Translation of financial statements and the independent auditors' report originally issued in Spanish - Note 33

Pesquera Exalmar S.A.A.

Financial statements as of December 31, 2018 and 2017 together with the independent auditors' report

Building a better working world

Translation of financial statements and the independent auditors' report originally issued in Spanish – Note 33

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Financial statements as of December 31, 2018 and 2017 together with the independent auditors' report

Content

Translation of the independent auditors' report originally issued in Spanish – Note 33

Independent auditors' report

To the Shareholders of Pesquera Exalmar S.A.A.

We have audited the accompanying financial statements of Pesquera Exalmar S.A.A., which comprise the statements of financial position as of December 31, 2018, and the statements of income, comprehensive income, changes in net equity and cash flows for the year then ended, and the significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with International Standards on Auditing approved for application in Peru by the Board of Deans of Intitutes of Peruvian Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves the application of procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgements, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements.

We consider that the audit evidence we have obtained is enough and appropriate to provide a basis for our audit opinion.

Translation of the independent auditors' report originally issued in Spanish - Note 33

Independent auditors' report (continued)

Opinion

In our opinion, the financial statements aforementioned present fairly, in all significant respects, the financial position of Pesquera Exalmar S.A.A. as of December 31, 2018, and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Informative paragraph

The financial statements for the year ended December 31, 2017, were audited by other independent auditors whose report dated February 27, 2018 contains no qualifications.

Lima, Peru
February 25, 2019

Countersigned by:

Paredes, Burga & Asociados

Daniel Carpio
C.P.C.C. Register No. 24098

Pesquera Exalmar S.A.A.

Statements of financial position

As of December 31, 2018 and 2017

	Note	2018 US$(000)	2017 US$(000)
Assets			
Current assets			
Cash and cash equivalents	7	33,096	2,926
Financial investments held until maturity		491	-
Trade and other receivables, net	8	42,108	8,716
Inventories, net	9	79,877	18,742
Receivables from related parties	25(b)	3,787	3,113
Tax credit for VAT	26(e)	11,014	4,431
Income tax		-	2,825
Prepaid expenses		1,695	3,074
		172,068	43,827
Non-current assets			
Trade and other receivables, net	8	5,454	9,893
Property, vessels, machinery and equipment, net	10	226,861	215,739
Intangible assets, net	11(a)	117,939	116,819
Goodwill	11(c)	113,342	113,342
Other assets		1,238	1,447
		464,834	457,240
Total assets		636,902	501,067

	Note	2018 US$(000)	2017 US$(000)
Liabilities and net equity			
Current liabilities			
Short-term bank loans	12	70,000	3,000
Trade and other payables	13	58,001	31,703
Payables to related parties	25(b)	27	31
Income tax payable		9,593	-
Long-term financial liabilities	14	5,772	5,891
Provisions for contingencies	15	2,383	-
		145,776	40,625
Non-current liabilities			
Long-term financial liabilities	14	183,650	189,428
Provisions for contingencies	15	-	2,901
Net deferred income tax liabilities	16	54,528	51,310
		238,178	243,639
Total liabilities		383,954	284,264
Equity	17		
Issued capital		89,772	89,772
Share premium		69,721	69,721
Legal reserve		3,609	3,609
Revaluation surplus		39,031	32,216
Retained earnings		50,815	21,485
Total equity		252,948	216,803
Total liabilities and equity		636,902	501,067

The accompanying notes are an integral part of these financial statements.

Pesquera Exalmar S.A.A.

Statements of income

For the years ended December 31, 2018 and 2017

	Note	2018 US$(000)	2017 US$(000) Note 3(q)
Net sales	18	240,657	254,639
Cost of sales	19	(150,378)	(200,978)
Cost of distribution	20	(14,280)	(16,154)
Gross profit		75,999	37,507
Operating expenses			
Administrative expenses	21	(10,400)	(9,173)
Other incomes	23	3,124	3,065
Other expenses	23	(5,717)	(8,181)
Total operating expenses		(12,993)	(14,289)
Operating profit		63,006	23,218
Other incomes (expenses)			
Financial incomes		237	54
Financial expenses	24	(19,334)	(17,650)
Net exchange rate difference	6	(1,040)	(902)
Total other expenses, net		(20,137)	(18,498)
Profit before income tax		42,869	4,720
Income tax	16(b)	(13,539)	77
Net income		29,330	4,797
Number of shares in circularization (in thousands)	27	295,536	295,536
Net profit per basic and diluted share (in US$)	27	0.099	0.016

The accompanying notes are an integral part of these financial statements.

Pesquera Exalmar S.A.A.

Statements of comprehensive income

For the years ended December 31, 2018 and 2017

	Note	2018 US$(000)	2017 US$(000) Note 3(q)
Net income		29,330	4,797
Other comprehensive income to be reclassified to profit or loss in subsequent periods			
Revaluation surplus	10(c)	9,666	8,980
Effect on net deferred income tax liabilities	16	(2,851)	(2,649)
Other comprehensive income to be reclassified to profit or loss in subsequent periods, net of deferred income tax		6,815	6,331
Total comprehensive income		36,145	11,128

The accompanying notes are an integral part of these financial statements.

Pesquera Exalmar S.A.A.

Statements of changes in net equity

For the years ended December 31, 2018 and 2017

	Number of shares (in thousands)	Issued capital US$(000)	Share premium US$(000)	Legal reserve US$(000)	Revaluation surplus US$(000)	Retained earnings US$(000)	Total equity US$(000)
Balances as of January 1, 2017	295,536	89,772	69,721	3,609	25,885	16,688	205,675
Net income, note 3(q)	-	-	-	-	-	4,797	4,797
Other comprehensive income	-	-	-	-	6,331	-	6,331
Total comprehensive income of the year	-	-	-	-	6,331	4,797	11,128
Balances as of December 31, 2017	295,536	89,772	69,721	3,609	32,216	21,485	216,803
Net income	-	-	-	-	-	29,330	29,330
Other comprehensive income	-	-	-	-	6,815	-	6,815
Total comprehensive income of the year	-	-	-	-	6,815	29,330	36,145
Balances as of December 31, 2018	295,536	89,772	69,721	3,609	39,031	50,815	252,948

The accompanying notes are an integral part of these financial statements.

Pesquera Exalmar S.A.A.

Statements of cash flows

For the years ended December 31, 2018 and 2017

	2018 US$(000)	2017 US$(000)
Operating activities		
Collection from customers	232,110	255,559
Payments to suppliers	(175,698)	(127,104)
Payments to employees	(35,263)	(27,907)
Payment of interests and bank charges	(18,955)	(18,203)
Other taxes paid	(24,174)	(23,741)
Income tax paid	(754)	(1,666)
Recovery of VAT	18,547	23,320
Other collections	3,517	1,683
Other payments	(5,270)	(2,402)
Net cash flows from (used in) operating activities	(5,940)	79,539
Investing activities		
Purchase of property, vessels, machinery and equipment	(22,185)	(12,636)
Loans granted to related parties	(807)	(825)
Purchase of intangible assets	(1,510)	(3,308)
Financial investments held until maturity	(491)	-
Net cash flows used in investing activities	(24,993)	(16,769)
Financing activities		
Proceeds from short-term and long-term borrowing	322,897	139,702
Payment of short-term and long-term borrowing	(261,794)	(206,289)
Net cash flows from (used in) financing activities	61,103	(66,587)
Net increase (decrease) in cash and cash equivalents	30,170	(3,817)
Cash and cash equivalents at the beginning of the year	2,926	6,743
Cash and cash equivalents at the end of the year	33,096	2,926
Activities that did not generate cash flows		
Revaluation of lands	9,666	8,980
Purchase of property, vessels, machinery and equipment through financial leases	(375)	(661)

The accompanying notes are an integral part of these financial statements.

Statements of cash flows (continued)

	2018 US$(000)	2017 US$(000)
Reconciliation of net income with cash and net cash equivalent from (used in) operation activities		
Net income	29,330	4,797
Plus (less) – Items that do not represent cash increase or disbursements		
Depreciation	20,307	19,090
Amortization	390	353
Net cost for withdrawing of fixed assets	797	2,295
Net cost for withdrawing of intangibles	-	1,517
Impairment of machinery and equipment	-	1,683
Net of deferred income tax	367	(1,364)
Recoveries of the impairment allowance	(8)	-
Impairment allowance	-	164
Decrease (increase) in operating assets		
Trade and other receivables	(28,945)	15,924
Receivables from related parties	(674)	(967)
Inventories	(61,135)	54,664
Tax credit for VAT	(6,583)	2,064
Prepaid expenses	1,379	(2,264)
Income tax	2,285	(379)
Decrease (increase) in operating liabilities		
Trade and other payables	26,961	(17,669)
Payables to related parties	(4)	9
Income tax payable	9,593	(378)
Net cash and cash equivalents from (used in) operation activities	(5,940)	79,539

The accompanying notes are an integral part of these financial statements.

1. **Identification and economic activity of the Company**

(a) Identification -

Pesquera Exalmar S.A.A. (hereinafter "the Company") is a subsidiary of Caleta de Oro Holding S.A. (main controlling entity), located in Panamá, which has 60.92 percent of its issued capital. The Company was incorporated in the city of Lima on November 25, 1997.

As of December 31, 2018 and 2017, its legal domicile are located in Avenida Victor Andrés Belaunde 214, San Isidro, Lima, Peru.

(b) Economic activity -

The Company mainly works in the fishing activity, including the extraction of hydro-biological resources and their transformation into fishmeal and fish oil and the direct sale of fresh fish; as well as the commercialization of these products, both in the domestic market and abroad. For this purpose, as of December 31, 2018 and 2017, it has a fleet of 23 purse seine fishing vessels and 5 industrial fishmeal and fish oil plants. The industrial fishmeal and fish oil plants are located in Chicama, Chimbote, Huacho, Callao and Tambo de Mora. On the other hand, for the processing of frozen fish, the Company has two plants located in Paita and Tambo de Mora.

(c) Approval of financial statements -

The accompanying financial statements for the year ended December 31, 2018 have been approved by the Company's Management on February 25, 2019 and shall be submitted for the approval of the Board of Directors and the Shareholders ' meeting to be held during the first quarter of 2019. In Management' opinion, the accompanying financial statements will be approved by the Board of Directors and the Shareholders' Meeting without modifications. The financial statements for the year ended December 31, 2017 have been approved by the Shareholders' meeting held on February 27, 2018.

(d) Regulatory framework –

The activities of the Company are regulated by Decree Law No. 25977, General Fishing Law, and its regulations, Supreme Decree No. 012-2001-PE. The administration and control of the fishing activity at national level is assumed by the Ministry of Production - PRODUCE, an entity that, besides organizing and centralizing the statistical, economic and financial information of the fishing activity in accordance with the aforementioned rules, on the basis of technical reports issued by the Marine Institute of Peru - IMARPE, establishes the biological closed seasons of anchovy and sardine to preserve the resources. The closed seasons which affected the Company in 2018 were of 194 days (257 days in 2017).

On June 28 and December 12, 2008, the Peruvian Government published the Legislative Decree No. 1084 and Supreme Decrees No. 021-2008-PRODUCE and No. 009-2009-PRODUCE, which sets the Law on Maximum Catch Limits per Vessel (LMCE for its Spanish acronym) and its regulation, respectively. Through these regulations, the Peruvian Government changed, since 2009, the fishing model for indirect human consumption, taken through annual maximum catch quotas, for individual fishing quotas.

Likewise, in December 2015, the Company signed a guarantee contract for remaining in the LMCE regime with the Ministry of Production for its fishing vessels, which has a validity of 10 years, a term that the Management estimates will be renewed. By virtue of those contracts, the Company must respect the conditions, duties and obligations of the law on LMCE, the General Fishing Law and its regulations, and complementary rules.

In Management's opinion and its legal advisors, in 2018 and 2017, the Company has complied with the conditions of the above mentioned contracts.

The rule states a social contribution equivalent to US$ 1.95 per MT of fish unloaded for a period of 10 years, to a fund for supporting the retirement of workers who are affiliated to the current system of pension applicable to the industrial fishing crew.

The LMCE also sets certain guidelines for the development of fishing activities. Among the main ones, the following can be mentioned:

- The calculation of the LMCE is made for each fishing season, according to the Maximum Percentage of Catch per Vessel (PMCE) assigned to each fishing vessel.

