

**COPEINCA AS (FORMERLY KNOWN AS “COPEINCA ASA”  
AND SUBSIDIARIES**

CONSOLIDATED FINANCIAL STATEMENTS  
31 DECEMBER 2013 AND 31 DECEMBER 2012

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CONSOLIDATED FINANCIAL STATEMENTS  
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US\$ = United States dollar  
NOK = Norwegian Kroner  
S/. = Nuevo Sol

To the Annual Shareholders' Meeting of Copeinca AS

## INDEPENDENT AUDITOR'S REPORT

### Report on the Financial Statements

We have audited the accompanying financial statements of Copeinca AS, which comprise the financial statements of the parent company and the financial statements of the group. The financial statements of the parent company comprise the balance sheet as at December 31, 2013, and the income statement, and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information. The financial statements of the group comprise the statement of financial position as at December 31, 2013, and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

#### *The Board of Directors and the Managing Director's Responsibility for the Financial Statements*

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these financial statements in accordance with the Norwegian accounting act and accounting standards and practices generally accepted in Norway for the company accounts and in accordance with International Financial Reporting Standards as adopted by EU for the group accounts, and for such internal control as the Board of Directors and the Managing Director determine 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 audit. We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing. 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 misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, 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 entity'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 entity'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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion on the financial statements for the parent company*

In our opinion, the financial statements of the parent company are prepared in accordance with the law and regulations and give a true and fair view of the financial position of Copeinca AS as at December 31, 2013, and of its financial performance and its cash flows for the year then ended in accordance with the Norwegian accounting act and accounting standards and practices generally accepted in Norway.

*Opinion on the financial statements for the group*

In our opinion, the financial statements of the group are prepared in accordance with the law and regulations and give a true and fair view of the financial position of the group Copeinca AS as at December 31, 2013, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by EU.

**Report on Other Legal and Regulatory Requirements***Opinion on the Board of Directors' report*

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors report concerning the financial statements and the going concern assumption and the proposal for the coverage of the loss is consistent with the financial statements and complies with the law and regulations.

*Opinion on Registration and Documentation*

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, «Assurance Engagements Other than Audits or Reviews of Historical Financial Information», it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

*Other items*

An annual meeting between the Board of Directors and the auditor without management present, as required by the Auditor's Act section 2-3, has not been conducted.

Oslo, June 30, 2014  
Deloitte AS



Mats Nordal  
State Authorised Public Accountant (Norway)

**COPEINCA AS (FORMERLY KNOWN AS "COPEINCA ASA") AND SUBSIDIARIES**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	<u>Note</u>	<u>As of 31 December</u>	
		<u>2013</u>	<u>2012</u>
		<u>US\$000</u>	<u>US\$000</u>
<b>ASSETS</b>			
<b>Non - current assets</b>			
Property, plant and equipment	6	241,577	276,726
Fishing licenses	7	215,036	235,705
Goodwill	7	139,693	153,119
Other intangible assets	7	882	980
Investment in associate		3,717	538
		<u>600,905</u>	<u>667,068</u>
<b>Current assets</b>			
Inventories	10	76,084	19,686
Trade accounts receivable	11	6,539	15,037
Other accounts receivable	12	17,924	13,309
Amount due from intermediate holding company	13	221,413	-
Short-term investments	14	5,977	-
Cash and cash equivalents	15	2,057	39,090
		<u>329,994</u>	<u>87,122</u>
<b>Total assets</b>		<u><u>930,899</u></u>	<u><u>754,190</u></u>
<b>EQUITY</b>			
<b>Attributable to owners of the parent</b>			
Share capital	16	65,891	55,004
Share premium	16	398,497	282,358
Other reserves	17	14,224	5,145
Cumulative translation adjustment	17	(24,490)	16,824
Retained earnings	17	(25,575)	50,789
<b>Total equity</b>		<u>428,547</u>	<u>410,120</u>
<b>LIABILITIES</b>			
<b>Non - current liabilities</b>			
Long-term borrowings	18	249,906	201,919
Deferred income tax	19	72,682	86,006
Other accounts payable	20	6,341	6,921
		<u>328,929</u>	<u>294,846</u>
<b>Current liabilities</b>			
Bank loans and short-term debt	18	130,066	-
Trade accounts payable	20	19,005	10,181
Other accounts payable	20	15,586	17,123
Current portion of long-term borrowings	18	8,766	21,920
		<u>173,423</u>	<u>49,224</u>
<b>Total liabilities</b>		<u>502,352</u>	<u>344,070</u>
<b>Total equity and liabilities</b>		<u><u>930,899</u></u>	<u><u>754,190</u></u>

The notes on pages from 9 to 63 are an integral part of these consolidated financial statements

**COPEINCA AS (FORMERLY KNOWN AS "COPEINCA ASA") AND SUBSIDIARIES**

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS**

	<u>Note</u>	<b>For the year ended,</b>	
		<b>31 December</b>	
		<u>2013</u>	<u>2012</u>
		<b>US\$000</b>	<b>US\$000</b>
Sales	21	209,726	314,219
Cost of goods sold	22	<u>(134,729)</u>	<u>(196,862)</u>
<b>Gross profit</b>		<b>74,997</b>	<b>117,357</b>
Selling expenses	23	(11,813)	(17,271)
Administrative expenses	24	(13,883)	(13,863)
Other income	25	2,164	1,844
Other expenses	25	<u>(50,730)</u>	<u>(12,965)</u>
<b>Operating profit</b>		<b>735</b>	<b>75,102</b>
Finance income	28	3,484	2,586
Finance costs	28	(25,376)	(21,097)
Exchange difference, net	3	<u>(17,648)</u>	<u>14,764</u>
<b>(Loss)/profit before income tax</b>		<b>(38,805)</b>	<b>71,355</b>
Income tax expense	31	<u>3,373</u>	<u>(21,758)</u>
<b>(Loss)/profit for the year</b>		<b><u>(35,432)</u></b>	<b><u>49,597</u></b>
<b>Attributable to:</b>			
Equity holders of the company		<u>(35,432)</u>	<u>49,597</u>
(Losses) earnings per share attributable to the equity holders of the company during the year (US\$ per share):			
Basic and diluted earnings per share	32	<u>(0.5294)</u>	<u>0.8602</u>

The notes on pages from 9 to 63 are an integral part of these consolidated financial statements

**COPEINCA AS (FORMERLY KNOWN AS "COPEINCA ASA") AND SUBSIDIARIES**

**CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME**

	<u>Note</u>	<u>For the year ended,</u>	
		<u>31 December</u>	
		<u>2013</u>	<u>2012</u>
		<u>US\$000</u>	<u>US\$000</u>
(Loss) profit for the year		(35,432)	49,597
<i>Items that may be subsequently reclassified to profit or loss:</i>			
Cumulative translation adjustment	17	<u>(41,314)</u>	<u>15,755</u>
<b>Total comprehensive (loss) income for the year</b>		<u><u>(76,746)</u></u>	<u><u>65,352</u></u>
Attributable to:			
Equity holders of the company		<u><u>(76,746)</u></u>	<u><u>65,352</u></u>

The notes on pages from 9 to 63 are an integral part of these consolidated financial statements

**COPEINCA AS (FORMERLY KNOWN AS "COPEINCA ASA") AND SUBSIDIARIES**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEARS ENDED 31 DECEMBER 2013 AND 31 DECEMBER 2012**

	<b>Note</b>	<b>Share capital US\$000</b>	<b>Share premium US\$000</b>	<b>Legal reserve US\$000</b>	<b>Other reserves US\$000</b>	<b>Cumulative translation adjustment US\$000</b>	<b>Retained earnings US\$000</b>	<b>Total equity US\$000</b>
<b>Balances as of 1 January 2012</b>		55,589	285,648	-	-	1,069	46,337	388,643
Profit for the year		-	-	-	-	-	49,597	49,597
Cumulative translation adjustment	17	-	-	-	-	15,755	-	15,755
Total comprehensive income		-	-	-	-	15,755	49,597	65,352
Dividends distribution related to 2011 profits	17-c	-	-	-	-	-	(40,000)	(40,000)
Transfer to reserves	17-a	-	-	5,145	-	-	(5,145)	-
Share buy-back program	16-d	(585)	(3,290)	-	-	-	-	(3,875)
<b>Balances as of 31 December 2012</b>	16-17	<u>55,004</u>	<u>282,358</u>	<u>5,145</u>	<u>-</u>	<u>16,824</u>	<u>50,789</u>	<u>410,120</u>
<b>Balances as of 1 January 2013</b>		55,004	282,358	5,145	-	16,824	50,789	410,120
Loss for the year		-	-	-	-	-	(35,432)	(35,432)
Cumulative translation adjustment	17	-	-	-	-	(41,314)	-	(41,314)
Total comprehensive income		-	-	-	-	(41,314)	(35,432)	(76,746)
Dividends distribution related to 2012 profits	17-c	-	-	-	-	-	(35,847)	(35,847)
Transfer to reserves	17-a	-	-	5,085	-	-	(5,085)	-
Sale of shares	16-a,17-b	713	4,104	-	3,994	-	-	8,811
Shares issued	16-a	10,174	112,035	-	-	-	-	122,209
<b>Balances as of 31 December 2013</b>	16-17	<u>65,891</u>	<u>398,497</u>	<u>10,230</u>	<u>3,994</u>	<u>(24,490)</u>	<u>(25,575)</u>	<u>428,547</u>

The notes on pages from 9 to 63 are an integral part of these consolidated financial statements



**COPEINCA AS (FORMERLY KNOWN AS "COPEINCA ASA") AND SUBSIDIARIES**

**CONSOLIDATED STATEMENT OF CASH FLOWS**

	<b>Note</b>	<b>For the year ended,</b>	
		<b>31 December</b>	
		<b>2,013</b>	<b>2,012</b>
		<b>US\$000</b>	<b>US\$000</b>
<b>Cash flows from operating activities</b>			
Cash generated from operations	29	(28,504)	123,155
Interest paid		(20,165)	(18,089)
Income tax paid	31-e	(1,662)	(21,279)
Net cash (used in) generated from operating activities		<u>(50,331)</u>	<u>83,787</u>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	6	(15,430)	(20,414)
Purchase of intangible assets	7	(223)	(350)
Proceeds from sale of property, plant and equipment	29	2,953	2,000
Investment in associate		(3,179)	(538)
Short-term investments	14	(5,977)	-
Net cash used in investing activities		<u>(21,856)</u>	<u>(19,302)</u>
<b>Cash flows from financing activities</b>			
Amount due to intermediate holding company	13	(219,000)	-
Repayment of bank loans and short-term loans	18	(62,529)	(95,747)
Proceeds from bank loans and short-term loans	18	145,585	70,403
Repayment of long-term borrowings	18	(49,311)	(17,515)
Proceeds from long-term borrowings	18	125,300	-
Proceeds from privat placement	16	122,209	-
Purchase of shares	16-d	-	(3,875)
Proceeds from sale of treasury shares	17-b	8,811	-
Dividends paid	17	(35,847)	(40,000)
Net cash generated from (used in) financing activities		<u>35,218</u>	<u>(86,734)</u>
Net decrease in cash and cash equivalents		(36,969)	(22,249)
Cash and cash equivalents at beginning of the year		39,090	60,490
Exchange gains on cash and cash equivalents		(64)	849
Cash and cash equivalents at end of the year	15	<u>2,057</u>	<u>39,090</u>

The notes on pages from 9 to 63 are an integral part of these consolidated financial statements

## **COPEINCA AS (FORMERLY KNOWN AS “COPEINCA ASA” AND SUBSIDIARIES**

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## **COPEINCA AS (FORMERLY KNOWN AS “COPEINCA ASA” AND SUBSIDIARIES**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
31 DECEMBER 2013 AND 31 DECEMBER 2012

### **1 GENERAL INFORMATION**

#### a) General information -

Copeinca AS (formerly known as “Copeinca ASA”(“the Company”) and its subsidiaries (together, the “Group”) was incorporated in Norway as a Public limited liability company. The address of its registered office is Advokatfirmaet BA-HR DA, Tjuvholmen Allé 16, 0252 Oslo, Norway. The Company has its primary listing on the Oslo Børs Stock Exchange and a secondary listing on the Lima Stock Exchange.

The Group is mainly engaged in the extraction of anchovy and its subsequent transformation into fishmeal and fish oil, for direct or indirect human consumption. Its products are mainly sold to China, Germany, Japan, Vietnam, Taiwan, Belgium, Denmark and Chile, among other foreign markets.

Dyer Coriat Holding S.L. was the ultimate parent company of the Group before 2 September 2013. On and after 2 September 2013, its intermediate holding company is China Fishery Group Limited (“CFGL”), a company listed on the Singapore Securities Trading Limited (“SGX”). Pacific Andes Resources Development Limited (“PARD”), a company also listed on the SGX, is the intermediate holding company of CFGL and Pacific Andes International Holdings Limited, a company listed on The Stock Exchange of Hong Kong Limited (“HKEX”), is the intermediate holding company of PARD. The ultimate holding company of the Company is N.S. Hong Investment (BVI) Limited, a company incorporated in the British Virgin Islands.

Corporación Pesquera Inca S.A.C. (“Copeinca S.A.C.”) is the main operating company of the Group and it is located in Peru. As of 31 December 2013 and 2012, Copeinca S.A.C. is a wholly owned subsidiary of the Company which has a direct interest of 45.36% of its shares and indirect interest through Copeinca Internacional S.L.U (located in Spain) which has a 54.64% interest.

#### b) Operations -

Copeinca S.A.C. is also entitled to fishing activities for direct human consumption, but is currently not engaged in industrial processing and manufacturing of sea product concentrates, canned fish, ice, and frozen products, fresh and other by-products. In addition, since May 2002 Copeinca S.A.C. is entitled to, but is currently not engaged in, providing advisory services, management and administration to other companies and individuals, covering a wide area of the fishing industry within the scope of its social objective as a company.

The Group owns five-processing plants (five in 2012) located in the cities of Bayovar, Chicama, Chimbote, Chancay and Ilo, located in the areas of Piura, La Libertad, Ancash, Lima and Moquegua.

These plants manufacture fishmeal and fish oil by using indirect drying systems, known as Steam Dried (SD), giving a variety of fishmeal qualities such as “Prime”, “Super Prime”, “Taiwan”, “Thai” and “Standard”.

The capacity of the production lines of each steam dried (SD) fish processing plant is as follows:

<u>Fish - processing plants</u>	<u>Capacity MT/Hour</u>
1.- Bayovar	170
2.- Chicama ACP	160
3.- Chimbote ACP	250
4.- Chancay	168
5.- Ilo	90

As of 31 December 2013, the Group owns 35 vessels with a storage capacity of 14,257 M3 which corresponds to 34 purse seiner vessels with a capacity of 14,124 M3 and 1 trawling vessels with a storage capacity of 133 M3, holding a quota of 10.7% (as of 31 December 2012 the Group had 36 vessels with storage capacity of 14,690 M3 which corresponded to 35 purse seiner vessels with a capacity of 14,557 M3 and 1 trawling vessels with a storage capacity of 133 M3, holding a quota of 10.7%).

