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SECURITIES AND EXCHANGE COMMISSION

SEC Building, EDSA, Greenhills, Mandaluyong City, Metro Manila, Philippines
Tel: (632) 726-0931 to 39 Fax: (632) 725-5293 Email: mis@sec.gov.ph

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Company Information

SEC Registration No. CS200319138
Company Name ALLIANCE SELECT FOODS INTERNATIONAL, INC.
Industry Classification Prod., Processing & Preserv. Of Meat, Fish & Other Seafoods
Company Type Stock Corporation

Document Information

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SEC Number **CS200319138**
File Number

**ALLIANCE SELECT FOODS INTERNATIONAL, INC.
AND ITS SUBSIDIARIES**

(Company's Full Name)

**Suite 3104 A West Tower PSEC Exchange Rd.
Ortigas Business District, Pasig City**

(Company's Address)

632 747-3798

(Telephone Number)

December 31

(Calendar Year Ending)
(month & day)

SEC FORM 17-Q

(Form Type)

(Amendment Designation if applicable)

For the Nine Months Ended September 30, 2018


(Period Ended Date)

(Secondary License Type and File Number)

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES
REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended September 30, 2018
2. Commission identification number CS200319138
3. BIR Tax Identification No. 227-409-243-000
4. Exact name of issuer as specified in its charter Alliance Select Foods International, Inc.
5. Pasig City, Philippines
Province, country or other jurisdiction of incorporation or organization
6. Industry Classification Code:  (SEC Use Only)
7. Suite 3104 A West Tower PSEC Exchange Rd. Ortigas District, Pasig City 1605
Address of issuer's principal office Postal Code
8. 632 747 - 3798
Issuer's telephone number, including area code
9. Not Applicable
Former name, former address and former fiscal year, if changed since last report
10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the
RSA

<u>Title of each Class</u>	<u>Number of shares of common stock outstanding and amount of debt outstanding</u>
Common shares, P0.50 Par Value	2,499,712,463 shares

11. Are any or all of the securities listed on a Stock Exchange?

Yes [/] No []

If yes, state the name of such Stock Exchange and the class/es of securities listed therein:

The Phil. Stock Exchange - Common shares

12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)

Yes [/] No []

(b) has been subject to such filing requirements for the past ninety (90) days.

Yes [/] No []

PART II - FINANCIAL INFORMATION

Item 1. Financial Statements

The unaudited financial statements of Alliance Select Foods International, Inc. (the "Company" or "Parent Company") and its Subsidiaries (collectively referred to as the "Group") as at and for the nine months ended September 30, 2018 (with comparative audited figures as at December 31, 2017 and unaudited figures for the period ended September 30, 2017) and Selected Notes to the Consolidated Financial Statements are hereto attached as Annex "A".

The unaudited financial statements of the Group are presented in US\$, the currency of the primary economic environment in which the Group operates.

Item 2. Management's discussion and analysis of financial condition and results

The following discussion should be read in conjunction with the attached unaudited financial statements of the Group as at and for the nine months ended September 30, 2018, with comparative audited figures as at December 31, 2017 and unaudited figures for the period ended September 30, 2017, as appropriate.

The table below shows the comparisons of key operating results for the nine months period ended September 30, 2018 versus the same period in 2017.

For the Nine Months Ended September 30		
In USD'000	2018	2017
Revenue – net	\$74,152	\$53,161
Gross Profit	10,663	6,499
Gross Profit Margin	14%	12%
Selling and Administrative Expenses	6,056	5,312
Other Income	576	404
Other Expenses	314	110
Finance Costs	1,190	538
Income Before Tax	3,679	943
Income Tax Expense	354	463
Income for the Period	3,324	480
Attributable to:		
Equity holders of the parent	3,231	414
Non-controlling interest	94	65
	\$3,324	\$480

*Numbers presented may not add up due to rounding

Results of operations

Nine months ended September 30, 2018 versus September 30, 2017

The Group's consolidated net revenues of \$74.2 million for the nine months ended September 30, 2018 were 39% higher than the revenues of \$53.2 million in the same reporting period last year. About 73% of total revenue is contributed by tuna and related products sales while the remaining 27% comes from the salmon business; a change from last year's 61:39 tuna to salmon sales ratio.

Total revenue growth is driven by the overall improvement in the sourcing, bidding and production process in ASFII which translated to 44% higher export sales volume for the year versus same period last year.

The year to date gross profit is at \$10.7 million, 64% higher compared to the reported \$6.5 million gross profit in same period last year. This represents a gross profit margin of 14.4% or a raise of 2.2 percentage points over the same period last year.

Selling and administrative expenses reached \$6.1 million for the period or 14% increase versus same period last year. This represents an 8.2% cost-to-sales ratio, a decrease versus 10.0% during the same period last year.

Other income and expense is composed mainly of gains and losses on foreign currency denominated transactions, interest income, sale of scraps and PPE shutdown costs and bank charges.

Meanwhile, the increase in finance cost can be attributed to the higher working capital requirement to support growing operation particularly in securing raw materials.

Plan of operation

The Group does not foresee any cash flow or liquidity problem over the next twelve (12) months. It is in compliance with its loan covenants pertaining to debt-to-equity ratio. There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations) and other relationships of the Group with entities or other persons created during the reporting period that would have significant impact on the Group's operations and/or financial condition.

As of September 30, 2018, there were no other material events or uncertainties known to management that could have a material impact on the future operations, in respect of the following:

- Known trends, demands, commitments, events or uncertainties that would have a material impact on the Group;
- Known trends, events, uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues/ income from continuing operations;
- Significant elements of income or loss that did not arise from the Group's continuing operations; and
- Seasonal aspects that had a material effect on the financial condition or results of operations.

Financial Position

As of September 30, 2018 versus December 31, 2017

ASFII's revenue growth increased its outstanding collectibles by \$4.7 million.

The limited supply of fish in the third quarter due to FAD (fishing aggregating devices) ban decreased the raw materials inventory balance and the advances/deposits to suppliers account in ASFII.

A total of \$10.2 million net loan availment for the 9-month period in ASFII of which proceeds were mainly used to secure fish drove the 41% growth in loans payable.

KEY PERFORMANCE INDICATORS

The Group uses the following key performance indicators in order to assess the Group's financial performance from period to period. Analyses are employed by comparisons and measurements based on the financial data on the periods indicated below:

Liquidity and Solvency	September 30, 2018	December 31, 2017
Current ratio	1.02	0.92
Debt to equity ratio	1.21	1.09

For the Nine Months Ended September 30

Profitability	2018	2017
Revenue growth rate	39.5%	10.2%
Net profit margin	4.4%	0.8%
Return on average stockholders' equity	5.5%	0.0%

The following defines each ratio:

- Liquidity ratio (expressed in proportion) = current assets / current liabilities
- Debt to equity ratio (expressed in proportion) = total liabilities / total stockholders' equity
- Revenue growth rate (expressed in percentage) = (current year's revenue – previous year's revenue) / previous year's revenue
- Net profit margin (expressed in percentage) = net income attributable to equity holders of parent / net revenues
- Return on average stockholders' equity (expressed in percentage) = net income attributable to equity holders of the parent / average stockholders' equity

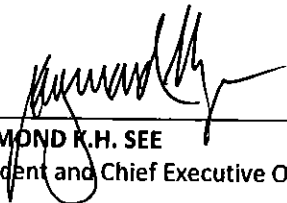
PART II - OTHER INFORMATION

All current disclosures were already reported under SEC Form 17-C.


SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ALLIANCE SELECT FOODS INTERNATIONAL, INC.



RAYMOND K.H. SEE
President and Chief Executive Officer



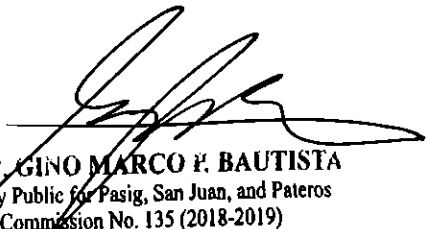
JENNIFER C. PORSUELO
Group Controller

SUBSCRIBED AND SWORN to before me this 08 NOV 2018 at PASIG CITY in front of me and my assistants exhibiting to me their government issued identification cards, as follows:

NAMES	GOV'T. ISSUED ID NO.	DATE OF ISSUE	PLACE OF ISSUE	EXPIRATION
Raymond K.H. See	Passport-EC3695414	03-17-2015	DFA, NCR East	03-16-2020
Jennifer C. Porsuelo	PRC No. 0109384	09-25-2018	PRC, Manila	10-18-2021

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ATTY. GINO MARCO P. BAUTISTA
Notary Public for Pasig, San Juan, and Pateros
Commission No. 135 (2018-2019)
Until December 31, 2019
3104 A, West Tower, Phil. Stock Exchange Centre
Exchange Road, Ortigas Center, Pasig City
PTR No. 3861096/1-11-2018/Pasig City
IBP No. 017649/11-24-2017/Quezon City
Roll of Attorneys No. 58507
MCLE Compliance No. V-0020739;4-20-2016

ALLIANCE SELECT FOODS INTERNATIONAL, INC. AND SUBSIDIARIES
(A Subsidiary of Strongoak Inc.)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(With Comparative Figures for 2017)

	Note	September 30, 2018 (Unaudited)	December 31, 2017 (Audited)
ASSETS			
Current Assets			
Cash and cash equivalents	7	\$14,352,943	\$4,427,478
Trade and other receivables	8	13,135,016	9,414,233
Inventories	9	12,938,313	14,154,871
Other current assets	10	4,639,493	5,612,224
Total Current Assets		45,065,765	33,608,806
Noncurrent Assets			
Property, plant and equipment	11	15,505,624	16,104,369
Deferred tax assets		9,661,378	9,721,323
Goodwill	5	9,502,585	9,502,585
Other noncurrent assets	12	1,716,417	1,581,487
Total Noncurrent Assets		36,386,004	36,909,764
		\$81,451,769	\$70,518,570
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	13	\$7,891,460	\$9,745,224
Loans payable	14	34,241,651	24,285,900
Due to related parties	15	1,941,655	2,142,510
Income tax payable		116,691	184,688
Total Current Liabilities		44,191,457	36,358,322
Noncurrent Liabilities			
Loans payable - net of current portion	14	70,010	79,355
Net retirement benefit obligation		211,604	234,627
Deferred tax liabilities		135,957	135,957
Refundable lease deposits		20,074	21,811
Total Noncurrent Liabilities		437,645	471,750
Total Liabilities		44,629,102	36,830,072
Equity			
Capital stock	16	26,823,389	53,646,778
Additional paid-in capital		1,486,546	6,662,001
Other comprehensive income		760,428	933,149
Retained earnings (deficit)		9,997,792	(25,231,797)
		39,068,155	36,010,131
Treasury shares		(5,774)	(5,774)
Equity attributable to equity holders of the Parent Company		39,062,381	36,004,357
Non-controlling interests		(2,239,714)	(2,315,859)
Total Equity		36,822,667	33,688,498
		\$81,451,769	\$70,518,570

See accompanying Notes to Consolidated Financial Statements.

