated with the fishing activity. These accounts payable are denominated in US Dollars and Soles, are considered current maturity, do not generate interest and have not been granted guarantees for these obligations. The carrying amount of trade accounts payable is similar to its fair value.

(b) The accrued expenses correspond to services received in previous years, whose invoices were not received at the closing date. These expenses are mainly related to surveillance, insurance, customs, certifications and energy

(c) Provisions amount to US $ 3,648 thousand (US $ 3,648 thousand in 2016) corresponding to ongoing legal and administrative proceedings.

The movement of contingencies is shown below:

| | 2017 US$000 | 2016 US$000 |
|---|---|---|
| Beginning balance | 3.648 | 2.168 |
| Additions (Note 24) | - | 2.582 |
| Reversals | - | (879) |
| Payments | - | (223) |
| Closing Balance | 3.648 | 3.648 |

## 16 LIABILITIES FOR DEFERRED INCOME TAXES

This item comprises:

| | 2017<br>US$000 | 2016<br>US$000 |
|---|---|---|
| **Deferred income tax asset:** | | |
| Deferred income tax asset accrued recover after 12 months | 2.232 | 1.807 |
| Deferred income tax asset accrued recover within 12 months | (997) | 6.349 |
| | 1.235 | 8.156 |
| **Deferred income tax liability:** | | |
| Deferred income tax liability recover after 12 months | (19.949) | (20.796) |
| Deferred income tax liability recover within 12 months | 1.007 | 847 |
| | (18.942) | (19.949) |
| **Total deferred tax liability (net)** | (17.707) | (11.793) |

The movement of the deferred income tax account for the years ended June 30, 2017 and December 31, 2016 is as follows:

| | 2017<br>US$000 | 2016<br>US$000 |
|---|---|---|
| Beginning balance | 11.793 | 7.097 |
| Payment to the statement of comprehensive income (Note 26-a) | 5.914 | 3.502 |
| Payment to equity | - | 1.194 |
| Closing Balance | 17.707 | 11.793 |

The movement in deferred tax assets and liabilities in the period, the offsetting of balances, is as follows:

| | Beginning balance US$000 | ... Additions (deductions) ... Results of the Year US$000 | Other changes US$000 | Closing Balance US$000 |
|---|---|---|---|---|
| **As of June 30, 2017:** | | | | |
| Assets | | | | |
| Provision for holiday payable | 437 | (25) | | 412 |
| Tax loss | 5.424 | (5.424) | - | - |
| Devaluation of investments | 500 | - | - | 500 |
| Other supplies | 1.795 | (1.472) | - | 323 |
| | 8.156 | (6.921) | - | 1.235 |
| Liabilities: | | | | |
| Revaluation of land | (10.832) | - | - | (10.832) |
| Higher value for attributed cost and difference in depreciation rates | (9.117) | 1.007 | - | (8.110) |
| | (19.949) | 1.007 | - | (18.942) |
| **Deferred liabilities, net** | (11.793) | (5.914) | - | (17.707) |
| **As of December 31, 2016:** | | | | |
| Assets | | | | |
| Provision for holiday payable | 368 | 69 | | 437 |
| Tax loss | 5.228 | 196 | - | 5.424 |
| Devaluation of investments | - | 500 | - | 500 |
| Other supplies | 1.439 | 356 | - | 1.795 |
| | 7.035 | 1.121 | - | 8.156 |
| Liabilities: | | | | |
| Revaluation of land | (9.638) | - | (1.194) | (10.832) |
| Higher value for attributed cost and difference in depreciation rates | (4.494) | (4.623) | - | (9.117) |
| | (14.132) | (4.623) | (1.194) | (19.949) |
| **Deferred liabilities, net** | (7.097) | (3.502) | (1.194) | (11.793) |

## 17 EQUITY

a) Issued capital -

The authorized capital, subscribed and paid as of June 30, 2017 and December 31, 2016, is represented by 295,536,144 common shares with a nominal value of S / 1 each (295,536,144 in 2016).