- The amounts not caught in execution of a LMCE assigned for a fishing season may not be transferred to any other season, extinguishing the Company's right over the balances not caught on the expiration date of the corresponding fishing season.

- The fishing license of a non-nominated fishing vessel, that is, a fishing vessel not selected to carry out fishing activities during a fishing season for being docked, will be temporarily suspended during such season. Thus, this vessel will be prevented from carrying out catching activities during this period, and the quota (LMCE) of such ship will be fished within the global quota of the Company.

- It is causal for recalculation of the PMCE, when the PMCE assigned to the Company is reduced by virtue of the fact that during four consecutive fishing seasons the unexecuted percentage of the assigned LMCE exceeds by 20 percent in each period. The reduction will correspond to the average percentage not caught during the four consecutive fishing seasons, and must be prorated among the vessels belonging to the Company.

During 2018 and 2017, the total PMCE of the fishing vessels of the Company in the north-central and south regions was 6.77 and 4.64 percent, respectively, and has not suffered reductions since the beginning of the LMCE validity.

(e) Operations –
According to the information prepared by the Management, the main operational data of the Company are presented below:

(i) Indirect human consumption-

	2018	2017
Production		
Production days	192	129
Days of stoppage	173	236
Costs incurred in the period of non-production imputed to the cost of the product in US$(000)	9,473	19,893
Anchovy processed in thousand MT	796	422
Anchovy processed with own catch in thousand MT	395	213
Anchovy processed with the purchase of third parties in thousand MT	401	209
Fishmeal produced in thousand MT	181	99
Fish oil produced in thousand MT	33	12
Foreign sales in %	89	93
Local sales in %	11	7
North-central region		
Quota allocation in %	6.77	6.77
First season -		
Country quota in thousand MT	3,317	2,800
Beginning date	7/4/2018	26/4/2017
Ending date	9/8/2018	31/7/2017
Second season -		
Country quota in thousand MT	2,10	1,49
Beginning date	15/11/2018	24/11/2017
Ending date	31/1/2019	26/1/2018
South region		
Quota allocation in %	4.64	4.64
First season -		
Country quota in thousand MT	535	515
Beginning date	5/1/2018	17/1/2017
Ending date	30/6/2018	30/6/2017
Second season -		
Country quota in thousand MT	535	515
Beginning date	1/7/2018	6/7/2017
Ending date	31/12/2018	31/12/2017

(ii) Direct human consumption -

	2018	2017
Own catch in thousand MT		
Horse mackerel and mackerel in thousand MT	8	9
Third-party raw material in thousand MT		
Giant squid	-	9
Mahi-mahi	-	0.06
Others	-	0.08
Production in thousand of MT		
Giant squid	-	5
Mahi-mahi	-	0.130
Others	-	0.074
Sales in %		
Local	45	7
Foreign	55	93

(f) Environmental regulation –

The General Fishing Law requires an Environmental Impact Study (EIA for its Spanish acronym) to be conducted prior to the beginning of any fishing activity.

Under Decree Law No. 25977 - General Fishing Law and its Regulation, according to Supreme Decree No. 01-94-PE, fishing entities should adopt the necessary measures for the protection and preservation of the environment in order to prevent and minimize pollution damage and risks of marine, land and atmospheric environment.

The operations of the Company are carried out protecting public health and the environment, and comply with all applicable regulations.

In 2018, the Company has executed works in its different locations related to the protection of the environment for an amount of US$3,954,000 (US$1,264,000 in 2017), such as the installation of a natural gas network system, a system of water treatment and solid recovery, rooms for the physical treatment of pumped water, acquisition of ovens, pumps and steam dryers. These disbursements are recognized as part of Property, vessels, machinery and equipment, net, since they are necessary to comply with the operational and production objectives, as well as the standards required for the protection of the environment.

As of December 31, 2018 and 2017, there are no liabilities or environmental obligations.

2. Basis of preparation and presentation

Compliance statement -

The financial statements have been prepared in accordance with International Financial Reporting Standards (hereinafter "IFRS") as issued by the International Accounting Standards Board (hereinafter "IASB") and which were effective as of December 31, 2018 and 2017, respectively.

Measurement basis -

The financial statements have been prepared based on a historical cost basis, from the accounting records kept by the Company. The accompanying financial statements are presented in US dollars (functional and presentation currency), and all values are rounded to thousands, except when otherwise indicated.

The accounting policies adopted are consistent with those applied in previous years, except for the new IFRS and IASs revised which are mandatory for the periods beginning on or after January 1, 2018.

IFRS 9 "Financial instruments"

In July 2014, the IASB issued the final version of IFRS 9 "Financial Instruments", which reflects all phases of the project of financial instruments and that will replace IAS 39 "Financial Instruments: Recognition and Measurement" and all previous versions of IFRS 9. The regulation introduces new requirements for classification and measurement, impairment and hedge accounting. This regulation had no effect on the Company, see note 3(q).

IFRS 15, "Incomes from contracts with customers"

IFRS 15 was issued in May 2014 and establishes a new five-step model that will be applied to the incomes from contracts with customers. Under IFRS 15, incomes are recognized by an amount which reflects the consideration the entity expects to be entitled to receive in exchange for the transfer of goods or services to a customer. The principles of IFRS 15 provide a more structured approach for income measurement and recognition. The new standard for recognizing incomes is applicable to all entities and will replace all current requirements for recognition of incomes under IFRS. The effect of these changes is explained in note 3(q).

IFRIC 22 "Transactions in foreign currency and anticipated remunerations"

The interpretation clarifies that, when determining the exchange rate to be used in the initial recognition of the asset, expense or income related (or the corresponding part thereof), in the derecognition of a non-monetary asset or non-monetary liability that arises from the payment or collection of the anticipated remuneration in foreign currency. The date of the transaction is the date when an entity initially recognizes the non-monetary asset or the non-monetary liability derived from the anticipated remuneration. If there are multiple payments or collections received in advance, the entity should determine the date of the transaction for each payment or collection received from the anticipated remuneration. The entities may apply the modification retrospectively.

Alternatively, an entity may prospectively apply the interpretation to all assets, expenses and incomes in its scope which are initially recognized at or after the:

(i) beginning of the period reported in which the entity applies the interpretation for the first time; or
(ii) beginning of an earlier period reported, showed as comparative information in the financial statements of the presentation period in which an entity applies the interpretation for the first time.

This regulation had no effect on the Company, see note 3(q).

The Company has not adopted in advance other regulations, interpretations or modifications which have been issued but are not effective.

3. Resumen de las políticas contables significativas

(a) Cash and cash equivalents-
Cash and cash equivalents presented in the statements of financial position correspond to current accounts and fixed-terms deposits with maturity of less than three months.

(b) Financial Instruments: Initial recognition and subsequent measurement –

(b.1) Financial assets -
Initial recognition and subsequent measurement –
Before January 1, 2018, the Company classified their financial assets in the following categories defined by IAS 39:

(i) financial assets and financial liabilities at fair value through profit or loss; (ii) loans and receivables; (iii) available-for-sale financial investments; (iv) held-to-maturity financial investments and (v) financial liabilities at amortized cost.

- Financial assets at fair value through profit or loss.
- Loans and receivables (amortized cost).
- Held-to-maturity financial investments (amortized cost).
- Available-for-sale financial assets.

As of January 1, 2018, financial assets within the scope of IFRS 9 are classified according to the business model and the characteristics of the contractual cash flows, measured at:

- Amortized cost.
- Fair value through other comprehensive income (FVOCI for its acronym in English).
- Fair value through profit or loss (FVPL for its acronym in English).

The Company determines the classification of financial assets at the time of their initial recognition.

All financial assets are initially recognized at their fair value plus, in the case of financial assets that are not recorded at fair value through profit or loss, directly attributable costs.

Purchases or sales of financial assets which require the delivery of assets within a period of time established by a regulation or condition of the market (conventional trade) are recognized on the date of the trade; that is, the date when the Company agrees to buy or sell the asset.

As of December 31, 2018 and 2017, the Company held in this category, cash and cash equivalents and trade and other receivables and from related parties.

Subsequent measurement -
As of December 31, 2018 and 2017, the Company just held assets measured at amortised cost, whose record is as follows:

Before January 1, 2018, the Company classified such instruments as "loans and receivables", which are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest rate method, less any allowance for impairment.

The amortized cost is calculated taking into account any discount or premium in the acquisition and commissions or costs that are an integral part of the effective interest rate. The amortization of the effective interest rate is included in the caption "Financial incomes" and the losses from impairment are recognized in "Other expenses" in the statement of income.

As of January 1, 2018, the Company measures cash and cash equivalents and trade and other receivables and from related parties at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the amount outstanding.

Derecognition -
A financial asset (or, where applicable, part of a financial asset or a group of similar financial assets) is written off when:

(i) The rights to receive cash flows generated by the asset have expired or

(ii) the contractual rights to the cash flows generated by the asset have been transferred or an obligation has been assumed to pay a third party all of those cash flows without significant delay, through a transfer agreement (pass-through arrangement) and (a) have transferred substantially all risks and rewards of the asset; or (b) have neither transferred nor retained substantially all the risks and rewards of the asset, but have transferred control over it.

The Company will continue to recognize the asset when they have transferred their rights to receive cash flows generated by the asset or have concluded an agreement on mediation, but have neither transferred nor retained substantially all the risks and rewards of the asset, or have transferred control over it. In this case, the Company will recognize the transferred asset based on its continuing involvement in the asset and also recognize the related liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations retained by the Company.

(b.2) Impairment of financial assets -
Until January 1, 2018, with IAS 39, the Company evaluated at each reporting date, whether there was any objective evidence that a financial asset or a group of financial assets are impaired. A financial asset or a group of financial assets was considered impaired, if and only if, there was objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (an "event causing the loss", among which we have, the assessment of the time of accounts receivable, credit risk assessment and evaluation of the trade relationship with the customer) and that event causing the loss has an impact on the estimated future cash flows of the financial asset or the group of financial assets, which can be reliably estimated. The evidence of impairment could include indications of significant financial difficulties of the borrowers or group of borrowers, default or delays in interest or principal payments, probability of restructuring or bankruptcy of the company or other legal financial reorganization process in which it is demonstrated there will be a reduction in the estimated future flows, such as changes in circumstances or economic conditions which have correlation in payment defaults.

As of January 1, 2018, with the adoption of IFRS 9, the method for calculating the loss from impairment has substantially changed; replacing the approach of incurred losses of IAS 39 by an approach of expected credit losses. However, as indicated in note 3(q), as of December 31, 2018, the adoption of IFRS 9 has not had an impact on the Company.

The allocation of the expected loss is based on the credit losses which are expected to arise during the life of the asset, unless there has not been a significant increase in credit risk since the initial date of the financial instrument, in which case, the provision is based on the credit loss expected by12 months.

The credit losses expected by 12 months, is the part of the credit losses expected during the life of the asset resulting from non-compliance events on a financial instrument which are possible within 12 months after the presentation date.

Both the credit losses expected by 12 months and the credit losses expected during the life of the asset are individually or collectively calculated, according to the portfolio nature.

(b.3) Financial liabilities -

Initial recognition and measurement -

Financial liabilities (within the scope of IAS 39 and IFRS 9) are classified as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of financial liabilities at the time of their initial recognition.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables recorded at amortized cost, net of directly attributable transaction costs.

As of December 31, 2018 and 2017, the Company maintains short-term bank loans, long-term financial liabilities and trade and other payables and to related parties, within this category.

Subsequent measurement -

The subsequent measurement of financial liabilities depends on their classification, as of December 31, 2018 and 2017, the Company only maintains loans and borrowings, whose recording is as follows:

After initial recognition, long-term financial liabilities, loans and accounts payable are measured at amortised cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

The amortized cost is calculated taking into account any discount or premium on the acquisition and the commissions or costs that are an integral part of the effective interest rate. Amortization in accordance with the method of effective interest rate is recognized as financial cost in the income statement.

Derecognition –

A financial liability is derecognized when the obligation specified in the corresponding contract has been paid or canceled, or has expired.

When an existing financial liability is replaced by another liability from the same lender under substantially different conditions, or if the conditions of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and recognition of a new liability, and the difference among the respective carrying amounts is recognized in the income statement.

(b.4) Offsetting of financial instruments-
Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

(b.5) Fair value of financial instruments –
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

The Company use valuation techniques that are appropriate in the circumstances and for which they have sufficient information available to measure fair value, maximizing the use of relevant observable inputs and minimize the use of unobservable inputs valuation techniques.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

(i) Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
(ii) Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
(iii) Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization at the end of each reporting period.