On 15 November 2013, Alejandra vessel with a storage capacity of 500 MT sunk in the sea of Perú, Vegueta zone. The carrying amount of US\$4,080 thousand has been written-off in November 2013 and it is covered by the Company's insurance policy (note 25).

The Group is currently operating in average with 27 vessels (28 in 2012), as Management is evaluating the most efficient use of the Company's fleet.

During 2013, the total allowable catch ("TAC") of anchovy for indirect human consumption was 4,354,000 MT (3,510,000 MT in 2012) out of which 2,050,000 MT was awarded for the first fishing season (2,700,000 MT in the first fishing season 2012) and 2,304,000 MT was awarded for the second fishing season (810,000 MT in the second fishing season 2012).

In 2013, the Group processed 701,995 MT of raw materials (511,163 MT in 2012) of which 484,256 MT (368,543 MT in 2012) were extracted by its own fleet and 217,739 MT (142,620 TM in 2012) were acquired from third parties.

In 2013, the Group produced 170,878 MT of fishmeal SD and 28,536 MT of fish oil (121,037 MT of fishmeal SD and 30,927 MT of fish oil in 2012).

The Company owns directly and indirectly the following entities:

<u>Subsidiaries</u>	<u>Location</u>	<u>Owner- ship %</u>
Copeinca Internacional S.L.U.	Spain	100
PFB Fisheries B.V.	Netherlands	100
Corporación Pesquera Inca S.A.C.	Peru	100

c) Approval of Financial Statements

The Group consolidated financial statements were approved and authorized for issue by the Board of Directors on 15 April 2014. These Group consolidated financial statements will be presented to the Annual General Meeting scheduled to be held on 15 April 2014 for its consideration.

d) Regulatory framework -

Fishing Industry is regulated in Peru by two main laws:

- i) Decree-Law No. 25977 - General Fishing Law and its regulatory decree, Supreme-Decree No. 012-2001-PE.

This law regulates the fishing activity to promote its sustainable growth as a source of raw material for human consumption, fishmeal and fish oil, employment and income and ensure a responsible exploitation of hydro-biological resources, by optimizing economic benefits, consistent with the environment and bio-diversity conservation.

- ii) Legislative Decree No. 1084 and its regulatory decree, Supreme Decree No. 021-2008-PRODUCE that establishes the ITQ (Individual Transferable Quota) System for the fishing of anchovy for Indirect Human Consumption.

This law was enacted in 2008 with the purpose of establishing a new order in the fishing industry of anchovy, for its sustainability and to lead the fishing industry to become one of the most efficient industries in the world, with responsibility for the protection of the hydro biological resources.

The administration and control of the fishing activity nation-wide is at present the responsibility of the Peruvian Ministry of Production, which, in addition to organizing and centralizing the statistical economic and financial information in accordance with the rules of the National System of Statistics, establishes, during the year, fishing bans (or fishing time restrictions) to preserve the sea species, such as the anchovy. These fishing bans are fixed during the reproductive stage of the species or when the annual fishing quota for the country has been reached.

The Peruvian General Fishing Law establishes that fishing licenses are those specific rights that the Fishing Ministry grants to carry out fishing activities. Fishing licenses are granted to each fishing vessel.

With the ITQ System, each vessel with a license granted has a maximum limit of catch, which is assigned by the Ministry of Production and that represents a quota which is a portion of the total capacity of the Peruvian fleet. During fishing seasons, a vessel is only allowed to fish its assigned quota derived from the total quota authorized for the whole fishing season.

The individual quota of a vessel can be transferred to another vessel of the same company, and can be attached to a vessel of another company. The sale of quotas is forbidden by law. Consequently, a vessel may catch its own quota and that that has been granted to another vessel which may be temporarily or permanently idle.

The rules for the application of the General Peruvian Fishing Law establish that, in order to maintain the fishing license, fishing boat owners should file, in January of every year, within the related government agency of the Peruvian Ministry of Production, the following documents: (a) a notarized sworn statement that the capacity of the vessel has not been increased from that stated and authorized in its license; (b) evidence of the working conditions of its fishing vessels; (c) sworn statement that the fishing boat owner has performed fishing activities during the prior period; and, (d) payment voucher of the related fishing right fee.

The Peruvian Fishing Law also establishes that in the event of a vessel sinking, destruction, export or dismantling, its owner retains the rights of such vessel's license. In such an event, the owner is entitled to request a new license which may be attached to another of its vessels or to request the increase in the storage capacity of another of its vessels, provided that the increase in the storage capacity does not exceed the storage capacity of the original vessel. Peruvian legislation contains no limitation for the exercise of this right.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

### 2.1 Basis of preparation -

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as approved by the European Union (IFRS's as adopted by the EU), IFRIC Interpretations and the Companies Act 2006 applicable to companies reporting under IFRS. The consolidated financial statements have been prepared under the historical cost convention. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires Management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

#### 2.1.1 Going concern -

As a result of the effects of the current legislation in force for the fishing industry in Peru (note 1-b-ii) and the current level of the prices of the products traded, the Group's operating cash flows have improved in the past years. The ITQ System allows Copeinca S.A.C. to use its fleet more efficiently reducing significantly its operating costs. The CAPEX program, in which the Group is engaged, will permit the increase in productivity. The Group's forecasts and projections that take into account reasonably possible changes in market prices and expected quotas to be received show that the Group should be able to operate within the level of its current financing.

The Directors have the reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its consolidated financial statements.

#### 2.1.2 Changes in accounting policy and disclosures -

##### ***a) New and revised IFRSs affecting amounts reported and/or disclosures in the financial statements -***

In the current year, the Group has applied a number of new and revised IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2013.

##### *Amendments to IFRS 7 Disclosures - Offsetting Financial Assets and Financial liabilities*

The Group has applied the amendments to IFRS 7 Disclosures - Offsetting Financial Assets and Financial liabilities for the first time in the current year. The amendments to IFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amendments have been applied retrospectively. As the Group does not have any offsetting arrangements in place, the application of the amendments has had no material impact on the disclosures or on the amounts recognized in the consolidated financial statements.

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In May 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued comprising IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosure of Interests in Other Entities, IAS 27 (as revised in 2011) Separate Financial Statements and IAS 28 (as revised in 2011) Investments in Associates and Joint Ventures. Subsequent to the issue of these standards, amendments to IFRS 10, IFRS 11 and IFRS 12 were issued to clarify certain transitional guidance on the first-time application of the standards. In the current year, the Group has applied for the first time IFRS 10, together with the amendments to IFRS 10, regarding the transitional guidance. The other issued standards are not applicable to the Group.

The impact of the application of these standards is set out below.

#### *Impact of the application of IFRS 10*

IFRS 10 replaces the parts of IAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements and SIC-12 Consolidation - Special Purpose Entities. IFRS 10 changes the definition of control such that an investor has control over an investee when a) it has power over the investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in IFRS 10 to explain when an investor has control over an investee. Some guidance included in IFRS 10 that deals with whether or not an investor that owns less than 50% of the voting rights in an investee has control over the investee is relevant to the Group.

Specifically, the Company has directly or indirectly 100% of interest in all its subsidiaries, which comprise Copeinca Internacional (Spain), Corporación Pesquera Inca S.A.C. (Perú) and PFB Fisheries B.V. (Netherlands). There has been no change in the Group's ownership regarding the application of IFRS 10.

#### IFRS 13 Fair Value Measurement

The Group has applied IFRS 13 for the first time in the current year. IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of IFRS 13 is broad; the fair value measurement requirements of IFRS 13 apply to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of IFRS 2 Share-based payment, leasing transactions that are within the scope of IAS 17 leases, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under IFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, IFRS 13 includes extensive disclosure requirements.

IFRS 13 requires prospective application from 1 January 2013. In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the Standard in comparative information provided for periods before the initial application of the Standard. In accordance with these transitional provisions, the Group has not made any new disclosures required by IFRS 13 for the 2012 comparative period. Other than the additional

disclosures, the application of IFRS 13 has not had any material impact on the amounts recognized in the consolidated financial statements.

#### *Amendments to IAS 1 Presentation of Items of Other Comprehensive Income*

The Group has applied the amendments to IAS 1 Presentation of items of Other Comprehensive Income for the first time in the current year. The amendments introduce new terminology, whose use is not mandatory, for the statement of comprehensive income and income statement. Under the amendments to IAS 1, the statement of comprehensive income is renamed as the 'statement of profit or loss and other comprehensive income' and the ['income statement' is renamed as the 'statement of profit or loss']. The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to IAS 1 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis - the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to IAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

#### *Amendments to IAS 1 Presentation of Financial Statements*

(as part of the *Annual Improvements to IFRSs 2009 - 2011 Cycle* issued in May 2012)

The Annual improvements to IFRSs 2009 - 2011 have made a number of amendments to IFRSs. The amendments that are relevant to the Group are the amendments to IAS 1 regarding when a statement of financial position as at the beginning of the preceding period (third statement of financial position) and the related notes are required to be presented. The amendments specify that a third statement of financial position is required when a) an entity applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items in its financial statements, and b) the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position. The amendments specify that related notes are not required to accompany the third statement of financial position.

In the current year, the Group has applied a number of new and revised IFRSs (see the discussion above), which has not resulted in material effects on the information in the consolidated statement of financial position as at 1 January 2012, so the third statement of financial position is not presented.

#### ***b) New standards and interpretations not yet adopted -***

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRS 9	Financial instruments <sup>2</sup>
Amendments to IFRS 9 and IFRS 7 Disclosures	Mandatory Effective Date of IFRS 9 and Transition
Amendments to IFRS 10, IFRS 12, and IAS 27	Investment Entities <sup>1</sup>
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2014, with earlier application permitted

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2015, with earlier application permitted



### *IFRS 9 Financial Instruments*

IFRS 9, issued in November 2009, introduced new requirements for the classification and measurement of financial assets. IFRS 9 was amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of IFRS 9:

- All recognized financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are required to be subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss.
- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

The directors of the Company anticipate that the application of IFRS 9 in the future may not have a significant impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until a detailed review has been completed.

### *Amendments to IFRS 10, IFRS 12 and IAS 27 Investment Entities*

The amendments to IFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its consolidated and separate financial statements.

To qualify as an investment entity, a reporting entity is required to:

- Obtain funds from one or more investors for the purpose of providing them with professional investment management services.
- Commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both.
- Measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments have been made to IFRS 12 and IAS 27 to introduce new disclosure requirements for investment entities.

The directors of the Company do not anticipate that the investment entities amendments will have any effect on the Group's consolidated financial statements as the Company is not an investment entity.

### *Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities*

The amendments to IAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities.

Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'.

The directors of the Company do not anticipate that the application of these amendments to IAS 32 will have a significant impact on the Group's consolidated financial statements as the Group does not have any financial assets and financial liabilities that qualify for offset.

#### **c) *Changes in accounting estimates***

The directors of the Company have reviewed the depreciation method applied by the Group to its fishing vessels and plants classified as property, plant and equipment and have determined to change the depreciation method from unit of production method to straight line method in order to more appropriately reflect the pattern of expected consumption of the future economic benefits embodied in the plants and fishing vessels. In accordance with the requirements set out in IAS 8 "*Accounting Policies, Changes in Accounting Estimates and Errors*", the change in depreciation method is accounted for prospectively, with effect from 2 September 2013, the date that the change was determined to be made. The change in depreciation method has decreased the depreciation charge for the period by approximately US\$1,551 thousand.

The directors of the Company have also reviewed the allocation method of the non-fishing period expenditure which is included in inventories to the cost of inventories sold and have determined to change the allocation method from the method of based on the proportion of volume of fish caught and processed during the period to the volume of fish caught during the period in order to more appropriately reflect the pattern of expected consumption of the future economic benefits embodied in the inventories. The change in allocation method is a change of accounting estimate and is accounted for prospectively, with effect from 2 September 2013, the date that the change was determined to be made. The change in the allocation method of the non-fishing period expenses has decreased the cost included in inventories by approximately US\$711 thousand.

The directors of the Company have changed the cash generating unit ("CGU") identification from the level of individual vessels and individual plants to the Company as one CGU since the smallest identifiable Group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or Groups of assets is the Company in its entirety.

## **2.2 Basis of Consolidation -**

### *a) Subsidiaries -*

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

### *b) Changes in ownership interests in subsidiaries without change of control -*

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

*c) Disposal of subsidiaries -*

When the Group ceases to have control any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

**2.3 Business combination-**

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group.

The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquiree on an acquisition- by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognized in profit or loss.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognized and eviously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in the statement of profit or loss. (note 2.7).

Inter-company transactions, balances, income and expenses on transactions between Group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognized in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

**2.4 Segment reporting -**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer (CEO) that makes strategic decisions.

## 2.5 Foreign currency translation -

### a) *Functional and presentation currency -*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entities operate ('the functional currency'). The functional currency of all the main subsidiaries in the Group is the New Peruvian sol (S/.). The consolidated financial statements are presented in United States dollars (US\$) for convenience of the readers.

### b) *Transactions and balances -*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of income, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses mainly relate to borrowings and cash and cash equivalents which are presented in the statement of income within "exchange difference, net".

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analyzed between translation differences resulting from changes in the amortized cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortized cost are recognized in profit or loss, and other changes in carrying amount are recognized in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognized in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available-for-sale, are included in other comprehensive income.

### c) *Group companies -*

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (ii) income and expenses for each statement of income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions);
- (iii) equity balances, except retained earnings, are translated at the historical exchange rates; and
- (iv) all resulting exchange differences are recognized as other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to other comprehensive income. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognized in the statement of income as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

## **2.6 Property, plant and equipment -**

Vessels, fleet equipment and machinery and equipment are shown at historical cost less accumulated depreciation and impairment charges. Historical cost is the purchase price and the directly attributable costs of acquisition or construction required to bring the asset to the location and condition necessary for the asset to be capable of operating as design.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the statement of income during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

	<u>Years</u>
Fishing vessels and equipment of fleet	4-30
Machinery and equipment	4-45
Buildings and land	33
Work in progress and other fixed assets	4-10

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2.7).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within other income and other expenses in the statement of income.

The company capitalizes the costs of dry-dock major inspections (with an interval of 2 years), those of replacement of parts and those related to the overhauling made periodically with the objective of maintaining the operating capacity of the asset according with its technical specifications. At initial recognition major maintenance costs are capitalized as a separate component of the asset and are depreciated over the estimated time in which the next major maintenance will be required.

## **2.7 Intangible assets -**

### *a) Goodwill -*

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the Company's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purposes of impairment testing, goodwill is allocated to one cash generating unit ("CGU") as at 31 December 2013.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognized immediately as an expense and is not subsequently reversed.

*b) Fishing licenses -*

The cost of fishing licenses for anchovy fishing at 1 January 2004, the date of the Group's transition to IFRS, was mainly determined by using the appraisers' estimate of their fair value (deemed cost). Licenses acquired through business combination are shown at their fair value at the date of the acquisition determined by independent appraisers. Licenses have an indefinite useful life; consequently they are not amortized and are carried at cost. The carrying values of licenses are assessed at each period-end. If fair value is deemed to be lower than the related carrying amount, licenses are written-down to their recoverable amount.