ALLIANCE SELECT FOODS INTERNATIONAL, INC. AND SUBSIDIARIES
(A Subsidiary of Strongoak Inc.)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE QUARTER AND NINE MONTHS ENDED SEPTEMBER 30, 2018
(With Comparative Figures for 2017)

	Note	For the Quarter Ended September 30		For the Nine Months Ended September 30	
		2018	2017	2018	2017
NET SALES	17	\$26,162,269	\$18,415,455	\$74,151,820	\$53,160,895
COST OF GOODS SOLD	18	(22,664,626)	(16,143,138)	(63,488,917)	(46,661,409)
GROSS PROFIT		3,497,643	2,272,317	10,662,903	6,499,486
SELLING AND ADMINISTRATIVE EXPENSES	19	(2,073,573)	(1,868,033)	(6,056,152)	(5,312,300)
INTEREST EXPENSE		(452,043)	(164,379)	(1,189,616)	(538,102)
OTHER INCOME	20	18,385	146,645	261,650	293,791
INCOME BEFORE INCOME TAX		990,412	386,550	3,678,785	942,875
INCOME TAX EXPENSE (BENEFIT)		(33,405)	230,558	354,308	463,213
NET INCOME		1,023,817	155,992	3,324,477	479,662
OTHER COMPREHENSIVE INCOME (LOSS)					
<i>Items that will be reclassified subsequently to profit or loss</i>					
Exchange differences on translation of foreign operations		74,965	(51,359)	(172,721)	(21,065)
TOTAL COMPREHENSIVE INCOME		\$1,098,782	\$104,633	\$3,151,756	\$458,597
NET INCOME (LOSS) ATTRIBUTABLE TO:					
Equity holders of the Parent Company		\$1,045,373	\$142,864	\$3,230,745	\$414,327
Noncontrolling interests		(21,556)	13,128	93,732	65,335
		\$1,023,817	\$155,992	\$3,324,477	\$479,662
TOTAL COMPREHENSIVE INCOME (LOSS)					
ATTRIBUTABLE TO:					
Equity holders of the Parent Company		\$1,110,163	\$91,207	\$3,075,611	\$383,360
Noncontrolling interests		(11,381)	13,426	76,145	75,237
		\$1,098,782	\$104,633	\$3,151,756	\$458,597
EARNINGS PER SHARE					
Basic and diluted earnings per share	21			\$0.00129	\$0.00017

See accompanying Notes to Consolidated Financial Statements.

ALLIANCE SELECT FOODS INTERNATIONAL, INC. AND SUBSIDIARIES
(A Subsidiary of Strongoak Inc.)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018
(With Comparative Figures for 2017)

	Note	September 30, 2018	December 31, 2017	September 30, 2017	December 31, 2016
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY					
Capital Stock					
Balance at beginning of year		\$53,646,778	\$53,646,778	\$53,646,778	\$53,646,778
Effect of equity restructuring	16	(26,823,389)	-	-	-
Balance at end of period		26,823,389	53,646,778	53,646,778	53,646,778
Additional Paid-in Capital					
Balance at beginning of year		6,662,001	6,662,001	6,662,001	6,662,001
Effect of equity restructuring		26,823,389	-	-	-
Application of APIC to Deficit		(31,998,844)	-	-	-
Balance at end of period		1,486,546	6,662,001	6,662,001	6,662,001
Other Comprehensive Income					
<i>Cumulative Remeasurement on Retirement Obligation</i>					
Balance at beginning of year		55,190	55,190	55,190	(48,352)
Remeasurement gain on retirement		-	-	-	103,542
Balance at end of period		55,190	55,190	55,190	55,190
<i>Revaluation Reserves</i>					
Balance at beginning and end of period		275	275	275	275
<i>Cumulative Translation Adjustment</i>					
Balance at beginning of year		877,684	893,534	893,534	998,568
Exchange differences on foreign currency translation		(172,721)	(15,850)	(30,967)	(105,034)
Balance at end of period		704,963	877,684	862,567	893,534
Total balance at end of year of other comprehensive income		760,428	933,149	918,032	948,999
Income/(Deficit)					
Balance at beginning of year		(25,231,797)	(26,669,068)	(26,669,068)	(20,700,539)
Application of APIC to Deficit		31,998,844	-	-	-
Net income (loss)		3,230,745	1,437,271	414,326	(5,968,529)
Balance at end of period		9,997,792	(25,231,797)	(26,254,742)	(26,669,068)
Treasury Shares		(5,774)	(5,774)	(5,774)	(5,774)
NON-CONTROLLING INTERESTS					
Balance at beginning of year		(2,315,859)	(2,470,729)	(2,470,729)	(2,488,979)
Total comprehensive income attributable to non-controlling interests		76,145	154,870	75,237	18,250
Balance at end of period		(2,239,714)	(2,315,859)	(2,395,492)	(2,470,729)
		\$36,822,667	\$33,688,498	\$32,570,803	\$32,112,207

See accompanying Notes to Consolidated Financial Statements.

ALLIANCE SELECT FOODS INTERNATIONAL, INC. AND SUBSIDIARIES
(A Subsidiary of Strongoak Inc.)

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018
(With Comparative Figures for 2017)

	Period Ended September 30	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$3,678,785	\$942,875
Adjustments for:		
Depreciation and amortization	886,100	854,003
Interest expense	1,189,616	538,102
Provision for impairment losses on:		
Inventories	12,376	242,384
Trade and other receivables	15,000	-
Unrealized foreign exchange loss (gain) - net	(431,544)	4,536
Retirement benefit	66,322	64,511
Interest income	(103,958)	(94,515)
Loss (Gain) on disposal/retirement of property, plant and equipment	768	(58,618)
Operating income before working capital changes	5,313,465	2,493,278
Decrease (increase) in:		
Trade and other receivables	(3,955,550)	(6,083,657)
Inventories	1,196,273	(5,166,099)
Other current assets	952,752	577,822
Other noncurrent assets	(301,226)	(47,229)
Increase (decrease) in trade and other payables	(1,813,065)	5,907,681
Net cash generated from (used for) operations	1,392,649	(2,318,204)
Income tax paid	(205,141)	(450,264)
Interest received	103,958	94,515
Contribution to retirement fund	(56,513)	(98,215)
Net cash provided by (used in) operating activities	1,234,953	(2,772,168)
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property, plant and equipment	(600,176)	(563,885)
Proceeds from sale of property, plant and equipment	-	58,618
Net cash used in investing activities	(600,176)	(505,267)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from:		
Availment of bank loans	37,496,771	18,776,638
Payments of:		
Bank loans	(27,315,846)	(19,494,250)
Interest	(991,238)	(538,103)
Decrease in due to related party	(49,220)	-
Net cash provided by (used in) financing activities	9,140,467	(1,255,715)
EFFECTS OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		
	150,221	(131,910)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	9,925,465	(4,665,060)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	4,427,478	7,396,343
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$14,352,943	\$2,731,283

See accompanying Notes to Consolidated Financial Statements

ALLIANCE SELECT FOODS INTERNATIONAL, INC. AND SUBSIDIARIES
(A Subsidiary of Strongoak Inc.)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

General Information

Alliance Select Foods International, Inc. (ASFII or the "Parent Company"), a public corporation under Section 17.2 of the Securities Regulation Code (SRC), was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) on September 1, 2003. The Parent Company is primarily engaged in the business of manufacturing, canning, importing and exporting of food products such as marine, aquaculture and other processed seafoods. Its shares are listed in the Philippine Stock Exchange (PSE) since November 8, 2006.

Strongoak Inc. (Strongoak), the immediate parent of ASFII, owns a total of 1,382,765,864 ASFII common shares, representing 55.32% ownership. Strongoak Inc., is a domestic company engaged in investment activities.

On July 20, 2017 and September 7, 2017, the Board of Directors (BOD) and Stockholders, respectively, approved the Parent Company's equity restructuring by reducing the par value of its shares and applying the resulting excess and additional paid-in capital against the Parent Company's deficit. On March 23, 2018, the equity structuring was approved by the SEC.

The Parent Company's registered office address, which is also its principal place of business, is at Suite 3104 A West Tower, Philippine Stock Exchange Centre, Exchange Road, Ortigas Avenue, Pasig City. The Parent Company has a plant located in Brgy. Tumbler, General Santos City, Philippines.

Subsidiaries

The consolidated financial statements include the accounts of ASFII and the following subsidiaries (collectively referred herein as the "Group") as at September 30, 2018 and December 31, 2017:

Name of Subsidiary	% of Ownership	Nature of Business	Principal Place of Business
Spence & Company Ltd. (Spence)	100	Salmon and other seafoods processing	United States of America
Big Glory Bay Salmon and Seafood Company, Inc. (BGB)	100	Salmon and other seafoods processing	Philippines
ASFII Thailand ^(b)	100	Sales office	Thailand
PT International Alliance Food Indonesia (PTIAFI)	99.98	Canned fish processing	Indonesia
Alliance MHI Properties, Inc. (AMHI)	98.89	Leasing	Philippines
Akaroa Salmon (NZ) Ltd. (Akaroa)	80	Salmon farming and processing	New Zealand
PT Van De Zee (PT VDZ) ^{(a)(b)}	49	Fishing	Indonesia

(a) Indirect ownership interest through PTIAFI.

