Unión Andina de Cementos S.A.A.

Separate financial statements as of December 31, 2014 and 2013 together with the Independent Auditor's report

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Independent Auditors' Report

To the Shareholders of Unión Andina de Cementos S.A.A.

We have audited the accompanying separate financial statements of Unión Andina de Cementos S.A.A. (a Peruvian entity), which comprise the statements of financial position as of December 31, 2014 and 2013, and the related statements of income, comprehensive income, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other notes.

Management responsibility for the Separate Financial Statements

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

Auditor's Responsibility

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

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

Independent Auditors' Report (continued)

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

Opinion

In our opinion, the accompanying separated financial statements, present fairly, in all material aspects, the financial position of Unión Andina de Cementos S.A.A. as of December 31, 2014 and 2013, and its financial performance and cash flows for the years then ended, in accordance with International Financial Reporting Standards.

Emphasis over the separate information

The separate financial statements of Unión Andina de Cementos S.A.A. have been prepared in compliance with the legal requirements in force in Peru for the filing of financial information. These financial statements reflect the value of the investments in subsidiaries at cost and not on a consolidated basis; as a result, they should be read together with the consolidated financial statements of Unión Andina de Cementos S.A.A. and Subsidiaries, which are separately presented.

Lima, Peru,
February 20, 2015

Countersigned by:

PAREDES, ZALDÍVAR, BURGA & ASOCIADOS

Mayerling Zambrano R.
C.P.C.C. Matrícula No. 23765

Unión Andina de Cementos S.A.A.

Statement of financial position

For the years ended December 31, 2014 and 2013

	Note	2014 S/.(000)	2013 S/.(000)
Asset			
Current assets			
Cash and cash equivalents	7	60,951	196,750
Trade and other receivables, net	8	268,994	234,857
Inventories	9	602,529	497,835
Prepaid taxes and expenses		8,053	11,204
Total current assets		940,527	940,646
Non-current assets			
Trade and other receivables, net	8	48,456	29,170
Investments in subsidiaries and other	10	3,257,994	1,645,786
Mining concessions and property, plant and equipment, net	11	3,905,181	3,706,550
Deferred stripping cost	12	135,952	142,815
Intangible assets, net	13	78,594	77,817
Total non current assets		7,426,177	5,602,138
Total asset		8,366,704	6,542,784
Liability and equity			
Current liabilities			
Trade and other payables	14	233,828	209,148
Other financial liabilities	15	573,293	693,406
Deferred income	16	98,725	9,932
Provisions	17	20,671	15,814
Total current liabilities		926,517	928,300
Non current liabilities			
Trade and other payables	14	9,714	11,883
Other financial liabilities	15	3,313,373	1,627,954
Derivative financial instruments	31.1(i)	6,940	5,557
Deferred income tax liability, net	18	472,536	537,303
Provisions	17	13,492	13,663
Total non current liabilities		3,816,055	2,196,360
Total liabilities		4,742,572	3,124,660
Equity	19		
Capital stock		1,646,503	1,646,503
Legal reserve		299,214	270,203
Unrealized net loss on hedging financial derivative instruments		(164)	(1,678)
Retained earnings		1,678,579	1,503,096
Total equity		3,624,132	3,418,124
Total liabilities and equity		8,366,704	6,542,784

The accompanying notes are an integral part of this statement.

Unión Andina de Cementos S.A.A.

Statement of income

For the years ended December 31, 2014 and 2013

	Note	2014 S/.(000)	2013 S/.(000)
Net sales	20	1,882,982	1,775,193
Cost of sales	21	(1,052,473)	(1,011,756)
Gross profit		830,509	763,437
Operating income (expenses)			
Administrative expenses	22	(175,645)	(158,536)
Selling expenses	23	(106,098)	(89,889)
Other operating income (expenses), net	25	42,623	7,884
Total operating expenses, net		(239,120)	(240,541)
Operating profit		591,389	522,896
Other income (expenses)			
Finance income	26	3,610	7,638
Finance cost	27	(153,060)	(90,835)
Exchange difference, net	31.1(ii)	(122,393)	(138,260)
Total other income (expenses), net		(271,843)	(221,457)
Income before tax		319,546	301,439
Income tax expense	18(b)	(29,433)	(96,697)
Net income		290,113	204,742
Basic and diluted earnings per share (stated in thousands of nuevos soles)	29	0.176	0.124

The accompanying notes are an integral part of this statement.

Unión Andina de Cementos S.A.A.

Statement of comprehensive income

For the years ended December 31, 2014 and 2013

	2014 S/.(000)	2013 S/.(000)
Net income	290,113	204,742
Other comprehensive income		
Changes in the fair value of hedging derivative financial instruments	2,163	4,762
Income tax effect, note 18	(649)	(1,429)
Other comprehensive income, net of income tax	1,514	3,333
Total comprehensive income, net of income tax	291,627	208,075

The accompanying notes are an integral part of this statement.

Unión Andina de Cementos S.A.A.

Statement of changes in equity

For the years ended December 31, 2014 and 2013

	Capital stock S/.(000)	Legal reserve S/.(000)	Unrealized net loss on hedging financial derivative instruments S/.(000)	Retained earnings S/.(000)	Total S/.(000)
Balance as of January 1, 2013	1,646,503	249,728	(5,011)	1,398,672	3,289,892
Net income	-	-	-	204,742	204,742
Changes in the fair value of hedging derivative financial instruments, net	-	-	3,333	-	3,333
Total comprehensive net income	-	-	3,333	204,742	208,075
Transfer to legal reserve, note 19(b)	-	20,475	-	(20,475)	-
Dividend distributions, note 19(d)	-	-	-	(83,971)	(83,971)
Others	-	-	-	4,128	4,128
Balance as of December 31, 2013	1,646,503	270,203	(1,678)	1,503,096	3,418,124
Net income	-	-	-	290,113	290,113
Changes in the fair value of hedging derivative financial instruments, net	-	-	1,514	-	1,514
Total comprehensive net income	-	-	1,514	290,113	291,627
Transfer to legal reserve, note 19(b)	-	29,011	-	(29,011)	-
Dividend distributions, note 19(d)	-	-	-	(85,619)	(85,619)
Balance as of December 31, 2014	1,646,503	299,214	(164)	1,678,579	3,624,132

The accompanying notes are an integral part of this statement.

Unión Andina de Cementos S.A.A.

Statement of cash flows

For the years ended December 31, 2014 and 2013

	2014 S/.(000)	2013 S/.(000)
Operating activities		
Collections from customers	2,234,005	2,114,729
Payments to suppliers	(1,306,625)	(1,468,809)
Payments to employees	(156,286)	(141,329)
Taxes paid	(114,452)	(92,401)
Interest paid	(151,360)	(85,047)
Other payments (collections), net	(30,501)	(19,094)
Net cash provided from operating activities	474,781	308,049
Investing activities		
Purchase of shares in subsidiaries	(1,541,004)	-
Capital to subsidiaries	(68,789)	(89,527)
Disbursements for works in progress	(329,422)	(227,641)
Purchase of property, plant and equipment	(34,021)	(32,158)
Purchase of intangible assets	(4,539)	(6,817)
Net cash used in investing activities	(1,977,775)	(356,143)
Financing activities		
Obtaining short-term bank loans	286,642	771,651
Obtaining bonds and debt to banks long term	2,098,662	626,308
Payment of short-term bank loans	(422,692)	(753,457)
Payment of bonds and debt to banks long term	(509,905)	(389,876)
Dividends paid	(85,512)	(83,971)
Net cash provided from financing activities	1,367,195	170,655
Net (decrease) increment in cash and cash equivalents	(135,799)	122,561
Cash and cash equivalents at the beginning of the year	196,750	74,189
Cash and cash equivalents at the end of the year	60,951	196,750
Significant non-cash activities		
Acquisition of property, plant and equipment under financial leases	14,109	7,171
Capitalized interest	-	25,381
Provision for impairment of investments	(2,415)	2,415

The accompanying notes are an integral part of this statement.

1. **Identification and economic activity**

Unión Andina de Cementos S.A.A. (hereinafter "the Company") was incorporated in December 1967. The Company is a subsidiary of Sindicato de Inversiones y Administración S.A. (hereinafter "the Principal") which holds 43.4 percent of the Company's capital stock, which in turn is a subsidiary of Nuevas Inversiones S.A., ultimate parent of the consolidated economic group. On July 24, 2012, the General Shareholders' Meeting approved to change the Company's name from Cementos Lima S.A.A. to Unión Andina de Cementos S.A.A.