*c) Computer software -*

Costs associated with maintaining computer software programs are recognized as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognized as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use it;
- there is an ability to use the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sale the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs capitalized include: software development, employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

Computer software development costs recognized as assets are amortized over their estimated useful lives, which does not exceed three years.

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives that range between 2 and 10 years.

## **2.8 Impairment of non-financial assets -**

Assets that have an indefinite useful life such as goodwill and fishing licenses are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (1 cash-generating unit). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

## 2.9 Investments in associates -

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with IFRS 5. Under the equity method, an investment in an associate is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interest that, in substance, forms part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognized immediately in profit or loss in the period in which the investment is acquired.

The requirements of IAS 39 are applied to determine whether it is necessary to recognize any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate, or when the investment is classified as held for sale. When the Group retains an interest in the former associate and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IAS 39. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognized in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognized in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

## **2.10 Financial assets -**

### **2.10.1 Classification -**

The Group classifies its financial assets in the following categories: loans and receivables and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

#### *a) Loans and receivables -*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the balance sheet (notes 2.14 and 2.15).

#### *b) Available-for-sale financial assets -*

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

### **2.10.2 Recognition and measurement -**

Regular purchases and sales of financial assets are recognized on the trade-date - the date on which the Group commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are subsequently carried at amortized cost using the effective interest method.

### **2.10.3 Offsetting financial instruments -**

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

## **2.11 Impairment of financial assets -**

#### *a) Assets carried at amortized cost -*

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicate



that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in the consolidated statement of income. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in the consolidated statement of income.

Impairment testing of trade receivables is performed when there is any indication of impairment. According to the Group's policies trade receivables are secured with confirmed letters of credit and collected within 30 and 60 days.

*b) Assets classified as available-for-sale -*

In case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the net assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss - is removed from equity and recognized in the separate consolidated statement of income. Impairment losses recognized in the separate consolidated statement of income on equity instruments are not reversed through the consolidated statement of income. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after impairment loss was recognized in profit and loss, the impairment loss is reversed through the consolidated statement of income.

## **2.12 Financial liabilities and equity instruments -**

### **2.12.1 Classification as debt or equity**

Debt and equity instruments issued by a Group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

### **2.12.2 Other financial liabilities**

Other financial liabilities (including borrowings and trade and other payables) are subsequently measured at amortized costs using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

### 2.12.3 Derecognition of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

### 2.13 Derivative financial instruments -

The Group enters into a variety of derivative financial instruments to manage its exposure to foreign exchange rate risk, including foreign exchange forward contracts. Further details of derivative financial instruments are disclosed in note 3.

Derivative are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

### 2.14 Inventories -

Inventories are stated at the lower of cost and net realizable value. Cost is determined by using the weighted-average cost method. The cost of finished goods comprises raw materials, direct labor, other direct costs, and a systematic allocation of fixed and variable production overheads including non-fishing period expenses (based on normal operating capacity) and excludes borrowing costs. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Non-fishing period expenses comprise vessel and plant costs incurred during the year's fishing bans (or fishing time restrictions). Non-fishing expenses incurred during the year are allocated to the cost of inventories based on the normal operating capacity for each year on the corresponding assigned quota granted by the Peruvian authorities (note 1-d-ii). Non-fishing expenses incurred from February to April are allocated to inventories produced in the first fishing season. Non-fishing expenses incurred from August to October are allocated to inventories produced in the second fishing season.

If the second fishing season ends in January next year, non-fishing expenses are deferred based on the proportion of the quota that is to be caught in the next year. The allocation of non-fishing period expenses into the cost of the inventories is limited to the amount of their net realizable value.

The provision for obsolete materials and spare parts in warehouse is determined on the basis of slow moving items exceeding eighteen months.

### 2.15 Trade receivables -

Trade receivables are amounts due from customers for fishmeal and fish oil sold in the ordinary course of business. All accounts receivable are of current maturity.

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment (note 2.10-a).

### 2.16 Cash and cash equivalents -

In the consolidated statement of cash flows, prepared under the indirect method, cash and cash equivalents includes cash at banks and in hand, deposits held at call with banks, short-term highly liquid debt instruments, convertible to known amounts of cash and subject to insignificant risk of changes in value and other short-term highly liquid investments with original maturities of three months or less net of bank overdrafts.

## **2.17 Share capital -**

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any Group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, and is included in equity attributable to the Company's equity holders.

## **2.18 Trade accounts payable -**

Trade accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

## **2.19 Borrowings -**

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the statement of income over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

## **2.20 Current and deferred income tax -**

The tax expense for the period comprises current and deferred tax. Tax is recognized in the statement of income, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to

apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

## **2.21 Employee benefits -**

### *a) Employees' severance indemnities -*

The amount expensed for employees' severance indemnities is determined for the whole of their indemnity rights in accordance with current legislation. Employee's severance indemnities must be deposited on a monthly basis in bank accounts specifically denominated by the beneficiaries. The Group has no pension or retirement benefit schemes.

### *b) Bonuses and workers' profit-sharing -*

The Group recognizes a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

As established by law, companies in Peru have to share with their employees a determined percentage of their yearly pre-tax profit. The percentage is depending on the industry in which they carry out their activities. The percentage for the fishing industry is currently established at 10%. The employee profit sharing is a deductible expense for tax purposes.

## **2.22 Share-based payments -**

The Group operates a cash-settled, share-based compensation plan, under which the Company receives services from employees in consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognized as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market service and performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save).

Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognizes the impact of the revision

to original estimates, if any, in the statement of income, with a corresponding adjustment to equity and/or liabilities, depending if they are equity settled or cash settled, respectively.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognizing the expense during the period between the service commencement period and the grant date.

When the options are exercised, the Company has the choice to pay in cash or to issue new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium, as applicable. In 2011 the first group of vested options was exercised and the Company paid in cash the difference between the exercise price and the market price of its shares.

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognized over the vesting period as an expense in the statement of income with a corresponding credit to equity.

The social security contributions payable in connection with the grant of the share options are considered an integral part of the grant and are recognized as a cash-settled transaction.

### **2.23 Provisions -**

Provisions for legal claims are recognized when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

### **2.24 Revenue recognition -**

Revenue comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the Group's activities. Revenue is shown, net of value-added tax, (IGV Spanish acronym) returns, rebates and discounts and after eliminating sales within the companies of the Group.

The Group recognizes revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below.

#### *a) Sales of fishmeal and fish oil -*

Sales of fish products are recognized when an entity of the Group has delivered products to the customer; the customer has accepted the products according to the sales contract and the collection of the related receivables are reasonably assured. Delivery does not occur until the products have been shipped to the specified location, the risk of loss have been transferred to the customer. There is no risk of not being able to deliver the quantity contracted for since the Group has established contracts with third party fleet owners who can supply additional raw material after Copeinca's Quota has been reached.

For each export of fishmeal and fish oil Copeinca S.A.C. subscribes contracts to sell at fixed forward market prices. Delivery terms are determined on a case by case basis.

*b) Interest income -*

Interest income is recognized using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flows discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables are recognized using the original effective interest rate.

**2.25 Leases -**

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of income on a straight-line basis over the period of the lease.

The Group leases certain property, plant and equipment. Leases of property, plant and equipment which the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the financed balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the statement of income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset and the lease term.

**2.26 Dividend distribution -**

Dividend distribution to the Company's shareholders is recognized as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

**3 FINANCIAL RISK MANAGEMENT**

**3.1 Financial risk factors -**

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

Financial risk management is carried out by the treasury department under policies approved by the CEO. Treasury identifies, evaluates and manages financial risks in close co-operation with the Group's operating units. The following are the major financial risks which the Group is exposed to:

*a) Market risk -*

*i) Foreign exchange rate risk -*

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to United States dollar and Euro. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations.

Management minimizes this risk partially by: i) maintaining credit balances in foreign currency, ii) maintaining the volumes of exports and their profitability, and iii) entering into forward contracts. As of 31 December 2013, Copeinca S.A.C. has signed forward contracts amounting to US\$36,456 thousand to reduce the risk of adverse exchange rate fluctuations (as of 31 December 2012, Copeinca S.A.C. had signed forward contracts amounting to US\$7,500 thousand). The Group does not have any forward foreign currency contracts outstanding at the reporting date.

The balances in foreign currency (US\$) as of 31 December are as follows:

	<u>2013</u> US\$000	<u>2012</u> US\$000
<b>Assets -</b>		
Trade receivables	6,539	15,037
Other accounts receivable	1,405	5,160
Amount due from intermediate holding company	220,188	-
Cash and cash equivalents	<u>1,744</u>	<u>15,889</u>
	<u>229,876</u>	<u>36,086</u>
<b>Liabilities -</b>		
Long-term borrowings (including current portion)	( 258,672)	( 223,839)
Bank loans and short term debt	( 130,066)	-
Trade accounts payable	( 4,718)	( 4,183)
Other accounts payable	<u>(10,424)</u>	<u>(1,170)</u>
	<u>(403,880)</u>	<u>(229,192)</u>
<b>Net liabilities</b>	<u>(174,004)</u>	<u>(193,106)</u>

As of 31 December 2013, consolidated assets and liabilities in United States dollars have been expressed at the exchange rates of S/.2.794 per US\$1 for assets and S/.2.796 for liabilities per US\$1 (S/.2.549 per US\$1 for assets and S/.2.551 for liabilities per US\$1 in 2012).

As of 31 December 2013, the Group recorded net exchange losses amounting to US\$17,648 thousand (exchange gains amounting to US\$14,764 thousand in 2012) shown in the statement of income. Exchange difference is generated mainly by the long-term debt held in United States dollars.

If the exchange rate S/. - US\$ changes in +/- 5%, with all other variables held constant the post-tax effect for the year would have been +/- US\$8,704 thousand (US\$9,879 thousand in 2012).

ii) Price risk -

The Group is exposed to the risk of fluctuations in the prices of the products traded; International prices of fishmeal and fish oil are subject to changes. The Group is entering into supply contracts with key customers, first in order to establish volumes; and subsequently to establish both volumes and prices. This will allow the Group to mitigate the effects of unforeseen price fluctuations on its revenues. However, the Group does not have any financial instrument exposed to price risk.

iii) Cash flows and fair value interest rate risk -

The Group's cash flows interest rate risk is closely managed. During 2013 and 2012, the Group's borrowings denominated in United States dollars bore fixed interest rates.

The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions and alternative financing. Based on these scenarios, management calculates the impact on profit and loss of a defined interest rate shift. The scenarios are run only for liabilities, including bonds, which represent the major interest-bearing positions.

At 31 December 2013, if interest rates on borrowings denominated in United States dollars had been 5% higher/lower, with all other variables held constant, post-tax profit for the year would have been US\$1,109 thousand lower/higher (US\$888 thousand in 2012).

*b) Credit risk -*

The Group only sells on a cash basis or on a confirmation letter basis, cash against documents and wire transfer. The Group has established policies for selling its products to clients with an adequate credit history. Under these circumstances management believes that the Group has a limited credit risk.

No credit limits were exceeded during the reporting period and management does not expect any losses from non-performance of its counterparties.

*c) Liquidity risk -*

The Group is dependent on an amount of short-term credit facilities to cover part of the requirements of working capital during the production periods.

Management monitors rolling forecasts of the Group's liquidity reserve, and cash and cash equivalents on the basis of expected cash flows. These limits vary to take into account the liquidity of the market in which the entity operates. In addition, the Group's liquidity management policy involves projecting cash flows in United States dollars and Peruvian soles and considering the level of liquid assets necessary to meet these cash flows; monitoring balance sheet liquidity ratios against internal and external regulatory requirements; and maintaining debt financing plans.

Until September 2, 2013, surplus of cash held by the Group's operating entities over and above the balance required for working capital management are invested in time deposits, overnights, chosen instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts. On or after September 2, 2013 surplus of cash held by the Group's operating entries is transferred to China Fisheries International Ltd.

The table below analyses the Group's non-derivative financial liabilities and allocates them into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	<u>Less than 1 year US\$000</u>	<u>Between 1 and 2 years US\$000</u>	<u>Between 2 and 5 years US\$000</u>	<u>Over 5 years US\$000</u>	<u>Total US\$000</u>
<b>31 December 2013</b>					
Bank loans and short-term debt	130,066	-	-	-	130,066
Borrowings	22,538	22,500	283,750	-	328,788
Finance lease liabilities	-	-	-	-	-
Trade and other payables	40,932	-	-	-	40,932
	<u>193,536</u>	<u>22,500</u>	<u>283,750</u>	<u>-</u>	<u>499,786</u>
	<u>Less than 1 year US\$000</u>	<u>Between 1 and 2 years US\$000</u>	<u>Between 2 and 5 years US\$000</u>	<u>Over 5 years US\$000</u>	<u>Total US\$000</u>
<b>31 December 2012</b>					
Borrowings	15,546	21,385	213,766	-	250,697
Finance lease liabilities	12,383	12,872	8,289	-	33,544
Trade and other payables	34,225	-	-	-	34,225
	<u>62,154</u>	<u>34,257</u>	<u>222,055</u>	<u>-</u>	<u>318,466</u>



### 3.2 Capital risk management -

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to 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.

Consistent with others in the industry, the Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated balance sheet plus net debt.

During 2013 and 2012, the Company's strategy was to continue reducing bank debt. The gearing ratios at 31 December were as follows:

	<u>2013</u> US\$000	<u>2012</u> US\$000
Total borrowings (note 18)	388,738	223,839
Less: Cash and cash equivalents (note 15)	( 2,057)	( 39,090)
Net debt	386,681	184,749
Total equity	<u>428,547</u>	<u>410,120</u>
Total capital	<u>815,228</u>	<u>594,869</u>
Gearing ratio (%)	<u>47</u>	<u>31</u>

### 3.3 Fair value estimation -

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

The fair value of quoted financial assets and liabilities is determined by reference to bid prices at the close of business on the balance sheet date for identical assets and liabilities (level 1). Where there is no active market the Group uses inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2) and using inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

Unlisted investments of US\$15 thousand (US\$16 thousand in 2012) (note 8) are stated at cost less impairment losses as there are no quoted market prices in active markets for these investments and the range of reasonable fair value estimates can vary significantly, giving as a result that their fair values cannot be measured reliably. These investments are included in level 3 hierarchy.

#### 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

##### 4.1 Critical accounting estimates and assumptions -

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

###### a) *Estimated impairment of goodwill -*

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 2.7. The recoverable amount of the cash-generating unit has been determined based on value in use methodology. These calculations require the use of estimates (note 7).

If the estimated pre-tax discount rate applied to the discounted cash flows for the CGU had been 1% higher than management's estimates (for example, 10.07% instead of 9.07%), the Group would not had to recognize any additional adjustment against goodwill. To recognize an additional impairment the discount rate should have been 24.31%.

###### b) *Income taxes -*

The Group is subject to income taxes in numerous jurisdictions, but mainly in Peru. Judgment is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Where the actual final outcomes (on the judgment areas) differ by 10% from management's estimates, the Group would need to:

- increase the income tax liability by US\$721 thousand and the deferred tax liability by US\$596 thousand, if unfavorable; or
- decrease the income tax liability by US\$721 thousand and the deferred tax liability by US\$596 thousand, if favorable.