(b) No operations in 2017 and 2016.

Spence. Spence is based in Brockton, USA and specializes in the production of smoked salmon and other seafood products.

BGB. BGB is engaged in manufacturing goods such as salmon and other processed seafoods. It was registered with the Philippine SEC in October 2009 and its registered office is located at Unit 3104, West Tower, Philippine Stock Exchange Centre, Exchange Road, Ortigas Center, Pasig City. Its plant facilities are located in Barrio Tumbler, General Santos City.

In 2016, the ASFII converted advances of \$2.57 million to capital stock of BGB.

ASFI Thailand. ASFI Thailand was established as a sales representative office.

PTIAFI and PT VDZ. PTIAFI was established under the Indonesian Foreign Capital Investment Law and is primarily engaged in canned fish processing exclusively for international market. The plant is located at JL Raya Madidir Kelurahan Madidir Unet Ling. II Kecamatan Madidir, Bitung Indonesia.

PTIAFI owns 49% of PT VDZ, a fishing company. PT VDZ's operation is integrated with the tuna processing activities of PTIAFI. As at December 31, 2016, PT VDZ ceased operations.

AMHI. AMHI was incorporated in the Philippines and registered with the SEC on June 18, 2010 as a property holding company. The registered address and principal office of AMHI is at Purok Saydala, Barangay Tumbler, General Santos City.

On December 23, 2015, ASFII converted advances of \$0.29 million as partial payment of its subscription to 54,000,000 voting preferred shares of AMHI. The subscription resulted to the increase in Parent Company's effective voting ownership interest in AMHI from 40% to 98.89% (see Note 4).

Akaroa. Akaroa, a company incorporated and domiciled in New Zealand, is engaged in sea cage salmon farming and operates two marine farms in Akaroa Harbor, South New Zealand. It processes fresh and smoked salmon. Akaroa holds 20% stake in Salmon Smolt NZ Ltd. (SSNZ), an entity operating a modern hatchery, which quarantines and consistently supplies high quality smolts (juvenile salmon) for Akaroa's farm.

2. Summary of Significant Accounting Policies

The significant accounting policies used in the preparation of the financial statements are consistently applied to all the years presented, unless otherwise stated.

Basis of Preparation

These consolidated financial statements have been prepared on a going concern basis and in accordance with Philippine Financial Reporting Standards (PFRS). This financial reporting framework includes all applicable PFRSs, Philippine Accounting Standards (PAS), and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and adopted by the SEC.

The consolidated financial statements comprise the statements of financial position, statements of comprehensive income, statements of changes in equity, statements of cash flows, and notes thereto. Income and expenses, excluding the components of other comprehensive income, are recognized in the statements of comprehensive income. Reclassification adjustments are amounts reclassified to profit or loss in the current period that were recognized in other comprehensive income in the current or previous periods. Transactions with the owners of the Group in their capacity as owners are recognized in the statements of changes in equity.

Measurement Bases

The consolidated financial statements are presented in United States (U.S.) Dollar, the functional currency of the primary economic environment in which the Parent Company operates. All values are rounded to the nearest U.S. Dollar, except when otherwise stated.

The consolidated financial statements have been prepared on a historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange of assets.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Group uses market observable data to the extent possible when measuring the fair value of an asset or a liability.

Fair values are categorized into different levels in a fair value hierarchy based on inputs used in the valuation techniques as follows:

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

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in Note 27 to the consolidated financial statements.

Adoption of New and Amended PFRS

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new and amended PFRS which the Group adopted effective for annual periods beginning on or after January 1, 2017:

- Amendments to PAS 7, *Statement of Cash Flows - Disclosure Initiative* - The amendments require entities to provide information that enable the users of financial statements to evaluate changes in liabilities arising from financing activities.
- Amendments to PAS 12, *Income Taxes - Recognition of Deferred Tax Assets for Unrealized Losses* - The amendments clarify the accounting for deferred tax assets related to unrealized losses on debt instruments measured at fair value, to address diversity in practice.
- Amendment to PFRS 12, *Disclosures of Interests in Other Entities - Clarification of the Scope of the Standard* - The amendment is part of the Annual Improvements to PFRS 2014-2016 Cycle and clarifies that the disclosure requirements in PFRS 12, other than those relating to summarized financial information, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

The adoption of the foregoing new and amended PFRS did not have any material effect on the consolidated financial statements. Additional disclosures have been included in the notes to financial statements, as applicable.

New and Amended PFRS in Issue But Not Yet Effective

Relevant new and amended PFRS which are not yet effective for the year ended December 31, 2017 and have not been applied in preparing the consolidated financial statements are summarized below.

Effective for annual periods beginning on or after January 1, 2018:

- PFRS 9, *Financial Instruments* - This standard will replace PAS 39, *Financial Instruments: Recognition and Measurement* (and all the previous versions of PFRS 9). It contains requirements for the classification and measurement of financial assets and financial liabilities, impairment, hedge accounting, recognition and derecognition.

PFRS 9 requires all recognized financial assets to be subsequently measured at amortized cost or fair value (through profit or loss or through other comprehensive income), depending on the classification by reference to the business model within which these are held and its contractual cash flow characteristics.

For financial liabilities, the most significant effect of PFRS 9 relates to cases where the fair value option is taken: the amount of change in fair value of a financial liability designated as at fair value through profit or loss that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income (rather than in profit or loss), unless this creates an accounting mismatch.

For the impairment of financial assets, PFRS 9 introduces an "expected credit loss" model based on the concept of providing for expected losses at inception of a contract; recognition of a credit loss should no longer wait for there to be objective evidence of impairment.

For hedge accounting, PFRS 9 introduces a substantial overhaul allowing financial statements to better reflect how risk management activities are undertaken when hedging financial and non-financial risk exposures.

The derecognition provisions are carried over almost unchanged from PAS 39.

- PFRS 15, *Revenue from Contract with Customers* - The new standard replaces PAS 11, *Construction Contracts*, PAS 18, *Revenue and related interpretations*. It establishes a single comprehensive framework for revenue recognition to apply consistently across transactions, industries and capital markets, with a core principle (based on a five-step model to be applied to all contracts with customers), enhanced disclosures, and new or improved guidance (e.g. the point at which revenue is recognized, accounting for variable considerations, costs of fulfilling and obtaining a contract, etc.).
- Amendment to PFRS 15, *Revenue from Contract with Customers* - Clarification to PFRS 15 - The amendments provide clarifications on the following topics: (a) identifying performance obligations; (b) principal versus agent considerations; and (c) licensing. The amendments also provide some transition relief for modified contracts and completed contracts.

- Amendments to PAS 28, *Investments in Associates and Joint Ventures* - Measuring an Associate or Joint Venture at Fair Value - The amendments are part of the Annual Improvements to PFRS 2014-2016 Cycle and clarify that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organization, mutual fund, unit trust or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.
- Philippine Interpretation IFRIC 22, *Foreign Currency Transactions and Advance Consideration* - The interpretation provides guidance clarifying that the exchange rate to use in transactions that involve advance consideration paid or received in a foreign currency is the one at the date of initial recognition of the non-monetary prepayment asset or deferred income liability.

Effective for annual periods beginning on or after January 1, 2019 -

- PFRS 16, *Leases* - This standard replaces PAS 17, *Leases* and its related interpretations. The most significant change introduced by the new standard is that almost all leases will be brought onto lessees' statement of financial position under a single model (except leases of less than 12 months and leases of low-value assets), eliminating the distinction between operating and finance leases. Lessor accounting, however, remains largely unchanged and the distinction between operating and finance lease is retained.

Deferred effectivity -

- Amendment to PFRS 10, *Consolidated Financial Statements* and PAS 28, *Investments in Associates and Joint Ventures - Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture* - The amendments address a current conflict between the two standards and clarify that a gain or loss should be recognized fully when the transaction involves a business, and partially if it involves assets that do not constitute a business. The effective date of the amendments, initially set for annual periods beginning on or after January 1, 2016, was deferred indefinitely in December 2015 but earlier application is still permitted.

Management has initially assessed that the adoption of PFRS 9, PFRS 15 and PFRS 16 might have a significant effect on amounts reported in the Group's financial assets and liabilities, revenue and leases. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

Basis of Consolidation

A subsidiary is an entity in which the Group has control. The Group controls a subsidiary if it is exposed or has rights to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. Control is generally accompanied by a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are substantive are considered when assessing whether the Group controls an entity. The Group re-assesses whether or not it controls an entity if facts and circumstances indicate that there are changes to one or more of the three elements of control.

The financial statements of the subsidiaries are included in the consolidated financial statements from the date when the Group obtains control and continue to be consolidated until the date when such control ceases. The results of operations of the subsidiaries acquired or disposed are

included in the consolidated statements of comprehensive income from the date of acquisition or up to the date of disposal, as appropriate.

The financial statements of the subsidiaries are prepared using the same reporting period of the Parent Company. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. Intercompany balances and transactions, including intercompany profits and unrealized profits and losses, are eliminated in full.

A change in ownership interest of a subsidiary, without a change in control, is accounted for as an equity transaction. Upon the loss of control, the Group derecognizes the assets (including goodwill) and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Gain or loss arising from the loss of control is recognized in profit or loss. If the Group retains interest in the previous subsidiary, then such interest is measured at fair value at the date control is lost. Subsequently, it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of interest retained.

Non-controlling interests represent the portion of profit or loss and net assets not held by the Group, presented within equity in the consolidated statements of financial position, separately from equity attributable to equity holders of the Parent Company. Non-controlling interests represent the interests of minority shareholders of PTIAFI, PT VDZ, Akaroa and AMHI.

Business Combination and Goodwill

Acquisitions of businesses are accounted for using the acquisition method. The acquisition cost is measured as the sum of the considerations transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether it measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in general and administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

When the business combination is achieved in stages, any previously held non-controlling interest is re-measured at the date of obtaining control and a gain or loss is recognized in profit or loss.