The registered office of the Company is located at Av. Atocongo 2440, Villa María del Triunfo, Lima, Peru.

The Company's main activity is the production and sale, for local and foreign sales of cement and clinker. For this purpose, the Company owns two plants located at Lima and Junin, whose capacity is 6.68 million tons of clinker and 7.60 million tons of cement.

The separate financial statements as of December 31, 2013 were approved by General Shareholders Meeting held on March 27, 2014. The separate financial statements as of December 31, 2014 were approved by Management on January 23, 2015 and will be presented for the approval of the Board of Directors and the Shareholders within the terms established by law. In Management's opinion, the accompanying financial separate statements will be approved without changes.

2. **Acquisition of Lafarge Cementos S.A. and bond issues**

On May 26, 2014, the Board of Meeting of the company approved the acquisition of 98.57 percent of the shares of Lafarge Cementos S.A. (a public company located in Quito, Ecuador, subsidiary of Lafarge S.A. of France. On October 20, 2014 the Board of Meeting agreed the international bond issue ("Senior Notes") under the Rule 144A of the US Securities and under The Regulation S of the US Securities Act of 1933, on the Luxembourg Stock Exchange for a nominal value of US$625 million, at a nominal interest rate of 5.875 percent with maturity on 2021, resulting a total net collection of fees and expenses of US$615 million (approximately equivalent to S/. S/.1,839 million), see note 15(e).

The Company used the funds to purchase the Lafarge shares through its subsidiary Imbabura for a total amount of US$518.9 million (equivalent to S/.1,520 million), see note 10(a). On November 25, 2014, Imbabura took control of Lafarge operations in Ecuador.

3. Summary of significant accounting policies

3.1 Basis of preparation -

The separate financial statements have been prepared in accordance to International Financial Reporting Standards (hereinafter "IFRS") prevailing as of December 31, 2014. In accordance with IFRS prevailing as of December 31, 2014, it is not necessary to prepare separate financial statements; but in Peru, companies are required to prepare them in compliance with the prevailing Law. For that purpose, the Company has prepared separate financial statements according to IAS 27, Consolidated and Separate Financial Statements. The financial statements are made public within the term established by the Superintendence of Securities Market (SMV for its acronym in Spanish).

The financial separate statements have been prepared on a historical cost basis, except for derivative financial instruments that have been measured at fair value. The separate financial statements are presented in Nuevos Soles and all values are rounded to the nearest thousand (S/.000), except when otherwise indicated.

The accounting policies adopted are consistent with those applied in previous years, except that the Company has adopted the new IFRS and revised IAS that are mandatory for periods beginning on or after January 1, 2014, as described below; however, due to the structure of the Company and nature of its operations, the adoption of these standards did not, have a significant effect on its financial position and results, therefore, it has not been necessary to modify the comparative financial statements of the Company.

- *Investment entities. Amendments to IFRS 10, IFRS 12 and IAS 27*

  These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10 Consolidated Financial Statements and must be applied retrospectively, subject to certain transition relief. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. These amendments have no impact on the Company, since none of the entities in the Group qualifies to be an investment entity under IFRS 10.

- *Offsetting financial assets and financial liabilities. Amendments to IAS 32*

  These amendments clarify the meaning of 'currently has a legally enforceable right to set-off' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting and is applied retrospectively. These amendments have no impact on the Group, since none of the entities in the Company has any offsetting arrangements.

- *Novation of derivatives and continuation of hedge accounting. Amendments to IAS 39*

  These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria and retrospective application is required. These amendments have no impact on the Company has not novated its derivatives during the current or prior periods.

- *IFRIC 21 Levies*

  IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. Retrospective application is required for IFRIC 21. This interpretation has no impact on the Company as it has applied the recognition principles under IAS 37 Provisions, Contingent Liabilities and Contingent Assets consistent with the requirements of IFRIC 21 in prior years.

- *Annual Improvements 2010-2012 Cycle*

  In the 2010-2012 annual improvements cycle, the IASB issued seven amendments to six standards, which included an amendment to IFRS 13 Fair Value Measurement. The amendment to IFRS 13 is effective immediately and, thus, for periods beginning at 1 January 2014, and it clarifies in the Basis for Conclusions that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. This amendment to IFRS 13 has no impact on the Company.

- Annual Improvements 2011-2013 Cycle

  In the 2011-2013 annual improvements cycle, the IASB issued four amendments to four standards, which included an amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards. The amendment to IFRS 1 is effective immediately and, thus, for periods beginning at 1 January 2014, and clarifies in the Basis for Conclusions that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first IFRS financial statements. This amendment to IFRS 1 has no impact on the Company is an existing IFRS preparer.

3.2 Summary of significant accounting policies -

The following are the significant accounting policies applied by the Company's Management in preparing its separate financial statements:

(a) Cash and cash equivalents -

Cash and cash equivalents in the financial statement comprise cash balances, fixed funds, funds to be deposited, current accounts and time deposits. For the purposes of preparing the statement of cash flows, cash and cash equivalents include cash and short–term deposits with an original maturity shorter than three months, net of banking overdrafts.

(b) Financial instruments: initial recognition and subsequent measurement -

(i) Financial assets -

Initial recognition and measurement -

Financial assets are classified, at the moment of initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity

investments, available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial assets are recognized initially at fair value plus, in the case of assets not at fair value with changes through profit or loss, the transaction costs are attributable to the acquisition of the financial asset.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace are recognized on the date that the Company commits to purchase or sell the asset.

The Company financial assets include cash and cash equivalents, trade and other receivables.

Subsequent measurement -
For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at fair value through profit or loss;
- Loans and receivables;
- Held-to-maturity investments; and
- Available-for-sale financial investments

Financial assets at fair value through profit or loss -
Financial assets at fair value through profit or loss includes financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

This category includes derivate financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IAS 39.

Financial assets at fair value through profit and loss are carried in the statement of financial position at fair value with changes in fair value recognized in finance income or finance cost in the income statement.

Loans and receivables -
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate method (EIR), less impairment provisions. The amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The amortization

is included in finance income in the income statement. The losses arising from impairment are recognized in the finance cost in the statements of income.

Held-to-maturity investments -
Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity investments when the Company has the positive intention and ability to hold them to maturity.

The Company did not have any held-to-maturity investments as of December 31, 2014 and 2013.

Available-for-sale financial assets -
Are those designated as such, as they are kept indefinitely and may be sold due to liquidity needs or changes in interest rates, exchange rates or equity prices; or not qualified to be classified as at fair value through income statement or held to maturity.

After initial recognition, available-for-sale financial investments are measured at fair value. The unrealized gains or losses are recognized directly in the equity, under item "unrealized gains or losses", net of deferred income tax. When the financial investment is sold, the cumulative gain or loss previously recognized under net equity is now recognized in the income statement under item "Finance costs" or "Finance income", accordingly.

Dividends earned throughout the investment timeframe are recognized in the consolidated income statement when the right to collect is established.

The Company has not classified any financial asset as an available-for-sale financial assets as of December 31, 2014 and 2013.

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

- The rights to receive cash flow from such asset have expired;

- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass through" agreement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all of the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its contractual rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of it, the asset is recognized to the extent of the Company's continuing involvement in it. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

(ii) Impairment of financial assets -

The Company assess at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortized cost -

For financial assets carried at amortized cost, the Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company 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.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

The interest income is recorded as part of financial income in the statement of income. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Company. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If the estimated loss decreases, the reversal shall not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognized at the date the impairment is reversed. If a future write-off is later recovered, the recovery is credited to finance costs in the statement of income.

(iii) Financial liabilities -

Initial recognition and measurement -

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

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, carried at amortized cost. This includes directly attributable transaction costs.

As of December 31, 2014 and 2013, the Company’s financial liabilities include other financial liabilities, trade and other payables and derivative financial instruments.

Subsequent measurement -

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss -

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes financial derivative instruments which are not designated as hedge instruments as required by IAS 39. The embedded derivatives are also classified as negotiable, unless they are designated as effective hedge instruments. Gains or losses on liabilities held for trading are recognized in the statement of income.

Loans and borrowings -
After their initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and loss are recognized in the statement of income when the liabilities are derecognized as well as through the effective interest rate method (EIR) amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance costs in the statement of income.