As of June 30, 2017 and December 31, 2016, the shareholding structure (in thousands of shares) in the Company's capital stock is as follows:

| Shareholders | 2017 Ordinary shares | % | 2016 Ordinary shares | % |
|---|---|---|---|---|
| Caleta de Oro Holding S.A. | 180.048 | 60,92% | 180.048 | 60,92% |
| Caleta de Oro Holding del Perú S.A.C. | 25.000 | 8,46% | 25.000 | 8,46% |
| Bancard International Investment Inc. | 27.156 | 9,19% | 26.289 | 8,90% |
| Diversos | 63.331 | 21,43% | 64.199 | 21,72% |
| | **295.536** | 100,01% | **295.536** | 100,00% |

b) Share premium -

The Shareholders' Meeting held on October 4, 2010 approved the Company's capital increase through the local and international offering of up to 57,500,000 shares of class "A" with a nominal value of S / 1 each.

The placement in the local and international market of 57,500,000 new shares was incorporated into the Company's equity for a market value of S / 4.75 each, which represented an increase in the capital stock of US $ 20,584 thousand and the recognition of a premium Of capital of US $ 69,721 thousand, net of the costs related to the issue for US $ 7.467 thousand.

c) Other capital reserves -

*Legal reserve* -

In accordance with the General Companies Law, a legal reserve is required with the transfer of not less than 10% of annual net income until reaching an amount equivalent to 20% of paid-in capital. In the absence of undistributed profits or unrestricted reserves, the legal reserve could be applied to the offsetting of accumulated losses, and should be replaced with profits from subsequent years. This reserve can be capitalized and its replacement is equally obligatory. As of June 30, 2017, 2016, the Company has not constituted a legal reserve with the profits generated in prior years.

*Other reserves* -

It includes the revaluation of a land whose amounts are determined on the basis of technical appraisals made by an independent appraiser. The revaluation surplus, which is recorded net of its deferred income tax effect, is transferred to retained earnings when the assets that gave rise to it are withdrawn or sold.

d) Distribution of utilities -

Dividends distributed to shareholders other than legal entities domiciled are subject to the rate of 6.8% as income tax charged by these shareholders. This percentage was modified to 5% for dividends to be agreed or paid as from 2017, as mentioned in (Note 26-g).

In the Annual Compulsory Meeting of Shareholders dated March 28, 2017, the non-distribution of dividends was approved, as suggested by the Board of Directors of the Company.

## 18 INCOME OF ORDINARY ACTIVITIES

Operating revenues by type of product for the periods ended June 30 comprise:

| | 2017<br>US$000 | 2016<br>US$000 |
|---|---|---|
| Fishmeal | 131.401 | 64.970 |
| Fish Oil | 11.681 | 7.627 |
| Fish for direct human consumption (frozen) | 14.926 | 7.102 |
| Other | 1.289 | 301 |
| | 159.297 | 80.000 |

As of June 30, operating revenues by destination include:

| | 2017 US$000 | 2016 US$000 |
|---|---|---|
| Exports: | | |
| Asia | 122.236 | 52.153 |
| Europa | 8.043 | 9.088 |
| América | 15.041 | 8.448 |
| Oceanía | 40 | - |
| Africa | 1.729 | - |
| | 147.089 | 69.689 |
| Ventas locales y otros | 12.208 | 10.311 |
| Total | 159.297 | 80.000 |

The corresponding quantities (metric tons) dispatched and sold as of June 30 were as follows:

| | 2017 TM | 2016 TM |
|---|---|---|
| Fishmeal | 90.711 | 42.008 |
| Fish Oil | 8.698 | 3.353 |
| Fish for direct human consumption (frozen) | 13.041 | 3.288 |
| | 112.450 | 48.649 |