If the initial accounting for a business combination is incomplete as at the reporting date in which the combination occurs, the Group reports in its consolidated financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, the Group retrospectively adjusts the provisional amounts and recognizes additional assets or liabilities to reflect new information obtained about facts and circumstances that existed as of the acquisition date. The measurement period ends at the date the Group receives the information about facts and circumstances that existed as of the acquisition date or learns that more information is not obtainable, but should not exceed one year from the acquisition date.

Goodwill, which arose from the acquisitions of Spence (\$7.45 million) in 2011 and Akaroa (\$2.05 million) in 2012, is initially measured at the acquisition date as the sum of the fair value of consideration transferred; the recognized amount of any non-controlling interest in the acquiree; and, if the business combination is achieved in stages, the fair value of existing equity interest in the acquiree less the fair value of net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the bargain

purchase gain is recognized directly in profit or loss. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the entity's cash-generating units or group of cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the entity are assigned to those units or groups of units. Each unit or group of units to which goodwill is allocated represents the lowest level within the entity at which goodwill is monitored for internal management purposes.

Where goodwill has been allocated to a cash-generating unit or group of cash generating units and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation in determining the gain or loss on disposal. Goodwill disposed in this circumstance is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

Financial Assets and Liabilities

Financial assets and liabilities are accounted for as follows:

a. Recognition

Financial assets and liabilities are recognized in the consolidated statements of financial position when the Group becomes a party to the contractual provisions of a financial instrument. Financial instruments are initially measured at fair value which includes transaction costs directly attributable to the acquisition (e.g. fees, commissions, transfer taxes, etc.). However, transaction costs related to the acquisition of financial instruments classified as fair value through profit or loss (FVPL) are recognized immediately in profit or loss. The Group uses trade date accounting to account for financial instruments.

"Day 1" Difference. The best evidence of the fair value of a financial instrument at initial recognition is its transaction price unless the transaction price differs from its fair value. The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the Group determines fair value by using a valuation technique whose variables include data from observable markets. The difference between the transaction price and the fair value (a "day 1" difference) is recognized in profit or loss, unless it qualifies for recognition as some other type of asset. In cases where the valuation model uses unobservable data, the difference between the transaction price and the model value is only recognized in profit or loss when the inputs become observable, or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the "Day 1" difference.

b. Classification

The Group classifies its financial assets at initial recognition under the following categories: (a) financial assets at FVPL, (b) held-to-maturity (HTM) investments, (c) loans and receivables and (d) available-for-sale (AFS) financial assets. Financial liabilities, on the other hand, are classified as either financial liabilities at FVPL or other financial liabilities at amortized cost. The classification of a financial instrument largely depends on the Group's intention at acquisition or issuance date.

Loans and Receivables. Loans and receivables are financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified or designated as AFS financial assets or financial asset at FVPL. Loans and receivables are included in current assets if maturity is within twelve months from reporting date. Otherwise, these are classified as noncurrent assets.

After initial measurement, loans and receivables are measured at amortized cost using the effective interest method, less allowance for impairment, if any. Amortized cost is calculated by taking into account any discount or premium on acquisition and any transaction costs which are directly attributable to the acquisition of the financial instrument. The amortization is included in profit or loss.

The Group has classified its cash and cash equivalents, trade and other receivables, due from related parties and deposits as loans and receivables.

Cash equivalents are short-term highly liquid investments that are readily convertible to known amount of cash with original maturities of three months or less and that are subject to an insignificant risk of change in value.

Other Financial Liabilities at Amortized Cost. Financial liabilities are classified in this category if these are not held for trading or not designated as at FVPL upon the inception of the liability. These include liabilities arising from operations or through borrowing.

Other financial liabilities are initially recognized at fair value less any directly attributable transaction costs. After initial recognition, other financial liabilities are measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any related issue costs, discount or premium. Gains and losses are recognized in profit or loss when the liabilities are derecognized, as well as through amortization process.

The Group's trade and other payables (excluding customer's deposit and statutory payable), loans payable, due to related parties and refundable lease deposits are classified under this category.

c. Impairment of Financial Assets

The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is deemed impaired if, and 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 (an incurred "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 estimated reliably.

The Group first assesses whether objective evidence of impairment exists individually for its financial assets that are individually significant, and individually or collectively for its financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

The impairment loss is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. Impairment losses are recognized in full in profit or loss. Interest income continues to be recognized on the reduced carrying amount using the interest rate used to discount the future cash flows for the purpose of measuring the impairment loss.

If, in a subsequent year, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognized in profit or loss, to the extent that the resulting carrying amount will not exceed the amortized cost determined had no impairment loss been recognized in prior years.

d. Derecognition

A financial asset (or where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized by the Group when:

- the right to receive cash flows from the asset has expired; or
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Group has transferred its right to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the assets, or (b) has neither transferred nor retained substantially all the risk and rewards of the assets, but has transferred control over the asset.

Where the Group has transferred its right to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset, if any, is measured at the lower of original carrying amount of the asset and the maximum amount of consideration that the Group could be required to pay.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of the new liability, and the difference in the respective carrying amount is recognized in profit or loss.

e. Offsetting

Financial assets and liabilities are offset and the net amount reported in the consolidated statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements where the related assets and liabilities are presented gross in the consolidated statements of financial position.

Inventories

Inventories are initially measured at cost. Subsequently, inventories are stated at the lower of cost and net realizable value (NRV). Cost incurred in bringing each product to its present location and condition is accounted as follows:

Finished Goods and Work in Process. Costs of inventories are calculated using weighted average method. Costs comprise direct materials and when applicable, direct labor costs and those overheads that have been incurred in bringing the inventories to their present location and condition. NRV represents the estimated selling price less estimated costs of completion and costs necessary to make the sale

Raw Materials and Packaging Supplies. Cost is determined using weighted average method. NRV is the current replacement cost.

When the NRV of the inventories is lower than the cost, the Group provides for an allowance for the decline in the value of the inventory and recognizes the write-down as an expense in profit or loss. The amount of any reversal of any write-down of inventories, arising from an increase in NRV, is recognized as part of other income or charges in the consolidated statements of comprehensive income.

When inventories are sold, the carrying amount of those inventories is recognized as an expense in the period when the related revenue is recognized and the related allowance for impairment is reversed.

Other Assets

Other assets include advances to suppliers, value-added tax (VAT), prepayments, creditable withholding taxes (CWTs), investments in associate and joint ventures, biological assets, intangible assets, idle assets and lease deposits. Other assets that are expected to be realized over no more than 12 months after the reporting date are classified as current assets. Otherwise these are classified as noncurrent assets.

VAT. Revenue, expenses and assets are recognized net of the amount of VAT. The net amount of VAT recoverable from the taxation authority is included as part of "Other current assets" account in the consolidated statements of financial position.

Prepayments. Prepayments are expenses paid in advance and recorded as assets before these are utilized. These are apportioned over the period covered by the payment and recognized in profit or loss when incurred.

CWTs. CWTs represent the amount withheld by the Group's customers in relation to its income. CWTs can be utilized as payment for income taxes provided that these are properly supported by certificates of creditable tax withheld at source.

Investments in an Associate and Joint Ventures. An associate is an entity in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% percent of the voting power of another entity.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group's investments in associates and joint ventures are initially carried in the consolidated statements of financial position at cost. Subsequent to initial recognition, investments in associates and joint ventures are measured in the consolidated financial statements using the equity method.

Under the equity method, the investment in an associate or a joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

Upon loss of significant influence over an associate or of joint control over the joint venture, the Group measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the investment upon loss of significant influence or joint control and the fair value of the retained interest and proceeds from disposal is recognized in profit or loss.

Biological Assets. The Group measures its biological assets on initial recognition and at the end of each reporting period at its fair value less costs to sell. Biological assets of the Group comprised solely of consumable female smolts. They are cultured during the developmental phase which lasts for an average period of 14-16 months.

Harvested agricultural produce are also carried at fair value less estimated costs to sell at harvest point.

Gains or losses arising on initial recognition of biological asset at fair value less estimated point-of-sale costs and from a change in fair value less estimated point-of-sale of biological asset are included in the consolidated statements of comprehensive income for the period when they arise.

Idle Assets. Idle assets are those which are no longer used in the Group's operations. These are measured at cost less accumulated depreciation and any impairment loss. The Group's idle assets are already fully provided with allowance for impairment loss.

Intangible Assets

Acquired Intangible Assets. Intangible assets that are acquired by the Group with finite useful lives are initially measured at cost. At the end of each reporting period, items of intangible assets acquired are measured at cost less accumulated amortization and accumulated impairment losses. Cost includes purchased price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates and any directly attributable cost of preparing the intangible asset for its intended use.

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures, including expenditure on internally generated goodwill and brands, are recognized in the consolidated profit or loss as incurred.

Amortization of Intangible Assets with Definite Useful Lives. Amortization for salmon farming consent and fishing license with finite useful life is calculated over the cost of the asset less its residual value.

Amortization is recognized in the consolidated statements of comprehensive income on a straight-line basis over the useful life of salmon farming consent and fishing license, from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful life of the salmon farming consent and fishing license for the current and comparative periods is 25 years.

Intangible Assets with Indefinite Useful Lives. Macrocytic consent with indefinite life is not amortized. However, these assets are reviewed annually to ensure the carrying value does not exceed the recoverable amount regardless of whether an indicator of impairment is present. The Group considers its macrocytic consent having an indefinite useful life for the following reasons:

- there have been no established legal or contractual expiration date;
- impracticability of the determination of the intangible assets' economic useful lives; and
- are expected to generate net cash flows for the Group.

Derecognition of Intangible Assets. An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated profit or loss when the asset is derecognized.

Property, Plant and Equipment

Property, plant and equipment except land, are stated at cost less accumulated depreciation, amortization and any accumulated impairment in value. Land is stated at cost less any impairment in value.

The initial cost of property, plant and equipment comprises its purchase price, after deducting trade discounts and rebates, and any directly attributable costs of bringing the asset to its working condition and location for its intended use. The cost of self-constructed assets includes the cost of materials and direct labor, any other directly attributable costs, the costs of dismantling and removing the items and restoring the site on which they are located and capitalized borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalized as part of the equipment.