Derecognition -
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired. When an existing financial liability is replaced by another one from the same lender on substantially different terms, or the terms are substantially modified, such replacement or amendment is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognized in the statement of income.

(iv) Offsetting of financial instruments -
Financial assets and financial liabilities are offset and the net amount reported in the statement 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 assets and settle the liabilities simultaneously.

(v) Fair value of financial instruments -
The Company measures financial instruments, such as, derivatives at fair value at each balance sheet date. Also, the fair value of financial instruments measured at amortized cost is disclosed in note (b) (iii).

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Company.

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

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

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

- 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.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Company’s Management determines the policies and procedures for both recurring fair value measurement. At each reporting date, the valuation committee analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Company’s accounting policies.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 32.

Derivative financial instruments -
Initial recognition and subsequent measurement
The Company uses derivative financial instruments, such as forward currency contracts and interest rate swaps contracts, to hedge its foreign currency risks and interest rate risks, respectively. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

The purchase contracts that meet the definition of a derivative under IAS 39 are recognized in the consolidated statement of profit or loss as finance costs. Commodity contracts that are entered into and continue to be held for the purpose of the receipt or delivery of a non-financial item in accordance with the Company's expected purchase, sale or usage requirements are held at cost.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognized in OCI and later reclassified to profit or loss when the hedge item affects profit or loss.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment;

- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognized firm commitment; or

- Hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which the Company wishes to apply hedge accounting, the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Company will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk.

The Company expects that such hedges are to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges that meet the strict criteria for hedge accounting are accounted for, as described below:

Fair value hedges -
The change in the fair value of a hedging derivative is recognized in the consolidated statement of profit or loss as finance costs. The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognized in the statement of income as finance costs.

For fair value hedges relating to items carried at amortized cost, any adjustment to carrying value is amortized through profit or loss over the remaining term of the hedge using the EIR method. EIR amortization may begin as soon as an adjustment exists and no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

If the hedged item is derecognized, the unamortized fair value is recognized immediately in profit or loss.

When an unrecognized firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognized as an asset or liability with a corresponding gain or loss recognized in profit and loss.

Cash flow hedges -
The effective portion of the gain or loss on the hedging instrument is recognized in OCI in the cash flow hedge reserve, while any ineffective portion is recognized immediately in the consolidated statement of profit or loss as finance costs.

The Company uses swaps contracts as hedges of its exposure to interest rate risks in transactions. The ineffective portion relating to swaps contracts is recognized in finance costs, see details in Note 27.

Amounts recognized as OCI are transferred to profit or loss when the hedged transaction affects profit or loss, such as when the hedged finance income or finance cost is recognized or when a forecast sale occurs. When the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognized as OCI are transferred to the initial carrying amount of the non-financial asset or liability.

If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover (as part of the hedging strategy), or if its designation as a hedge is revoked, or when the hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss previously recognized in OCI remains separately in equity until the forecast transaction occurs or the foreign currency firm commitment is met.

Hedges of a net investment in a foreign operation -
Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a way similar to cash flow hedges.

As of December 31, 2014 and 2013, the Company has no hedging instruments of a net investment in a foreign operation.

(c) Current versus non-current classification
The Company presents assets and liabilities in statement of financial position based on current/non-current classification. An asset is current when it is:

- It is expected to be realized or intended to be sold or consumed within a normal operating cycle;
- It is held primarily for trading purposes;
- Expected to be realized within twelve months after the reporting period;
- It is cash or cash equivalent, unless it is restricted from being exchanged or used to settle a liability for, at least, twelve months after the reporting period.

All other assets are classified as non-current. A liability is current when it is:

- Expected to be settled within a normal operating cycle;
- Held primarily for trading purposes;

(d) Foreign currency transactions -
The Company's financial statements are presented in Nuevos Soles. The Company´s Management has determined the Nuevo Sol as the functional and presentation currency, because it reflects the nature of economic events and circumstances relevant to the Company.

Transactions and balances in foreign currency -
Are considered foreign currency transactions those made in a currency other than the functional currency. Transactions in foreign currencies are initially recorded at the functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are converted to the functional currency using the Exchange rate ruling at the statement of financial position date. The differences between the closing rate at the date of each statement of financial position presented and the exchange rate initially used to record the transactions are recognized in the income

statement in the period in which they occur in the "Exchange difference, net" caption. Non-monetary assets and liabilities acquired in foreign currencies are translated at the exchange rate at the date of the initial transaction.

(e) Inventories -

Inventories are valued at the lower of cost and net realizable value. Costs incurred in bringing each product to its present location and conditions are accounted for as follows:

- Raw materials and supplies -
  Purchase cost, using the weighted average method.

- Finished goods and work in progress –
  At cost of direct materials and supplies, services provided by third parties, raw material, direct labor cost, other direct cost, general manufacturing expenses and an overhead based on fixed and variable cost based on normal operating capacity, but excluding borrowing costs and exchange currency differences.

- Inventory in transit –
  At purchase cost, specifically.

Net realizable value is the sales price obtained in the ordinary course of business, less the costs of placing the inventories into a ready-for-sale condition and the commercialization and distribution expenses.

Management periodically evaluates the impairment and obsolescence of these assets. The estimation, if any, is recognized with charge to the profit and loss.

(f) Investments in subsidiaries -

These investments in subsidiaries are recorded at acquisition cost less the estimation for impairment. The Company evaluates the impairment of the investments for events or changes in the circumstances, which may indicate that the book value is not recoverable.

In case of an impairment indicator, the Company makes an estimation of the recoverable amount. If the carrying value is higher than the recoverable amount, the investment is considered impaired and is reduced to its recoverable amount. If in a subsequent period the amount of the impairment loss is reduced, such loss is reversed. Any subsequent reversal is recognized in the statement of income to the extent the book value of the asset is not higher than the amortized cost at the date of reversal.

Dividends from investments are credited in the statement of income when declared.

(g) Borrowing costs -

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing

costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

(h) Leases -

The determination of whether an agreement is, or contains, a lease is based on the substance of the arrangement at the inception date, whether fulfillment of the arrangement is dependent on the use of a specific asset or the arrangement conveys a right to use the asset, even it that right is not explicitly specified in an arrangement.

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

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

Operating lease payments are recognized as an operating expense in the statement of income on a straight-line basis over the lease term.

(i) Property, plant and equipment -

Property, plant and equipment are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation. Such cost includes the cost of replacing component parts of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. The present value of the estimate cost of dismantling the asset and rehabilitation the site where it is located, is included in the cost of the respective assets, see note 3.2(o). When significant parts of property, plant and equipment are required to be replaced at intervals, the Company derecognizes the replaced part, and recognizes the new part with its own associated useful life and depreciation. Likewise, when major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other maintenance and repair costs are recognized in the statement of income in the period on which they are incurred.

Depreciation is calculated using a straight-line-basis method over the estimated useful lives of such assets as follows:

	Years
Buildings and other constructions	10 to 50
Installations and other	3 to 10
Machinery and equipment	7 to 25
Transportation units	5 to 10
Furniture and fixtures	6 to 10
Other equipments	4 to 10

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of income when the asset is derecognized.

The asset's residual value, useful lives and methods of depreciation/amortization are reviewed at each reporting date, and adjusted prospectively if appropriate.

(j) Mining concessions -

Mining concessions correspond to the exploration rights in areas of interest acquired in previous years. Mining concessions are stated at cost, net of accumulated amortization and/or accumulated impairment losses, if any, and are presented within the property, plant and equipment item. Those mining concessions are amortized starting from the production phase following the units-of-production method based on proved reserves to which they relate. In the event the Company abandons the concession, the costs associated are written-off in the statement of income.

(k) Intangible assets -

Goodwill -

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. Goodwill is presented within the intangible assets, net caption in the statement of financial position.

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

Licenses -
The licenses of software are stated at cost and include expenditures directly related to the acquisition or entry into use of specific software. These costs are amortized over their estimated useful life of three years.

(l) Deferred stripping costs -
The Company incurs waste removal costs (stripping costs) during the development and production phases of its surface operations. During the production phase, stripping costs (production stripping costs) can be incurred both in relation to the production of inventory in that period and the creation of improved access and flexibility operational in relation to be mined in the future. The former are included as part of the costs of production, while the latter are capitalized as a stripping activity asset, when certain criteria are met. Significant judgment is required to distinguish between development stripping and production stripping and to distinguish between the productions stripping that relates to the extraction of inventory and what relates to the creation of a stripping activity asset.