## 19 COST OF SALE

The cost of sale for the periods ended June 30 includes:

| | 2017 US$000 | 2016 US$000 |
|---|---|---|
| Opening balance of finished products (Note 8) | 63.147 | 43.824 |
| Production cost: | | |
| Raw materials, supplies and supplies | 66.165 | 18.871 |
| Personal expenses | 13.255 | 2.935 |
| Manufacturing expenses | 15.987 | 1.424 |
| Depreciation (Note 11) | 5.762 | 2.023 |
| Final balance of finished products (Note 8) | (58.178) | (14.107) |
| Total | 106.138 | 54.970 |

## 20 COSTS INCURRED IN NON-PRODUCTION PERIODS

Costs incurred in periods of non-production for the periods ended June 30 comprise:

| | 2017 US$000 | 2016 US$000 |
|---|---|---|
| Loads of personnel | 2.085 | 1.541 |
| Consumption of various supplies | 612 | 570 |
| Services provided by third parties | 2.305 | 2.583 |
| Diverse loads of management | 653 | 368 |
| Taxes | 168 | 121 |
| Depreciation (Note 11) | 2.370 | 2.522 |
| Total | 8.193 | 7.705 |

## 21 SALES EXPENSES

Selling expenses for the periods ended June 30 comprise:

.

| | 2017 US$000 | 2016 US$000 |
|---|---|---|
| Loads of personnel | 801 | 596 |
| Transportation of finished products | 2.460 | 611 |
| Commissions for sale of finished products | 371 | 192 |
| Rental expense | 4 | - |
| Security and vigilance | 218 | 212 |
| Inspection and analysis | 1.098 | 389 |
| Stowage and packaging | 347 | 118 |
| Export Services | 3.305 | 1.317 |
| Storage of finished products | 97 | 28 |
| Depreciation (Note 11) | 135 | 130 |
| Other minor | 888 | 548 |
| Total | 9.724 | 4.141 |

## 22 ADMINISTRATION EXPENSES

Administrative expenses for the periods ended June 30 comprise:

| | 2017 US$000 | 2016 US$000 |
|---|---|---|
| Loads of personnel | 2.465 | 1.890 |
| Communications | 121 | 132 |
| Professional fees | 246 | 464 |
| Maintenance and repairs | 106 | 70 |
| Rental costs | 314 | 310 |
| Taxes | 3 | 1 |
| Insurance costs | 14 | 12 |
| Depreciation (Note 11) | 301 | 274 |
| Other minor | 816 | 755 |
| Total | 4.386 | 3.908 |

## 23 NATURAL EXPENSES

Expenses by nature for the periods ended June 30 comprise:

| | 2017 US$000 | 2016 US$000 |
|---|---|---|
| Variation of balances of finished products | 4.969 | 29.717 |
| Consumption of raw material and inputs | 66.777 | 19.441 |
| Loads of personnel | 18.606 | 6.962 |
| Depreciation | 8.568 | 4.949 |
| Manufacturing expenses | 15.987 | 1.424 |
| Services provided by third parties | 2.551 | 3.047 |
| Export Services | 3.305 | 1.317 |
| Transportation of finished products | 2.460 | 611 |
| Diverse loads of management | 653 | 368 |
| Inspection and analysis | 1.098 | 389 |
| Rental expenses | 318 | 310 |
| Storage of finished products | 97 | 28 |
| Security and vigilance | 218 | 212 |
| Commission for sale of finished products | 371 | 192 |
| Stowage and packaging | 347 | 118 |
| Communications | 121 | 132 |
| Taxes | 171 | 122 |
| Maintenance and repairs | 106 | 70 |
| Insurance costs | 14 | 12 |
| Other minor | 1.704 | 1.303 |
| Total | 128.441 | 70.724 |