For fair value disclosure purposes, the Company have determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained before.

(c) Segment reporting-
For management purposes, the Company is organized into business units based on its products and has two operating segments on which it reports, which are:

- The segment of indirect human consumption that produces and sells fishmeal and fish oil.
- The segment of direct human consumption that sells frozen fish.

No operating segment has been added to determine the segments described above.

The Deputy General Manager is the highest instance of operational decision making of the Company and supervises the operating results of its business units separately with the purpose of making decisions on the allocation of resources and the evaluation of performance. The performance of the segments is evaluated based on the operating result and is consistently valued with the operating result of the financial statements. However, the Company's financing (including financial expenses and incomes) and income taxes are managed at the Company level and are not allocated to operating segments.

The following are the main captions of the statement of financial position of the Company and the statement of income by operating segments:

	Indirect human consumption US$(000)	**Direct human consumption** US$(000)	**Total** US$(000)
As of December 31, 2018			
Total assets	593,568	43,334	636,902
Property, vessels, machinery and equipment, net	184,153	42,708	226,861
Intangible assets, net	117,939	-	117,939
Goodwill	113,342	-	113,342
Inventories, net	79,249	628	79,877
Total liabilities	383,954	-	383,954
Short-term bank loans	70,000	-	70,000
Long-term financial liabilities	189,422	-	189,422
For the year ended on December 31, 2018			
Local sales	22,764	3,106	25,870
Foreign sales	211,043	3,744	214,787
Total net sales	233,807	6,850	240,657
Cost of sales	(140,879)	(9,499)	(150,378)
Cost of distribution	(12,600)	(1,680)	(14,280)
Gross profit (loss)	80,328	(4,329)	75,999
Administrative expenses	(10,088)	(312)	(10,400)
Other incomes	3,124	-	3,124
Other expenses	(5,717)	-	(5,717)
Operating profit (loss)	67,647	(4,641)	63,006

Notes to the financial statements (continued)

	Indirect human consumption US$(000)	Direct human consumption US$(000)	Total US$(000)
As of December 31, 2017			
Total assets	452,581	48,486	501,067
Property, vessels, machinery and equipment, net	169,534	46,205	215,739
Intangible assets, net	116,819	-	116,819
Goodwill	113,342	-	113,342
Inventories, net	16,461	2,281	18,742
Total liabilities	284,264	-	284,264
Short-term bank loans	3,000	-	3,000
Long-term financial liabilities	195,319	-	195,319
For the year ended on December 31, 2017, note 3(q)			
Local sales	17,135	1,607	18,742
Foreign sales	214,916	20,981	235,897
Total net sales	232,051	22,588	254,639
Cost of sales	(176,908)	(24,070)	(200,978)
Cost of distribution	(12,492)	(3,662)	(16,154)
Gross profit (loss)	42,651	(5,144)	37,507
Administrative expenses	(6,874)	(2,299)	(9,173)
Other incomes	3,065	-	3,065
Other expenses	(6,543)	(1,638)	(8,181)
Operating profit (loss)	32,299	(9,081)	23,218

Segments by geographical area –

	2018		2017	
	Indirect human consumption US$(000)	Direct human consumption US$(000)	Indirect human consumption US$(000)	Direct human consumption US$(000)
Incomes -				
Asia	167,905	-	175,278	8,603
Europe	22,298	820	7,286	7,451
America	41,423	3,302	46,849	4,545
Oceania	1,079	170	2,638	40
Africa	1,102	2,558	-	1,949
	233,807	6,850	232,051	22,588

(d) Foreign currency transactions -
The Company's financial statements are presented in US dollars, which is its functional and presentation currency.

Transactions and balances -
Transactions in foreign currency (currencies other than US dollar) are initially recorded by the Company at the exchange rate in force on the transaction date. Monetary assets and liabilities denominated in foreign currency are translated at the exchange rate in force on the date of their settlement in the statement of financial position and the resulting exchange differences are recorded in the income statement.

Non-monetary items are translated by using the exchange rates in force on the date of the original transactions.

(e) Inventories –
Inventories are valued at the lower of cost or net realizable value.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

The costs incurred to bring inventories to their current location and conditions are accounted for as follows:

Finished products -
At the cost of raw materials, supplies, direct workforce, other direct costs, general manufacturing expenses and an amount of fixed and variable manufacturing costs based on the normal operating capacity; excluding financing costs. Subsequently, the method of daily weighted average cost method is applied.

Normal capacity is defined as the extraction and production capacity in each of the two fishing seasons defined in the year, based on the anchovy fishing quota assigned to the Company by the regulator (PRODUCE).

Raw materials and supplies -
They are recorded at acquisition cost, following the method of daily weighted average cost.

The allowance for impairment is determined according to an analysis performed on the conditions and inventories' rotation. The estimate is recognized through the statements of income.

(f) Property, vessels, machinery and equipment -

"Property, vessels, machinery and equipment", except land, is presented at their acquisition cost, net of accumulated depreciation and accumulated impairment losses, if any. The initial cost of an asset includes the purchase price or its manufacturing cost, including import duties and non-refundable purchase taxes and any necessary cost directly attributable to bringing the asset to be capable of operating, the initial estimate of the costs of restoring and financing costs for long-term building projects, to the extent the requirements for recognition are met.

When significant components of property, vessels, machinery and equipment require replacement, the Company derecognized the replaced component and recognized the new component with its corresponding useful life and depreciation. Likewise, when a major inspection is performed, its cost is recognized as a replacement as long as the requirements for its recognition are met. All other routine repair and maintenance costs are recognized in the statements of income as incurred.

Land is measured under the revaluation method, that is, at fair value less impairment losses recognized after the revaluation date. Revaluations are carried out at the end of each year to ensure that the fair value of a revalued asset does not significantly differ from its carrying amount.

Any revaluation increase is recognized in other comprehensive income and accumulated in equity under "Revaluation surplus", except to the extent that such increase reverses a revaluation decrease of the same asset previously recognized in the income statement, in which case this increase is recognized in the income statement, except to the extent that such decrease compensates a revaluation increase of the same asset previously recognized in the reserve due to the revaluation of assets.

An item of property, vessels, machinery and equipment or significant component is retired at the moment of its disposal or when it is not expected to obtain economic benefits through its use or subsequent disposal. Any profit or loss from the disposal of the asset (calculated as the difference between revenues for sale and the asset's carrying amount) is included in the statements of income when it occurs.

Residual value, useful life and depreciation methods are reviewed and adjusted, if any, at the end of each year.

Work in progress includes payments for asset construction, financing costs, and other direct costs attributable to such work, accrued during the construction phase. Work in progress is capitalized when completed and depreciation is calculated since the moment the asset is available for use.

Depreciation is calculated using the straight-line method over the estimated useful lives, which are as follows:

Descriptión	Years
Buildings and constructions	33
Fishing vessels	Between 2 and 29
Machinery and equipment	Between 2 and 35
Transport units	5
Furniture and fixtures	Between 2 and 10
Other equipment and computer equipment	Between 2 and 10

(g) Leases -

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the time of its conclusion, whether compliance with the agreement depends on the use of a specific asset or agreement granting the right to use the asset, even if that right is not explicitly in the agreement.

Finance leases that transfer substantially all the risks and rewards of ownership of the leased asset to the Company, are capitalized at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in finance costs in the statements of income.

A leased asset is depreciated over the useful live of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Leases in which the Company do not obtain substantially all the risks and reward incidental to ownership of the asset are classified as operating leases.

Operating lease payments are recognized as operating expenses in the statements of income on a straight-line basis over the lease period.

(h) Intangible assets -

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful live are reviewed at least at the end of each reporting period.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statements of income in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit (CGU) level.

The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statements of income when the asset is derecognized.

Fishing licence and production licenses -

Fishing licence and production licenses represent the right to fish in the Peruvian littoral for each of the fishing vessels and to process fishmeal and fish oil for each of the fishing plants. These assets do not have maturity. Thus, they are considered intangible assets with an indefinite useful lives and are not amortized, but every year it is evaluated if there is impairment. See paragraph (i) below.

Fishing licence and production licenses are initially measured at cost. The cost of fishing licence and production licenses acquired in a business combination is their fair value at the date of acquisition.

Goodwill -

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses, assessed at least each year end. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's CGUs that are expected to benefit from the combination.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal.

Software -
They correspond to licenses and costs directly related to the implementation of an information processing system. These assets are presented at the acquisition cost and amortized over ten years.

(i) Impairment of non-financial assets -
The Company assess at each reporting date whether there is any indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGUs fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

Impairment losses corresponding to continuous operations, including the impairment of inventories, are recognized in the income statement in those expense categories that correspond to the function of the impaired asset.

For fishing licence, production licenses and goodwill, an impairment test is carried out at least every year (as of December 31). For other assets in general, at each closing date of the reporting period, an assessment of whether there is any indicator that previously recognized impairment losses no longer exist or have decreased is made. If there is such indicator, the Company makes an estimate of the recoverable amount of the asset or the cash generating unit.

A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statements of income.

Impairment losses related to fishing licence, production licenses and goodwill cannot be reversed in future periods.

(j) Provisions –

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. In cases where the Company expects the provision to be reimbursed in whole or in part, for example under an insurance contract, the reimbursement is recognized as an asset separately only in cases where such reimbursement is virtually certain. The expense relating to any provision is presented in the statements of income net of any related refund.

If the effect of the time value of money is material, provisions are discounted using a current market rate before tax that reflects, where appropriate, the risks specific to the liability. When the discount is recognized, the increase in the provision by the passage of time is recognized as a finance cost in the statements of income.

(k) Contingencies -

Contingent liability are not recognized in the financial statements. These are disclosed in notes to the financial statements, unless the possibility of disbursing an economic flow is probable.

Contingent assets are not recognized, but are disclosed when it is probable that an inflow of economic benefits to the Company occurs.

(l) Revenue recognition -

Revenues are recognized to the extent the economic benefits are likely to flow to the Company and can be reliably measured, regardless of when the payment is made. Revenues are measured at the fair value of the remuneration collected or receivable, taking into account the payment terms defined by contract and not including taxes or expenses. The Company reviews its income agreements in order to determine whether it acts as the owner or agent. The Company concluded that it acts as the owner of all its income agreements.

The following specific recognition criteria must also be met before the recognition of an income:

Sale of goods -

Revenues from the sale of goods are recognized when the significant risks and benefits inherent to the property of the good have been substantially transferred to the buyer, which occurs, in general, at the time of delivering the goods (once rendered the distribution service); for exports, at the time of shipment.

Interest income -

These revenues are recognized when the interests are accrued by using the effective interest rate method. Interest incomes are included in financial incomes in the income statement.

As a result of the adoption of IFRS 15, no significant impacts have been presented, in relation to the time when the Company recognizes the incomes, see note 3(q).

(m) Financing costs -

Financing costs that are directly attributable to acquisition, building or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are included in the cost of that asset. All other finance costs are recognized when occurred. Financing costs are interest and other costs the Company incurs in connection with the borrowings obtained.

(n) Income tax -

Current income tax -

Assets and liabilities for current income tax are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date of the period reported in Peru

Current income tax relating to items recognized directly in equity is recognized in equity and not in the statement of income.

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax -

Deferred income tax is recognized by using the liability method over temporary differences between the tax bases of assets and liabilities and their carrying amounts at the closing date of the reporting period.

Deferred income tax liabilities are recognized for all taxable temporary differences, except for taxable temporary differences related to investments in subsidiaries, when the opportunity of their reversal can be controlled, and it is probable that they will not be reversed in the near future.

Deferred income tax assets are recognized for all deductible temporary differences, and for the future compensation of unused tax credits and tax losses, to the extent that it is likely the existence of future available taxable profits against which such temporary differences can be compensated.

The carrying amount of the assets for deferred income tax is reviewed on each closing date of the reporting period and is reduced to the extent that the existence of sufficient future taxable income is no longer probable to allow these deferred income tax assets are used in whole or in part. Unrecognized deferred income tax assets are reviewed on each closing date of the reporting period and are recognized to the extent that it is likely the existence of future taxable profits that allow the recovery of such assets due to deferred income tax not previously recognized.

Assets and liabilities for deferred income tax are measured at the tax rates expected to be applicable in the year when the asset is made or the liability is canceled, based on the tax rates and tax rules that were approved as at the closing date of the reporting period.