Once the Company has identified its production stripping for each surface mining operation, it identifies the separate components of the ore bodies for each of its mining operations for the purposes of accumulating costs for each component and pay off based on their respective useful lives. An identifiable component is a specific volume of the ore body that is made more accessible by the stripping activity. Significant judgment is required to identify and define these components, and also to determine the expected volumes (e.g., in tonnes) of waste to be stripped and ore to be mined in each of these components.

These assessments are undertaken for each individual mining operation based on the information available in the mine plan. The mine plans and, therefore, the identification of components, will vary between mines for a number of reasons. These include, but are not limited to, the type of commodity, the geological characteristics of the ore body, the geographical location and/or financial considerations.

The cost of production stripping is then depreciated using the units-of-production method considering the period of life of the identified component which is more accessible as a result of the stripping activity. This cost is stated at cost, less of accumulated depreciation and accumulated impairment losses, if any.

(m) Estimates of resources and reserves -
The mineral reserves are estimates of the amount of ore that can be economically and legally extracted from the Company's mining properties and concessions. The Company estimates its ore reserves and mineral resources, based on information compiled by appropriately qualified persons relating to the geological data on the size, depth and shape of the ore body, and require complex geological judgments to interpret the data. The estimation of recoverable reserves is based upon factors such as estimates of foreign exchange rates, ore prices, future capital requirements, and production costs along with

geological assumptions and judgments made in estimating the size and grade of the ore body.

Changes in the reserve or resource estimates may impact upon the carrying value of property, plant and equipment, provision for rehabilitation and depreciation and amortization charges.

(n) Impairment of non-financial assets -
The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of a fair value less the sales costs and its value in use and said value is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in that case it is considered the cash generating unit (CGU) related to those assets. When the carrying amount of an asset of CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account by the Company, if available. If no such transactions can be identified, the Company can use an appropriate valuation model.

Impairment losses of continuing operations, including impairment on inventories, are recognized in the statement of income in those expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, the Company assesses an impairment test to 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 Company estimates the asset's or CGU.

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

The following criteria are also applied in assessing impairment of goodwill:

Goodwill is tested for impairment annually (as of December 31). Impairment is determined by assessing the recoverable amount of each cash generating unit which the goodwill relates. When the recoverable amount of each cash generating unit is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

(o) Provisions -

General -

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as finance cost.

Mine closure provision -

The Company records the present value of estimated costs of legal and constructive obligations required to restore operating locations in the period in which the obligation is incurred. Mine closure costs are provided at the present value of expected costs to settle the obligation using estimated cash flows and are recognized as part of the cost of that particular asset. The cash flows are discounted at a current pre-tax rate that reflects the risk specific to the rehabilitation provision. The unwinding of the discount is expensed as incurred and recognized in the statement of income as a financial cost. The estimated future costs of rehabilitation are reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the cost of the asset.

(p) Contingencies –

Contingent liabilities are disclosed when the existence of the liability is confirmed by future events or when the amount of the liability cannot be measured reasonably. Contingent assets are not recognized in the financial statements, but they are disclosed when it is probable that economic benefits flow to the Company.

(q) Employees' benefits -

The Company has short-term obligations for employees' benefits that include salaries, social contributions, gratifications, bonuses for performance, and workers' sharing profit. These liabilities are recorded monthly with charge to profit and loss, as they are accrued.

(r) Revenue recognition –

Revenues of ordinary activities are recognized to the extent it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

The following specific recognition criteria must be also met before revenue is recognized:

Sales of goods -

Revenue from sales of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer, on delivery of the goods.

Interest income -

The revenue is recognized when the interest accrues using the effective interest rate. Interest income is included in financial income in the statement of income.

Dividends income -

Dividends from investments are credited in the statement of income when declared.

(s) Taxes -

Current income tax -

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authority. The tax rates and tax laws used to compute the amount of tax are those that are enacted or substantively enacted, at the close of the reporting period under review.

Current income taxes related to items that are directly recognized in net equity are also recognized in net equity and not in the statement of income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax -

Deferred tax is provided using the liability method on 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, except:

- Where the liabilities for deferred income taxes arises from the initial recognition of goodwill, or from an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, does not affects neither the accounting profit nor taxable profit or loss; or

- Where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences and for the future compensation of unused tax credits and unused tax losses, to the extent that it is probable that future taxable profit will be available to offset such unused tax credits and unused tax losses, except:

- When the deferred tax asset relating to deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss, or

- In respect of deductible temporary differences associated with investments in subsidiaries and associates, where deferred assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences 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 taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

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 taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

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

Mining Royalties and Special Tax on Mining in Peru -
Mining royalties and special mining tax are accounted for in accordance with IAS 12 because they have the characteristics of an income tax.

Value added tax -
Revenues, expenses and assets of ordinary activities are recognized net of the general sales tax, except:

- Where the general sales tax incurred on a purchase of assets or services is not recoverable from the tax authority, in which case the general sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable;

- Receivables and payables are stated with the general sales tax included.

The net amount of sales tax recoverable from, or payable to, the tax authority is included as part of receivables or payables in the statement of financial position.

(t) Earnings per share -
Basic and diluted earnings per share have been calculated based on weighted average of common shares at the date of the statement of financial position. As of December 31, 2014 and 2013, the Company has no dilutive financial instruments; therefore the basic and diluted earnings per share are the same.

(u) Reclassifications -
There are some transactions were reclassified in the presentation of the current year and, in Management's opinion, they are not significant to the separate financial statements as of December 31, 2013.

4. Significant accounting judgments, estimates and assumptions

The financial statements preparation requires Management to make judgments, estimates and assumptions to determine the reportable figures of assets and liabilities, the disclosure of contingent assets and liabilities as of the separate financial statements date, and also the income and expenses balances for the years ended as of December 31, 2014 and 2013.

The most significant estimates considered by Management related to the financial statements are:

- Fair value of derivatives financial instruments– note 3.2(b)(v)
- Deferred stripping assets– note 3.2(l)
- Estimates of resources and reserves – note 3.2(m)
- Estimation for impairment of non-financial assets– note 3.2(n)
- Provisions– note 3.2(o)
- Income tax– note 3.2(s)

Management considers that estimates included in the financial statements are based on its best knowledge of the relevant facts and circumstances as date of balance; however, final results may differ from the amounts included in the separate financial statements.

5. New accounting standards

The IASB issued the following International Financial Reporting Standards, which are not yet in effect on the date of the separate financial statements of the Company. The Company will adopt these standards, if applicable, when they are in force:

- IFRS 9 Financial Instruments
  In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of IFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before 1 February 2015. The adoption of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but no impact on the classification and measurement of the Group's financial liabilities.

- IFRS 14 Regulatory Deferral Accounts
  IFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of IFRS. Entities that adopt IFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. IFRS 14 is effective for annual periods beginning on or after 1 January 2016. Since the Group is an existing IFRS preparer, this standard would not apply.

- Amendments to IAS 19 Defined Benefit Plans: Employee Contributions
  IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after 1 July 2014. It is not expected that this amendment would be relevant to the Group, since none of the entities within the Group has defined benefit plans with contributions from employees or third parties.

- Annual improvements 2010-2012 Cycle
  These improvements are effective from 1 July 2014 and are not expected to have a material impact on the Group. They include:

IFRS 2 "Payments based on Share"

This improvement is applied in a prospective way and clarifies several issues related to the definitions of performance and service conditions which are conditions for vesting, including:

- A performance condition must contain a service condition
- A performance target must be met while the counterparty is rendering service
- A performance target may be related to the operations or activities of an entity, or those of another entity in the same group
- A performance condition may be a market or non-market condition
- If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied

IFRS 3 "Business Combinations"

The amendment is applied prospectively and clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IFRS 9 (or IAS 39, as applicable).

IFRS 8 "Operating Segments"

The amendment is applied retrospectively and clarifies that:

- An entity must disclose the judgements made by management in applying the aggregation criteria in paragraph 12 of IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'
- The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets

The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortization is the difference between the gross and carrying amounts of the asset.

IAS 24 " Related Party Disclosure"

The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

- Annual improvements 2011-2013 Cycle
  These improvements are effective from 1 July 2014 and are not expected to have a material impact on the Group. They include:

  IFRS 3 "Business Combinations"
  The amendment is applied prospectively and clarifies for the scope exceptions within IFRS 3 that:

  - Joint arrangements, not just joint ventures, are outside the scope of IFRS 3.
  - This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.