Expenditures incurred after the property, plant and equipment have been put into operation, such as repairs, maintenance and overhaul costs, are normally recognized in profit or loss in the year the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs of property, plant and equipment. The cost of replacing a component of an item of property, plant and equipment is recognized if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognized.

When significant parts of an item of property, plant and equipment have different useful lives, these are accounted for as separate items (major components) of property, plant and equipment.

Depreciation and amortization are computed using the straight-line method over the following estimated useful lives of the property, plant and equipment:

	Number of Years
Building	25
Leasehold improvements	5 (or lease term, whichever is shorter)
Machinery and equipment	15
Transportation equipment	5
Plant and office furniture, fixtures and equipment	5

The estimated useful lives and depreciation and amortization method are reviewed periodically to ensure that these are consistent with the expected pattern of economic benefits from items of property, plant and equipment.

Fully depreciated assets are retained in the accounts until they are no longer in use and no further charge for depreciation and amortization is made in respect of those assets.

When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation, amortization and any impairment in value are removed from the accounts. Any resulting gain or loss is recognized in profit or loss.

Construction-in-progress (CIP) represents properties under construction and is stated at cost, including cost of construction and other direct costs. Borrowing costs that are directly attributable to the construction of property, plant and equipment are capitalized during the construction period. CIP is not depreciated until such time that the relevant assets are completed and ready for operational use.

Impairment of Nonfinancial Assets

The carrying amounts of nonfinancial assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. If any such indication exists and when the carrying amounts exceed the estimated recoverable amounts, the assets or cash-generating units are written down to their recoverable amounts. The recoverable amount of the asset is the greater of the fair value less cost to sell or value in use. The fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's-length transaction less the cost of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in profit or loss.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. In such instance, the carrying amount of the asset is increased to its recoverable amount. However, that increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss. After such reversal, the depreciation and amortization charges are adjusted in future years to allocate the asset's revised carrying amount, on a systematic basis over its remaining useful life.

Goodwill. The Group assesses goodwill for impairment annually and when circumstances indicate that the carrying amount may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating units, to which the goodwill relates.

Where the recoverable amount of the cash-generating units is less than their carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

Customers' Deposit

Customers' deposit consists of amounts received by the Group from its customers as advance payments for the sale of goods. These are recorded at face amount in the consolidated statements of financial position and recognized as revenue in profit or loss when the goods for which the advances were made are delivered to the customers.

Equity

Capital Stock and Additional Paid-In Capital. Capital stock is measured at par value for all shares issued. Incremental costs, net of tax, incurred that are directly attributable to the issuance of new shares are recognized in equity as a reduction from related additional paid-in capital (APIC) or retained earnings. Proceeds or fair value of consideration received in excess of par value are recognized as APIC.

Other Comprehensive Income. Other comprehensive income pertains to remeasurement gain or loss on retirement benefits obligation, revaluation reserves and cumulative translation adjustments.

Deficit. Deficit represents the cumulative balance of net loss, net of dividend declaration. Deficit may also include effect of changes in accounting policy as may be required by the standard's transitional provision.

Treasury Shares. Own equity instruments which are reacquired are recognized at cost and deducted from equity. No gain or loss is recognized in the consolidated statements of comprehensive income on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in APIC. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to them.

Revenue Recognition

Revenue is recognized when it is probable that the economic benefits associated with the transactions will flow to the Group and the amount of revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable, excluding discounts and returns. The Group has concluded that it is the principal in all of its revenue arrangements. Revenue is recognized as follows:

Sale of Goods. Revenue is recognized, net of sales returns and discounts, when the significant risks and rewards of ownership of the goods have passed to the customers, which is normally upon delivery to and acceptance of the goods by the buyer.

Rental Income. Revenue is recognized on a straight-line basis over the term of the lease.

Interest Income. Interest income is recognized in profit or loss using the effective interest method.

Other Income. Income from other sources is recognized when earned during the period.

Cost and Expense Recognition

Costs and expenses are recognized in profit or loss when a decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably.

Cost of Goods Sold. Cost of goods sold is recognized as expense when the related goods are sold.

Selling and Administrative Expenses. Selling expenses constitute costs incurred to sell and market the goods and services. Administrative expenses constitute cost of administering the business. Both are expensed as incurred.

Interest Expense. Interest expense is recognized in profit or loss using the effective interest method.

Other Charges. Expenses from other sources are expensed as incurred.

Borrowing Costs

Borrowing costs are generally expensed as incurred. Borrowing costs are capitalized if they are directly attributable to the acquisition or construction of a qualifying asset. Capitalization of borrowing cost commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are incurred. Borrowing costs are capitalized until the assets are substantially ready for their intended use.

Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date. This requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and whether the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

- a. there is a change in contractual terms, other than a renewal or extension of the arrangement;
- b. a renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;
- c. there is a change in the determination of whether fulfillment is dependent on a specified asset; or
- d. there is a substantial change to the asset.

Where reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c) or (d) and at the date of renewal or extension period for scenario (b).

Group as Lessee. Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Operating lease payments are recognized as an expense in profit or loss on a straight-line basis over the lease term.

Group as Lessor. Leases where the Group retains substantially all the risks and rewards of ownership are classified as operating leases. Operating lease receipts are recognized as an income in profit or loss on a straight-line basis over the lease term.

Retirement Benefits

Retirement benefit costs are actuarially determined using the projected unit credit method. This method reflects services rendered by employees up to the date of valuation and incorporates assumptions concerning employees' projected salaries.

The Group recognizes service costs comprising of current service costs, past service costs, gain or loss on curtailment and settlements and net interest expense on the retirement benefit liability in profit or loss.

The Group determines the net interest expense on retirement benefit liability by applying the discount rate to the net retirement benefit liability at the beginning of the year, taking into account any changes in the liability during the period as a result of contributions and benefit payments.

Remeasurements of the net retirement benefit liability, which consist of actuarial gains and losses and the return on plan asset (excluding amount charged in net interest) are recognized immediately in other comprehensive income (OCI) and are not reclassified to profit or loss in subsequent periods.

The net retirement benefit liability recognized by the Group is the present value of the defined benefit obligation reduced by the fair value of plan asset. The present value of defined benefit obligation is determined by discounting the estimated future cash outflows using risk-free interest rates of government bonds that have terms to maturity approximating the terms of the related retirement benefit liability.

Actuarial valuations are made with sufficient regularity so that the amounts recognized in the consolidated financial statements do not differ materially from the amounts that would be determined at the reporting date.

Income Taxes

Current tax. Current tax is the expected tax payable on the taxable income for the year, using tax rate enacted or substantively enacted at the reporting date.

Deferred tax. Deferred tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, net operating loss carryover (NOLCO) and minimum corporate income tax (MCIT), to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, and the carryforward benefits of NOLCO and MCIT can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred income tax assets to be utilized.

Deferred tax assets and liabilities are measured at the tax rate that is expected to apply to the period when the asset is realized or the liability is settled, based on tax rate (and tax laws) in effect at the reporting date.

Deferred tax asset and liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in relation to the underlying transaction either in other comprehensive income or directly in equity.

Foreign Currency-Denominated Transactions and Translation

Each entity in the Group determines its own functional currency and items included in the consolidated financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded using the exchange rate at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are restated using the closing exchange rate prevailing at the reporting date. Exchange gains or losses arising from foreign exchange transactions are credited to or charged against operations for the year.

Investments in associates and subsidiaries whose functional currency is other than US Dollar are translated to US Dollar using the closing exchange rate prevailing at the reporting date. The Group's share in the results of operations of the foreign investee is translated using the exchange rate at the dates of the transactions or, where practicable, the rate that approximates the exchange rates at the dates of the transactions, such as the average rate for the period. Any resulting exchange difference is recognized as a separate component of equity.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation on non-monetary items in respect of which gains and losses are recognised in other comprehensive income.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in US dollars using exchange rates prevailing at the end of the reporting period. Income and expense items (including comparatives) are translated at the average exchange rates at the dates of the transactions are used. Exchange differences, if any, are recognised in other comprehensive income and accumulated in a separate component of equity under the header of foreign currency translation reserve.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified to profit or loss. Any exchange differences that have previously been attributed to non-controlling interests are derecognised, but they are not reclassified to profit or loss.

Related Party Relationships and Related Party Transactions

Related party relationships exist when one party has the ability to control, directly or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting enterprise, or between and/or among the reporting enterprises and their key management personnel, directors, or its stockholders.

A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at the end of reporting period and adjusted to reflect the current best estimate.

Contingencies

Contingent liabilities are not recognized in the consolidated financial statements. These are disclosed in the notes to consolidated financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but are disclosed in the notes to consolidated financial statements when an inflow of economic benefits is probable.

Events after the Reporting Date

The Group identifies subsequent events as events that occurred after the reporting date but before the date when the consolidated financial statements were authorized for issue. Any subsequent event that provides additional information about the Group's financial position at the reporting date is reflected in the consolidated financial statements. Non-adjusting subsequent events are disclosed in the notes to the consolidated financial statements, when material.

Income (Loss) per Share

The Group presents basic and diluted income (loss) per share data for its common shares.

Basic income (loss) per share is calculated by dividing the net income (loss) attributable to common shareholders of the Parent Company by the weighted average number of common shares issued and outstanding during the year. There are no potential dilutive shares.

Operating Segments

For management purposes, the Group is divided into operating segments per products/service, (tuna, salmon, and rental) according to the nature of the products and services provided. The Group's identified operating segments are consistent with the segments reported to the BOD which is the Group's Chief Operating Decision Maker.

3. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities and disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcome that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period when the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The Group believes that the following represent a summary of these significant judgments, estimates and assumptions and the related impact and associated risks in the consolidated financial statements:

Assessing Going Concern. The Group's management has made an assessment of the Group's ability to continue as a going concern and is satisfied that the Group has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the consolidated financial statements continue to be prepared on a going concern basis.