Deferred income tax is recognized in relation to the item that originates it, either in incomes or directly in equity.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset assets and liabilities for income tax, and if deferred income taxes are related to the same tax authority and the same tax jurisdiction.

General Sales Tax -
Revenues from ordinary activities, expenses and assets are recognized excluding the amount of the general sales tax, except:

(i) When the general sales tax incurred in an acquisition of assets or in the provision of services is not recoverable by the Tax Authority, in which case this tax is recognized as part of the acquisition cost of the asset or as part of the expense, as appropriate;

(ii) The accounts receivable and payable that are already expressed including the amount of general sales tax.

The net amount of the general sales tax expected to be recovered from, or corresponding to be paid to the Tax Authority, is presented as an account receivable or an account payable in the statement of financial position, as appropriate.

(o) Employees' profit sharing -
In accordance with legal standards from Peru, employees' profit sharing is calculated over the same basis for calculating current income tax and is presented in the income statement within the caption "Production cost", "Administrative expenses" and "Cost of distribution", as part of personnel expenses.

(p) Employee benefits-
The Company has short-term obligations for employee benefits that include salaries, social contributions, bonuses, performance bonuses and profit sharing. These obligations are recorded every month, charged to the income statement, as they accrue.

(q) Changes in accounting policies and disclosures -
In these financial statements, the Company has applied for the first time IFRS 9 and IFRS 15, effective for periods beginning on or after January 1, 2018, which have not had a significant impact on its financial statements.

IFRS 9 "Financial Instruments" -
IFRS 9 replaces IAS 39 for annual periods beginning on or after January 1, 2018:

i. Changes in classification and measurement –
To determine the classification and measurement category, IFRS 9 requires that all financial assets, except equity and derivative instruments, be evaluated based on the test of business model and the test of contract flow characteristics.

Measurement categories of financial assets of IAS 39 (fair value through profit or loss, available for sale, held-to-maturity and loans and accounts receivable) have been replaced by:

- Debt instruments at amortized cost.
- Debt instruments at fair value through profit or loss.
- Equity instruments at fair value through profit or loss.
- Financial assets at fair profit or loss.

The accounting for financial liabilities remains to a large extent the same as that required by IAS 39, except for the treatment of profits or losses arising from an entity's own credit risk of those liabilities allocated at fair value through profit and loss. These movements must be presented in the income statement. As of December 31, 2018 and 2017, the Company does not present defined liabilities at fair value through profit or loss, for which there was no effect on its financial statements at those dates.

ii. Changes in the calculation of impairment -
The adoption of IFRS 9 has substantially changed the accounting for impairment of financial assets, going from a loss model incurred under IAS 39 to an expected loss model under IFRS 9. IFRS 9 requires the Company to record a provision for expected loss for all loans and other financial debt assets that are not measured at fair value through profit or loss. The allocation is based on the expected losses associated with the probability of default in the next twelve months, unless there is a significant increase in credit risk since the initial date. If the financial asset meets the definition of purchased or originated credit that has credit impairment, the allocation is based on the change of expected credit losses throughout the life of the asset.

This change has had no impact on the Company's financial statements, mainly due to the fact that, because of the Company's business, most of its financial assets are of very short-term, and its main customers are foreign companies of recognized prestige and solvency that do not have problems of payment capacity and grant letters of credit in favor of the Company. Therefore, they have almost no probability of default.

iii. Disclosures in accordance with IFRS 7 -
To reflect the differences between IFRS 9 and IAS 39, IFRS 7 "Financial Instruments: Information to disclose" has been updated for the year beginning on January 1, 2018. Changes include transition disclosures, qualitative and quantitative information detailed on the calculations of the expected loss, such as the assumptions and data used, the compensations of expected loss from the date of transition to the closing date of the financial statements of assets to which it applies.

Changes in disclosures of IFRS 7 have not had an effect on the Company because the implementation of IFRS 9 had no effect on the financial statements as detailed in previous paragraphs.

IFRS 15 "Revenue from contracts with customers" –
IFRS 15, which replaced IAS 18 "Revenue" and IAS 11 "Construction contracts", was applied by the Company as of January 1, 2018 to all contracts with customers, except for lease agreements.

The regulation establishes a more systematic approach to the measurement and recognition of income through the introduction of a five-step model that governs the recognition of income. This model requires that the Company, (i) identifies the contract with the customer, (ii) identifies each of the performance obligations included in the contract, (iii) determines the amount of the contract remuneration, (iv) assigns the compensation for each of the performance obligations identified, and (v) recognizes the income as each performance obligation is met.

As a result of the adoption of IFRS 15, there have been no significant impacts in relation to the moment when the Company recognizes the income or when the income must be recognized as gross principal or net as an agent, because there is only a contractual obligation that is the sale of goods and their distribution.

In addition to the adoption of IFRS 15, some concepts have been reclassified to have a coherence in the presentation of income and expenses, being the main concept all costs associated with the distribution of goods from the Company's warehouses to the port of shipment (exports), which go from the caption "Cost of sales" to the caption "Cost of distribution" in the income statement.

IFRIC 22 "Transactions in foreign currency and anticipated consideration" -
The interpretation clarifies that when determining the exchange rate to be used in the initial recognition of the asset, expense or income (or part thereof), related to the derecognition of a non-monetary asset or liability related to an anticipated consideration, the date of transaction is the date when the entity initially recognizes the non-monetary asset or liability resulting from the anticipated consideration. If there are several payments or receipts in advance, the entity must determine a transaction date for each payment or receipt of the anticipated consideration. The Management of the Company concluded that this interpretation had no effects on its financial statements.

4. Significant accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to use judgments, estimates and assumptions that affect the reported amounts of incomes, expenses, assets and liabilities and the disclosure of contingent liabilities.

However, the uncertainties and professional judgment of these assumptions and estimates could result in amounts that require a material adjustment at the carrying value of the assets and liabilities.

The most significant estimates considered by Management of the Company in connection with the financial statements mainly relate to:

- Estimate of obsolescence allowance.
- Estimate of impairment of non-financial assets.
- Useful lives and recoverable amount of non-financial assets.
- Provision for contingencies.
- Income tax.
- Land revaluation.

The Management considers that the estimates included in the financial statements were made on the basis of its better knowledge of the relevant events and circumstances at the date of preparation thereof. However, the final results may differ from the estimates included in the financial statements.

5. New accounting standards not yet in force

The Company decided not to adopt in advance the following regulations and interpretations that were issued by the IASB and apply to the operations carried out by the Company, but not yet effective as of December 31, 2018:

- IFRS 16 "Leases"
  IFRS 16 establishes the principles for recognition, measurement, presentation and disclosures for leases and requires all leases to be accounted for under a model similar to the accounting of financial leases according to IAS 17 "Leases". The regulation includes two exceptions to recognition for lessees: short-term leases and those in which the underlying asset is low value.

At the start date of a contract, the lessee will recognize a liability for the present value of the lease payments which have not been paid on that date and an asset for the right to use the asset during the term of the lease. Lessees must recognize the interest expense on the liability for the lease and the depreciation expense for the right to use the asset.

Lessees will also be required to revaluate the lease liability when certain events occur (for example, a change in lease term, a change in future lease payments resulting from a change in the index or the rate used to determine those payments). The lessee will recognize the amount of this valuation of the liability as an adjustment in the corresponding right to use the asset.

The accounting for lessors under IFRS 16 is not substantially modified with respect to the current accounting under IAS 17. Lessors will continue to classify all leases by using the same classification principle indicated in IAS 17 and distinguish two types of leases: operating and financial.

IFRS 16 also requires lessees and lessors to make more extensive disclosures than those required by IAS 17.

IFRS 16 is effective for annual periods beginning on January 1, 2019. The early adoption is permitted, but not before the entity applies IFRS 15. The lessee may choose to apply the standard by using a full or modified retrospective approach. The transitory provisions of the standard allow certain facilities.

- IFRIC 23 "Uncertainty about Income Tax Treatments"
  The interpretation deals with the recording of the income tax when the tax treatments involve uncertainties that affect the application of IAS 12 and does not apply to taxes out of the scope of IAS 12. It does not specifically include requirements related to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses the following:

a) If an entity considers uncertain tax treatments separately.
b) The assumptions an entity considers for the examination of tax treatments by tax authorities.
c) How an entity determines the taxable profit (tax loss), tax bases, unused tax losses, and tax rates.
d) How an entity considers changes in facts and circumstances.

An entity has to determine whether it considers uncertain each tax treatment by separate or together with one or more uncertain tax treatments. The approach that best predicts the resolution of uncertainty should be followed. The interpretation is effective for annual periods beginning on or after January 1, 2019. The Company will apply the interpretation from its effective date. In addition, the Company may need to establish processes and procedures to obtain information that is necessary to timely apply the interpretation.

- Cycle of Annual Modifications 2015-2017 (Issued in December 2017) IAS 12 *"Income Tax"*
  The amendments clarify that consequences of the income tax on dividends are more directly linked to past transactions or events that generated distributable profits rather than distributions to the owners. Therefore, an entity recognizes consequences of the income tax on dividends in profit and loss, other results or equity according to where the entity originally recognized those transactions or past events.

  An entity applies these modifications for annual reporting periods that begin on or after January 1, 2019, and the early adoption is permitted. When an entity adopts for the first time these amendments, it applies them to the tax consequences on the dividends recognized on or after the beginning of the oldest comparative period. Because the Company's current practices are aligned with these modifications, the Company does not expect any effect on its financial statements.

As of December 31, 2018, the Company is in process of evaluating the impact of the application of these standards, if any, on its financial statements, as well as on the disclosures in the corresponding notes.

6. Foreign Currency Transactions

Foreign currency transactions are recorded into the exchange rates of the free market published by the Superintendency of Banking, Insurance and Private Pension Fund Managers (Superintendencia de Banca y Seguros y AFP). As of December 31, 2018, the weighted average free market exchange rates for transactions in soles were US$0.2968 for purchase and US$0.2959 for sale (US$0.3088 for purchase and 0.3082 for sale as of December 31, 2017).

As of December 31, 2018 and 2017, the Company held the following assets and liabilities in soles:

	2018 S/(000)	2017 S/(000)
Assets		
Cash and cash equivalents	1,334	2,372
Trade and other receivables	54,719	44,234
Receivables from related parties	11,787	9,184
Tax credit for VAT	37,109	14,348
Income tax	-	9,147
	104,949	79,285
Liabilities		
Trade and other payables	22,486	13,213
Payables to related parties	90	99
Long-term financial liabilities	-	33
Income tax payable	32,419	-
Provisions for contingencies	8,052	9,414
	63,047	22,759
Net asset position	41,902	56,526

During 2018, the Company had a net exchange loss of US$1,040,000 (US$902,000 in 2017), which is presented in the statement of income.

The Management does not consider that the exchange rate risk could significantly impact on the profit and loss of the Company. As of December 31, 2018 and 2017, the Company does not have financial instruments covering the exchange risk of its operations in soles.

7. Cash and cash equivalents

(a) This item is made up by:

	2018 US$(000)	2017 US$(000)
Term deposits (b)	32,000	900
Current accounts (c)	1,096	2,026
	33,096	2,926

(b) As of December 31, 2018 and 2017, the term deposits are denominated in soles and U.S. Dollars, have original maturities in less than three months and may be renewed when due. These deposits are held in local banks, which are remunerated at current market rates.

(c) Current accounts are held in domestic banks, are mainly denominated in U.S. Dollars, which are freely available and do not accrue interest.

8. Trade and other receivables, net

(a) This item is made up by:

	2018 US$(000)	2017 US$(000)
Ship owners (b)	31,844	10,415
Trade accounts receivable (c)	10,101	1,554
Accounts receivable from shareholders	3,599	3,625
Accounts receivable from personnel	1,374	1,903
Third-party claims	558	416
Others	406	1,024
	47,882	18,937
Less - Impairment allowance (d)	(320)	(328)
	47,562	18,609
By expiration:		
Current	42,108	8,716
Non current	5,454	9,893
	47,562	18,609

Notes to the financial statements (continued)

(b) As of December 31, 2018 and 2017, it mainly corresponds to the advance granted to ship owners for unloading fish in the Company's plants. These balances are denominated in soles and U.S. Dollars, do not accrue interests and are supported by bills of exchange, and, in many cases, movable guarantees consisting of mortgages or trusts of vessels in favor of the Company. In opinion of the Management, the balance will be recovered in the short term.