  IFRS 13 "Fair Value Measurement"
  The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IFRS 9 (or IAS 39, as applicable).

  IAS 40 "Investment Property"
  The description of ancillary services in IAS 40 differentiates between investment property and owner-occupied property (i.e., property, plant and equipment). The amendment is applied prospectively and clarifies that IFRS 3, and not the description of ancillary services in IAS 40, is used to determine if the transaction is the purchase of an asset or business combination.

- IFRS 15 Revenue from contracts with customers
  IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

  The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2017 with early adoption permitted. The Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

- Amendments to IFRS 11 "Joint Arrangements: Accounting for acquisition of interests"
  The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant IFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group.

- Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortization
  The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group given that the Group has not used a revenue-based method to depreciate its non-current assets.

- Amendments to IAS 16 and IAS 41 *Agriculture: Bearer Plants*
  The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of IAS 41. Instead, IAS 16 will apply. After initial recognition, bearer plants will be measured under IAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of IAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, IAS 20 Accounting for Government Grants and Disclosure of Government Assistance will apply.

The amendments are retrospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group as the Group does not have any bearer plants.

- Amendments to IAS 27: Equity method in separate financial statements
  The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively.

  For first-time adopters of IFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to IFRS. The amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments will not have any impact on the Group's consolidated financial statements.

The Company is in the process of evaluating the impact of the application of these standards, if any, on its separate financial statements and disclosures in the notes to the separate financial statements.

6. Foreign currency transactions

Foreign currency transactions are made at free market exchange rates published by the Superintendence of Banks, Insurance and Private Funds. As of December 31, 2014, the weighted average market exchange rate for transactions in Nuevos Soles published by the Superintendence of Banks, Insurance and Private Pension Funds was S/.2.981 for buying and S/.2.989 for selling (S/.2.794 for buying and S/.2.796 for selling as of December 31, 2013), respectively.

As of December 31, 2014 and 2013, the Company had the following assets and liabilities in U.S. Dollars:

	2014		2013	
	US$(000)	Equivalent in S/.(000)	US$(000)	Equivalent in S/.(000)
Asset				
Cash and cash equivalents	5,936	17,695	45,968	128,435
Trade and other receivables, net	24,774	73,850	7,024	19,625
	30,710	91,545	52,992	148,060
Liabilities				
Trade and other payables	(23,110)	(69,076)	(16,846)	(47,101)
Other financial payables	(1,006,388)	(3,007,624)	(407,134)	(1,138,346)
Derivative financial instruments	(319)	(953)	(1,133)	(3,168)
	(1,029,817)	(3,077,653)	(425,113)	(1,188,615)
Derivative financial instruments for exchange rate risk	(2,013)	(5,988)	(854)	(2,389)
Net liability position	(1,001,120)	(2,992,096)	(372,975)	(1,042,944)

7. Cash and cash equivalents

(a) This item is made up as follows:

	2014 S/.(000)	2013 S/.(000)
Petty cash	779	673
Current accounts(b)	55,475	28,470
Time deposits (c)	4,697	167,607
	60,951	196,750

(b) Current accounts are maintained in local and foreign currency, kept in domestic and foreign banks and are freely available. These deposits earn interest at market rates.

(c) Corresponds to time deposits in domestic banks denominated in local and foreign currency, earn interest at market rates and have original maturities shorter than 3 months.

8. Trade and other accounts receivable, net

(a) This item is made up as follows:

	Current		Non current	
	2014 S/.(000)	2013 S/.(000)	2014 S/.(000)	2013 S/.(000)
Trade accounts receivable, (b)	62,965	48,879	222	344
Accounts receivable from related parties, note 28 (c)	84,137	66,506	-	-
Claims to third parties (c)	75,797	45,026	-	-
Advances to suppliers (e)	18,532	13,765	2,340	4,680
Pre-paid income tax (f)	15,555	51,399	-	-
Loans to employees (g)	8,191	6,355	7,551	-
Derivative financial instruments, note 31.1(i)	718	772	-	-
Claims to tax authority (d)	-	-	38,343	24,146
Other accounts receivable	4,867	3,839	-	-
	270,762	236,541	48,456	29,170
Less – Estimation for doubtful accounts (i)	(1,768)	(1,684)	-	-
	268,994	234,857	48,456	29,170

(b) Trade account receivables are mainly denominated in Nuevos Soles, have current maturities, do not earn interest, have no specific guarantees and do not present significant overdue balances.

(c) The claims to third parties include mainly the claims to insurers related to a breakdown of kiln 2 of the Company located in Atocongo plant, in February 2013.

In Management and its advisors' opinion, that amount will be returned in the year 2015.

(d) As of December 31, 2014 and 2013, this balance corresponds to claims to tax authorities for the refund of the overpayment of income tax in prior years, see note 30.3.

In Management's opinion, expect to recover these balances in the large-term.

(e) Mainly corresponds to advances granted to San Martín Contratistas Generales S.A., on January 7, 2011, for stripping and exploitation services over limestone and puzulana's mines in the Cristina mining concession, which is to be collected in five years.

(f) As of December 31, 2014 and 2013, this balance corresponds to pre-paid income tax, paid on those dates, in addition to payments of temporary tax to net assets. See note 30.3.

In Management's opinion, such prepayments will be applied to future taxes generated in the current period.

(g) As of December 31, 2014, correspond mainly to loans to employees in 2014 for approximately S/.9,439,000, which will be collected within four years according to the agreements signed by the Company. The current portion of the receivable to employees amounts to approximately S/.1,888,000.

(h) The aging analysis of trade receivables and other as of December 31, 2014 and 2013 is as follows:

	As of December 31, 2014		
	Non-impaired S/.(000)	Impaired S/.(000)	Total S/.(000)
Outstanding -	256,260	-	256,260
Past due -			
- Up to 1 month	18,617	-	18,617
- From 1 to 3 months	6,847	-	6,847
- From 3 to 6 months	13,301	-	13,301
- More than 6 months	6,870	1,768	8,638
Total (*)	301,895	1,768	303,663

	As of December 31, 2013		
	Non-impaired S/.(000)	Impaired S/.(000)	Total S/.(000)
Outstanding -	186,846	-	186,846
Past due -			
- Up to 1 month	13,474	-	13,474
- From 1 to 3 months	1,967	-	1,967
- From 3 to 6 months	2,832	-	2,832
- More than 6 months	7,569	1,684	9,253
Total (*)	212,688	1,684	214,372

(*) The balance does not include payments of income tax by approximately S/.15,555,000 and S/.51,339,000 as of December 31, 2014 and 2013, respectively.

In the note 31.2, related to credit risk and accounts receivable, it is explained how the Company manages and measures the credit risk of the trade receivables that are neither expired nor impaired.

(i) The movement of the allowance for doubtful trade and other accounts receivable for the years ended December 31, 2014 and 2013, was as follows:

	2014 S/.(000)	2013 S/.(000)
Opening balance	1,684	103
Provision of the year, note 22	-	1,553
Exchange difference	84	28
Ending balance	1,768	1,684

In Management's opinion, the allowance for doubtful accounts adequately covers the credit risk as of December 31, 2014 and 2013.

9. Inventories

(a) This item is made up as follows:

	2014 S/.(000)	2013 S/.(000)
Finished goods	10,437	10,486
Work in progress (b)	194,699	139,277
Raw and auxiliary materials (c)	114,773	127,844
Packages and packing	41,552	44,510
Spare parts and supplies (d)	176,178	141,381
Inventory in transit (e)	64,890	34,337
	602,529	497,835

(b) Work in progress includes coal, puzulana, gypsum, clay, clinker production and limestone extracted from the Company's mines, which according to the Management's estimates will be used in the short-term production.

(c) Raw and auxiliary materials include imported and domestic coal. As of December 31, 2014, the Company has in stock coal for approximately S/.52,669,000 (S/.92,819,000 as of December 31, 2013).

(d) As of December 2014 and 31, 2013, the Company maintain no significant and necessary supplies parts to provide maintenance machinery and klin of plants Atocongo and Condorcocha, this plants are evaluated through technical reviews, and in turn comply with the provisions of quality and are in proper storage conditions, see paragraph (f).

(e) As of December 31, 2014 primarily relates to the acquisition of Clinker to Drake Cement LLC (subsidiary of the Company) for approximately S/.58,882,000, which will be received in 2015. As of December 31, 2013, corresponded mainly coal in transit by approximately S/.28,674,000, which were received by the Company in the first quarter of 2014.