Determining Functional Currency. Based on management's assessment, the functional currency of the entities in the Group has been determined to be the US Dollar, except for certain subsidiaries whose functional currency is the New Zealand Dollar and Philippine Peso. The US Dollar is the currency that mainly influences the operations of most of the entities within the Group.

Assessing Acquisition of a Business. The Parent Company acquired a subsidiary which owns real estate. At the time of acquisition, the Parent Company considers whether the acquisition represents an acquisition of a business or a group of assets. An entity accounts for an acquisition as a business combination if it acquires an integrated set of business processes in addition to its current business. The consideration is made to the extent that the significant business processes are acquired and the additional services to be provided by the subsidiary.

Management has assessed that the acquisition of AMHI in 2015 constitutes a business.

Determining Control Over Subsidiaries. Control is presumed to exist when an investor is exposed, or has rights, to variable returns from its involvement with the subsidiaries and has the ability to affect those returns through its power over the subsidiaries. Management has determined that by virtue of its majority ownership of voting rights or by the power to cast the majority of votes through its representatives in the BOD in AMHI and PTVZ as at December 31, 2017 and 2016, the Parent Company has the ability to exercise control over these subsidiaries.

Determining Reportable Operating Segments. The Group has determined that it has reportable segments based on the following thresholds:

- a. Its reported revenue, including both sales to external customers and intersegment sales or transfers, is 10% or more of the combined revenue, internal and external, of all operating segments.
- b. The absolute amount of its reported profit or loss is 10% or more, in absolute amount, of (i) the combined reported profit of all operating segments that did not report a loss and (ii) the combined reported loss of all operating segments that reported a loss.
- c. Its assets are 10% or more of the combined assets of all operating segments.

Operating segments that do not meet any of the quantitative thresholds may be considered reportable, and separately disclosed, if management believes that information about the segment would be useful to users of the consolidated financial statements.

Accounting for Interest in a Joint Operation. The Group has, after considering the structure and form of the contractual arrangement, the terms agreed by the parties and the Group's rights and obligations classified its interest in a joint arrangement with FDCP, Inc. (FDCP) and Wild Catch

Fisheries, Inc. (WCFI) as a joint venture under PFRS 11. As a consequence, the Group accounts for the assets, liabilities, revenues and expenses relating to its interest in the joint operation only to the extent of the Group's interest in the joint venture.

Classifying Leases - Group as a Lessee. The Group has an operating lease agreement for its office site. The Group has determined that the risks and rewards of ownership related to the leased property are retained by the lessor. Accordingly, the agreement is accounted for as an operating lease.

Classifying Leases - Group as Lessor. The Group has entered into lease agreement on its parcel of land. The Group has determined that it retains all the significant risks and rewards of ownership of the property. Accordingly, these leases are accounted for as operating leases.

Estimating Impairment Losses on Financial Assets. The Group maintains allowance for impairment losses at a level considered adequate to provide for potential uncollectible receivables. The level of this allowance is evaluated by management on the basis of factors that affect the collectability of the accounts. These factors include, but are not limited to, significant financial difficulties or bankruptcy, the length of the Group's relationship with the customer, the customer payment behavior, and known market factors. The Group identifies and provides for specific accounts that are doubtful of collection and reviews the age and status of the remaining receivables and establishes a provision considering, among others, historical collection and write-off experience.

Estimating NRV of Inventories. The NRV of inventories represents the estimated selling price for inventories less all estimated costs of completion and cost necessary to make the sale. The Group determines the estimated selling based on the recent sale transaction of similar goods with adjustments to reflect any changes in economic conditions since the date of transactions occurred. The Group records provisions for the excess of cost over the net realizable value of inventories. While the Group believes that the estimates are reasonable and appropriate, significant differences in the actual experience or significant changes in estimates may materially affect the profit or loss and equity.

Estimating Useful Lives of Property, Plant and Equipment and Other Intangible Assets. The Group estimates the useful lives of property, plant and equipment and other intangible assets based on the period over which the assets are expected to be available for use. The estimates are based on a collective assessment of industry practice, internal technical evaluation and experience with similar assets. The estimated useful lives of property, plant and equipment and other intangible assets are reviewed at each reporting date and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. Future results of operations could be materially affected by changes in estimates brought about by changes in the factors mentioned above. The amount and timing of recording of depreciation expense for any period would be affected by changes in these factors and circumstances.

Assessing Impairment of Nonfinancial Assets and Goodwill. The Group assesses impairment on its nonfinancial assets (excluding goodwill) whenever events or changes in circumstances indicate that the carrying amount of the assets or group of assets may not be recoverable. The relevant factors that the Group considers in deciding whether to perform an asset impairment review include the following:

- significant underperformance of a business in relation to expectations;
- significant negative industry or economic trends; and
- significant changes or planned changes in the use of the assets.

Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs. Recoverable amount represents the greater of the fair value less cost to sell and the value in use. Value in use is determined as the present value of estimated future cash flows expected to be generated from the continued use of the assets. The estimated cash flows are projected using growth rates based on historical experience and business plans and are discounted using pretax discount rates that reflect the current assessment of the time value of money and the risks specific to the assets.

Goodwill is tested for impairment annually and more frequently, when circumstances indicate that the carrying amount may be impaired.

Estimating Retirement Benefit Costs. The determination of the obligation and costs of retirement benefits is dependent on the assumptions used by the actuary in calculating such amounts. These assumptions are described in Note 16 to the consolidated financial statements and include, among others, discount rates and salary increase rates.

Recognizing Deferred Tax Assets. The carrying amount of deferred tax assets at each reporting date is reviewed and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. The Group's assessment on the recognition of deferred tax assets on deductible temporary differences is based on the forecasted taxable income of the subsequent reporting periods. This forecast is based on the Group's past results and future expectations on revenue and expenses.

4. Business Combinations

On December 23, 2015, the Parent Company converted advances of \$0.29 million (₱13.5 million) as partial payment of its subscription to 54,000,000 voting preferred shares of AMHI. The subscription resulted to the increase in the Parent Company's effective voting ownership interest in AMHI to 98.89%. Prior to December 23, 2015, the Parent Company had 40% voting ownership interest in AMHI. The fair values of the identified net assets of AMHI at the time of acquisition and the purchase price allocation are as follows:

	Amount
Net assets at acquisition date	\$6,379,054
Percentage share of net assets acquired	98.89%
Net assets acquired	6,308,884
Gain on acquisition	(3,471,040)
Gain on remeasurement of previously held interest	(2,356,202)
Total consideration	\$481,642
Total consideration	\$481,642
Less cash acquired	2,553
Acquisition of subsidiary, net of cash acquired	\$479,089

Gains on acquisition and remeasurement of previously held interest resulted from the increase in fair value of the land held by AMHI. The fair value of previously held interest by the acquirer immediately before the acquisition date was \$2.55 million.

Non-controlling interest is measured based on its proportionate share on the net assets of AMHI at acquisition date.

The revenue and the net income of AMHI from the date the Parent Company obtained control, which is December 23, 2015, to December 31, 2015 were no longer included in the consolidated financial statements because these were not considered significant.

5. Goodwill

Goodwill resulted from the acquisition by the Parent Company of the following subsidiaries:

Spence. The Parent Company acquired 100% ownership of Spence in 2011. The acquisition of Spence's salmon processing facilities in Brockton, USA allows the Group to diversify its product line to take advantage of the changing food consumption patterns around the globe, address the issue of sourcing raw materials and improve overall margins and profitability. The goodwill arising from the acquisition amounted to \$7.45 million.

Akaroa. The Parent Company acquired 80% ownership of Akaroa in 2012. Akaroa is engaged in the business of sea cage salmon farming and operates two marine farms in New Zealand. It also processes fresh and smoked salmon. Akaroa also holds 20% stake in SSNZ, an entity operating a modern hatchery, which quarantines and consistently supplies high quality smolts (juvenile salmon) for Akaroa's farm. The acquisition enables the Group to stabilize its supply of salmon and eventually strengthen its market share in the salmon industry. The goodwill arising from the acquisition amounted to \$2.05 million.

6. Disposal of Investments

PFNZ

On October 30, 2015, ASFII sold its 50% plus one share interest in PFNZ to HC & JW Studholme No. 2 Family Trust for \$5,000. The sale resulted in a gain of \$0.37 million in the 2015 consolidated statement of comprehensive income.

The carrying amounts of the net liabilities of PFNZ as at October 30, 2015, which have been excluded in the 2015 consolidated financial statements, are as follows:

	Amount
Net liabilities	\$732,774
Non-controlling interests	(366,494)
Net liabilities sold	\$366,280
	Amount
Fair value of consideration received	\$5,000
Carrying amount of net liabilities sold	(366,280)
Gain on disposal	\$371,280

The 2015 consolidated statement of comprehensive income includes revenue of \$3.26 million and net loss of \$0.57 million of PFNZ for the ten months period ended October 30, 2015.

7. Cash and Cash Equivalents

This account consists of:

	2018	2017
Cash on hand	\$4,701	\$4,029
Cash in banks	14,343,290	4,415,573
Cash equivalents	4,952	7,876
	\$14,352,943	\$4,427,478

Cash in banks earn interest at prevailing bank deposit rates.

Cash equivalents pertain to cash placement with a bank for varying periods of up to three months depending on the immediate cash requirements of the Group.

8. Trade and Other Receivables

This account consists of:

	2018	2017
Trade	\$12,982,526	\$9,117,570
Claims receivables	877,397	1,027,177
Due from related parties	244,545	245,302
Receivable from PFNZ - current portion	58,372	140,958
Advances to employees	8,288	30,771
Others	990,838	864,405
	15,161,966	11,426,183
Less allowance for impairment losses	2,026,950	2,011,950
	\$13,135,016	\$9,414,233

Trade receivables are generated from the sale of inventories and are generally collectible within 29 to 60 days.

Claims receivables include claims for refunds from government agencies and claims from insurance, suppliers and other parties.