(c) Trade accounts receivable mainly consist of domestic and foreign sales, whose collections are mostly made by credit letters. These accounts receivable are mainly denominated in U.S. Dollars, have current maturities and do not accrue interests.

(d) The movement of the impairment allowance for the years 2018 and 2017 is as follows:

	2018 US$(000)	2017 US$(000)
Opening balance	328	164
Charge for the year	-	164
Recoveries	(8)	-
Closing balance	320	328

(e) As of December 31, 2018 and 2017, the aging analysis of trade receivables is as follows:

	2018 US$(000)	2017 US$(000)
Not past due nor impaired	9,047	755
Past due but not impaired		
Until 60 days	427	320
Between 61 and 180 days	448	300
Impaired	179	179
	10,101	1,554

9. Inventories, net

(a) This item is made up by:

	2018 US$(000)	2017 US$(000)
Finished goods -		
Fishmeal	57,162	885
Fish oil	12,498	12
Frozen fish	628	2,281
	70,288	3,178
Supplies	6,135	6,057
Deferred costs (c)	3,017	8,391
Packaging and casing	1,027	1,706
	80,467	19,332
Less - Obsolescence allowance (d)	(590)	(590)
	79,877	18,742

(b) As of December 31, 2018, the Company kept 33,570 MT as guarantee for short-term bank loans (as of December 31, 2017, the Company did not keep guarantees), see note 12(b).

(c) The deferred costs correspond to those incurred during the closed season in plants and vessels. These costs are allocated to the cost of the next production and based on the normal production capacity of plants and vessels. As of December 31, 2018 and 2017, it corresponds to the balance of the accumulated fixed costs after the first season of each year and, in the opinion of the Management, it is estimated that these ones will be allocated to the production cost of the second fishing season to finish in January of the following year.

(d) Obsolescence allowance is determined based on the assessment performed by the Company's operating areas, identifying obsolete materials and supplies.

As a result, the Company's Management considers that no additional provisions are required for obsolescence allowance as of December 31, 2018 and 2017.

10. Property, vessels, machinery and equipment, net

(a) The movement of this item is as follows:

	Land US$(000)	Building and constructions US$(000)	Fishing vessels US$(000)	Machinery and equipment US$(000)	Transport units US$(000)	Furniture and fixtures US$(000)	Other equipment and computer equipment US$(000)	Work in progress US$(000)	Total US$(000)
Cost -									
As of January 1, 2017	46,046	34,282	156,519	173,059	2,072	949	3,431	1,349	417,707
Additions (b)	-	-	-	-	-	-	-	13,297	13,297
Revaluations (c)	8,980	-	-	-	-	-	-	-	8,980
Transfers	-	533	6,822	5,416	199	60	334	(13,364)	-
Disposals	-	(14)	(17,896)	(2,640)	(323)	(4)	(7)	-	(20,884)
Impairment	-	-	-	(1,683)	-	-	-	-	(1,683)
As of December 31, 2017	55,026	34,801	145,445	174,152	1,948	1,005	3,758	1,282	417,417
Additions (b)	-	-	-	-	-	-	-	22,560	22,560
Revaluations (c)	9,666	-	-	-	-	-	-	-	9,666
Transfers	-	1,546	8,354	12,081	309	46	301	(22,637)	-
Disposals	-	(2)	(3,972)	(1,529)	(243)	(1)	(53)	-	(5,800)
As of December 31, 2018	64,692	36,345	149,827	184,704	2,014	1,050	4,006	1,205	443,843
Accumulated depreciation -									
As of January 1, 2017	-	8,455	109,234	79,067	1,805	542	2,074	-	201,177
Additions (d)	-	1,352	6,669	10,444	110	72	443	-	19,090
Disposals	-	(7)	(16,559)	(1,728)	(289)	(2)	(4)	-	(18,589)
As of December 31, 2017	-	9,800	99,344	87,783	1,626	612	2,513	-	201,678
Additions (d)	-	1,336	7,801	10,527	119	86	438	-	20,307
Disposals	-	-	(3,513)	(1,200)	(241)	(1)	(48)	-	(5,003)
As of December 31, 2018	-	11,136	103,632	97,110	1,504	697	2,903	-	216,982
Net book value -									
As of December 31, 2018	64,692	25,209	46,195	87,594	510	353	1,103	1,205	226,861
As of December 31, 2017	55,026	25,001	46,101	86,369	322	393	1,245	1,282	215,739

(b) Additions -

During 2018 and 2017, the Company has made additions mainly in vessels and machinery for improvements in fishing vessels and in the production of fishmeal and fish oil.

(c) Revaluations -

The Company uses the revaluation model to measure its land. For this purpose, the Company hires an independent appraiser, with experience in the valuation of similar assets to determine the fair value.

The fair values were determined by using the valuation technique based on the market approach, this means that valuations performed by the independent appraiser were based on quoted prices in active markets by the nature, location and condition of each land. The date of the last revaluation was in December 2018.

If the land had been measured by using the cost model, as of December 31, 2018 and 2017, the carrying amount would have been the historic cost of US$5,569,000. The cost attributed from the adoption of IFRS for the first time amounts to US$9,329,000.

(d) Distribution of the year depreciation -

The depreciation allocation for 2018 and 2017 is as follows

	2018 US$(000)	2017 US$(000)
Cost of sales, note 19	13,168	7,208
Costs incurred in non-production periods	5,067	8,278
Deferred costs	897	2,493
Administrative expenses, note 21	626	637
Cost of distribution, note 20	549	474
	20,307	19,090

(e) Works in progress -

As of December 31, 2018 and 2017, it mainly corresponds to improvements in its processing plants for indirect human consumption and in its fishing vessels. In opinion of the Management, all the works in progress will be completed during 2019.

(f) Assets in financial leasing -

As of December 31, 2018 and 2017, the Company keeps fishing vessels, vehicles, and machinery and equipment through financial leasing contracts. As of December 31, 2018, the cost and accumulated depreciation amount to approximately US$53,482,000 and US$36,964,000 respectively (as of December 31, 2017, the cost and accumulated depreciation amount to approximately US$54,180,000 and US$35,985,000, respectively).

(g) The Company keeps insurance policies to safeguard its main fixed assets against fire and all risks, as well as the possible claims that may arise for the exercise of its activity. In Management´s opinion, 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.

11. Intangible assets, net and goodwill

(a) The movement of this item is as follows:

	Fishing licence (b) US$(000)	Software US$(000)	Total US$(000)
Cost -			
As of January 1, 2017	111,831	4,663	116,494
Additions	3,791	342	4,133
Disposals	(1,517)	-	(1,517)
As of December 31, 2017	114,105	5,005	119,110
Additions	-	1,510	1,510
As of December 31, 2018	114,105	6,515	120,620
Accumulated amortization -			
As of January 1, 2017	-	1,938	1,938
Additions	-	353	353
As of December 31, 2017	-	2,291	2,291
Additions	-	390	390
As of December 31, 2018	-	2,681	2,681
Net book value -			
As of December 31, 2018	114,105	3,834	117,939
As of December 31, 2017	114,105	2,714	116,819

(b) It corresponds to the fishing licence that the Company holds for the development of its activities. By virtue of its nature, fishing licence are considered intangible with indefinite useful lives, so they are not subject to amortization.

Fishing licence have been acquired along with purse-seine fishing vessels, through purchase processes and mergers with other companies, and have been determined on the basis of their estimated market values obtained from independent appraisers at the date of each transaction.

(c) Between 2007 and 2012, the Company made effective the acquisition of 100 percent of the shares representing the capital issued of multiples companies. The acquisitions of these companies were recorded following the purchase method, so adjustments were incorporated in their financial statements to reflect the acquired assets and liabilities at their fair values on the acquisition date. As a result of these acquisitions, the Company recognized a goodwill of US$113,342,000.

As of December 31, 2018 and 2017, goodwill has been generated by the acquisition of the following companies:

Company	Acquisition year	US$(000)
Coorporación del Mar S.A.A.	2009	39,396
Walda S.A.C.	2012	15,190
Inversiones Poas S.A.C.	2012	13,586
Pesquera del Sur S.C.R.LTDA	2012	10,366
Grupo Arrieta	2007	7,114
Grupo Queirolo	2007	6,533
Pesquera Ollanta S.A.C.	2011	4,656
Grupo Tassara	2007	3,292
Inversiones Pesquera Valentina S.A.C.	2012	3,252
Pesquera San Martin de Porras S.A.C.	2011	3,224
Empresas varias	2007	3,043
Pesquera Mar Adentro	2011	2,946
Grupo Cabo Peñas	2007	744
		113,342

(d) Impairment testing -
Intangible assets with indefinite useful lives are analyzed for impairment by assigning them to three cash-generating units (hereinafter "CGU"), which include the following assets:

- Vessels (Fleet)
- Plants of Indirect Human Consumption
- Plants of Direct Human Consumption

The recoverable amount of the cash generating unit for the extraction and production of fishmeal and fish oil has been determined based on a calculation of the value in use, by using projections of cash flows derived from the financial budgets approved by the Management, and that cover a period of ten years.

Below, the main assumptions on which the Management has based the projections indicated above:

(i) Price of fishmeal and fish oil: For its own fleet and third-party acquisitions, the model assumes 18 percent of the total value of fishmeal as raw material cost. For the plants, the model uses the average prices of fishmeal and fish oil of US$1,513 and US$1,918 per MT, respectively. The Management expects the prices to be stable and to increase consistently according to the market expectations and demand.

(ii) Fishing quota: The Company has an anchovy fishing quota of 6.77 percent of the total biomass determined by the Peruvian Marine Institute based on the Law and Regulation on Maximum Catch Limits per Vessel. To this quota it is added the participation of third parties of 7.50 percent, reaching a total of 14.27 percent of participation. The Company's total quota for 2018 (first and second fishing season) amounted to 3,716,700 MT (4,290,000 MT in 2017).

(iii) Discount rate: The discount rate before income tax applicable to cash flow projections was 7.97 percent, which is consistent with other rates used in the fishing sector.

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

Sensitivity to changes of assumptions –
As of December 31, 2018, in order to generate impairment, the following assumptions should vary in the following way, keeping the rest constant:

- The discount rate should have been higher than 9.71 percent for vessels, 21 percent for Plants of Indirect Human Consumption, and 20 percent for Plants of Direct Human Consumption.
- The total quota allocated should be 3,830,000 MT for vessels and 2,290,000 MT for Plants of Indirect Human Consumption. For Plants of Direct Human Consumption, there should be a minimum quota for each type of product (jack mackerel, mackerel, giant squid, bonito, small and large mahi mahi) for a total of 39,800 MT.
- The minimum price should be US$1,356 per MT for fishmeal and US$1,719 per MT for fish oil for vessels; US$1,000 per MT for fishmeal and US$1,268 per MT for fish oil for Plants of Indirect Human Consumption. For Plants of Direct Human Consumption, a minimum price has been calculated for each type of product: horse mackerel and mackerel for US$343 per MT, giant squid for US$687 per MT, bonito for US$1,144 per MT and small and large mahi mahi for US$2,280 per MT.

Taking into account the market conditions, the Management considers that the assumptions used as a basis for the analysis are reasonable and that the variations that would be required to generate impairment are not expected to happen. As a result, it is not necessary to record impairment estimates as of December 31, 2018 and 2017.

12. Short-term bank loans

(a) This item is made up by:

	2018 US$(000)	2017 US$(000)
Banco de Crédito del Perú S.A.A.	35,000	-
Scotiabank Perú S.A.A.	17,000	-
BBVA Banco Continental S.A.	15,000	-
Banco Interamericano de Finanzas S.A.	3,000	3,000
	70,000	3,000

(b) Bank loans correspond to short-term financing for working capital. They are denominated in U.S.Dollars, accrue interest at annual market rates and are guaranteed by warrants, see note 9(b).

(c) In 2018, interest expense accrued in 2018 related to short-term bank loans amounts to approximately US$4,897,000 (US$3,182,000 in 2017) and is presented in the "Financial expenses" caption of the statement of income, see note 24.