## 24 OTHER INCOME AND EXPENSES

Other income and expenses for the periods ended June 30 comprise:

| | 2017<br>US$000 | 2016<br>US$000 |
|---|---|---|
| **Other income:** | | |
| Income from valuation of quota granted by Produce | 320 | - |
| Insurance indemnity (a) | 848 | 524 |
| Reversal of provisions | 57 | 228 |
| Income from sales of fuels and materials | 261 | 125 |
| Drawback draw income | 577 | 198 |
| Other minor | 625 | 394 |
| Total | 2.688 | 1.469 |

(a) It corresponds mainly to the collection of the insurance policy with Pacifico Peruano Suiza by the damaged boat "Maria Mercedes 2" in the month of December of 2016 (the boat "Don Alfredo" indemnified in 2016).

| | 2017<br>US$000 | 2016<br>US$000 |
|---|---|---|
| **Other expenses:** | | |
| Tax penalties and taxes assumed | 178 | 1.148 |
| Net cost of disposal of fixed assets | 469 | 329 |
| Mermas, demedros | 121 | 148 |
| Other minor | 622 | 869 |
| Total | 1.390 | 2.494 |

## 25 INCOME AND FINANCIAL EXPENSES

Financial income and expenses periods ended on June 30 comprise:

| | 2017<br>US$000 | 2016<br>US$000 |
|---|---|---|
| **Financial income:** | | |
| Short-term deposit interest | 31 | 21 |
| Total | 31 | 21 |
| | | |
| **Financial expenses:** | | |
| Interest on bonds, loans and bank overdrafts | 6.947 | 7.351 |
| Interest on financial leasing obligations | 122 | 173 |
| Other interests | 1.764 | 642 |
| Total | 8.833 | 8.166 |

## 26 INCOME TAX

a) Income tax expense shown in the statement of comprehensive income includes:
Income tax::

| | 2017 US$000 | 2016 US$000 |
|---|---|---|
| Income tax: | | |
| Current | 5.318 | 1 |
| Deferred charges (Note 16) | 5.914 | 3.688 |
| Total | 11.232 | 3.689 |

The Company's Management has determined the taxable income under the General Income Tax Regime in accordance with the tax legislation in force in Peru, which requires adding and deducting to the result shown in the financial statements those items recognized by said legislation As taxable and non-taxable, respectively. The income tax determined by the Company is declared and paid in Soles. As of June 30, 2017 and 2016, the current rate of income tax is 29.5% and 28%, respectively.

The income tax on the loss before income tax of the Company differs from the theoretical amount that would have resulted from applying the rate of the income tax of the Company, as follows:

| | 2017 US$000 | % | 2016 US$000 | % |
|---|---|---|---|---|
| (Loss) income before income tax | 22.966 | 100,00 | 22 | 100,00 |
| Tax calculated applying the rate of 29.5% | 6.775 | 29,50 | 6 | 29,50 |
| Tax effect on additions (deductions): | | | | |
| Permanent matches | (133) | (0,58) | 639 | 2.904,55 |
| Difference between income before taxes | | | | |
| In soles and dollars | 4.590 | 19,99 | 3.328 | 15.125,05 |
| Other settings | - | - | (284) | (1.290,91) |
| Total | 11.232 | 48,91 | 3.689 | 16.768,18 |

b) As of June 30, 2017, the Company maintains debit balances with the Tax Administration related to income tax of US $ 455 (US $ 2,446 in 2016).

c) Pursuant to Legislative Decree No.945 and to Law No.27513, the carry-over of tax losses from 2004 onwards is based on one of the following systems:

i) Compensate the total net loss of third category of Peruvian source recorded in a taxable year by charging it, year after year, until the amount is exhausted, to the third category net income obtained in the next four subsequent years completed from the following year to Of its generation. The balance that is not compensated after this period, can not be counted to the following years.

ii) Compensate the total net loss of third category of Peruvian source recorded in a taxable year by allocating 50% of the third category net income obtained in subsequent years.

The Company's management opted for the i) compensation system for losses as of June 30, 2017 and 2016.