(f) During 2014, the operational and technical area of the Company made a specific analysis of spare parts and supplies and determined that there is no need an allowance for obsolescence.

In the opinion of management of the Company, according to the periodic inventory assessment conducted with the participation of operational and production areas, it is not necessary to establish an estimate for impairment of inventories as of December 31, 2014 and 2013.

10. Investments in subsidiaries and other

(a) This item is made up as follows:

	Economic activity	Country	Share participation		Carrying value	
			2014	2013	2014	2013
			%	%	S/.(000)	S/.(000)
Inversiones Imbabura S.A.	Holding	Peru (subsidiary in Ecuador)	99.99	-	1,520,983	-
Skanon Investments Inc.	Cement and concrete	Unites States	88.04	86.03	1,018,948	952,514
Compañía Eléctrica El Platanal S.A.	Electrical Energy	Peru	90.00	90.00	567,829	567,829
Inversiones en Concreto y Afines S.A.	Holding	Peru	93.38	93.38	67,036	67,036
Transportes Lurín S.A.	Holding	Peru	99.99	99.99	64,094	63,937
Prefabricados Andinos S.A.	Precast	Chile	51.00	-	20,021	-
Prefabricados Andinos Perú S.A.C.	Precast	Peru (subsidiary in Colombia)	50.02	50.00	17,537	17,527
Ferrocarril Central Andino S.A.	Services	Peru	16.49	14.69	7,567	5,617
Minera Adelaida S.A.	Holding	Peru	99.99	99.99	2,289	2,053
Generación Eléctrica de Atocongo S.A.	Services	Peru	99.85	99.85	125	125
Depósito Aduanero Conchán S.A.	Warehouse Management	Peru	99.50	99.50	63	63
Others					227	225
					3,286,719	1,676,926
Estimation for Impairment of investments (b)					(28,725)	(31,140)
					3,257,994	1,645,786

A brief summary of the activities of the most significant subsidiaries of the Company is presented below:

- Inversiones Imbabura S.A. (Imbabura)

  Imbabura was incorporated by the Company on July 16, 2014, with the purpose of purchasing shares of Lafarge Cementos S.A. (Lafarge). On November 25, 2014, Imbabura acquired 98.57 percent of the shares representing capital of Lafarge; whose economic activity is the production and sale of cement in the city of Quito, Ecuador with a production capacity of 1.4 million tons of cement per year. As of today, Lafarge has two subsidiaries: Lafarge Cement Services S.A., which is dedicated to counseling service in accounting, advertising, auditing and legal and Canteras y Voladuras S.A. which is dedicated to perform mining activities, exploitation and merchandising of all kinds of ores, smelting, refining and alloys of non-ferrous metals such as copper, lead, chromium, magnesium, zing, aluminum, nickel, and tin.

  The shares acquisition of Lafarge was financed through the international bond issuance see more detail in note 2 and 15(e). As of December 31, 2014, the funds transferred from the Company to Imbabura were capitalized by approximately S/.1,520,983,000.

The detail of the acquisition made is as follows:

Acquired company	N° shares	Entry price		Acquired Equity (*)
		US$(000)	S/.(000)	S/.(000)
Lafarge Cementos S.A. and subsidiaries	42,314,172	517,287	1,515,651	555,206

(*) Includes the equity of the acquired entities adjusted to fair market value.

During December 2014, Imbabura made additional purchases of shares by approximately US$1,708,000 (equivalent to S/.5,065,000) acquiring 139,758 shares representing the share capital of Lafarge. In this regard, as of December 31, 2014, Imbabura maintains 98.89 percent of total capital shares of Lafarge.

- Skanon Investments Inc. – SKANON
  It is a non-resident company incorporated in February 2007 under the laws of the State of Arizona in the United States of America. SKANON owns 93.98 percent of Drake Cement LLC, a company domiciled in the United States of America, which core business is a cement plant in Yavapai County, in northern Arizona.

  During the year 2014, the Company made a capital contribution of approximately US$23,568,000 (equivalent to S/.66,434,000) receiving 24,996,426 shares of the capital stock of the subsidiary, during the year 2013, the Company made a capital contribution of approximately US$32,920,000 (equivalent to S/.89,121,000) acquiring 34,914,774 shares of the capital stock of the subsidiary.

- Compañía Eléctrica El Platanal S.A. - CELEPSA
  It is a company incorporated in Lima in December 2005. It is dedicated to the generation and sale of electricity, using water resources, geothermal and thermal as well as to the operation of its property and facilities in general.

- Inversiones en Concreto y Afines S.A. - INVECO
  It is a company incorporated in Lima in April 1996, dedicated to investing in companies principally engaged in supplying concrete ready-mix, building materials and related activities, through its subsidiary Unión Concreteras S.A., on which holds a participation of 99.9 percent, which is also the owner in 99.9 percent of Firth Industries Perú S.A., dedicated to the same activity.

- Transportes Lurín S.A. - LURIN
  It is a company incorporated in Lima in July 1990. On January 1, 2013, Transportes Lurín S.A. transferred all of its investments in Staten Island Terminal, LLC to Skanon Investments Inc. in exchange for shares worth US$1,084,000 (equivalent to S/.2,884,000), increasing the registered cost without altering its participation, because the main shareholder made a corresponding contribution to not alter the shareholding structure.

  In connection with this investment, the Company recorded impairment of investment, see paragraph (b).

- Prefabricados Andinos S.A. – PREANSA Chile
  In January 2014, the Company acquired 51 percent of the equity shares of PREANSA Chile for a total amount of US$7,140,000 (equivalent to approximately S/.20,021,000). This company is dedicated to the manufacture, sale and rental of all types of products especially concrete for industrial construction.

- Prefabricados Andinos Perú S.A.C. - PREANSA
  It is a company founded in Lima in October 2007. PREANSA manufactures prestressed concrete structures and precast concrete and sells these products in Peru and abroad. In 2013, the Company incorporated in Colombia an indirect subsidiary Prefabricados Andinos S.A. which to date is in preoperational stage.

(b) As of December 31, 2014 and 2013,the Company´s Management expect than the estimation for impairment of investments to S/.28,725,000 y S/.31,140,000, respectively.

11. Mining concessions and property, plant and equipment, net

(a) The table below presents the changes in property, plant and equipment, net:

	Mining concessions (b) S/.(000)	Land S/.(000)	Mine closure S/.(000)	Buildings and constructions S/.(000)	Other installations S/.(000)	Machinery and equipment S/.(000)	Transportation units S/.(000)	Furniture and fixtures S/.(000)	Other equipment S/.(000)	Units in transit S/.(000)	Work in progress (e) S/.(000)	Total S/.(000)
Cost -												
As of January 1, 2013	34,856	551,481	6,516	417,664	50,206	1,498,464	23,974	17,068	43,607	69,428	1,296,761	4,010,025
Additions	666	6,599	-	315	1,441	12,997	847	202	1,604	7,487	234,812	266,970
Transfers (e)	-	5,543	-	310,927	5,087	1,084,521	4,393	126	11,129	(69,681)	(1,352,045)	-
Withdrawals	(947)	-	(529)	(22)	(792)	(31,902)	(6,283)	-	(18)	-	(858)	(41,351)
Adjustments (f)	-	-	-	(11,202)	-	(59,884)	(58)	(586)	(975)	-	-	(72,705)
As of December 31, 2013	34,575	563,623	5,987	717,682	55,942	2,504,196	22,873	16,810	55,347	7,234	178,670	4,162,939
Additions (e)	58	4,703	-	946	884	23,162	1,228	165	2,875	-	343,531	377,552
Transfers	-	-	-	344	1,428	18,375	-	116	-	-	(20,263)	-
Withdrawals	-	-	-	-	-	-	(279)	-	-	-	-	(279)
As of December 31, 2014	34,633	568,326	5,987	718,972	58,254	2,545,733	23,822	17,091	58,222	7,234	501,938	4,540,212
Accumulated depreciation -												
As of January1, 2013	10,207	-	2,226	67,730	40,047	224,973	14,395	13,637	31,071	-	-	404,286
Period depreciation (g)	466	-	420	24,214	1,834	109,578	3,252	637	3,510	-	-	143,911
Transfers (e)	-	-	-	(210)	210	(1,128)	-	-	1,128	-	-	-
Withdrawals	(947)	-	(2)	90	(10)	(11,949)	(6,285)	-	-	-	-	(19,103)
Adjustments (f)	-	-	-	(11,202)	-	(59,884)	(58)	(586)	(975)	-	-	(72,705)
As of December 31, 2013	9,726	-	2,644	80,622	42,081	261,590	11,304	13,688	34,734	-	-	456,389
Period depreciation (g)	267		368	28,172	1,211	141,400	3,055	637	3,734	-	-	178,844
Withdrawals	-	-	-	-	-	-	(202)	-	-	-	-	(202)
As of December 31, 2014	9,993	-	3,012	108,794	43,292	402,990	14,157	14,325	38,468	-	-	635,031
Net book value -												
As of December 31, 2014	24,640	568,326	2,975	610,178	14,962	2,142,743	9,665	2,766	19,754	7,234	501,938	3,905,181
As of December 31, 2013	24,849	563,623	3,343	637,060	13,861	2,242,606	11,569	3,122	20,613	7,234	178,670	3,706,550

(b) As of December 31, 2014 and 2013, corresponds mainly to the concessions of the quarries of Atocongo, Atocongo Norte, Pucará and Oyón.