13. Trade and other payables

(a) This item is made up by:

	2018 US$(000)	2017 US$(000)
Trade payables (b)	37,757	16,951
Financing interests	5,700	5,321
Workers' share	5,076	537
Accrued expenses (c)	4,203	6,414
Taxes	1,434	1,291
Remuneration payable	1,074	111
Social contributions	933	109
Severance Compensation	516	99
Customer advances	388	153
Others	71	151
Taxes	849	566
	58,001	31,703

(b) Trade payables arise from liabilities generated by services received from local suppliers, for the export of their finished products and the maintenance of their equipment. These liabilities are denominated in U.S.Dollars and soles, do not accrue interests and no guarantees have been provided for these liabilities.

(c) Accrued expenses correspond to services received as of December 31, 2018 and 2017, whose billings were not received at the annual closing date. These expenses are mainly related to surveillance, insurance, customs duty expenses, certificates and electric power.

14. Long-term financial liabilities

(a) This item is made up by:

	Currency	2018 US$(000)	2017 US$(000)
Corporate bonds (b)	US$	167,667	167,993
Syndicated loan (c)			
Banco Santander del Perú S.A.	US$	6,909	8,364
Banco de Crédito del Perú S.A.A.	US$	6,909	8,364
Banco Internacional del Perú S.A.A. - Interbank	US$	5,182	6,272
		19,000	23,000
Finance lease (d)			
Banco Internacional del Perú S.A.A. - Interbank	US$	1,292	2,570
Banco de Crédito del Perú S.A.A.	US$	745	1,008
BBVA Banco Continental S.A.	US$	676	684
Banco Santander Perú S.A.	US$	42	64
		2,755	4,326
		189,422	195,319
By expiration:			
Current		5,772	5,891
Not current		183,650	189,428
		189,422	195,319

(b) Bonds -

In January 2013, the Company made an international placement of Corporate Bonds under the 144A REGS format for a principal amount of US$200,000,0000, for a period of 7 years, payable at maturity and with an annual fixed interest rate of 7.375 percent. The interest is paid every semester, maturing in 2020.

On August 31, 2016, the repurchase of US$30,000,000 was made by paying 76.5 percent of its nominal value and generating a net profit of US$3,000,000, which was presented in the Company's income statement.

On February 6, 2018, it was agreed to extend the financing term of US$60,900,000 of the outstanding bonds until 2025 and with an increase of 8 percent in the annual fixed interest rate.

As of December 31, 2018, the principal of bonds is shown net of the costs directly associated for US$2,270,000 (US$2,006,000 in 2017).

During the effective period of the contract in which (i) the Bonds have Investment Grade Rating from two well-known risk-rating agencies and (ii) no payment default or event of default have occurred that have not been corrected, the Company will not be subject to the following provisions (together "Suspended Covenants") of the placement contract:

- Limitations on indebtedness and unqualified shares; limitations on restricted payments;
- Limitations on dividend restrictions and other payments affecting restricted subsidiaries;
- Limitations on transactions with affiliates;
- Limitations on sales of assets;
- Limitations on business activities;
- Limitations on consolidation, merger and sale of assets.

In the event that the Company has a grade below the investment grade, it will be subject to a number of restrictions included in the "Limitation of Indebtedness" section. All the debt that the Company incurs under this situation will be subject to a Debt Hedge Ratio (Total Debt/ EBITDA) of the last twelve months not higher than 3.5x.

If the Debt Hedge is above 3.5x, the Company may incur in "Allowed Indebtedness", which contains a number of debt authorizations among which we have: Debt to cover the working capital needs for the higher value between US$70,000,000 or 14.5 percent out of total assets and debt through finance lease operations for a higher value between US$20,000,000 or 4 percent out of total assets.

As of December 31, 2018 and 2017, the Company has not breached any covenant and expects to comply with such requirements in the following 12 months.

(c) Syndicated loan –

During 2016, the Company obtained a syndicated loan for a total of US$25,000,000, disbursed in two tranches: one for US$9,091,000 and another for US$15,909,000, for a term of 6 years, at a variable interest rate of 4.95 percent + Libor 3 months for Tranche A and a fixed rate of 6.5 percent for Tranche B, interest payments are quarterly and capital payments are semiannual, with maturity date in September 2022.

Likewise, at the date of the agreement, guarantees with fishing vessels were granted, valued at approximately 0.9 percent of the national fishing quota for the North-Centre zone.

During the effective period of the syndicated loan, the Company has to comply with the following financial safeguards:

- Financial leverage ratio less than 1.50
- Financial Debt ratio / EBITDA less than 3.50
- Debt Service Hedge ratio less than 1.20
- Liquidity Ratio less than 1.00

As of December 31, 2018, the Company does not comply with the financial indicator "leverage ratio" required in the syndicated loan agreement; however, as of the date of this report, the Administrative Agent of all the banks has waived the compliance with such safeguards by the Company. According to the Management, by the end of February 2019, this loan will be totally paid.

On January 15, 2019, the Company entered into a syndicated loan agreement for an approximate amount of US$110,000,000, which was destined for the repurchase of bonds that expired in 2020 and the payment of the syndicated loan, effective as of December 31, 2018, in February 2019. This loan will be paid quarterly and have a term of five years, with expiration date on January 15, 2024.

(d) The present values of the future minimum lease payments are as follows:

	2018		2017	
	Minimum payments US$(000)	**Current value of payments** US$(000)	**Minimum payments** US$(000)	**Current value of payments** US$(000)
Until 1 year	1,853	1,853	2,044	2,044
From 2 to 5 years	1,002	902	2,519	2,282
Total of minimum payments	2,855	2,755	4,563	4,326
Less - Interests	(100)	-	(237)	-
Current value of minimum payments	2,755	2,755	4,326	4,326

Notes to the financial statements (continued)

(e) As of December 31, 2018 and 2017, the non-current portion of long- term financial obligations has the following maturities:

Expiration year	2018 US$(000)	2017 US$(000)
2019	-	5,640
2020	113,510	112,958
2021	4,069	4,069
2022	7,060	7,000
2023 from this point forward	59,011	59,761
	183,650	189,428

(f) In 2018, interest expense accrued in 2018 related to bonds, syndicated loan and finance lease amounts to US$12,888,000, US$1,385,000 y US$164,000, respectively (US$12,538,000, US$1,700,000 y US$230,000 in 2017, respectively) and is presented in the "Financial expenses" caption of the statement of income, see note 24.

15. Provisions for contingencies

The movement of this item is as follows:

	Labor process US$(000)	Administrative process US$(000)	Total US$(000)
As of January 1, 2017	1,110	2,538	3,648
Payments	(714)	(33)	(747)
As of December 31, 2017	396	2,505	2,901
Deductions	-	(178)	(178)
Payments	(340)	-	(340)
As of December 31, 2018	56	2,327	2,383

16. Net deferred income tax liabilities

(a) The movement of this item is as follows:

	Balance of at January 1, 2017 US$(000)	Credit (debit) to the income statement US$(000)	Debit to the statement of comprehensive income US$(000)	Balance as of December 31, 2017 US$(000)	Credit (debit) to the income statement US$(000)	Debit to the statement of comprehensive income US$(000)	Balance as of December 31, 2018 US$(000)
Deferred assets							
Impairment of investment	528	19	-	547	(22)	-	525
Impairment of fixed assets	-	496	-	496	-	-	496
Provision for vacations payable	437	(389)	-	48	375	-	423
Tax loss	5,728	(5,728)	-	-	-	-	-
Others	599	1,054	-	1,653	(1,080)	-	573
	7,292	(4,548)	-	2,744	(727)	-	2,017
Deferred liabilities							
Higher value for attributed cost and translation effect of intangibles	(25,360)	284	-	(25,076)	(439)	-	(25,515)
Revaluation of land	(10,832)	-	(2,649)	(13,481)	-	(2,851)	(16,332)
Higher value for attributed cost, differences in depreciation rates and translation effect of fixed assets	(17,575)	2,736	-	(14,839)	813	-	(14,026)
Cost of bond issuance	(2,264)	1,832	-	(432)	(53)	-	(485)
Translation effect of inventories	(1,286)	1,060	-	(226)	39	-	(187)
	(57,317)	5,912	(2,649)	(54,054)	360	(2,851)	(56,545)
Net deferred liabilities	(50,025)	1,364	(2,649)	(51,310)	(367)	(2,851)	(54,528)

(b) The benefit (expense) for income tax shown in the statement of income for the years 2018 and 2017 is composed as follows:

	2018 US$(000)	2017 US$(000)
Current	(13,172)	(1,287)
Deferred	(367)	1,364
	(13,539)	77

(c) The reconciliation between the effective income tax rate and the legal tax rate for the years 2018 and 2017 is as follows:

	2018 US$(000)	%	2017 US$(000)	%
Profit before income tax	42,869	100.00	4,720	100.00
Theoretical tax expense	(12,646)	(29.50)	(1,392)	(29.50)
Translation effect	192	0.44	1,992	42.21
Permanent additions	(1,085)	(2.52)	(523)	(11.08)
Profit (expense) for income tax	(13,539)	(31.58)	77	1.63

17. Equity

(a) Issued capital -

As of December 31, 2018 and 2017, the issued capital is represented by 295,536,144 common shares of S/1.00 par value, each one fully authorized, issued and paid. These belong to both legal entities domiciled and not domiciled in Peru.

The share structure of the Company as of December 31, 2018 and 2017; was as follows

Shareholders	Number of shares	Total percentage of shares %
Caleta de Oro Holding S.A.	180,040,619	60.92
Inversiones Odisea Limitada (before Bancard International Investment Inc.)	27,159,772	9.19
Caleta de Oro Holding del Perú S.A.C.	25,002,358	8.46
Others	63,333,395	21.43
	295,536,144	100.00

(b) Share premium -

In General Shareholders' Meeting held on October 4, 2010, it was approved the increase of the Company's capital through the local and international offer of up to 57,500,000 class "A" shares of S/1.00 par value.

The placement of 57,500,000 shares in the local and international market were incorporated in the Company's equity at a market value of S/4.75 each one, which represented an increase in the issued capital of US$20,584,000 and the recognition of a share premium of US$69,721,000, net of costs related to the issuance for US$7,467,000.

Notes to the financial statements (continued)

(c) Legal reserve -
In accordance with the Corporations Act, the legal reserve is incorporated transferring at least 10 percent of net income each year, after deducting accumulated losses, until it reaches an amount equivalent to one fifth of the capital. In the absence of earnings or freely available reserves, the legal reserve must be applied to offset losses, but must be replaced. The legal reserve may be capitalized, but must also be replaced.

(d) Revaluation surplus -
It includes the revaluation of lands at amounts that have been determined by technical valuations performed by independent appraisers. The revaluation surplus, recorded net of its effect of the deferred income tax, is transferred to retained earnings when the underlying asset is withdrawn or sold.

18. Net sales

(a) This item is made up by:

	2018 US$(000)	2017 US$(000)
Fishmeal	198,375	206,412
Fish oil	34,279	24,329
Frozen fish	4,716	22,393
Others	3,287	1,505
	240,657	254,639

(b) During 2018, approximately 124,752 MT and 23,965 MT of fishmeal and fish oil were sold, respectively (144,670 MT and 18,293 MT of fishmeal and fish oil, respectively, during 2017).

(c) In 2018, 89 percent of the total sales of the Company went abroad (93 percent in 2017), see note 3(c).

Notes to the financial statements (continued)

19. Cost of sales

The following is the equation of cost of sales:

	2018 US$(000)	2017 US$(000)
Opening balance of finished products, note 9	3,178	63,147
Cost of production:		
- Raw material, supplies and provisions used	126,786	76,281
- Personnel expenses, note 22(b)	31,240	15,044
- Manufacturing expenses	30,558	15,406
- Depreciation, note 10(d)	13,168	7,208
Final balance of finished products, note 9	(70,288)	(3,178)
	134,642	173,908
Costs incurred in non-production periods	15,736	27,070
	150,378	200,978

20. Cost of distribution

This item is made up by:

	2018 US$(000)	2017 US$(000)
Export services	4,296	5,924
Transportation of finished products	2,893	3,632
Inspection and analysis	1,471	1,419
Personnel expenses, note 22(b)	1,381	1,333
Security and vigilance	748	792
Stowage and packing	678	408
Depreciation, note 10(d)	549	474
Commissions for sale of finished products	504	613
Storage of finished products	261	115
Others	1,499	1,444
	14,280	16,154

Notes to the financial statements (continued)

21. Administrative expenses

This item is made up by:

	2018 US$(000)	2017 US$(000)
Personnel expenses, note 22(b)	5,242	4,467
Services rendered by third parties	1,308	1,121
Professional fees	773	632
Rental expenses	662	638
Depreciation, note 10(d)	626	637
Security and vigilance	512	431
Communications	299	256
Maintenance and repairs	71	174
Insurance expenses	23	27
Taxes	7	4
Others	877	786
	10,400	9,173

22. Personnel expenses

(a) The composition of the personnel expenses is as follows:

	2018 US$(000)	2017 US$(000)
Fishing participation	11,222	5,559
Employees remuneration	6,099	5,803
Workers´share	5,005	735
Workers´remuneration	4,299	3,464
Bonuses	3,791	3,238
Security, social security and others	2,935	1,965
Premium	2,099	1,294
Severance Compensation	1,994	1,479
Vacation	1,805	1,731
Others	2,701	1,772
	41,950	27,040

In 2018, the Company had an average of 1,232 workers (1,140 in 2017).