As of June 30, 2017, the tax loss was offset as follows:

| Years of generation | 2017 |
|---|---|
| | S/000 |
| 2013 | 1.397 |
| 2015 | 62.325 |
| 2016 | 1.370 |
| Total | 65.092 |

The Company expects to generate taxable income in the coming years, which will compensate for the tax loss; Therefore, has recorded deferred income tax asset related.

d) The Tax Administration has the power to review and, if necessary, correct the income tax determined by the Company in the last four years, counted from January 1 of the year following the filing of the affidavit of the Corresponding tax (years subject to inspection).

As of December 31, 2016, the Tax Administration carried out the audit of the Company's income tax for the period 2011, 2012 and a partial revision to the period 2015, without significant observations. The years 2012 to 2015 are being audited. Management believes that significant liabilities will not arise as a result of these reviews.

Because differences may arise in the interpretation by the Tax Administration of the rules applicable to the Company, it is not possible to anticipate to date whether additional tax liabilities will occur as a result of eventual revisions. Any additional taxes, arrears, recharges and interest, if they occur, will be recognized in the results of the year in which the difference of criteria with the Tax Administration is resolved. Management believes that significant liabilities will not arise as a result of these possible revisions.

e) In accordance with current legislation, for purposes of the determination of Income Tax and General Sales Tax, transfer prices must be considered for transactions with related entities and / or tax havens, for that purpose documentation and Information that supports the valuation methods and criteria applied in its determination. The Tax Administration is entitled to request this information from the taxpayer.

f) Regulatory Framework - Amendments to the Income Tax Law -

Law No.30296, published on December 31, 2014, has been amended to the Income Tax Law, applicable from the year 2015 onwards. Among the changes, we should note the reduction of the third category income tax rate, from 30% to 28% for the year 2015 and 2016, to 27% for 2017 and 2018, and to 26% from 2019 exercise onwards.

The tax on dividends and other forms of distribution of profits agreed upon by legal persons in favor of natural and legal persons not domiciled, from 4.1% to 6.8%, has also been increased for distributions that are made or made available in cash Or in kind during the years 2015 and 2016; To 8.8% during 2017 and 2018, and to 9.3%, from 2019 onwards. The distribution of retained earnings up to December 31, 2014 will continue to be subject to 4.1%, even though the distribution of these profits will be made in subsequent years.

On December 10, 2016, Legislative Decree No.1261 was amended, which modifies the income tax rates, in which it establishes an increase in the tax rate that levies income from companies from 28% to 29.5% from 2017. The Decree also establishes a reduction in the tax on dividends to which natural persons and non-domiciled legal entities are subject, which will be reduced from the current 6.8% to 5% for dividends agreed upon or Pay as from 2017. With this provision, the amendments indicated in Law No. 30296, "Law that promotes the reactivation of the economy," are not effective.

g) Temporary Tax on Net Assets -

This tax is levied on generators of third-class income subject to the general income tax regime. As of 2009, the tax rate is 0.4% applicable to the amount of net assets in excess of S / 1 million.

The amount actually paid may be used as credit against payments on account of the General Income Tax Regime or against the payment of regularization of income tax for the corresponding taxable year.

i) For purposes of the determination of Income Tax and General Sales Tax, transfer prices of transactions with related entities and companies resident in territories with low or zero taxation must be supported by documentation and information on the methods of payment. Valuation used and the criteria considered for its determination. Based on the analysis of the Company's operations, Management and its legal advisors are of the opinion that, as a result of the application of this standard, there will be no material contingencies for the Company as of June 30, 2017 and December 31, 2016.

## 27 BASIC AND DILUED UTILITY BY ACTION

a) Basic -

Basic earnings per share are calculated by dividing net income attributable to shareholders of the Company by the weighted average number of common shares outstanding and outstanding during the year (Note 17-a).

| | 2017 | 2016 |
|---|---|---|
| Profit (loss) attributable to shareholders Of the company (expressed in US $ 000) | 11.734 | (3.667) |
| Weighted average of common shares in Circulation (expressed in thousands) | 295.536 | 295.536 |
| Basic income (loss) per share (S /. Per share) | 0,040 | (0,012) |

b) Diluted -

The diluted (loss) earnings per share are equivalent to basic earnings per share. In 2017 and 2016, diluted earnings per common share have not been calculated (loss) as there are no potential dilutive shares, ie financial instruments or other contracts that give rise to common shares.