The Group bases its estimates on Management's historical experience and on other various assumptions such as the market prices of fishmeal and fish oil, current Peruvian regulation related to the treatment for fishing licenses, which are granted in respect of each specific fishing vessel or fishing ban periods, that are believed to be reasonable under the circumstances. Accordingly, actual results may differ significantly from these estimates under different assumptions or conditions.

c) *Book value of fishing licenses -*

The Group assesses the book value of licenses each year based on discounted cash flows determined using the methodology of value in use.

d) *Book value of property, plant and equipment -*

The Group assesses the carrying value of property, plant and equipment each year based on discounted cash flows to determine the value in use. If the asset is inoperative, it is tested for impairment using the fair value of the asset determined by independent appraisers.

#### 4.2 Critical judgments in applying the entity's accounting policies -

*Allocation of non-fishing period expenses into inventories -*

Management considers that Copeinca S.A.C.'s production period corresponds to fishing season independently of the fiscal periods imposed by the Peruvian fishing authorities. In this regard, Management understands that the Group's non-fishing expenses correspond to all expenditures incurred from January to April (non-fishing period related to the first fishing season) and from August to November (non-fishing period related to the second fishing season). Consequently, non-fishing expenses incurred during the season are allocated to the cost of inventories based on the normal operating capacity for each plant, which contemplates the corresponding assigned quota granted by the Peruvian regulator to Copeinca S.A.C. As of December 31, 2013, non-fishing expenses amounting to US\$6,748 thousand are included as part of the inventories (US\$3,167 thousand in 2012) and the Company has deferred US\$718 thousand to January 2014.

## 5 SEGMENT INFORMATION

The chief operating decision maker has been identified as the Chief Executive Officer (the "CEO") of the Group. The CEO reviews the Group's internal reporting in order to assess performance and allocate resources.

The CEO determined that the Group has only one operating segment. The CEO assesses the performance of fishmeal and fish oil on a consolidated basis as their production process is closely related to each other. Fishmeal and fish oil are sold in worldwide markets. Other products sold by the Group include raw material, that is, anchovy and other minor fish. The CEO assesses the performance of the operating segment based on a formula that considers earnings before finance cost, taxation, depreciation, amortization, worker's profit sharing, other income and other expenses ("Adjusted Earnings"). Accordingly, it is determined that the Group has only one operating segment.

A reconciliation of Adjusted Earnings to (loss) profit before income tax is provided as follows:

	<u>2013</u> <u>US\$000</u>	<u>2012</u> <u>US\$000</u>
Adjusted Earnings	63,895	103,807
Depreciation (note 6)	( 13,894)	( 9,205)
Amortization (note 7)	( 243)	( 188)
Impairment of fixed assets (note 25)	( 6,445)	-
Workers' profit sharing (note 30)	( 457)	( 8,191)
Exchange difference (note 3)	( 17,648)	14,764
Finance income and costs, net (note 28)	( 21,892)	( 18,511)
Other expenses, net	( 42,121)	( 11,121)
Profit before income tax	<u>( 38,805)</u>	<u>71,355</u>

## 6 PROPERTY, PLANT AND EQUIPMENT

	<u>Vessels and equipment of fleet</u> US\$000	<u>Machinery and equipment</u> US\$000	<u>Buildings and land</u> US\$000	<u>Work in progress and other fixed assets</u> US\$000	<u>Total</u> US\$000
<b>Year ended 31 December 2012</b>					
Opening net book amount	100,793	102,068	50,593	5,071	258,525
Exchange differences	5,237	5,085	2,746	262	13,330
Reclassification	5,553	8,179	6,618	( 20,350)	-
Additions	140	-	-	20,274	20,414
Disposals, net	( 237)	( 1,805)	( 280)	( 27)	( 2,349)
Write-off	( 838)	( 3,151)	-	-	( 3,989)
Depreciation charge	( 4,736)	( 2,609)	( 1,504)	( 356)	( 9,205)
<b>Closing net book amount</b>	<u>105,912</u>	<u>107,767</u>	<u>58,173</u>	<u>4,874</u>	<u>276,726</u>
<b>At 31 December 2012</b>					
Cost	151,164	182,040	74,587	9,405	417,196
Accumulated depreciation and impairment	( 45,252)	( 74,273)	( 16,414)	( 4,531)	( 140,470)
<b>Net book amount</b>	<u>105,912</u>	<u>107,767</u>	<u>58,173</u>	<u>4,874</u>	<u>276,726</u>
<b>Year ended 31 December 2013</b>					
Opening net book amount	105,912	107,767	58,173	4,874	276,726
Exchange differences	( 9,138)	( 9,404)	( 5,087)	( 383)	( 24,012)
Reclassification	6,287	7,242	2,004	( 15,533)	-
Additions	361	-	-	15,069	15,430
Disposals, net	( 696)	( 1,131)	( 6)	( 315)	( 2,148)
Write-off	( 4,080)	-	-	-	( 4,080)
Impairment charge	( 5,515)	( 930)	-	-	( 6,445)
Depreciation charge	( 6,879)	( 4,471)	( 2,057)	( 487)	( 13,894)
<b>Closing net book amount</b>	<u>86,252</u>	<u>99,073</u>	<u>53,027</u>	<u>3,225</u>	<u>241,577</u>
<b>At 31 December 2013</b>					
Cost	134,709	154,042	69,421	7,651	365,823
Accumulated depreciation and impairment	( 48,457)	( 54,969)	( 16,394)	( 4,426)	( 124,246)
<b>Net book amount</b>	<u>86,252</u>	<u>99,073</u>	<u>53,027</u>	<u>3,225</u>	<u>241,577</u>

Depreciation expense is distributed as follows:

	<u>2013</u> US\$000	<u>2012</u> US\$000
Cost of goods sold (note 22)	13,528	9,013
Selling expenses (note 23)	7	8
Administrative expenses (note 24)	359	184
	<u>13,894</u>	<u>9,205</u>

In connection with lease and leaseback transactions, Copeinca S.A.C. has not pledge any lease contract during 2013.

In 2012, Copeinca S.A.C. has pledge the legal title of eight vessels in favor of Banco Interbank, Banco Continental and Banco Scotiabank in guarantee of loans (note 18). Total carrying value of the assets with restricted legal title amounts to US\$19,462 thousand at 31 December 2012.

Property, plant and equipment include assets acquired under finance leases and leasebacks for the following amounts:

	<u>2013</u> <u>US\$000</u>	<u>2012</u> <u>US\$000</u>
Vessels and equipment of fleet	-	23,815
Accumulated depreciation	-	( 4,353)
	<u>-</u>	<u>19,462</u>

Work in progress as at 31 December, 2013 mainly comprises plant machinery and installation amounting to US\$1,303 thousand (US\$ 1,731 thousand in 2012), vessels equipment amounting to US\$124 thousand (US\$ nil in 2012) and other US\$117 thousand (US\$78 thousand in 2012.)

Impairment tests of property, plant and equipment -

During the period, the Group recorded an impairment charge of US\$6,445 thousand which included: idle plants for US\$930 thousand, idle vessels for US\$1,903 thousand and equipment related to non-operating plants and vessels for US\$3,612 thousand.

On November 2013, Alejandra vessel with a storage capacity of 500 MT sunk in the sea of Perú, Vegueta zone. The carrying amount of US\$4,080 thousand has been written-off and it is recorded in other expenses (note 25).

In 2012, plant and fleet equipment was replaced to improve yields, quality and product prices. Obsolete equipment as well as another group of assets that were found to be impaired amounting to US\$3,989 thousand were replaced and were written-off with charge to other expenses in the statement of income (note 25).

- i) Key assumptions used in the model for the determination of the value in use and of the fair value less cost to sell of vessels are as follows:

Prices: the model uses 20% of the fish price considered as raw material since small fishing companies have increased their negotiation power due to the issue of the ITQ law and due to the increase in the fishmeal market prices.

Quota: the model uses the budgeted quota awarded to Copeinca S.A.C. under the ITQ law (10.7% of the total quota).

Extraction costs: operating costs, maintenance, and ban period expenses decreased during 2013 and will further decrease in the future due to the positive effects of the ITQ law. Personnel expenses (crew) will decrease as a consequence of the termination benefits contemplated in the ITQ law for early retirement. Less fuel will be consumed as a lesser number of vessels will be used for catch under the conditions established by the ITQ law. Extraction costs are based on budgeted costs as approved by the Board.

Discount rate: the model uses 9.07% pre-tax rate not adjusted by inflation.

- ii) Key assumptions used in the model for the determination of the value in use and of the fair value less cost to sell of plants are as follows:

Prices: The model uses average fishmeal and fish oil prices of US\$1,400 per MT and US\$1,800 per MT, respectively.

Management expects that prices will be stable and will increase steadily according to market expectations and demand.

Productions costs: the model assumes a production cost from the last fishing season before the assessment moment. The total metric tons produced correspond to that recorded in the budget plan.

Discount rate: the model uses 9.07% pre-tax rate not adjusted by inflation.

Management determined budgeted costs based on past performance and its expectations of the market according to the conditions given by the ITQ law.

## 7 INTANGIBLE ASSETS

	<u>Fishing licenses</u> US\$000	<u>Goodwill</u> US\$000	<u>Other intangible assets</u>		
			<u>Software licenses</u> US\$000	<u>Others</u> US\$000	<u>Total</u> US\$000
<b>Year ended 31 December 2012</b>					
Opening balances	222,936	144,824	774	18	792
Exchange difference	12,769	8,295	28	( 2)	26
Additions	-	-	350	-	350
Amortization charge	-	-	( 188)	-	( 188)
Closing net book amount	<u>235,705</u>	<u>153,119</u>	<u>964</u>	<u>16</u>	<u>980</u>
<b>At 31 December 2012</b>					
Cost	235,705	167,150	5,721	16	5,737
Accumulated amortization and impairment	-	( 14,031)	( 4,757)	-	( 4,757)
Net book amount	<u>235,705</u>	<u>153,119</u>	<u>964</u>	<u>16</u>	<u>980</u>
<b>Year ended 31 December 2013</b>					
Opening balances	235,705	153,119	964	16	980
Exchange difference	( 20,669)	( 13,426)	( 77)	( 1)	( 78)
Additions	-	-	223	-	223
Amortization charge	-	-	( 243)	-	( 243)
Closing net book amount	<u>215,036</u>	<u>139,693</u>	<u>867</u>	<u>15</u>	<u>882</u>
<b>At 31 December 2013</b>					
Cost	215,036	153,724	5,867	15	5,882
Accumulated amortization and impairment	-	( 14,031)	( 5,000)	-	( 5,000)
Net book amount	<u>215,036</u>	<u>139,693</u>	<u>867</u>	<u>15</u>	<u>882</u>

Under current regulations, fishing licenses are granted by the Ministry of Production to a specific fishing vessel for a defined period of time. The period granted starts upon the issue by the Ministry of Production of the resolution underlying the fishing license and lapses (other than when the vessel is retired or scrapped) if the holder does not comply with filing certain required documentation at the beginning of each calendar year (note 1-d-ii).

Provided that the Group complies with the documentation filing requirement the related fishing licenses will continue to be effective indefinitely. In addition, it is forbidden to transfer to third parties fishing licenses by any means separately from the related vessels to which they are granted.

The fishing licenses are granted to each individual vessel. Each vessel, together with its license, is regarded as a separate cash generating unit.

Amortization expense is distributed as follows:

	<u>2013</u> <u>US\$000</u>	<u>2012</u> <u>US\$000</u>
Cost of goods sold (note 22)	118	88
Selling expenses (note 23)	27	21
Administrative expenses (note 24)	<u>98</u>	<u>79</u>
	<u>243</u>	<u>188</u>

The average remaining useful life of software licenses is 4 years.

*Impairment tests of goodwill -*

	<u>2013</u> <u>US\$000</u>	<u>2012</u> <u>US\$000</u>
Gross amount	133,950	133,950
Accumulated exchange difference	19,774	33,200
Less: accumulated impairment	( 14,031)	( 14,031)
Carrying amount at end of period	<u>139,693</u>	<u>153,119</u>

For the purposes of impairment testing, goodwill is allocated to one cash generating unit ("CGU") as at 31 December 2013. The carrying amounts of goodwill after impairment as at 31 December 2013 allocated to the CGU are as follows:

	<u>2013</u> <u>US\$000</u>	<u>2012</u> <u>US\$000</u>
Peruvian fishmeal division - Copeinca SAC	<u>139,693</u>	<u>153,119</u>

## 8 FINANCIAL INSTRUMENTS BY CATEGORY

a) Financial assets as of 31 December 2013 and 2012 are as follows:

	<u>Loans and receivables</u> <u>US\$000</u>	<u>Available for sale</u> <u>US\$000</u>	<u>Total</u> <u>US\$000</u>
<b>31 December 2013</b>			
Financial assets	-	15	15
Investment in associate	3,717	-	3,717
Short-term investments	5,977	-	5,977
Trade accounts receivable	6,539	-	6,539
Other accounts receivable	2,063	-	2,063
Amount due from intermediate holding company	221,413	-	221,413
Cash and cash equivalents	<u>2,057</u>	<u>-</u>	<u>2,057</u>
Total	<u>241,766</u>	<u>15</u>	<u>241,781</u>
<b>31 December 2012</b>			
Financial assets	-	16	16
Investment in associate	538	-	538
Trade accounts receivable	15,037	-	15,037
Other accounts receivable	8,030	-	8,030
Cash and cash equivalents	<u>39,090</u>	<u>-</u>	<u>39,090</u>
Total	<u>62,695</u>	<u>16</u>	<u>62,711</u>

b) Financial liabilities at amortized cost as of 31 December 2013 and 2012 are as follows:

	<b>US\$000</b>
<b>31 December 2013</b>	
Bank borrowings	130,066
Current portion of long-term borrowings (excluding lease)	8,766
Long-term borrowings (excluding lease)	249,906
Trade accounts payable	<u>19,005</u>
Total	<u><u>407,743</u></u>
<b>31 December 2012</b>	
Current portion of long-term borrowings (excluding lease)	10,870
Current portion of long-term - finance lease liabilities	11,050
Long-term borrowings (excluding lease)	183,077
Long-term borrowings - finance lease liabilities	18,842
Trade accounts payable	<u>10,181</u>
Total	<u><u>234,020</u></u>

## 9 CREDIT QUALITY OF FINANCIAL ASSETS

The credit quality of financial assets that are neither past due nor impaired is assessed by historical information about counterparty default.

During the years 2013 and 2012, neither existing nor new customers' accounts receivable have been impaired. Additions to provision for doubtful accounts in 2013 and 2012 mainly relate to customers from acquired companies and from loans granted to third party owners of vessels (note 12) which have been identified as impaired.

## 10 INVENTORIES

	<u>2013</u> <b>US\$000</b>	<u>2012</u> <b>US\$000</b>
Finished goods:		
- Fishmeal	55,257	10,717
- Fish oil	13,966	2,860
- Raw material	215	-
- Deferred expenses	718	-
- Spare parts, supplies and packaging	6,752	6,216
- Provision for obsolete spare parts, supplies and packaging	( 824)	( 107)
	<u><u>76,084</u></u>	<u><u>19,686</u></u>

As of 31 December 2013, the stock of fishmeal and fish oil was 65,107 MT and 15,993 MT respectively (6,028 MT and 1,820 MT respectively as of 31 December 2012).