Notes to the financial statements (continued)

(b) Personal expenses have been recorded in the following captions of the statements of income:

	2018 US$(000)	2017 US$(000)
Cost of production, note 19	31,240	15,044
Administrative expenses, note 21	5,242	4,467
Cost of distribution, note 20	1,381	1,333
Costs incurred in non-production periods	4,087	6,196
	41,950	27,040

23. Other incomes and expenses

(a) This item is made up by:

	2018 US$(000)	2017 US$(000)
Incomes		
Reversal of provisions from previous years	1,268	337
Income from the sale of fuels and materials	571	370
Insurance indemnity	107	961
Recovery of administrative penalties	91	483
Others	1,087	914
	3,124	3,065
Expenses		
Penalties of PRODUCE and others	941	457
Net cost for fixed assets disposals	797	2,295
Impairment of machinery and equipment	-	1,683
Net cost for intangibles disposals	-	1,517
Expenses for taxes assumed	719	661
Others	3,260	1,568
	5,717	8,181

24. Financial expenses

This item is made up by:

	2018 US$(000)	2017 US$(000)
Bond interests, note 14(f)	12,888	12,538
Interests of short-term bank loans, note 12(c)	4,897	3,182
Interests of syndicated loan, note 14(f)	1,385	1,700
Interests of finance leases, note 14(f)	164	230
	19,334	17,650

25. Transactions with related entities

(a) During 2018 and 2017, the Company has made the following transactions with related parties:

	2018 US$(000)	2017 US$(000)
Loans granted	807	825
Rebilling of network services and others	12	15
Expenses for renting offices and others	(17)	(10)

(b) As a result of these and other minor transactions, as of December 31, 2018 and 2017, the Company maintained the following balances with related parties:

	2018		2017	
	Accounts receivable US$(000)	Accounts payable US$(000)	Accounts receivable US$(000)	Accounts payable US$(000)
Comercializadora Global S.A.	2,089	-	1,406	-
Compañía Hotelera El Sausal S.A.	708	2	736	3
Complejo Agroindustrial Beta S.A.	588	17	586	17
Corporación Exalmar S.A.	199	-	162	-
Corporación del Mar S.A.	131	-	143	-
Inmobiliaria Seville S.A	40	-	38	-
C.M.V. Servicios Ejecutivos S.A	32	8	42	11
	3,787	27	3,113	31

(c) Transactions carried out with related parties have been carried out under normal market conditions. Taxes that these transactions generated, as well as the calculation bases for the determination of these ones, are the usual ones in the industry and are settled according to current tax regulations. These balances do not bear interest and have no specific guarantees.

(d) Expenses for participations, remunerations, and other items granted to the members of the Board of Directors and the Company's key Management for the years 2018 and 2017 amounted to US$2,236,000 and US$3,569,000, respectively, and are included in the "Administrative expenses" caption of the income statement.

26. Tax situation

(a) The Company is subject to Peruvian taxation. As of December 31, 2018 and 2017, the applicable income tax rate on taxable income, after deducting the employees profit sharing, is 29.5 percent.

According to Legislative Decree No. 1261, legal entities not domiciled in Peru and natural persons are subject to the withholding of an additional tax on dividends received of 5 percent for the profits generated.

(b) The Tax Authority is entitled to review and, if applicable, amend the annual income tax returns filed by the Company during the four years following the year of filing the tax return.

Income tax returns of the years 2016 to 2018 and the value added tax of the years 2015 to 2018 are pending audit by the Taxation Authority in Peru.

(c) Due to the interpretations likely to be given by the Taxation Authority on current legal regulations, it is not possible to determine whether the reviews to be conducted will result or not in liabilities for the Company, therefore, any charge or additional tax payable that could result from these reviews will be charged to expenses in the years in which they are settled. However, in the opinion of Management of the Company and its legal advisors, any additional tax settlement would not be significant to the financial statements as of December 31, 2018 and 2017.

For determining the income tax and value added tax, transfer prices of transactions with their related parties and with companies resident in territories or countries with low or no taxation must be supported with documentation and information on the valuation methods used and the criteria considered for their determination. Based on the analysis of the Company's operations, the Management and its legal advisors believe that, as a consequence of the application of these standards, no significant contingencies will arise for the Company as of December 31, 2018 and 2017.

(d) In 2018, the Tax Authority audited the income tax of 2015 (the years 2011 and 2012 and a partial review for the period 2013 to 2014 in the year 2017), without significant observations. Likewise, the years 2016 to 2018 are being subject to inspection. The Management estimates that no significant liabilities will arise as a result of these reviews.

(e) The Company has the benefit to exporters of the value added tax related to its exports. In this sense, the balance in favor of this benefit that results from the payments of the aforementioned tax in the purchase operations of the Company, can be offset against the tax resulting from its sales in the country, income tax or other taxes or request their return through non-negotiable checks.

The value adds tax balances to be recovered as of December 31, 2018 and 2017 amount to approximately US$11,014,000 and US$4,431,000, respectively, and are presented as part of the "Tax credit for VAT" caption in the statement of financial position.

During 2018, the Company has recovered approximately US$18,547,000 for this concept (US$23,320,000 during 2017), which were recorded with charge under the “Cash and cash equivalents" caption and installment to the "Tax credit for VAT" caption of the statement of financial position.

The Company pays customs duties on its imports, for which it is entitled to request the recovery of the drawback in relation to their exports of canned and frozen products. The recoveries related to this operation are recorded as income for the period in which it is carried out under "Other income" caption in the Company's income statement.

(f) The main tax regulations issued during 2018 are as follows:

(i) Modified, effective January 1, 2019, the treatment applicable to the royalties and fees for services provided by non-domiciled recipients, eliminating the obligation to pay an amount equivalent to the withholding when the costs or expenses are booked, and must now withhold the corresponding income tax at the time of their payment or retribution accreditation (Legislative Decree N°1369).

(ii) Established rules governing the obligation of legal persons and/or legal entities to report the identification of their final beneficiaries (Legislative Decree N ° 1372). These rules are applicable to legal persons domiciled in the country, pursuant to article 7 of the Income Tax Law, and to legal entities in the country. The obligation is applicable for non-domiciled legal entities and legal entities constituted abroad while: a) have a branch, agency or another permanent establishment in the country; b) the person (natural or legal entity) who manage the autonomous patrimony or foreign investment funds, or the natural or legal person who has quality of guard or administrator, is domiciled in the country; and, c) any part of a consortium is domiciled in the country. This obligation will be fulfilled by submitting sworn statements to the tax authority, which should contain the final beneficiary information and be submitted, in compliance with the regulations and in the deadlines established through a resolution of the Superintendence of Peruvian Tax Administration.

(iii) The tax code was modified in the implementation of the General Avoidance Prevention Rule (GAAR) (Article XVI of the preliminary title of the Tax Code) and the tax authority was provided with tools for its implementation (Legislative Decree No. 1422).

As part of this modification, a new assumption of joint and several liability is envisaged, when the tax debtor is subject to the application of the measures provided by Rule XVI in the event that tax evasion cases are detected. In that case, the joint and several liabilities shall be attributed to the legal representatives provided that they have collaborated with the design or approval or execution of acts or situations or economic relations foreseen as elusive in Rule XVI. In the case of companies that have a Board of Directors, it corresponds to this corporate body to define the tax strategy of the entity, having to decide on the approval or not of acts, situations or economic relations to be carried out within the framework of tax planning, being this a non-delegable power. The acts, situations and economic relations carried out within the framework of fiscal planning and implemented on the date of entry into force of the Legislative Decree No. 1422 (September 14, 2018), and which continue to have effects, must be evaluated by the Board of Directors of the legal entity for the purpose of ratification or modification until

March 29, 2019, without prejudice to the fact that the management or other administrators of the company have approved before the aforementioned acts, situations and economic relations.

Likewise, it has been established that the application of Rule XVI, as regards the re-characterization of tax evasion cases, will take place in the final inspection procedures in which acts, events or situations produced since July 19, 2012, are reviewed.

(iv) Amendments to the Income Tax Law were included, effective as of January 1, 2019, to improve the tax treatment applicable to (Legislative Decree No. 1424):

- The regime of credits against Income Tax for taxes paid abroad, including the indirect credit (corporate tax paid by foreign subsidiaries) as credit applicable against the Income Tax of domiciled legal entities, in order to avoid double taxation.
- The deduction of interest expenses for the determination of the corporate Income Tax. In the years 2019 and 2020, the debt limit set at three times the net equity as of December 31 of the previous year will be applicable, both to loans with related parties and to loans with third parties contracted as of September 14, 2018. As of 2021, the limit for the deduction of financial expenses will be equivalent to 30 percent of the EBITDA of the entity.
- Rules have been established for the accrual of income and expenses for tax purposes as of January 1, 2019 (Legislative Decree No. 1425). Until 2018 there was no normative definition of this concept, so in many cases accounting rules were used for its interpretation. In general terms, with the new criterion, for determining the Income Tax, it will now be considered if the substantial facts for the generation of income or expense agreed by the parties have occurred, which are not subject to a suspensive condition, in which case the recognition will be given when this is fulfilled. The opportunity for collection or payment established will not be taken into account; and, if the determination of the remuneration depends on a future fact or event, the total or part of the corresponding income or expense will be deferred until that fact or event occurs."

Notes to the financial statements (continued)

27. Basic and diluted earnings per share

(a) Basic -

Basic earnings per share is calculated by dividing the net income for the year by the weighted average number of shares outstanding during the period.

	2018 US$(000)	2017 US$(000)
Earnings attributable to the shareholders of the Company	29,330	4,797
Weighted average of common outstanding shares	295,536	295,536
Basic earnings per share	0.099	0.016

(b) Diluted -

The diluted earnings per share are equivalent to the basic loss per share. In 2018 and 2017, diluted earnings per common share have not been calculated because there are no potentially dilutive shares; that is, financial instruments or other contracts that give the right to obtain common shares.

28. Commitments and contingencies

(a) Financial commitments –

As of December 31, 2018 and 2017, the Company holds commitments on operating leases for US$2,095,000 where the Company is the lessee, and the validity is between 1 and 2 years.

The total of future minimum payments of operating leases for rental contracts is as follows:

	2018 US$(000)	2017 US$(000)
No more than 1 year	1,740	1,740
More than one year and no more than 2 years	355	355
	2,095	2,095

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

(b) Guarantees granted –

As of December 31, 2018, the Company has letters of guarantee in favor of third parties, in favor of banking institutions, for approximately S/1,234,000 and US$826,000 (S/3,745,000 and US$375,000 as of December 31, 2017), which mainly guarantee the commercial and financial obligations.

(c) Contingency for legal demands –
In the normal course of its operations, the Company has been subject to various regulatory, legal (labor and administrative) and tax measures, which are recorded and disclosed in accordance with the International Financial Reporting Standards.

As of December 31, 2018 and 2017, the Company has recorded the necessary provisions. In addition, the possible contingencies amount to approximately US$2,592,000 as of December 31, 2018 (approximately US$7,065,000 as of December 31, 2017).

29. Financial risk management objectives and policies

The main financial liabilities of the Company include loans and trade and other payables and to related parties. The Company has cash and trade and other receivables and from related parties, which arise directly from its operations.

The Company is exposed to credit risks, market risk, and liquidity risk.

The independent process of risk control does not include business risks such as changes in the environment, technology and industry. These are monitored through the Company's strategic planning process.