## 28 NON-MONETARY TRANSACTIONS AND STATEMENT OF CASH FLOWS

Investment and financing activities that did not generate disbursements of cash and cash equivalents, affecting assets and liabilities for the periods ended June 30, 2017 and 2016, are summarized as follows:

| | 2017<br>US$000 | 2016<br>US$000 |
|---|---|---|
| Acquisition of real estate, machinery and equipment through financial leases | 494 | 2.057 |

Cash flows from operating activities have been determined as follow:

| | 2017<br>US$000 | 2016<br>US$000 |
|---|---|---|
| Loss (profit for the period) | 11.734 | (3.667) |
| Adjustments to net income that do not affect cash flows of the operating activities: | | |
| Depreciation | 9.292 | 9.694 |
| Amortization | 174 | 147 |
| Estimate for devaluation of inventories | - | - |
| Withdrawals of real estate, machinery and equipment | 469 | 329 |
| Deferred income tax expense (income) | 5.914 | 3.688 |
| Difference in cash and cash equivalents | - | - |
| **Net changes in working capital:** | | |
| Trade accounts receivable | (13.329) | (987) |
| Accounts receivable from related entities | (488) | (460) |
| Inventories | 4.539 | 30.605 |
| Other accounts receivable | 17.430 | (15.121) |
| Commercial accounts payable | (9.720) | 12.994 |
| Accounts payable to related entities | 4 | 6 |
| Other accounts payable | 9.228 | 879 |
| Net cash used by operating activities | 35.247 | 38.107 |

## 29 COMMITMENTS GUARANTEES AND CONTINGENCIES

a) Commitments -

As of June 30, 2017, the Company has commitments in operating leases for US $ 2,094 thousand in which the Company is the lessee whose validity is between 1 and 2 years.

The total of the future minimum lease payments for non-cancellable leases are as follows:

| | 2017<br>US$000 | 2016<br>US$000 |
|---|---|---|
| Not more than 1 year | 1.739 | 1.739 |
| More than a year and not more than 2 years | 355 | 355 |
| | 2.094 | 2.094 |

These agreements are reviewed at the end of the contractual term in accordance with market conditions.

b) Guarantees granted -

As of June 30, 2017, the Company has granted the following guarantees:

- Letters of bonds issued by Banco de Crédito del Perú:

  - For S / 4,874 thousand, on behalf of Comercializadora Global S.A. In favor of SUNAT in guarantee of a tax process.
  - For S / 6,800 thousand in favor of SUNAT in guarantee of return of the balance material benefit exported for the period of April and May of 2017.

- Letter of guarantee issued by BBVA Continental for US $ 604 thousand in favor of JMG constructores Asociados S.A.C. For fulfillment of the award.

- Letter of guarantee issued by Interbank for US $ 296 thousand in favor of Gas Natural de Lima and Callao S.A., in compliance with the contract signed for the supply of natural gas.

c) Contingencies -

As of June 30, 2017, the Company maintains civil and labor proceedings against the Company for US $ 12,601 thousand, and for which the corresponding written statements have been made. Based on the opinion of its legal advisors, at June 30, 2016, the Company's management maintains a provision for these items for US $ 3,648,000, and updates to this provision are charged to results for the year, which are estimated to be sufficient To cover any future disbursements for this item (Note 15-d).

## 30 EVENTS AFTER THE STATE OF FINANCIAL SITUATION

Between June 30, 2017 and the date of approval of the financial statements, there have been no subsequent events that could affect the reasonableness of the financial statements issued and / or required to be disclosed in notes.