(c) During the year 2014, there were additions of fixed assets under the system of finance lease to approximately S/.14,109,000. As of December 31, 2013, the carrying value of assets acquired through finance leases amounted to approximately S/.599,491,000. Additions during the year 2013 under finance leases amounted to approximately S/.7,171,000.The leased assets guaranteed financial lease liabilities, see note 15.

(d) The amount of borrowing costs capitalized related to kiln 1 of Atocongo plant, during the year ended December 31, 2013 was approximately S/.25,381,000, the plant begin the operations in December, 2013. Interest rates used to determine the amount of borrowing costs eligible for capitalization were between Libor from 0.308 to 0.581 plus a spread of 2.35 percent as of December 31, 2013.

(e) The main additions during the year 2014 correspond mainly to the work in progress related to the expansion of production capacity of the Atocongo plant, cement mill VIII and packing machine V, control of Kiln 3 system and the hydroelectric Carpapata III located in the Condorcocha plant for approximately S/.329,422,000.

During year 2013; mainly correspond to the additions related to first phase of enlargement of the production capacity of Kiln 1 and the construction of Kiln 4. During 2013, the transfers include mainly the transfer of the work in progress of Kiln 1 and 4 of Atocongo and Condorcocha, respectively, which were finished in November and March 2013, respectively.

(f) Correspond to the cost and depreciation of Condorcocha plant that was completely depreciated, and have zero net balance, which were reversed during 2013and had no effect on profit and loss of the Company.

(g) The depreciation for the years 2014 and 2013 was distributed as follows:

	2014 S/.(000)	2013 S/.(000)
Cost of sales, note 21(a)	172,022	129,228
Administrative expenses, note 22	5,690	9,217
Inventories	1,132	5,466
	178,844	143,911

(h) As of December 31, 2014 and 2013, the Company's management conducted an assessment of its property, plant and equipment and found no indicators of impairment on these assets. Therefore, the carrying value of property, plant and equipment is recoverable with future profits to be generated by the Company.

(i) As of December 31, 2013 and 2014, the Company has established two mortgages on its mining concession Atocongo and a mortgage on its mining concession Cristina up to S/.149,400,000 and US$94,000,000, respectively, to guarantee loans obtained with the BBVA Banco Continental, see note 15.

In December 2014, the Company has made the lifting of the mortgage on the mining concession Atocongo by S/.149,400,000, which remained in force until the related loan repayment in January 2015.

It has been a mortgage on their mining concession Atocongo up to US$75,000,000, to guarantee the loan obtained with the Bank of Nova Scotia, and a mortgage on their property sub-lot 1 at Pachacamac and Lurin district, sub-lot 2 Lurin district and sub-lot 3 Pachacamac district up to US$50,000,000 to guarantee the loan obtained with the Bank of Nova Scotia, see note 15.

(j) In Management's opinion, the Company has insurance policies to adequately cover all of its fixed assets.

12. Deferred stripping cost

(a) This item is made up as follows:

	S/.(000)
Cost -	
As of January 1, 2013	149,297
Additions	15,205
As of December 31, 2013	164,502
Additions	-
As of December 31, 2014	164,502
Accumulate ddepreciation-	
As of January 1, 2013	(16,911)
Additions, note 21(a)	(4,776)
As of December 31, 2013	(21,687)
Additions, note 21(a)	(6,863)
As of December 31, 2014	(28,550)
Importe neto en libros -	
As of December 31,2014	135,952
As of December 31,2013	142,815

As of December 31, 2014 and 2013, the Company has three identifiable components that allow a specific volume of limestone quarries and waste. Atocongo quarry; North Atocongo and Pucara quarry.

During 2014, the Company did not recognize deferred stripping asset additions due to; the stripping costs in the year were required to access the limestone produced in the same period and were recorded in the income statement and are reclassified as "Cost of sales", see note 21.

As of December 31, 2014, the Company and its technical advisors determined 148,428,584 and 91,323,415 tons of limestone reserves and related waste limestone to be extracted in the future, respectively (153,153,537 and 93,755,871 tonnes at December 31, 2013, respectively), which are determined and controlled by identifiable component.

13. Intangible assets, net

(a) The table below presents the components of this item:

	Concession for electricity generation (b) S/.(000)	Goodwill (c) S/.(000)	Software S/.(000)	Environmental protection program S/.(000)	Exploration expenses S/.(000)	Others S/.(000)	Total S/.(000)
Cost -							
As of January 1, 2013	61,330	9,745	18,772	18,269	10,434	22,895	141,445
Additions	-	-	2,948	230	-	3,639	6,817
Withdrawal	-	-	(11,008)	(1,428)	(10,434)	(23,858)	(46,728)
As of December 31, 2013	61,330	9,745	10,712	17,071	-	2,676	101,534
Additions	-	-	1,241	-	-	3,298	4,539
As of December 31, 2014	61,330	9,745	11,953	17,071	-	5,974	106,073
Accumulated amortization -							
As of January 1, 2013	4,137	-	11,007	18,065	10,433	20,811	64,453
Amortization of the year, note 25	1,484	-	1,075	37	1	3,160	5,757
Withdrawal	-	-	(11,008)	(1,428)	(10,434)	(23,623)	(46,493)
As of December 31, 2013	5,621	-	1,074	16,674	-	348	23,717
Amortization of the year, note 25	1,484	-	2,155	123	-	-	3,762
As of December 31, 2014	7,105	-	3,229	16,797	-	348	27,479
Net book value -							
As of December 31, 2014	54,225	9,745	8,724	274	-	5,626	78,594
As of December 31, 2013	55,709	9,745	9,638	397	-	2,328	77,817

(b) This amount corresponds to the expenditures to develop the overall project "El Platanal," consisting of the construction of two hydroelectric reservoirs and a system for the irrigation of uncultivated lands, and also to obtain the final concession to develop the activity of electricity generation, which was obtained by the Company, through Supreme Resolution N°130-2001-EM, dated July 25, 2001. On September 12, 2006, the transfer of the concession and the assignment of use of the "El Platanal" project to its subsidiary Compañía Eléctrica El Platanal S.A. (CELEPSA) was approved by Supreme Resolution N°053-2006-EM for a period of 25 years from March 30, 2011, whereby the Company receives royalties in exchange equivalent to 3.55 percent of net monthly income obtained by CELEPSA, on sales of energy and power to third parties. As of December 31, 2014 and 2013, the Company amortizes the cost incurred to develop the project, during the term of the contract (25 years).

(c) Effective 2003, the Company acquired 100 percent of the shares representing the capital stock of Lar Carbón S.A. The acquisition was recorded using the purchase method, by means of which the Company recorded adjustments to its separate financial statements to reflect the assets and liabilities acquired at their fair values at the acquisition date. As a result of this acquisition, the Company recognized goodwill of S/.9,745,000 and later, Lar Carbón was merged.

The recoverable amount of coal grinding plant (generating unit) is established on the basis of calculation of value in use, which uses projections of cash flows on preliminary financial budgets prepared by Management covering a 5-year period, calculated on the resource base. As a result of this analysis, no impairment loss on this unit was found. Management believes that there will not be significant changes in estimated production volumes, which would produce that the book value of these assets exceeds its recoverable value. The Company has projected its operating costs in relation to their current cost of coal grinding. In relation to the assessment of value in use of the cash-generating unit, Management believes that no reasonable change in assumptions would cause the carrying amount of the unit exceeds its recoverable amount significantly.