Risk management structure -

The risk management structure is based on the Board of Directors and the Company Management, which are responsible for identifying and controlling risks in coordination with other areas as explained below:

(i) Board of Directors -
The Board of Directors is responsible for the general approach of risk management. The Board of Directors provides the principles for risk management, as well as the policies developed for specific areas, such as exchange rate risk, interest rate risk and credit risk.

(ii) Finance Management -
The Finance Management is responsible for continuously evaluating and identifying exposures to the risks faced by the Company. In addition, it is responsible for preparing and proposing policies and procedures to improve risk management.

Through the treasury area, the Finance Management is responsible for daily managing the flow of funds of the Company, taking into account the policies, procedures and limits established by the Board and the Management of the Company. It also manages the obtaining of lines of credit with financial entities when necessary.

Credit risk -
Credit risk is the risk that counterparty does not comply with its obligations stated in a financial instrument or contract causing loss. The Management considers that the Company does not have significant credit risk on the trade receivables, trade receivables from ship owners and related parties since no significant difficulties of collection have arisen. With respect to the other receivables from grants to ship owners, the Management evaluates their condition, case by case, and obtains guarantees over vessels, properties and other assets, if necessary, to secure receivables.

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

Market risk –
Market risk is the risk of loss in balance sheet positions arising from movements in market prices. These prices include three types of risk: (i) exchange rate, (ii) interest rates and (iii) prices and others. The Company's financial instruments are affected by exchange rate and interest rate risks.

The sensitivity analyzes included in the following sections are related to the financial situation of the Company as of December 31, 2018 and 2017.

The sensitivity analyzes included in the following sections are related to the financial situation of the Company as of December 31, 2018 and 2017. These sensitivity analyzes were prepared on the assumption that the amount of net debt, the proportion of fixed interest to the floating and the debt, remain constant as of December 31, 2018 and 2017.

(i) Exchange Rate Risk -
The exchange rate risk is the risk that the fair value or future cash flows of a financial instrument fluctuate due to changes in the exchange rates of currencies allocated to the functional currency.

The Company's exposure to exchange rate risk is mainly related to the Company's operating activities (when income or expenses are denominated in a currency other than the functional currency).

The following table shows the sensitivity analysis of soles (the only currency other than the functional currency in which the Company has a significant exposure as of December 31, 2018 and 2017), in its monetary assets and liabilities and its estimated cash flows. The analysis determines the effect of a reasonably possible change in the exchange rate of Sol, considering the other constant variables in the income statement before the income tax. A negative amount shows a net potential reduction in the income statement, while a positive amount reflects a net potential increase.

Sensitivity analysis	Increase / decrease in exchange rate	Effect on pre-tax profit	
	%	2018 US$(000)	2017 US$(000)
Devaluation -			
Soles	5	(2,095)	(2,826)
Soles	10	(4,190)	(5,653)
Revaluation -			
Soles	5	2,095	2,826
Soles	10	4,190	5,653

(ii) Risk of interest rate -

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument fluctuate due to changes in market interest rates. The Company is exposed to the risk of changes in the market interest rates mainly related to its financial obligations at variable rates.

The Company manages its interest rate risk based on the experience of the Management, balancing the active and passive interest rates. In addition, when necessary, the Company enters into contracts of interest rate swaps to exchange variable interest rates by fixed rates. These contracts of interest rate swap are designated as hedges of the related debts. As of December 31, 2018 and 2017, the Company does not have financial instruments that cover the interest rate risk.

Information about financial instruments with fixed and variable interest rates is presented below:

	2018			
	Variable interest rate US$(000)	Fixed interest rate US$(000)	No interest US$(000)	Total US$(000)
Financial assets				
Cash and cash equivalents	-	-	33,096	33,096
Trade and other receivables, net	-	-	47,562	47,562
Receivables from related parties	-	-	3,787	3,787
Financial liabilities				
Short-term bank loans	-	70,000	-	70,000
Trade and other payables (*)	-	-	56,927	56,927
Long-term financial liabilities	6,909	182,513	-	189,422
Payables to related parties	-	-	27	27

	2017			
	Variable interest rate US$(000)	Fixed interest rate US$(000)	No interest US$(000)	Total US$(000)
Financial assets				
Cash and cash equivalents	-	-	2,926	2,926
Trade and other receivables, net	-	-	18,609	18,609
Receivables from related parties	-	-	3,113	3,113
Financial liabilities				
Short-term bank loans	-	3,000	-	3,000
Trade and other payables (*)	-	-	31,592	31,592
Long-term financial liabilities	8,364	186,955	-	195,319
Payables to related parties	-	-	31	31

(*) The table above does not include taxes payable, see note 13.

(iii) Price risks -

The Company is not exposed to price risks because it does not have any financial instrument fluctuating as a consequence of variations in market prices.

Capital risk management –

The objectives of the Company in managing capital are to safeguard their ability to continue as going concern in order to generate returns to shareholders, benefits for other stakeholders and maintain an optimal capital structure to reduce the cost of capital. In order 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 assets to reduce debt.

The Company monitors it's based on the leverage ratio, this ratio is calculated by dividing net debt by equity. Net debt is the total of financial obligations (including 'current and non-current debts' 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.

Notes to the financial statements (continued)

The Finance Management considers that the capital cost and the risk related to each type of capital are adequate as of December 31, 2018 and 2017. The leverage ratios as of December 31, 2018 and 2017 were as follows:

	2018 US$(000)	2017 US$(000)
Total financial obligations, note 12 and 14	259,422	198,319
Less: cash and cash equivalent, note 7	(33,096)	(2,926)
Net financial debt (A)	226,326	195,393
Equity	252,948	216,803
Total capital (B)	479,274	412,196
Leverage ratio (%): (A)/(B)	0.47	0.47

Liquidity risk -

Liquidity is controlled by matching the maturities of its assets and liabilities, the obtaining of credit lines and/or maintaining surplus liquidity as investments, which allows the Company to carry out its activities normally.

The management of liquidity risk implies maintaining sufficient cash and availability of financing, through an adequate amount of credit sources and the ability to settle transactions mainly of indebtedness. In this regard, the Company's Management focuses its efforts on maintaining sources of financing through the availability of lines of credit. However, such lines may be unilaterally canceled by the bank. According to the information from the banks, the Management has estimated that, as of December 31, 2018 and 2017, unused credit lines amount to US$193,000,000 .

The following table shows the maturity of the obligations assumed by the Company at the date of the statement of financial position and the amounts to be disbursed at maturity, based on the undiscounted payments that will be made:

	As of December 31, 2018				
	1 year US$(000)	Between 1 and 2 years US$(000)	Between 2 and 3 years US$(000)	Between 3 and 6 years US$(000)	Total US$(000)
Short-term bank loans	70,000	-	-	-	70,000
Trade and other payables (*)	56,927	-	-	-	56,927
Payables to related parties	27	-	-	-	27
Long-term financial liabilities:					
Principal	5,772	113,989	4,066	65,595	189,422
Interest payment cash-flow	14,065	9,694	5,406	17,310	46,475
	146,791	123,683	9,472	82,905	362,851

	As of December 31, 2017				
	1 year US$(000)	Between 1 and 2 years US$(000)	Between 2 and 3 years US$(000)	Between 3 and 6 years US$(000)	Total US$(000)
Short-term bank loans	3,000	-	-	-	3,000
Trade and other payables (*)	31,592	-	-	-	31,592
Payables to related parties	31	-	-	-	31
Long-term financial liabilities:					
Principal	5,891	189,428	-	-	195,319
Interest payment cash-flow	108	5,213	-	-	5,321
	40,622	194,641	-	-	235,263

(*) The table above does not include taxes payable, see note 13.

Changes in liabilities coming from financing activities for the years 2018 and 2017 are detailed below:

	Balance as of January 1, 2018 US$(000)	Proceeds US$(000)	Payments US$(000)	Balance as of December 31,2018 US$(000)
Short-term bank loans	3,000	261,600	(194,600)	70,000
Long-term financial liabilities	195,319	61,297	(67,194)	189,422
	198,319	322,897	(261,794)	259,422

	Balance as of January 1, 2017 US$(000)	Proceeds US$(000)	Payments US$(000)	Balance as of December 31, 2017 US$(000)
Short-term bank loans	67,078	139,702	(203,780)	3,000
Long-term financial liabilities	197,828	-	(2,509)	195,319
	264,906	139,702	(206,289)	198,319

30. Financial instruments by category

(a) Category of financial instruments-

The financial assets and liabilities of the Company are composed of:

	2018 US$(000)	2017 US$(000)
Financial assets -		
At amortized cost:		
Cash and cash equivalents	33,096	2,926
Trade and other receivables, net	47,562	18,609
Receivables from related parties	3,787	3,113
	84,445	24,648
Financial liabilities -		
At amortized cost:		
Short-term bank loans	70,000	3,000
Long-term financial liabilities	189,422	195,319
Trade and other payables (*)	56,927	31,592
Payables to related parties	27	31
	316,376	229,942

(*) The table above does not include taxes payable, see note 13.

(b) Credit quality of financial assets -

The credit quality of financial assets that are not expired or impaired can be evaluated on the external risk indexes (if available) or historical information that reflects compliance rates.

The credit quality of financial assets is as follows:

	2018 US$(000)	2017 US$(000)
Cash and cash equivalents:		
Banco Santander - Perú (A)	22,007	14
Banco Financiero (A+)	10,014	-
Banco de Crédito del Perú (A+)	545	1,605
Banco Continental (A+)	186	306
Banco Interbank (A)	142	15
Banco Scotiabank (A+)	18	909
Banco de la Nación (A)	-	7
Others	184	70
	33,096	2,926

The indices in table "A and AAA" represent the high quality credit indices. For banks located in Peru, the ratings were derived from the risk rating agencies authorized by the banking regulator, "The Superintendency of Banking, Insurance and Private Pension Fund Administrators (SBS)".

The credit quality of customers is evaluated in two categories (internal classification):

A: Existing customers / related parties (with more than 6 months of business relationship) with no history of prior default; and
B: Existing customers / related parties (with more than 6 months of business relationship) with previous history of default.

	2018 US$(000)	2017 US$(000)
Trade receivables, note 8		
Counterparties without external risk rating		
A	9,837	1,290
B	85	85
	9,922	1,375
Trade receivables from related entities, note 25(b)		
B	3,787	3,113
	3,787	3,113
Other receivables, nota 8 (*)		
A	31,844	10,415
	31,844	10,415

(*) Only corresponds to accounts receivable from fishing owners.

31. Fair value of financial instruments

The financial instruments are carried at amortized cost and their estimated fair value for disclosure in this note, as well as the level in the fair value hierarchy is described below:

Land is measured at the revalued value resulting from the technical valuations carried out by independent appraisers, which are based on current values in the market at the date of the financial statements (Level 2). For technical valuations, independent appraisers used the price per square meter. The prices were obtained from the lands observed in similar locations to measure the fair value of the land.

Level 1 –

- Cash and cash equivalents do not represent a significant credit risk or interest rate risk; therefore, their carrying amounts approximate their fair values.

- Because the trade receivables, other receivables and receivables from related parties are net of the allowance for impairment of receivables and mainly have maturities of less than three months, Management has considered that its fair value is not significantly different from their carrying amount.

- Because the trade payables, other payables and payables to related parties are current maturity, Management of Company estimates that its book values approximates its fair values.

Level 2 –

- For other financial liabilities, fair values were determined by comparing the market interest rates at the time of initial recognition with current market rates for similar financial instruments. Below is a comparison between the carrying amounts and fair values of these financial instruments:

	2018		2017	
	Book value US$(000)	**Fair value** US$(000)	**Book value** US$(000)	**Fair value** US$(000)
Bonds	167,667	173,206	167,993	168,844
Syndicated loan	19,000	23,108	23,000	21,942
Finance lease	2,755	2,727	4,326	4,143
	189,422	199,041	195,319	194,929

32. Subsequent events

On January 15, 2019, the Company signed a contract of syndicated loan for an amount of approximately US$110,000,000, assigned to the repurchase of the bonds expiring by 2020, as well as to the payment of the syndicated loan, valid as of December 31, 2018, on February 2019. This loan will have a quarterly payment period and a payment term of five years, with expiration on January 15, 2024.

33. Explanation added for English translation

The accompanying financial statements were originally issued in Spanish and are presented on the basis of International Financial Reporting Standards, as described in note 2. Certain accounting practices applied by the Company that conform to those accounting principles may not conform to generally accepted accounting principles in other countries. In the event of a discrepancy, the Spanish language version prevails.

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