Cost per ton of inventories in 2013 was lower than in 2012 because the lower raw material price derived from the larger quota awarded for the 2013 second fishing season and the lower non-fishing period expenses allocated into a higher production.

The book values of fishmeal and fish oil inventories include US\$417 thousand (US\$254 thousand in 2012) related to the workers' profit sharing (note 30).

As of 31 December 2013, the fair value of fishmeal and fish oil pledged as security for bank loans amounts to approximately US\$83,123 thousand (as of 31 December 2012, the company does not maintain fishmeal and fish oil pledged as security for bank loans).



The annual movement of the provision for obsolescence was as follows:

	<u>2013</u> <u>US\$000</u>	<u>2012</u> <u>US\$000</u>
Opening balance	107	378
Additions	824	890
Write-off	-	( 1,060)
Exchange difference	( 107)	( 101)
Closing balance	<u>824</u>	<u>107</u>

#### 11 TRADE ACCOUNTS RECEIVABLE

	<u>2013</u> <u>US\$000</u>	<u>2012</u> <u>US\$000</u>
Trade accounts receivable - abroad	6,539	15,037
Doubtful accounts	<u>-</u>	<u>22</u>
Less:		
Provision for doubtful accounts	<u>-</u>	<u>( 22)</u>
	<u>6,539</u>	<u>15,037</u>

The book value of these accounts is deemed to be their fair value due their maturity in the short term.

Trade accounts receivable are substantially denominated in United States dollars, are of current maturity and are not interest-bearing.

As of 31 December 2013, approximately 68% of the abroad sales are secured with export credit documents and the 32% balance is subject to bank collections (cash against documents) (approximately 88% and 12%, respectively, in 2012).

The ageing of the trade accounts receivable is as follows:

	<u>2013</u> <u>US\$000</u>	<u>2012</u> <u>US\$000</u>
Current	6,160	15,037
Past due for up to 60 days	260	-
Past due from 61 to 180 days	- 119	-
Past due from 181 to 360 days	-	-
Over 361 days	<u>-</u>	<u>22</u>
	<u>6,539</u>	<u>15,059</u>

The annual movement of the provision for doubtful accounts is as follows:

	<u>2013</u> <u>US\$000</u>	<u>2012</u> <u>US\$000</u>
Opening balance	22	191
Additions	-	22
Write-off	( 22)	( 191)
Exchange difference	<u>-</u>	<u>-</u>
Closing balance	<u>-</u>	<u>22</u>

## 12 OTHER ACCOUNTS RECEIVABLE

	<u>2013</u> US\$000	<u>2012</u> US\$000
Accounts receivable from third party owners of vessels (a)	1,182	3,511
Refundable value-added tax (b)	3,937	235
Value-added tax credit	6,725	4,220
Prepaid income tax (c)	5,199	824
Claims to third parties	269	1,224
Personnel (d)	516	1,908
Prepaid expenses	-	263
Others	96	1,095
Doubtful accounts	<u>1,385</u>	<u>1,227</u>
	19,309	14,507
Less: provision for doubtful accounts	( <u>1,385</u> )	( <u>1,227</u> )
	17,924	13,280
Plus: loans to related parties (note 34)	<u>-</u>	<u>29</u>
	<u>17,924</u>	<u>13,309</u>

The Group's other accounts receivable are of current maturity.

(a) Accounts receivable to third party owners of vessels mainly correspond to funds provided for the maintenance and repair of these vessels and to loans for working capital. Such funds are secured with mortgages or pledges in favor of Copeinca S.A.C., covering, on average, 200% of the amounts lender as established in the contracts for the management of vessels signed between Copeinca S.A.C. and the corresponding owners of the vessels. These accounts receivable bear interest at monthly interest rate of 0.5% (0.5% in 2012) and are offset with the invoices from the acquisition of raw materials delivered to Copeinca S.A.C.'s plants during the fishing periods.

(b) Value-added tax (VAT) relates to the tax credit in favor of Copeinca S.A.C. as exporter, which arises from its purchases of goods, services, construction contracts and importations, which exceeds the VAT payable on local sales. Copeinca S.A.C. has requested the refund of the VAT by an amount based on the sales made to foreign markets (note 31-g).

As of 31 December 2013 the amount of the refundable VAT relates to those amounts filed within the tax authorities in December 2013. During 2013, Copeinca S.A.C. received VAT refunds amounting to US\$22,148 thousand (US\$13,810 thousand in 2012).

(c) The total of income tax prepayments made in 2013 amounts to US\$7,797 thousand (US\$23,489 thousand in 2012). The balance as of 31 December 2013 is shown net of the income tax expense for the year (note 31-e).

(d) Accounts receivable from personnel includes loans to employees amounting to US\$464 thousand (US\$1,573 thousand in 2012), workers' profit sharing paid in advance amounting to US\$22 thousand (US\$285 thousand in 2012), vacations paid in advance amounting to US\$10 thousand (US\$49 thousand in 2012) and remunerations paid in advance amounting to US\$20 thousand (nil in 2012).

The movement of the provision for doubtful accounts for the years ended 31 December is as follows:

	<u>2013</u> US\$000	<u>2012</u> US\$000
Opening balance	1,227	3,075
Provision for impaired receivables	767	814
Write-off and recoveries	( 632 )	( 2,957 )
Exchange difference	<u>23</u>	<u>295</u>
Closing balance	<u>1,385</u>	<u>1,227</u>

### 13 AMOUNT DUE FROM INTERMEDIATE HOLDING COMPANY

The amount due from intermediate holding company amounting to US\$220,188 thousand comprises loans for corporate uses as at 31 December 2013. The loan has a one-year term, unsecured and bears an annual interest of 5%.

### 14 SHORT-TERM INVESTMENTS

As of 31 December 2013, short-term deposits denominated in Peruvian Nuevos soles amount to S/.16,700 thousand, equivalent to US\$5,977 thousand which bears a short-term market interest rate of 4.48%. For the current year, management expects to hold them as a short-term investment until getting a better profit when sold. In prior years, management intended to keep them as a cash reserve.

### 15 CASH AND CASH EQUIVALENTS

	<u>2013</u> <u>US\$000</u>	<u>2012</u> <u>US\$000</u>
Cash in hand	56	54
Cash at banks	2,001	15,658
Short-term deposits	-	23,378
	<u>2,057</u>	<u>39,090</u>

As of 31 December 2013, the cash in hand and cash at banks are denominated in United States dollars ("USD") of US\$1,744 thousand and in Peruvian soles of S/.875 thousand (equivalent to US\$313 thousand) (US\$15,658 thousand in USD and in Peruvian soles of S/.135 thousand, equivalent to US\$54 thousand respectively, in 2012). They are deposited in local and foreign banks and are fully available.

As of 31 December 2012, short-term deposits denominated in United States dollars amounting to US\$23,378 thousand corresponds to a fixed portfolio of debt instruments which bears a short-term market interest rate of 4.31%.

### 16 SHARE CAPITAL AND SHARE PREMIUM

#### a) Share capital:

The authorized, signed, and paid-in capital under the Company's by-laws as of 31 December 2013 comprises 70,200,000 common shares of NOK 5 nominal value each.

	<u>Number of shares (In thousands)</u>	<u>Share capital NOK 000</u>	<u>Share capital US\$000</u>	<u>Share premium US\$000</u>	<u>Total US\$000</u>
At 1 January 2007	24,800	124,000	28,050	-	28,050
Proceeds from private placement	27,500	137,500	22,500	242,287	264,787
Shares issued in acquired company	6,200	31,000	5,167	62,703	67,870
Balance at 31 December 2007, 2008, and 2009	58,500	292,500	55,717	304,990	360,707
Appropriation of share premium to cover accumulated losses	-	-	-	(18,528)	(18,528)
Balance at 31 December 2010	58,500	292,500	55,717	286,462	342,179
Share buy-back program	(152)	(760)	(128)	(814)	(942)
Balance at 31 December 2011	58,348	291,740	55,589	285,648	341,237
Share buy-back program	(701)	(3,504)	(585)	(3,290)	(3,875)
Balance at 31 December 2012	57,647	288,236	55,004	282,358	337,362
Sale of treasury shares	853	4,264	713	4,104	4,817
Issue of shares under private placement	11,700	58,500	10,174	112,035	122,209
Balance at 31 December 2013	70,200	351,000	65,891	398,497	464,388

Share capital and share premium accounts are translated into the reporting currency at the historical exchange rates.

On 5 April 2013, the Company issued 11,700,000 new ordinary shares of NOK 5 (equivalent to US\$0.8345) each at an issue price of NOK 59.7 (equivalent to US\$10.45) per share.

#### AGM 2013 -

In accordance with the Board's proposal the General Stockholders Meeting resolved that:

- i) The annual General Meeting rejected the proposal to grant the board of director's authority to increase the share capital.
- ii) The annual General Meeting rejected the proposal to grant the board of director's authority to purchase own shares.

#### b) Share premium -

Share premium comprises the excess over the NOK5 nominal value of each share paid in the private placements made in 2007 and the fair value adjustment of 6,200,000 shares paid in the purchase of Fish Protein and Ribar on July 2007, reduced by the appropriation of US\$18,528 thousand to cover the accumulated losses shown in its consolidated financial statements.

In 2012 and 2011, it was reduced by US\$3,290 thousand and US\$814 thousand, respectively due to the share buy-back program.

In 2013, share premium increased by US\$4,104 thousand due to sale of treasury shares and US\$112,035 thousand due to issue of shares under private placement.

The main shareholders of the Company are as follows:

Investor	2013		Investor	2012	
	Shares	%		Shares	%
Grand Success Investment	43,877,450	62.5	Dyer Coriat Holding	19,098,000	33.1
Euroclear Bank S.A.	26,167,142	37.3	Ocean Harvest S.L.	8,118,075	14.1
Others	155,408	0.2	Euroclear Bank S.A.	6,598,067	11.4
<b>TOTAL</b>	<b>70,200,000</b>	<b>100.0</b>	Weilheim Investments	3,485,930	6.0
			State Street Bank & Trust	1,540,291	2.7
			South Winds AS	1,489,750	2.6
			Verdipapirfondet DNB	987,326	1.7
			BNYBE Artic Funds	956,208	1.7
			Stenshagen Invest AS	927,767	1.6
			State Street Bank & Trust	842,597	1.5
			JP Morgan clearing Corp	824,151	1.4
			JP Morgan Chase Bank	614,922	1.1
			Verdipapirfondet ALF	608,198	1.1
			Fidelity Finds Latin America	450,628	0.8
			Bank of New York Mellon	449,984	0.8
			Storebrand Optima	422,130	0.7
			Pershing LLC	409,502	0.7
			JP Morgan Chase Bank	403,000	0.7
			Handelsbanken	400,000	0.7
			Funds Lending	396,237	0.7
			<b>Top 20</b>	<b>49,022,763</b>	<b>85.1</b>
			Others	8,624,244	14.9
			<b>TOTAL</b>	<b>57,647,007</b>	<b>100.0</b>

#### c) Share options -

The Company has issued two share option programs, which main features are as follows:

i) On 30 January 2008, according to the authorization given to the board by the Extraordinary General Stockholders Meeting held on 11 June 2007, the board of the Company approved an Employee Share Option Program as follows:

- 690,000 share options will be issued to twelve key management employees
- The strike price of the share options will be NOK40 adjusted by dividends.
- The options will vest to each employee over the next four years (subject to termination of employment) at a rate of 25% per year.
- The options may be settled in cash at the option of the Group.

A maximum price (CAP) per share has been established at NOK120. If the price of the shares at the time the options are exercised exceeds NOK120, the strike price will be adjusted, so that the difference between the market price and the strike price (the value of each option) is not greater than NOK80.

ii) On 11 January 2010, the Board of the Company approved the distribution of the remaining share options.

- 370,000 share options will be issued to nine key management employees as detailed in schedule II of the program.
- The strike price of the share options will be NOK45.
- The options will vest over the next three years (subject to termination of employment) at a rate of 33.33% per year to each employee.
- A maximum price (CAP) per share has been established at NOK120, if the price of the shares at the time the options are exercised, exceeds NOK120, the strike price will be adjusted upwards, so that the difference between the market price and the strike price (the value of each option) is not greater than NOK80.

As of 31 December 2013, the Company does not have outstanding options (274,400 options in 2012, from which 239,400 were exercisable).

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	<u>2013</u>		<u>2012</u>	
	<u>Average exercise price in NOK per share</u>	<u>Options</u>	<u>Average exercise price in NOK per share</u>	<u>Options</u>
Opening balance	37	274,400	38	794,400
Granted	-	-	-	-
Exercised	-	-	32	( 478,100)
Terminated	37	( 274,400)	36	( 41,900)
Closing balance	<u>-</u>	<u>-</u>	<u>37</u>	<u>274,400</u>

The weighted-average assumptions used to determine the Black Scholes fair value of the options granted in 2012 were:

Underlying shares	4,000
Exercise price	NOK 45.00
Weighted average share price at grant date	NOK 51.00
Expected life	2 years
Volatility	60.00%
Risk free interest rate	1.66%
Dividends	-
Options' fair value	NOK 9.89

The options' fair value during the period was determined by using the Black-Scholes valuation model. Expected volatility is based on historical volatilities of similar entities listed on the Oslo Stock Exchange. The following similar entities have been used: Marine Harvest, Domstein, Lerøy Seafood Group and Aker Seafoods.

The total expensed amount in 2013 arising from the share-based payment plan amounts to NOK4,541 thousand equivalent to US\$767 thousand and was credited to liabilities (NOK2,287 thousand equivalent to US\$421 thousand was credited as follows: to equity NOK1,214 thousand equivalent to US\$217 thousand and to liabilities NOK693 thousand equivalent to US\$421 thousand in 2012) (note 19-c and 26).

In July 2011, the Company has chosen to pay the exercised options in cash instead of issuing shares. The amount accumulated in equity in previous years was reclassified to liabilities in order to reflect the obligation (note 18-c).

Social security contributions payable in connection with the grant of the share options are considered an integral part of the grant itself and its corresponding charge will be treated as a cash-settled transaction.

d) Share buy-back program -

In 2011, the Company announced a share buy-back program up to US\$5 million as agreed in the 2011 Annual General Meeting. During 2012, the Company bought-back 700,716 of its own shares (152,277 shares in 2011) through its wholly owned subsidiary Copeinca S.A.C. at an average price of US\$5.53 per share (US\$6.19 per share in 2011) totaling US\$3,875 thousand (US\$942 thousand in 2011).

The total program was carried out for a total of 852,993 shares at an average price of US\$5.65 per share totaling US\$4,817 thousand. The Company is acquiring its own shares in order to increase the stock value. These shares are shown as a 'treasury shares' in its consolidated financial statements.

On 4 April 2013, the Company sold its treasury shares at a price of NOK59.7 (equivalent to US\$10.33) per share.