9. Inventories

This account consists of:

	2018	2017
Finished goods	\$6,623,330	\$5,413,534
Raw materials	6,614,703	9,563,397
Parts and supplies	311,376	294,821
Work-in-process	367,818	237,261
Impairment losses on inventories	(978,914)	(1,354,142)
	\$12,938,313	\$14,154,871

10. Other Current Assets

This account consists of:

	2018	2017
Advances to suppliers	\$3,191,555	\$4,673,341
Prepayments:		
Taxes	160,343	68,011
Insurance	42,585	25,428
Others	453,560	254,287
Input VAT	791,450	591,157
	<u>\$4,639,493</u>	<u>\$5,612,224</u>

Advances to suppliers pertain to advance payments to suppliers for purchase of fish.

Other prepayments pertain to dues and subscriptions and other fees.

11. Property, Plant and Equipment

Property, plant and equipment had total addition of \$0.60 million aggregate additions for the period ended September 30, 2018.

The Group provided for impairment loss of \$1.09 million in 2017 (PTIAFI's plant and machinery) and \$8.55 million in 2015 (mainly fishing vessels and related CIP), on its property, plant and equipment because of the discontinuance of the Group's fishing operations. Allowance for impairment loss amounted to \$1.70 million and \$0.61 million as at December 31, 2017 and 2016, respectively.

In 2016, fishing vessels with cost amounting to \$14.41 million and accumulated depreciation and impairment amounting to \$14.10 million, were reclassified to "Other noncurrent assets" as "Idle assets" as these are no longer used in operations.

In 2015, the Parent Company recovered two of the fishing vessels it previously sold to WCFI because of losses sustained by WCFI. The receivable from the sale of three fishing vessels of \$6.38 million in 2013 was provided with an allowance for impairment loss of \$6.28 million in 2014. When the Parent Company recovered the two vessels at a carrying amount of \$5.91 million, it reversed allowance for impairment (recovery) of \$5.82 million in 2015 but recognized a provision for impairment loss on the fishing vessels at the same amount in the same year. Effectively, the Parent Company did not recognize any gain or loss from this transaction in the 2015 consolidated financial statements.

12. Other Noncurrent Assets

This account consists of:

	2018	2017
Receivable from WCFI	\$2,183,281	\$2,182,863
Receivable from PFNZ - net of current portion	994,004	994,004
Investments in joint ventures	553,480	553,480
Idle assets	314,320	314,320
Investment in an associate	118,333	118,333
Other intangible assets	49,528	171,217
Others	554,134	412,212
	4,767,080	4,746,429
Less allowance for impairment losses	3,050,663	3,164,942
	<u>\$1,716,417</u>	<u>\$1,581,487</u>

13. Trade and Other Payables

This account consists of:

	2018	2017
Trade payables:		
Third parties	\$4,819,149	\$6,949,640
Related party	260,957	260,957
Accrued expenses:		
Salaries, wages and other benefits	1,112,555	758,492
Professional fees	337,483	241,787
Interest	160,329	435,828
Freight	47,871	16,544
Others	808,314	647,619
Customers' deposit	146,187	72,299
Statutory payable	180,749	278,488
Others	17,866	83,570
	<u>\$7,891,460</u>	<u>\$9,745,224</u>

Trade payables are noninterest-bearing and are generally settled within 30 days.

Other accrued expenses include accruals for business development expenses, security services, commission and customers' claims. Accrued expenses are usually settled in the following month.

Statutory payable includes amounts payable to government agencies such as SSS, Philhealth and Pag-IBIG and are normally settled in the following month.

14. Loans Payable

Details of the Group's loans payable are as follows:

Short-term Loans

	Currency	Nominal interest rate	2018	2017
Local banks	USD	3.50% - 5.50%	\$28,687,646	\$18,487,091
	PHP	5.50%	9,814	-
Investment banks	PHP	7.00%	2,832,284	3,064,290
	USD	6.00%	2,700,000	2,700,000
			34,229,744	24,251,381
Add current portion of long-term loans			11,907	34,519
			\$34,241,651	\$24,285,900

Loans from local banks aggregating \$28.52 million and \$18.49 million as at September 30, 2018 and December 31, 2017, respectively, represent availments of revolving facilities, export packing credit, export bills purchase, import letters of credit and trust receipts, with term ranging from 3 to 6 months.

Loans from investment banks are unsecured promissory notes used to finance the Group's working capital requirements, with 90-day term renewable.

Chattel Mortgage Loans

	Currency	Nominal interest rate	2018	2017
Local banks	PHP	9.24% - 9.59%	\$38,518	\$50,569
Foreign financing corporation	NZD	7.15%	43,399	63,305
			81,917	113,874
Less current portion			11,907	34,519
			\$70,010	\$79,355

15. Related Party

The Group, in the normal course of business, has regular transactions with its related parties as summarized below:

	Amount of Transaction		Outstanding Balance	
	2018	2017	2018	2017
Trade and other receivables				
Joint Venture	\$-	(\$5,043)	\$234,185	\$234,185
Associate	(757)	(4,705)	10,360	11,117
			\$244,545	\$245,302
Other noncurrent assets				
Joint Venture	\$-	\$-	\$2,182,863	\$2,182,863
Allowance for impairment	-	-	(2,182,863)	(2,182,863)
			\$-	\$-

(See next page)

	Amount of Transaction		Outstanding Balance	
	2018	2017	2018	2017
Trade and other payables				
Immediate Parent Company	\$2,337	\$110,154	\$112,491	\$110,154
Joint Venture	–	–	260,957	260,957
			\$373,448	\$371,111
Due to related parties				
Immediate Parent Company	(\$151,638)	\$2,002,804	\$1,851,166	\$2,002,804
Subsidiary's Stockholder	(49,217)	3,594	90,489	139,706
			\$1,941,655	\$2,142,510

Nature and Terms of Payment

Working Capital Advances. The Parent Company and its subsidiaries make advances to and from its related parties for working capital requirements.

Receivable from SSNZ and due to a stockholder are working capital advances that are payable on demand. Due to a stockholder bears an interest of 7.15% per annum.

Payable to immediate parent company is due on November 28, 2018 and bears an interest of 6.50% per annum. The ultimate parent company is Seawood Resources, Inc., a domestic company also engaged in investment activities.

Other Noncurrent Assets. This receivable resulted from the sale of fishing vessels by the Parent Company, which was provided with allowance.

Trade and Other Payables. The Parent Company purchased some of its tin can requirements from FDCP. Accrued expense to immediate parent pertains to consultancy fee. These trade accounts which resulted from these transactions are noninterest-bearing.

16. Equity

Capital Stock

Details of the Company's capital stock as at September 30, 2018 and December 31, 2017 are as follows:

	2018		2017	
	Shares	Amount	Shares	Amount
Authorized				
Ordinary shares at ₱0.5 and ₱1 par value				
Balance at beginning of year	3,000,000,000	₱3,000,000,000	3,000,000,000	₱3,000,000,000
Effect of equity restructuring	–	(1,500,000,000)	–	–
Balance at end of year	3,000,000,000	₱1,500,000,000	3,000,000,000	₱3,000,000,000
Issued and Outstanding				
Balance at beginning of year	2,500,000,000	\$53,646,778	2,500,000,000	\$53,646,778
Effect of equity restructuring	–	(26,823,389)	–	–
Total issued and fully paid	2,500,000,000	26,823,389	2,500,000,000	53,646,778
Treasury Stock	(287,537)	(5,774)	(287,537)	(5,774)
Balance at end of year	2,499,712,463	\$26,817,615	2,499,712,463	\$53,641,004

The history of shares issuances from initial public offering of the Parent Company is as follows:

	Subscriber	Issue/Offer Price	Registration/Issue Date	Number of Shares Issued
Initial public offering	Various	₱1.35	November 8, 2006	535,099,610
Stock dividends	Various	–	December 17, 2007	64,177,449
Stock rights offer (SRO)	Various	1.00	July 25, 2011	272,267,965
Stock dividends	Various	–	January 25, 2012	137,500,000
Private placement	Various	1.60	December 14, 2012	60,668,750
Private placement	Strongoak Inc.	1.31	May 5, 2014	430,286,226
SRO	Various	1.00	October 28, 2015	1,000,000,000
				2,500,000,000

On February 17, 2015, the BOD approved the increase in the Parent Company's authorized capital stock from ₱1.50 billion divided into 1.50 billion shares to ₱3.00 billion divided into 3.0 billion shares at ₱1.00 par value a share. The same resolution was approved by the stockholders on March 31, 2015. The increase in authorized capital stock was approved by the SEC on October 28, 2015.

In the same meeting, the BOD also approved the stock rights offering of up to 1.0 billion shares at ₱1.00 par value a share by way of pre-emptive rights offering to eligible existing common shareholders of the Parent Company at the proportion of 1 rights offer for every one and ½ existing common shares held as of the record date.

Strongoak Inc. acquired 952,479,638 shares of the Parent Company at par value arising from the increase in authorized capital stock and stock rights offering by way of pre-emptive rights, such increase was approved by the SEC on October 28, 2015. This resulted in Strongoak Inc. owning a total of 1,382,765,864 common shares, representing 55.32% of the total issued and outstanding shares of the Parent Company.

On July 20, 2017 and September 7, 2017, the BOD and stockholders, respectively, approved the Parent Company's plan to undergo an equity restructuring to eliminate the Parent Company's deficit, as follows:

- Decrease the Parent Company's authorized capital stock by reducing the par value of its common stock from ₱1 a share to approximately ₱0.50 a share, without returning any portion of the capital to the stockholders. The Parent Company's Articles of Incorporation will be amended to reflect the necessary changes.
- Create additional paid-in capital from the decrease in par value.
- Apply the newly created additional paid-in capital, together with the existing paid-in capital of \$6.7 million, to wipe out the Parent Company's deficit as at May 31, 2017.

On March 23, 2018, the SEC approved the Parent Company's application for the equity restructuring. Accordingly, the resulting APIC of \$26.82 million from the restructuring and the APIC of \$6.66 million as at December 31, 2016, will be used to fully wipe out the Parent Company's deficit amounting to \$32.00 million as at December 31, 2017.