## 17 RESERVES, CUMULATIVE TRANSLATION ADJUSTMENT AND RETAINED EARNINGS

The movement of these accounts for the years ended 31 December 2012 and 2013 is as follows:

	<u>Legal reserve</u> US\$000	<u>Other reserves</u> US\$000	<u>Cumulative translation adjustment</u> US\$000	<u>Retained earnings</u> US\$000
Balance as of 1 January 2012	-	-	1,069	46,337
Exchange difference	-	-	15,755	-
Dividend distribution	-	-	-	( 40,000)
Transfer to legal reserve	5,145	-	-	( 5,145)
Profit for the year	-	-	-	49,597
Balance as of 31 December 2012	<u>5,145</u>	<u>-</u>	<u>16,824</u>	<u>50,789</u>
Exchange difference	-	-	( 41,314)	-
Dividend distribution	-	-	-	( 35,847)
Transfer to reserves	5,085	-	-	( 5,085)
Sale of shares	-	3,994	-	-
Loss for the year	-	-	-	( 35,432)
Balance as of 31 December 2013	<u>10,230</u>	<u>3,994</u>	<u>( 24,490)</u>	<u>( 25,575)</u>

a) Peruvian legal reserve -

In accordance with the Peruvian Corporate Law, Peruvian companies must create a legal reserve by the deduction of not less than 10% of their annual net profits up-to the reserve reaches 20% of the paid-in capital. In the event the Company does not have available undistributed profits or reserves of free disposition, the legal reserve may be used to offset accumulated losses. The legal reserve may also be distributed provided that its balance is subsequently restored.

b) Other reserves -

In 2013, the Company sold its treasury shares reaching a net gain of US\$3,994 thousand (sale of US\$8,811 thousand and a book value of US\$4,817 thousand).

c) Dividend distribution -

In 2013, the Company made a dividend distribution amounting to US\$35,847 thousand related to 2012 profits among its stockholders (US\$40,000 thousand in 2012 related to 2011 profits). The amount distributed represents NOK3.56 or US\$0.62 per share and was paid in full on 16 April 2013. No dividends have been proposed to the stockholders in relation to the results for the year ended 31 December 2013.

## 18 LONG-TERM BORROWINGS

As of 31 December this account comprises the following:

	<u>2013</u> US\$000	<u>2012</u> US\$000
<b>Total borrowings:</b>		
Bonds	258,672	177,697
Bank borrowings	130,066	16,250
Finance lease liabilities	-	<u>29,892</u>
	<u>388,738</u>	<u>223,839</u>
<b>Less current portion of borrowings:</b>		
Bonds (accrued interests)	( 8,766)	( 5,407)
Bank borrowings	( 130,066)	( 5,463)
Finance lease liabilities	-	<u>( 11,050)</u>
	<u>( 138,832)</u>	<u>( 21,920)</u>
<b>Total long-term borrowings:</b>		
Bonds	249,906	172,290
Bank borrowings	-	10,787
Finance lease liabilities	-	<u>18,842</u>
	<u>249,906</u>	<u>201,919</u>
<b>Current borrowings:</b>		
Total current portion of long-term borrowings	8,766	21,920
Bank loans and short-term debt	<u>130,066</u>	-
Total current borrowings	<u>138,832</u>	<u>21,920</u>

For purposes of reconciliation with the information provided in the statement of cash flows, following is the movement of long-term borrowings for the years ended 31 December 2013 and 2012:

	<u>Bonds</u> US\$000	<u>Bank</u> <u>borrowings</u> US\$000	<u>Finance</u> <u>lease</u> <u>liabilities</u> US\$000	<u>Total</u> <u>long-term</u> <u>debt</u> US\$000
Balances as of 1 January 2012	177,259	45,641	43,376	266,276
<b>Cash transactions:</b>				
Repayment of bank loans	-	( 95,747)	-	( 95,747)
Proceeds from bank loans	-	70,403	-	70,403
Repayment of long-term borrowings	-	( 4,053)	( 13,462)	( 17,515)
<b>Non-cash transactions:</b>				
Accrued interest	<u>438</u>	<u>6</u>	<u>( 22)</u>	<u>422</u>

Balance as of 31 December 2012	<u>177,697</u>	<u>16,250</u>	<u>29,892</u>	<u>223,839</u>
Balance as of 1 January 2013	177,697	16,250	29,892	223,839
<b>Cash transactions:</b>				
Repayment of bank loans	-	( 62,529)	-	( 62,529)
Proceeds from bank loans	-	145,585	-	145,585
Repayment of long-term borrowings	-	( 19,500)	( 29,811)	( 49,311)
Proceeds from long-term borrowings	75,000	50,300	-	125,300
<b>Non-cash transactions:</b>				
Accrued interest	<u>5,975</u>	( <u>40</u> )	( <u>81</u> )	<u>5,854</u>
Balance as of 31 December 2013	<u>258,672</u>	<u>130,066</u>	<u>-</u>	<u>388,738</u>

The detail of the obligations is as follows:

<u>Name of creditor</u>	<u>Type of guarantee</u>	<u>Annual interest rate</u>	<u>Maturity</u>	<u>Carrying amount</u>	
				<u>2013</u>	<u>2012</u>
				<u>US\$000</u>	<u>US\$000</u>
<b>a) Non-current -</b>					
BBVA Banco Continental					
- Financial lease contracts	Vessels	5.50%	March 2016	-	5,240
Banco Interbank					
- Financial lease contracts	Vessels	5.20%	March 2015	-	7,654
Banco Scotiabank					
- Financial lease contracts	Vessels	5.50%	April 2016	-	5,948
Deutsch Bank					
- Bonds	None	9.00%	February 2017	249,906	172,290
DNB Bank ASA					
- Loan	Vessel	3.14%	October 2015	-	10,630
Ymec					
- Loan	Notes	9.00%	November 2016	-	157
Total non-current balance				<u>249,906</u>	<u>201,919</u>
<b>b) Current -</b>					
BBVA Banco Continental					
- Bank loans	Inventory	0.80%	2014	20,055	-
- Loan	Inventory	1.68%	2014	10,068	-
Banco Interbank					
- Bank loans	Inventory	0.90%	2014	14,815	-
- Loan	Inventory	1.56%	2014	17,040	-
Banco de Crédito					
- Bank loans	Inventory	0.91%	2014	15,043	-
- Loan	Inventory	1.20%	2014	9,815	-
Banco Scotiabank					
- Bank loans	Inventory	1.23%	2014	21,205	-
- Loan	Inventory	1.58%	2014	10,020	-
Banco Bladex					
- Bank loans	Inventory	Libor + 1%	2014	<u>12,005</u>	-
Total bank loans				<u>130,066</u>	-
BBVA Banco Continental					
- Financial lease contracts	Vessels	5.50%	2013	-	2,512
Banco Interbank					
- Financial lease contracts	Vessels	5.20%	2013	-	5,777
Banco Scotiabank					
- Financial lease contracts	Vessels	5.50%	2013	-	2,761
Deutsch Bank					
- Bonds	None	9.00%	2014	8,735	5,407
DNB Bank ASA					
- Loan	Vessel	3.14%	2013	-	5,411
Ymec					
- Loan	Notes	9.00%	2014	<u>31</u>	<u>52</u>
Total current portion of long-term borrowings				<u>8,766</u>	<u>21,920</u>
Total current borrowings				<u>138,832</u>	<u>21,920</u>
Total borrowings				<u>388,738</u>	<u>223,839</u>

The exposures of the Group's borrowings to interest rate changes and the contractual reprising dates at the balance sheet dates are as follows:



	<u>2013</u> US\$000	<u>2012</u> US\$000
6 months or less	138,832	14,424
6-12 months	-	7,497
1-5 years	249,906	201,918
Over 5 years	-	-
	<u>388,738</u>	<u>223,839</u>

Management considers that the effective interest rates of these loans are not significantly different from their nominal interest rates.

The carrying amounts and fair value of the non-current borrowings are as follows:

	<u>Carrying amount</u>		<u>Fair value</u>	
	<u>2013</u> US\$000	<u>2012</u> US\$000	<u>2013</u> US\$000	<u>2012</u> US\$000
Bonds	249,906	172,290	241,240	167,501
Bank borrowings	-	10,787	-	10,303
Finance lease liabilities	-	18,842	-	17,521
	<u>249,906</u>	<u>201,919</u>	<u>241,240</u>	<u>195,325</u>

The fair value of bank loans and short-term debt equals their carrying amount, as the impact of discounting is not significant.

The fair value of bonds are based on cash flows discounted using a rate based on the bonds rate of 9.00% (fair value of bonds based on a rate of 9.00%, bank borrowings based on a rate of 3.10% and finance lease liabilities based on a rate of 5.16% in 2012) and are within level 1 of the fair value hierarchy.

The carrying amounts of the Group's borrowings are denominated in United States dollars.

a) Bonds -

US\$250 million 9% senior notes due 2017-

On January 2013, Copeinca S.A.C., reopened its US\$175 million 9.00% senior notes due in 2017 raising gross proceeds of US\$75 million, which are guaranteed by the Company and the issue of these notes corresponds to a single issue of the US\$175 million 9.00% senior notes due 2017 (collectively referred to as the "Notes"). The total aggregate principal amount of the 9.00% senior notes due in 2017 outstanding following such reopening amounts to US\$250 million.

On 2 February 2010, Copeinca S.A.C. agreed with Credit Suisse Securities (USA) LLC, as representative of several purchasers, to issue and sell to the several purchasers, US\$175 million principal amount of its 9.00% senior notes due in 2017 to be issued under an indenture dated 10 February 2010, between Copeinca S.A.C., the Guarantor and Deutsche Bank Trust Company Americas, as trustee, guaranteed on an unsecured senior basis by the Company. Coupons bear a 9% interest and are payable on a semi-annual basis. Cash proceeds were used to finance the CAPEX plan of Copeinca S.A.C.

The issue of these bonds includes the following covenants:

- i) Change of control: repurchase at 101%:
- ii) Limitation on indebtedness:
  - a. Net debt / EBITDA less than 3.75 X
  - b. Plus warrants: maximum 25% of sales

- c. Plus additional debt not to exceed the greater of US\$50 million or 7.5% of assets

Deviations: Yes, during 2013, the leverage rate was not fulfilled on third and fourth quarter. The ratio on the third quarter (4.7x) and in the fourth quarter (6.0x) exceeded the indebtedness covenant (3.75x). This deviation occurred by two reasons: a) because of a decrease of EBITDA (less catch Peruvian anchovy) and b) because of an increase of short-term debt (financing obtained to fund the working capital of the second fishing season production).

- iii) Limitation on restricted payments: Dividends 5X:

- a. Up to US\$50 million for fiscal years up to 2009.
- b. 100% of net income if leverage is lower than 1.5 (leverage = net debt less cash/EBITDA 12 months).
- c. 85% of net income if leverage is lower than 2.0X.
- d. 75% of net income if leverages is lower than 2.5X.
- e. 50% of net income if leverage is lower than 3.75X.

- iv) Limitations on sale of assets: management has to obtain approval from the Board to sell assets for an amount higher than US\$5 million.

- a. At least 75% is paid in cash or cash equivalents.
- b. Or assumption of liabilities.
- c. Or securities that are converted to cash in less than 365 days.
- d. Or raw material (anchovy).
- e. Within 360 days proceeds should be reinvested or used in the pre-payment of bonds by such amount.
- f. If less than US\$20 million is left, they will be carried forward, if more, bonds should be prepaid by such amount.

- v) Limitation on business activities:

Permitted businesses: Fishmeal, fish oil, other marine proteins, other related or ancillary businesses, and operation or lease of vessels.

- vi) Change of control:

- a. Sale of all of the assets to a third party.
- b. Transaction in which a third party ends up owning more than 33%, and current shareholders end up with less than 33% and cannot elect the board.

Dyer Coriat Holding S.L. was the ultimate parent company of the Group before 2 September 2013. On and after 2 September 2013, its intermediate holding company is China Fishery Group Limited ("CFGL"), a company listed on the Singapore Securities Trading Limited ("SGX") (note 1).

- vii) Permitted liens:

- a. Liens that come with acquisitions of companies.
- b. Refinancing of outstanding debt (at time of issue of bond).
- c. Liens in connection with CAPEX in ordinary course of business.
- d. Leases under (the greater of) US\$100 million or 15% of assets. Copeinca S.A.C. has contracted leases by US\$45 million.
- e. Other liens under US\$3 million.

According to the income tax regime currently in force in Peru, Copeinca S.A.C. has to withhold from the payment of coupons a 4.99% as the income tax of non-domiciled entities. Since the bonds purchase agreement does not contemplate the payment of the withholding tax by the holders, Copeinca S.A.C. will assume it as its own expense.

The annual effective rate of the bonds is 9.5% as of 31 December 2013 and 2012.

Interest from the 7-year bond determined using the amortized cost method amounted to US\$23,272 thousand in 2013 (US\$16,383 thousand in 2012). Interest accrued in 2013 amount to US\$22,181 thousand and 2012 using the nominal interest rates as per the terms of the bond agreement amounted to US\$15,750 thousand.

b) Bank borrowings -

DNB Nor Bank -

On 12 October 2011, Copeinca S.A.C. signed an agreement of a US\$20 million four-year long term borrowing with DNB Nor Bank. The loan was used to finance the Copeinca S.A.C.'s CAPEX plan and to access to foreign credit lines aiming to reduce its liquidity risk. This loan matures in 2015 and bears a fixed interest rate of 3.14%.

Interest related to this loan charged to results during 2013 amounts to US\$202 thousand (US\$594 thousand in 2012).

On June 14, 2013, this loan was repaid for an amount of US\$13,333 thousand.

c) Financial lease and sale and leaseback liabilities -

In January of 2013, sale and leaseback obligations were repaid for US\$ 29,811 thousand.

Lease liabilities are effectively secured with the corresponding leased assets which title revert to the lessor in the event of default.

	<u>2013</u> US\$000	<u>2012</u> US\$000
Gross finance lease liabilities-minimum lease payments		
No later than 1 year	-	12,302
Later than 1 year and no later than 5 years	<u>-</u>	<u>19,829</u>
	-	32,131
Future finance charges on finance leases	<u>-</u>	( 2,239)
Present value of finance lease liabilities	<u><u>-</u></u>	<u><u>29,892</u></u>

The present values of finance lease liabilities mature as follows:

	<u>2013</u> US\$000	<u>2012</u> US\$000
No later than 1 year	-	11,050
Later than 1 year and no later than 5 years	<u>-</u>	<u>18,842</u>
	<u><u>-</u></u>	<u><u>29,892</u></u>

Copeinca S.A.C. has pledged some of its vessels (note 6) securing its obligations from finance leases and lease-backs.