17. Net Sales

This account consists of:

	2018	2017
Net sales of goods and services	\$74,159,497	\$53,171,127
Sales discounts	7,677	10,232
	<u>\$74,151,820</u>	<u>\$53,160,895</u>

18. Cost of Goods Sold

This account consists of:

	2018	2017
Raw materials used	\$53,240,324	\$36,719,775
Direct labor	5,769,237	4,577,683
Manufacturing overhead:		
Warehousing	1,586,416	560,706
Depreciation and amortization	753,155	759,967
Light and water	601,860	523,136
Fuel	345,282	578,964
Rent	187,906	278,793
Others	2,214,533	1,932,821
Total manufacturing costs	64,698,713	45,931,845
Finished goods, beginning	5,413,534	5,487,867
Total cost of goods manufactured	70,112,247	51,419,712
Finished goods, ending	(6,623,330)	(4,758,303)
	<u>\$63,488,917</u>	<u>\$46,661,409</u>

Other manufacturing overhead consists of indirect labor, repairs and maintenance, outside services and insurance, among others.

19. Selling and Administrative Expenses

This account consists of:

	2018	2017
Salaries, wages and other short-term benefits	\$2,563,802	\$1,771,804
Freight and handling	704,299	784,922
Outside services	640,351	614,722
Taxes and licenses	351,491	454,057
Advertising and marketing	273,368	66,420
Transportation and travel	255,642	229,465
Rental	147,507	111,590
Insurance	142,232	125,961
Representation and entertainment	137,562	115,758

(See next page)

	2018	2017
Depreciation and amortization	\$132,945	\$90,203
Materials and supplies	93,207	75,549
Utilities and communication	65,135	74,394
Provision for impairment losses on inventory	12,376	242,384
Others	536,235	555,071
	\$6,056,152	\$5,312,300

20. Other Income

This account consists of:

	2018	2017
Foreign exchange gain	\$471,685	\$155,338
Interest income	103,958	94,515
Gain (Loss) on sale of PPE	(768)	58,618
Bank Charges	(158,859)	(109,883)
Others	(154,366)	95,203
	\$261,650	\$293,791

21. Income Per Share

The calculation of the basic and diluted income per share is based on the following data:

	2018	2017
Net income attributable to Parent Company	\$3,230,745	\$414,327
Weighted average number of ordinary shares outstanding	2,499,712,463	2,499,712,463
	\$0.00129	\$0.00017

The weighted average number of shares refers to shares in circulation during the period that is after the effect of treasury shares.

22. Significant Agreements

Supply Agreement

The Parent Company entered into an exclusive supply agreement with a customer to provide specified products for duration of five years starting 2018, renewable upon mutual agreement by both parties.

Operating Lease Agreements

A number of operating lease agreements were entered into by the Group.

The Group as Lessee

Operating lease agreement with Dominion Property Holdings, Inc. The Parent Company leases its head office space from Dominion Property Holdings, Inc. with a monthly rental of \$3,688 for a

period of three years, commencing on August 16, 2015 to August 15, 2018. On August 13, 2018, the Company reported a change of its head office address. ASFII entered into a new lease agreement with Greenhills Properties Inc. on July 18, 2018, effective until July 31, 2023, and renewable upon mutual agreement of the parties.

Operating lease agreement with New Zealand Guardian Trust Company Limited. Akaroa entered into a lease agreement with New Zealand Guardian Trust Company Limited for premises located at 6 Pope Street, with an annual rental payment of \$46,213 for 15 years beginning June 1, 2012 until May 30, 2027. The agreement has four renewable dates being December 1, 2014, June 1, 2017, June 1, 2022 and December 1, 2024.

Operating lease agreement with a former shareholder. Spence leases its office and manufacturing space from an entity that is controlled by its former shareholder under an operating lease that expires on May 31, 2020. The Company also leases certain vehicles under operating leases until September 2018.

The Group as Lessor

Operating lease agreement between AMHI and FDCP. AMHI has a lease agreement with FDCP covering a parcel of land. The lease agreement expired in 2017. As at December 31, 2017, the total rent receivable from FDCP was offset against the security deposit.

23. Financial Risk Management Objectives and Policies

The table below presents the carrying amounts and fair value of the Group's financial assets and financial liabilities as at September 30, 2018 and December 31, 2017.

	2018		2017	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets				
Loans and receivables:				
Cash and cash equivalents	\$14,352,943	\$14,352,943	\$4,427,478	\$4,427,478
Trade and other receivables	12,890,471	12,890,471	9,168,931	9,168,931
Due from related parties	244,545	244,545	245,302	245,302
Receivable from PFNZ*	994,004	994,004	994,004	1,284,758
	\$28,481,963	\$28,481,963	\$14,835,715	\$15,126,469

*Under other noncurrent assets

	2018		2017	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Liabilities				
Trade and other payables*	\$7,564,524	\$7,564,524	\$9,394,437	\$9,394,437
Loans payable	34,311,661	34,311,661	24,365,255	24,370,614
Due to a related party	1,941,655	1,941,655	2,142,510	2,142,510
Refundable lease deposit	20,074	20,074	21,811	21,811
	\$43,837,914	\$43,837,914	\$35,924,013	\$35,929,372

* Excluding statutory payable and customer deposits

24. Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise mainly of cash and cash equivalents, trade and other receivables, receivable from PFNZ, trade and other payables (excluding statutory payable and customers' deposit), loans payable, due to related parties and refundable lease deposits. The main purpose of these financial instruments is to finance the Group's operations.

The main risks arising from the Group's financial instruments are credit risk, interest rate risk, liquidity risk and foreign currency risk. The Group's BOD and management review and approve the policies for managing each of the risks summarized below.

Credit Risk

Credit risk is the risk when a counterparty fails to fulfill its obligations to the Group.

The table below shows the gross maximum exposure to credit risk for the components of the Group's consolidated statements of financial position before taking into consideration collateral and other credit enhancements:

	2018	2017
Cash in banks and cash equivalents	\$14,348,242	\$4,423,449
Trade and other receivables	13,135,016	9,414,233
Receivable from PFNZ*	994,004	994,004
Refundable deposits*	51,235	54,786
	\$28,528,497	\$14,886,472

*Under other noncurrent assets

The Group, however, deals only with reputable banks and customer to limit this risk.

As at September 30, 2018 and December 31, 2017, the aging analysis of the Group's financial assets is as follows:

	2018					Total
	Neither Past Due nor Impaired	Past Due Account but not Impaired			Impaired Financial Assets	
		1 - 30 Days Past Due	31 - 60 Days Past Due	Over 60 Days		
Cash in banks	\$14,343,290	\$-	\$-	\$-	\$-	14,343,290
Cash equivalents	4,952	-	-	-	-	4,952
Trade and other receivables	9,344,345	2,426,042	631,741	732,888	2,026,950	15,161,966
Receivable from PFNZ*	994,004	-	-	-	-	994,004
Refundable deposits*	51,235	-	-	-	-	51,235
	\$24,737,826	\$2,426,042	\$631,741	\$732,888	\$2,026,950	\$30,555,447

*Under other noncurrent assets

2017

	Neither Past Due nor Impaired	Past Due Account but not Impaired			Impaired Financial Assets	Total
		1 - 30 Days Past Due	31 - 60 Days Past Due	Over 60 Days		
Cash in banks	\$4,415,573	\$-	\$-	\$-	\$-	\$4,415,573
Cash equivalents	7,876	-	-	-	-	7,876
Trade and other receivables	4,345,089	4,180,826	262,465	625,853	2,011,950	11,426,183
Receivable from PFNZ*	994,004	-	-	-	-	994,004
Refundable deposits*	54,786	-	-	-	-	54,786
	<u>\$9,817,328</u>	<u>\$4,180,826</u>	<u>\$262,465</u>	<u>\$625,853</u>	<u>\$2,011,950</u>	<u>\$16,898,422</u>

*Under other noncurrent assets

As at September 30, 2018 and December 31, 2017, the carrying amounts of financial assets that are neither past due nor impaired are rated as High Grade. The credit quality of the financial assets is managed by the Group using the internal credit quality ratings as follows:

High Grade. Pertains to counterparty who is not expected by the Group to default in settling its obligations, thus credit risk exposure is minimal. This normally includes large prime financial institutions and companies. Credit quality was determined based on the credit standing of the counterparty.

Standard Grade. Other financial assets not belonging to high grade financial assets are included in this category.

Interest Rate Risk

Interest rate risk refers to the possibility that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The primary source of the Group's interest rate risk relates to debt instruments such as bank and mortgage loans.

Liquidity Risk

Liquidity risk arises from the possibility that the Group may encounter difficulties in raising funds to meet commitments from financial instruments. It may result from either the inability to sell assets quickly at fair values or failure to collect from counterparty.

The Group's objective is to maintain a balance between continuity of funding and flexibility through related party advances and aims to manage liquidity as follows:

- a. To ensure that adequate funding is available at all times;
- b. To meet commitments as they arise without recurring unnecessary costs; and
- c. To be able to assess funding when needed at the least possible cost.

Foreign Currency Risk

The Group has transactional currency exposures arising from purchase and sale transactions denominated in currencies other than the reporting currency. The Group does not enter into forward contracts to hedge currency exposures.

As part of the Group's risk management policy, the Group maintains monitoring of the fluctuations in the foreign exchange rates, thus managing its foreign currency risk.

Capital Management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit standing and stable capital ratios in order to support its business and maximize shareholder value. The Group maintains its current capital structure and will make adjustments, if necessary, in order to generate a reasonable level of returns to stockholders over the long term. No changes were made in the objectives, policies or processes during the year.

The Group considers the equity presented in the consolidated statements of financial position as its core capital.

The Group monitors capital using debt to equity ratio, which is total debt divided by total equity. The debt-to-equity ratio as at September 30, 2018 and December 31, 2017, follows:

	2018	2017
Debt	\$44,629,102	\$36,830,072
Equity	36,822,667	33,688,498
Debt-to-Equity Ratio	\$1.21:1	\$1.09:1

The Group is not subject to any externally imposed capital requirements.

Debt is composed of trade and other payables, loans payable, due to related parties and income tax payable, while equity includes share capital, reserves of the Group and non-controlling interests, less treasury shares.

The Group reviews its capital structure on an annual basis. As part of this review, the Group considers the cost of capital and the risks associated with it.