The temporary differences that are the base of the calculation of the deferred income tax are as follows:

	<u>2013</u> <u>US\$000</u>	<u>2012</u> <u>US\$000</u>
Deductible temporary differences:		
- Deductible temporary differences to be recovered after more than 12 months	( 3,574)	( 924)
- Deductible temporary differences to be recovered within 12 months	<u>( 10,742)</u>	<u>( 2,775)</u>
	<u>( 14,316)</u>	<u>( 3,699)</u>
Taxable temporary differences:		
- Taxable temporary differences to be settled after more than 12 months	217,035	245,619
- Taxable temporary differences to be settled within 12 months	<u>39,555</u>	<u>44,765</u>
	<u>256,590</u>	<u>290,384</u>
Taxable temporary differences (net)	<u>242,274</u>	<u>286,685</u>
Deferred income tax liability (30%)	<u>72,682</u>	<u>86,006</u>

The gross movement on the deferred income tax liabilities account for the years ended 31 December is as follows:

	<u>2013</u> <u>US\$000</u>	<u>2012</u> <u>US\$000</u>
Opening balance	86,006	82,270
Exchange difference	( 7,340)	4,708
Credit to the statement of income (note 31)	<u>( 5,984)</u>	<u>( 972)</u>
Closing balance	<u>72,682</u>	<u>86,006</u>

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	<u>Deferred tax liability, net</u>					
	<u>Fair value of licenses US\$000</u>	<u>Fair value of fixed assets US\$000</u>	<u>Impairment of fixed assets US\$000</u>	<u>Leased fixed assets US\$000</u>	<u>Other US\$000</u>	<u>Total US\$000</u>
At 1 January 2012	47,256	39,243	( 19,226)	12,836	2,161	82,270
Exchange difference	2,705	2,158	( 1,024)	776	93	4,708
Charge (credit) to the statement of income	<u>-</u>	<u>( 2,519)</u>	<u>1,544</u>	<u>559</u>	<u>( 556)</u>	<u>( 972)</u>
At 31 December 2012	<u>49,961</u>	<u>38,882</u>	<u>( 18,706)</u>	<u>14,171</u>	<u>1,698</u>	<u>86,006</u>
Exchange difference	( 4,378)	( 3,685)	1,918	( 1,238)	43	( 7,340)
Charge (credit) to the statement of income	<u>-</u>	<u>( 931)</u>	<u>( 2,202)</u>	<u>( 678)</u>	<u>( 2,173)</u>	<u>( 5,984)</u>
At 31 December 2013	<u>45,583</u>	<u>34,266</u>	<u>( 18,990)</u>	<u>12,255</u>	<u>( 432)</u>	<u>72,682</u>

Deferred income tax assets are recognized for tax loss carry-forwards to the extent that the realization of the related tax benefit through future taxable profits is probable. The Group has a non-recognized a deferred income tax asset of US\$7,342 thousand (US\$5,238 thousand in 2012) related to tax losses carry-forward amounting to US\$27,193 thousand (US\$18,707 thousand in 2012). In 2012 this amount is offset by temporary differences related to taxable dividend received US\$1,195 thousand. These tax losses carry-forward relate to the Company and do not expire.

## 20 TRADE AND OTHER ACCOUNTS PAYABLE

	<u>2013</u> <u>US\$000</u>	<u>2012</u> <u>US\$000</u>
Trade accounts payable:		
Invoices payable (a)	<u>19,005</u>	<u>10,181</u>
Other accounts payable:		
Payroll, social security and other taxes	7,966	6,376
Workers' profit-sharing (b)	874	8,445
Loans to third parties	291	601
Accrued expenses (c)	4,178	851
Share options (d)	-	477
Provisions (e)	8,129	6,869
Other accruals (f)	<u>489</u>	<u>425</u>
	<u>21,927</u>	<u>24,044</u>
Non-current portion	( 6,341)	( 6,921)
Current portion	<u>15,586</u>	<u>17,123</u>

(a) Trade payables include US\$4,569 thousand from a paid in advance from Protein Trading Ltd (note 34).

(b) The amount of the workers' profit-sharing must be paid during the first quarter of 2014.

(c) Accrued expenses correspond to services received in 2013 the invoices of which were not received by the closing date. These accruals mainly relate to insurance, custom expenses and energy and are reversed on a monthly basis upon the receipt of the corresponding invoices.

(d) Share options were terminated in the first semester of 2013 due to managers' severance. In 2012, share options were reclassified from equity to liabilities in the second semester 2012 due to the payment in cash instead of issuing shares for the first time. See movement:

	<u>2013</u> <u>US\$000</u>	<u>2012</u> <u>US\$000</u>
Opening balance	477	1,424
Value of employee services (note 16-c)	767	421
Share options exercised	-	( 690)
Share options terminated	( 1,154)	-
Adjustments	( 90)	( 681)
Exchange difference	<u>-</u>	<u>3</u>
	<u>-</u>	<u>477</u>

(e) Provisions include US\$8,129 thousand (US\$6,777 thousand in 2012) of legal provisions. From this amount Copeinca S.A.C. has not recorded any tax fines (US\$27 thousand in 2012), court actions amounting to US\$4,642 thousand (US\$1,784 thousand in 2012) and administrative proceedings amounting to US\$3,487 thousand (US\$4,966 thousand in 2012) all against Copeinca S.A.C. The amount provided for does not include any amount that may result in case the Peruvian Tax Authorities require the payment of additional fines.

(f) Other accruals mainly include US\$279 thousand (US\$303 thousand in 2012) of expenses that relate to the training and labor costs committed with laid-off crew pursuant the Individual Transferrable Quota law (ITQ law).

## 21 SALES

Revenues from sales relate to the following products:

	<u>2013</u> US\$000	<u>2012</u> US\$000
Steam dried (SD) fishmeal	174,409	241,249
Fish oil	29,754	66,861
Fish for direct human consumption	4,516	4,347
Others	1,047	1,762
	<u>209,726</u>	<u>314,219</u>

The corresponding quantities (Metric Tons) shipped and sold as at 31 December were:

	<u>2013</u> MT	<u>2012</u> MT
SD fishmeal	111,857	178,753
Fish oil	14,242	41,932
Mackerel/Jack mackerel	7,712	11,869
	<u>133,811</u>	<u>232,554</u>

## 22 COST OF GOODS SOLD

The cost of goods sold for the year ended 31 December comprises:

	<u>2013</u> US\$000	<u>2012</u> US\$000
Opening balance of finished products	13,577	56,926
Consumption of raw materials and other materials	106,783	78,649
Employee benefits expenses (note 27)	42,381	40,551
Depreciation (note 6)	13,528	9,013
Amortization (note 7)	118	88
Other manufacturing expenses	28,498	25,212
Closing balance of finished products (note 10)	( 70,156)	( 13,577)
	<u>134,729</u>	<u>196,862</u>

## 23 SELLING EXPENSES

Selling expenses for the year ended 31 December comprise:

	<u>2013</u> US\$000	<u>2012</u> US\$000
Employee benefits expenses (note 27)	1,464	1,688
Custom duties	7,617	12,297
Services rendered by third parties	2,217	2,506
Other management charges	481	751
Depreciation (note 6)	7	8
Amortization (note 7)	27	21
	<u>11,813</u>	<u>17,271</u>

## 24 ADMINISTRATIVE EXPENSES

Administrative expenses for the year ended 31 December comprise:

<u>2013</u> US\$000	<u>2012</u> US\$000
------------------------	------------------------

Employee benefits expenses (note 27)	6,248	6,228
Services rendered by third parties	5,775	6,107
Other taxes	96	170
Other management charges	1,307	1,095
Depreciation (note 6)	359	184
Amortization (note 7)	98	79
	<u>13,883</u>	<u>13,863</u>

## 25 OTHER INCOME AND OTHER EXPENSES

Other income and other expenses for the year ended 31 December comprise:

	<u>2013</u> <u>US\$000</u>	<u>2012</u> <u>US\$000</u>
Other income:		
Net gain on sale of fixed assets	805	-
Reversal of provisions for legal lawsuits	291	671
Gain on sale of diesel and supplies	324	257
Other operating income	<u>744</u>	<u>916</u>
	<u>2,164</u>	<u>1,844</u>

	<u>2013</u> <u>US\$000</u>	<u>2012</u> <u>US\$000</u>
Other expenses:		
Expenses related to the search of strategic alternatives to the non-solicited takeover and issuance of additional capital (a)	( 18,820)	-
Termination benefits paid to former management (b)	( 6,342)	-
Fee for the early termination of agreements (c)	( 3,055)	-
Net loss on sale of fixed assets	-	( 349)
Write-off of net book value of fixed assets (note 6)	( 4,080)	( 3,989)
Fines and sanctions	( 1,506)	( 487)
Employee severance indemnities (d)	( 827)	( 1,646)
Provisions for legal lawsuits and administrative proceedings (e)	( 5,427)	( 3,565)
Expenses from prior years	( 2,641)	( 1,129)
Impairment loss - fixed assets (note 6)	( 6,445)	-
Other operating expenses	<u>(1,587)</u>	<u>(1,800)</u>
	<u>50,730</u>	<u>12,965</u>

(a) US\$18,820 thousand from expenses related to search of strategic alternatives to non-solicited offer from China Fishery Group Limited.

(b) US\$6,342 thousand from severance expenses paid to former administration.

(c) US\$3,055 thousand from early termination of agreement with former director and a related party (previous major shareholder).

(d) Comprise the cost of the lay-off of 3 (23 in 2012) crew members, 4 (6 in 2012) plant workers and 4 (5 in 2012) of administrative personnel amounting to US\$827 thousand (US\$1,646 thousand in 2012).

(e) Explained by US\$5,209 thousand of legal lawsuits paid (US\$1,246 thousand in 2012) and US\$218 thousand of administrative proceedings paid (US\$2,319 thousand in 2012).

## 26 EXPENSES BY NATURE

Expenses by nature for the year ended 31 December comprise:

	<u>2013</u> <u>US\$000</u>	<u>2012</u> <u>US\$000</u>
Change in inventories of finished goods	( 56,579)	43,603
Raw materials and consumables	106,783	78,649
Employee benefit expenses (note 27)	49,676	48,213
Depreciation and amortization (notes 6 and 7)	14,137	9,393
Services rendered by third parties	7,992	8,613
Taxes	96	170
Custom duties	7,617	12,297
Transportation, load and unload	1,218	1,295
Quality control analysis	1,038	957
Maintenance	7,821	10,139
Fishing rights	3,719	2,397
Insurances	2,018	1,973
Surveillance	2,244	1,768
Electricity and water	2,016	1,722
Fishing unload	3,989	1,451
Provision for obsolescence	824	208
Other management charges	5,816	5,148
	<u>160,425</u>	<u>227,996</u>

## 27 EMPLOYEE BENEFIT EXPENSES AND AUDITORS' FEES

Employee benefit expenses for the year ended 31 December comprise:

	<u>2013</u> <u>US\$000</u>	<u>2012</u> <u>US\$000</u>
Wages and salaries	41,860	32,472
Vacations	2,441	2,158
Social security costs	2,865	2,380
Share options granted to employees (note 16)	767	421
Workers' profit sharing (note 30)	457	8,191
Other employee costs	1,286	2,591
	<u>49,676</u>	<u>48,213</u>
Number of employees	<u>1,391</u>	<u>1,466</u>

Employee benefit expenses are distributed as follows:

	<u>2013</u> <u>US\$000</u>	<u>2012</u> <u>US\$000</u>
Inventories (note 10)	( 417)	( 254)
Cost of goods sold (note 22)	42,381	40,551
Selling expenses (note 23)	1,464	1,688
Administrative expenses (note 24)	6,248	6,228
	<u>49,676</u>	<u>48,213</u>

Compensation paid to the Board of Directors amounted to US\$325 thousand in 2013, net of withholding taxes (US\$297 thousand in 2012).

Auditors' fees billed to the Company comprise the following services (VAT included):

<u>2013</u>	<u>2012</u>
-------------	-------------



	US\$000	US\$000
Statutory audit	595	526
Tax advisory services	-	1
Other services	86	102
	<u>681</u>	<u>629</u>

## 28 FINANCE INCOME AND COSTS

The detail of finance income (costs) for the year ended 31 December is as follows:

	<u>2013</u> US\$000	<u>2012</u> US\$000
Finance income:		
Interest on accounts receivable to related parties (note 34)	2,413	-
Interest on short-term deposits	331	685
Interest on short-term debt instruments	-	1,896
Interest on other accounts receivable	475	5
Bonds (amortized cost)	265	-
Total finance income	<u>3,484</u>	<u>2,586</u>
Interest expenses:		
Bonds	( 22,181)	( 15,750)
Bank borrowings	( 2,531)	( 2,704)
Finance leases	( 84)	( 2,010)
Loss on short-term debt instruments	( 291)	-
Others	( 289)	( 633)
Total finance costs	<u>( 25,376)</u>	<u>( 21,097)</u>
Finance income and costs, net	<u>( 21,892)</u>	<u>( 18,511)</u>

## 29 CASH GENERATED FROM OPERATIONS

	<u>2013</u> US\$000	<u>2012</u> US\$000
(Loss) profit before income tax	( 38,805)	71,355
Adjustments for:		
Depreciation (note 6)	13,894	9,205
Amortization (note 7)	243	188
Loss on disposal of property and equipment (see below)	3,275	4,338
Impairment charge (note 6)	6,445	-
Share options granted to employees (note 27)	767	421
Foreign exchange losses on operating activities	64	( 849)
Finance costs, net (note 28)	21,892	18,511
Changes in working capital (net of the effects of acquisition and exchange differences on consolidation):		
Inventories	( 51,996)	38,687
Trade receivables	11,860	6,986
Other accounts receivable	( 3,965)	3,099
Trade accounts payable	11,101	( 7,086)
Other accounts payable	( 3,279)	( 21,700)
Cash (used in) generated from operations	<u>( 28,504)</u>	<u>123,155</u>
Proceeds from the sale of property, plant and equipment comprise:		
	<u>2013</u> US\$000	<u>2012</u> US\$000

Disposals, net (note 6)	2,148	2,349
Write-off (note 6)	<u>4,080</u>	<u>3,989</u>
Net book value	6,228	6,338
Loss on disposal of property and equipment	<u>(3,275)</u>	<u>(4,338)</u>
Proceeds from sale of property, plant and equipment	<u><u>2,953</u></u>	<u><u>2,000</u></u>

### 30 WORKERS' PROFIT SHARING

Workers' profit sharing (WPS) is distributed as follows:

	<u>2013</u> US\$000	<u>2012</u> US\$000
Inventories (note 10)	<u>417</u>	<u>254</u>
Cost of goods sold	81	6,960
Administrative expenses	352	877
Selling expenses	<u>24</u>	<u>354</u>
	<u>457</u>	<u>8,191</u>
	<u><u>874</u></u>	<u><u>8,445</u></u>

### 31 INCOME TAX EXPENSE

#### a) The Company -

As of 31 December 2013 and 2012, the income tax rate in Norway is 28%. From January 2014, income tax rate in Norway has been reduced to 27%. As of 31 December 2013, the Company has a tax loss carry-forward amounting to NOK165,338 thousand equivalent to US\$27,193 thousand (NOK104,756 thousand equivalent to US\$18,707 thousand in 2012). According to Norwegian legislation these tax losses have no expiration term.

#### b) Copeinca S.A.C. -

Management of the Group considers that it has determined the taxable income, under the general regime of the income tax as established by regulations currently in force in Peru, which requires adding to and deducting from the result shown in its separate financial statements, those items considered as taxable and non-taxable, respectively.

As of 31 December 2013 and 2012, the income tax rate in Peru is 30%. The taxable income has been determined as follows:

	<u>2013</u> US\$000	<u>2012</u> US\$000
Profit before income tax	( 38,805)	71,355
Plus: Workers' profit sharing	<u>457</u>	<u>8,191</u>
	( 38,348)	79,546
Non-deductible expenses	6,489	4,841
Temporary differences	19,946	3,240
Non-taxable revenues	( 328)	( 642)
Other adjustments	<u>20,981</u>	<u>(2,534)</u>
Taxable income	8,740	84,451
Workers' profit sharing (10%)	<u>(874)</u>	<u>(8,445)</u>
	7,866	76,006
Workers' profit sharing not paid in 2013 and 2012	<u>837</u>	<u>(238)</u>
	<u>8,703</u>	<u>75,768</u>
Current income tax (30%)	<u><u>2,611</u></u>	<u><u>22,730</u></u>

#### c) Other subsidiaries -

As of 31 December 2013, the other subsidiaries of the Group have determined tax losses amounting to US\$1,039 thousand (tax losses amounting to US\$1,874 thousand in 2012). The

Company's Management has determined the income tax for each subsidiary as from the 1 January of the year in which their control was obtained instead of as from the date of their acquisition. Management estimates that the effect resulting from this way of calculation, if any, is not significant.

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the weighted-average tax rate applicable to profits of the consolidated companies as follows:

	<u>2013</u>		<u>2012</u>	
	US\$000	%	US\$000	%
(Loss) profit before income tax	( 38,805)		71,355	
Plus: Workers' profit sharing (note 30)	457		8,191	
	<u>( 38,348)</u>		<u>79,546</u>	100
Income tax and workers' profit sharing	( 11,504)	( 30)	23,864	30
Other non-taxable income	( 98)	-	( 193)	( 1)
Other non-deductible expenses	8,517	22	2,303	3
Other adjustments	<u>( 288)</u>	<u>( 1)</u>	<u>( 4,216)</u>	<u>( 5)</u>
Current and deferred income tax	<u>( 3,373)</u>	<u>( 9)</u>	<u>21,758</u>	<u>27</u>

d) The income tax expense shown in the statement of income comprises:

	<u>2013</u>	<u>2012</u>
	US\$000	US\$000
Current (note 31-b)	( 2,611)	( 22,730)
Deferred (note 19)	<u>5,984</u>	<u>972</u>
	<u>3,373</u>	<u>( 21,758)</u>

e) The movement of the income tax payable shown in the balance sheet is as follows:

	<u>2013</u>	<u>2012</u>
	US\$000	US\$000
Opening balance	-	13,220
Current income tax (note 31-b)	2,611	22,730
Payments of last year income tax	-	( 15,276)
Payments in advance (note 31-h)	( 1,662)	( 6,003)
Compensation of income tax credit (note 31-h)	( 6,135)	( 17,486)
Exchange difference	( 13)	759
Adjustment	-	1,232
Income tax credit (note 12-c)	<u>5,199</u>	<u>824</u>
Closing balance	<u>-</u>	<u>-</u>

f) Peruvian tax authorities (SUNAT, Spanish acronym) have the right to review and, if applicable, amend the income tax determined by Copeinca S.A.C. in the last four years as from the following year the tax returns have been filed (years subject to examination). Years 2010 to 2013 are subject to examination by the tax authorities. Since discrepancies may arise on the interpretation of the tax laws applicable to Copeinca S.A.C. by the tax authorities, it is not possible to presently anticipate if any additional liabilities will arise as a result of eventual examinations. Any additional tax, penalties and interest, if any, will be recognized in the results of the period in which such differences are resolved. Copeinca S.A.C.'s Management considers that no significant liabilities will arise as a result of these tax examinations.

g) Copeinca S.A.C. may obtain a refund of the VAT (IGV in Peru) on its exports. In this sense, the tax paid may be applied against the VAT arising from local sales or other taxes that are considered as revenues for the Public Treasury or otherwise apply for refund through negotiable credit notes or checks. The credit to be recovered as of 31 December 2013 amounts to approximately US\$3,937

thousand (approximately US\$235 thousand as of 31 December 2012) and is shown net in other accounts receivable in the balance sheet (note 12).

- h) Copeinca S.A.C. reported a taxable income for the fiscal year 2012; consequently, it was under the obligation of making, during 2013, payments in advance of the 2013's income tax as established by Article 54 of the income tax law. In this sense, Copeinca S.A.C. made payments in advance of the 2013's income tax between January and November 2013 for a total amount of US\$7,797 thousand (US\$23,489 thousand in 2012) of which US\$1,662 thousand were paid in cash (US\$6,003 thousand in 2012) and US\$6,135 thousand were provided as compensation for current income tax credit (US\$17,486 thousand in 2012) (note 31-e). Payments in advance of the income tax are applied against the final income tax filed within the tax authorities.

### 32 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted-average number of ordinary shares outstanding and issued during the year (note 16). Diluted earnings per share have not been calculated because there are no potential ordinary shares diluents.

	<u>2013</u>	<u>2012</u>
(Loss) profit attributable to equity holders of the Company (US\$000)	( 35,432)	49,597
Weighted-average number of common shares outstanding (thousand)	<u>66,935</u>	<u>57,656</u>
Basic and diluted (losses) earnings per share (US\$ per share)	( 0.5294)	<u>0.8602</u>

### 33 CONTINGENCIES

As of 31 December 2013, Copeinca S.A.C. has the following contingent liabilities:

- Claims filed against the Peruvian Tax Authorities currently pending resolution, related to tax assessments amounting to US\$2,152 thousand (US\$2,227 thousand in 2012).
- Court actions (civil and labor-related actions) against Copeinca S.A.C. for an amount of US\$3,697 thousand, (US\$7,415 thousand in 2012).
- Administrative proceedings filed within the Production Ministry amounting to US\$7,843 thousand (US\$8,105 thousand in 2012).

It is not anticipated that any material liabilities will arise from the contingent liabilities other than those provided for (note 20-d). Management believes that no material liabilities will arise from the final resolution of these cases.

### 34 RELATED-PARTY TRANSACTIONS

As of 31 December 2013, the Company's major shareholders are Grand Success Investment holder of a 62.5% interest and Euroclear bank holder of a 37.3% interest. The remaining 0.2% is held by other minor shareholders.

- a) Before September 2, 2013 -

Gestion del Pacifico S.A.C. is a company owned by Dyer and Coriat Holding which provides corporate affair services to Copeinca S.A.C. and other companies.  
Camposol S.A. is a subsidiary of Dyer and Coriat Holding.

Marinazul S.A. is a subsidiary of Camposol S.A. which has 94.95% of interest. This company is dedicated to the farming, breeding and export of shrimps.

The movement of accounts receivable to affiliated companies for services rendered is as follows:

	<u>2013</u> <u>US\$000</u>	<u>2012</u> <u>US\$000</u>
Opening balance	29	17
Services rendered	611	152
Repayment of loans received	( 640)	( 140)
Interest charged	-	-
Closing balance	<u>-</u>	<u>29</u>

These services include US\$111 thousand from services rendered to Camposol S.A. and US\$500 thousand for assorted services to Gestion del Pacifico S.A.C.

The movement of accounts payable to affiliated companies for services received is as follows:

	<u>2013</u> <u>US\$000</u>	<u>2012</u> <u>US\$000</u>
Opening balance	80	9
Services received	1,309	1,910
Others	3,286	-
Payments done	( 4,675)	( 1,839)
Closing balance	<u>-</u>	<u>80</u>

The services received from Marinazul S.A. are related to research and investigation amounting to US\$75 thousand and other services amounting to US\$41 thousand.

The services received from Camposol S.A. are related to research and investigation amounting to US\$52 thousand and assorted services amounting to US\$22 thousand.

The services received from Gestion del Pacifico S.A.C. are related to image, communications and social responsibility amounting to US\$635 thousand, Office Maintenance amounting to US\$138 thousand and IT services amounting to US\$346 thousand. Other account payable corresponds to early termination of agreement with Gestion del Pacifico S.A.C. amounting to US\$3,055 thousand and others amounting to US\$231 thousand.

b) On or after September 2, 2013 -

China Fisheries International Limited provides fishing management services also engages in selling of fish and other marine catches.

The movement of accounts receivable to affiliated companies for loans rendered is as follows:

	<u>2013</u> <u>US\$000</u>	<u>2012</u> <u>US\$000</u>
Opening balance	-	-
Loans rendered	219,000	-
Repayment of loans received	-	-
Interest charged	2,413	-
Closing balance (note 13)	<u>221,413</u>	<u>-</u>

This loan of US\$219,000 thousand was granted to China Fisheries International Limited.

The movement of trade accounts receivable to affiliated companies for goods sold is as follows:

	<u>2013</u> <u>US\$000</u>	<u>2012</u> <u>US\$000</u>
Opening balance	-	-
Goods sold during the year	16,108	-
Repayment received	( 20,677)	-
Interest charged	-	-
Closing balance (note 20)	<u>( 4,569)</u>	<u>-</u>

These goods sold to Protein Trading Limited of US\$16,108 thousand correspond to fishmeal sold during the year.

c) Board and management remuneration -

On 2 September 2013, an Extraordinary General Meeting of the Company was held, resolving:

I) A new board of directors:

- Ng Joo Siang
- Ng Puay Yee
- Jon Thor Gunnarson
- Herdis Drofn Fjeldsted

II) To approve the remuneration of the resigning Directors based on actual service time since the last Annual General Meeting (144 days since 12 April 2013 to 2 February 2013) and in accordance with the resolution made on 12 April 2013 by the Annual General Meeting regarding the remuneration of the Board of Directors:

Directors	Board	Nominations Committee Proposed Fees	
		NOK 000	US\$000
Mr. Samuel Dyer Coriat	Chairman	262	43
Mr. Kristjan Davidsson	Deputy Chairman	215	35
Mr. Samuel Dyer Ampudia	Member	139	23
Mr. Osterling Luis Dyer Ampudia	Member	118	19
Mrs. Mimi Berdal	Member	124	20
Mrs. Marianne Johnsen	Member	128	21
Mr. Sheyla Dyer Coriat	Member	118	19
Mr. Jon Hinder	Member	118	19
		<b>1,222</b>	<b>199</b>

The Group has a Management team consisting of a CEO and a CFO; all employed by the main subsidiary Copeinca S.A.C. During 2013 and 2012, the amounts paid to these executives were:

	<u>Salary</u> US\$000	<u>Bonus</u> US\$000	<u>Benefits in kind</u> US\$000	<u>Value of options issued (**)</u> US\$000	<u>Total Remune ration</u> US\$000
<b>2013</b>					
<b>Management</b>					
Pablo Trapunsky Vilar (CEO) (*)	247	49	29	-	325
Angel Chiri Gutiérrez (CFO) (**)	140	-	17	-	157
Total remuneration	<u>387</u>	<u>49</u>	<u>46</u>	<u>-</u>	<u>482</u>
<b>2012</b>					
<b>Management</b>					
Pablo Trapunsky Vilar (CEO)	284	40	25	79	428
Angel Chiri Gutiérrez (CFO) (***)	38	-	5	-	43
Total remuneration	<u>322</u>	<u>40</u>	<u>30</u>	<u>79</u>	<u>471</u>

(\*) Resigned on August 2013      (\*\*) Resigned on October 2013      (\*\*\*) Joined in October 2012

d) Statement on the determination of salary and other remuneration -

*i) Wages -*

The Board of Directors determines the remuneration of the CEO. There is no bonus program designed for management, but it is possible to pay an exceptional bonus when the Board decides on it. Other key executive's remuneration is proposed by the CEO to the board for approval.

Key executives remuneration should be competitive in the market in which the Company operates, and it may have both variable and fixed components.

*ii) Other benefits -*

In the case of the CEO and key management, other benefits consist of car allowances, fuel coupons, health and life insurance, telephone and electronic communication equipment.

*iii) Severance payments -*

Copeinca S.A.C. pays termination benefits, as required by Peruvian law, to all its employees, management included. If the employee is laid off, Peruvian law provides for a severance payment consisting of one and a half monthly salaries per year worked for the employer. This severance payment, by law, has an upper limit and cannot exceed 12 monthly salaries. Additionally, with the authorization of the CEO, Copeinca S.A.C. may pay a limited additional benefit, when key management is invited to retirement.

*iv) Other remuneration -*

No member of the Group's Management has received remuneration or economical benefits from other entities in the Group, other than the amounts stated above. No additional remuneration has been granted for special services outside the normal functions of a CEO. No loans have been given to, or guarantees given on the behalf of, any members of the Group's management, the Board or other elected corporate bodies.

*v) Share options scheme -*

Key management also benefits from a stock option plan which was terminated in May 2013 (note 16-c).

### 35 GUARANTEES

As of 31 December 2013, the Group has pledged the following assets:

<u>Type of Asset</u>	<u>Encumbered creditor</u>	<u>Name of asset</u>	<u>Type of indebtedness</u>	<u>Fair Value US\$000</u>	<u>Type of guarantee</u>
Vessel	Petroperú	Rodga I	Line of credit	44,531	Mortgage
Vessel	Santander	DC1	Line of credit	1,379	Mortgage
Vessel	Interbank	Ribar XVIII	Line of credit	<u>20,453</u>	Mortgage
Total				<u>66,363</u>	

### 36 COMMITMENTS

Capital expenditures contracted for at the end of the reporting period but not yet incurred amounts to US\$611 thousand for property plant and equipment (US\$735 thousand in 2012).

### 37 EVENTS AFTER THE REPORTING PERIOD

#### a) Extraordinary General Meeting

According to the extraordinary General Meeting held on 18 March 2014, the following was agreed:

#### *De-listing of the shares of the company from Oslo Børs*

In accordance with the board's proposal, the general meeting unanimously resolved as follows:

"Copeinca ASA shall promptly apply to Oslo Børs for a de-listing of its shares from quotation at Oslo Børs pursuant to section 25 of the Norwegian Stock Exchange Act, cf. section 15.1 (4) of the Continuing obligations for stock exchange listed companies. Robin Bakken is appointed as the company's attorney in - fact to, for and on behalf of the Company, execute and deliver all applications, certificates, undertakings, documents and writings, and to do all such other acts and things, as he may in his or her sole discretion consider necessary or desirable in order to effect such de-listing, including to file a de-listing application for the Company with Oslo Børs."

#### *De-listing of the shares of the company from Bolsa de Valores de Lima*

In accordance with the board's proposal, the general meeting unanimously resolved as follows:

"Copeinca ASA shall promptly apply to Bolsa de Valores de Lima for a de-listing of its shares from quotation at Bolsa de Valores de Lima pursuant to applicable Bolsa de Valores de Lima rules. Francisco Paniagua is appointed as the company's attorney-in-fact to, for and on behalf of the Company, execute and deliver all applications, certificates, undertakings, documents and writings, and to do all such other acts and things, as he may in his sole discretion consider necessary or desirable in order to effect such de-listing, including to file a delisting application for the Company with Bolsa de Valores de Lima and/or the SMV."

#### *Transformation from public to private limited liability company*

The company is transformed from a public limited liability company (ASA) to a private limited liability company (AS) cf. section 15-1 of the Norwegian Public Limited Liability Companies Act. This resolution shall enter into force as of when the general meeting has resolved to apply for de-listing of the shares of the company from Oslo Børs and Bolsa de Valores de Lima, Oslo Børs and Bolsa de Valores de Lima have resolved to de-list such shares and the de listings have become effective."