(d) As of 31 December 2014 and 2013, based on the assessment of value in use of its intangibles assets, finding no indicators of impairment in those assets, for that reason in Management's opinion the carrying value of intangibles assets is recoverable with future profits to be generated by the Company.

14. Trade and other accounts payable

(a) This item is made up as follows:

	Current		Non current	
	2014 S/.(000)	2013 S/.(000)	2014 S/.(000)	2013 S/.(000)
Trade accounts payable(b)	93,135	121,109	-	-
Accounts payable from related parties, note 28 (c)	64,527	44,987	9,714	11,883
Interest payable, note 15 (c) and (m)	34,669	16,391	-	-
Value Added Tax payable	17,096	-	-	-
Salaries and vacation payable	15,067	13,914	-	-
Board compensation payable	2,076	1,919	-	-
Dividends payable	134	28	-	-
Other accounts payable	7,124	10,800	-	-
	233,828	209,148	9,714	11,883

(b) Trade account payables are mainly originated by mining services and procurement of supplies and additives for the production of the Company, as well they are denominated in domestic and foreign currency, have current maturities, do not earn interest, have no specific guarantees.

15. Other financial liabilities

(a) The table below presents the components of this caption:

	2014			2013		
	Short-term S/.(000)	Long-term S/.(000)	Total S/.(000)	Short-term S/.(000)	Long-term S/.(000)	Total S/.(000)
Bank loans (b)	93,996	431,080	525,076	266,766	450,154	716,920
Bonds and long-term debt (d)	479,297	2,882,293	3,361,590	426,640	1,177,800	1,604,440
	573,293	3,313,373	3,886,666	693,406	1,627,954	2,321,360

(b) Bank loans mainly correspond to loans for working capital at fixed annual rates that range from 2.88 to 5.30 percent, do not have specific guarantees and are renewed depending on the needs of working capital from the Company. As of December 31, 2014 and 2013, the balance per bank consists of:

	2014 S/.(000)	2013 S/.(000)
Creditor -		
Citibank N.A. New York	258,466	258,466
Banco Santander Uruguay	146,461	-
ITAU UNIBANCO S.A.	78,461	-
Banco ITAU BBA S.A.	41,688	83,376
Santander Overseas Bank Inc.	-	111,840
BBVA Banco Continental	-	170,970
Banco de Crédito de Miami	-	50,328
Bank of Nova Scotia New York	-	41,940
	525,076	716,920

(c) As of December 31, 2014 and 2013, the interest payable amounts to approximately S/.6,571,000 and S/.2,244,000, respectively, and are recorded in the caption "Trade and other accounts payable" of the statement of financial position. As of December 31, 2014 and 2013, the interest expenses amounted to approximately S/.35,342,000 and S/.16,338,000, respectively, and are included in the caption "Financial costs" of the statement of income, see note 27(a).

(d) The table below presents the components of the long-term bonds and debt to banks:

	Annual interest rate %	Maturity	Guarantee	2014 S/.(000)	2013 S/.(000)
Bonds -					
International bonds (e)	5.875	October, 2021	No guarantees	1,868,125	-
First and third issuance of the second program (g) y (l)	Between 4.93 y 5.56	December 2016, March 2020 and 2023	No guarantees	180,000	180,000
First to eighth issuance programs (f) y (l)	Between 5.91 y 6.13	Between January and March 2015	No guarantees	100,000	270,000
First and third issuance of the second program (h) y (l)	6.25	January 2018	No guarantees	58,584	70,459
				2,206,709	520,459
Amortized cost				(28,219)	-
				2,178,490	520,459
Bank debt (i) y (l) -					
Banco Internacional del Perú	Between 5.25 y 6.24	July 2017 and March 2019	No guarantees	271,216	168,421
Bank of Nova Scotia	Between Libor a 3 meses más 1.95 y 2.35	September 2018	Guarantee on property and Mining concessions, see Note 11(i)	237,999	303,249
Banco de Crédito e Inversiones	2.45	July 2016	No guarantees	156,923	-
BBVA Banco Continental	Libor a 3 meses + 2.90, 4.35 y 6.00	January 2015, September 2016 and June 2017	Mining concessions, see Note 11(i)	113,358	154,890
Banco de Crédito del Perú	Between 5.57 y 5.80	July and October 2015	No guarantees	39,853	42,859
				819,349	669,419
Amortized cost				(5,160)	(5,248)
				814,189	664,171
Finance leases -					
Banco de Crédito del Perú (j) y (l)	Libor + 2.35	February 2018	Leased goods	287,202	326,420
Banco Internacional del Perú (k) y (l)	5.80	October 2018	Leased goods	81,709	93,390
				368,911	419,810
Total				3,361,590	1,604,440
Less - Current portion				479,297	426,640
Non-current portion				2,882,293	1,177,800

(e) As mentioned in Note 2 on October 31, 2014, the Company issued bonds by US$625,000,000 (equivalent to S/.1,868,125,000) yielding gross proceeds of US$615,073,000 (equivalent to S/.1,839,342,000) with a nominal interest rate of 5.875 percent and maturity on October 2021.

(f) On May 9, 2006, the General Shareholders meeting approved perform of the "First Program Debt Instruments up to a maximum outstanding amount of US$150,000,000 or its equivalent in Nuevos Soles".

On August 24, 2006, the Company signed with BBVA Banco Continental, as Representative of the Bondholders, the framework contract bond, and in October signed the prospectus framework for the "First Program of Issuance of Corporate Bonds and Short-Term Instruments of Unión Andina de Cementos S.A.A."

The first and second issuances by S/.50,000,000 each one were awarded in the first quarter of 2007, the third issuance by S/.60,000,000 was awarded in the second quarter of 2007, the fourth issuance by S/.60,000,000 was awarded in the second quarter of 2008, the fifth, sixth and seventh issuances by S/.55,000,000 each were awarded in the second quarter of 2009 and the eighth issuances by S/.55,000,000 was awarded in the fourth quarter of 2009. All awards were under the form of Dutch auction.

(g) On April 7, 2010, the General Shareholders' Meeting approved the "Second Program of Issuance of Debt Instruments up to a maximum outstanding amount of US$150,000,000 or its equivalent in Nuevos Soles".

On September 15, 2010, the Company signed with Scotiabank Perú, as Representative of the Noteholders, under contract bond, and in October the prospectus was signed under the "Second Program of Issuance of Corporate Bonds and Short-Term Instruments Unión Andina de Cementos S.A.A." On November 8, 2012 UNACEM transferred to Banco de Crédito del Perú the obligation of Representative of the Note holders.

On March 2013, the Company placed the First and Second Issuance of the Corporate Bonds for a total amount S/.60,000,000 each, and in December 2013, placed the Third Issuance of the same program amounting to S/.60,000,000.

(h) On March 26 and June 19, 2009, the Board of Directors and General Shareholders' Meeting, respectively, approved the First Program of Corporate Bonds of Cemento Andino S.A. (transferred later than the date of merger to the Company) until an amount of issuance of US$40,000,000 or its equivalent in Nuevos Soles.

On June 17, 2009, the Company signed, as Debtors' Representative, the agreement and prospect framework with Banco de Crédito del Perú for the "First Program of Corporative Bonds". The first and third issuance for US$$7,000,000 and US$28,000,000, respectively were sold under the Dutch auction modality on January 21, 2010.

(i) As of December 31, 2014 and 2013, bank loans at domestic and foreign currency obtained from local and foreign financial institutions were used mainly for working capital.

(j) On February 7, 2008, the Company signed an understanding agreement for a future financial leasing with Banco de Crédito del Perú (BCP) for an amount until US$ 25,000,000 for the extension of the production capacity through the installment of a new line of production in the plant of Junín (Kiln 4) whose estimated cost is US$162,000,000. Then, on December 17, 2008, the Company signed a Summary of Terms and Conditions of Financial Leasing with BCP.

The summary of other terms of the agreement is as follows:

- Financing amounts until US$162,000,000, to be disbursed in 3 parts: US$25,000,000, US$85,000,000 and US$52,000,000.
- Interest rate corresponds to: i) Part 1, nominal annual Libor + 2.35 percent, ii) Part 2, nominal annual Libor + 4.95 percent and iii) Part 3, nominal annual Libor + 4.20 percent.
- Availability term of financing is three years and the payment term of the quarterly payments is five years.
- Financing has as guarantee: i) surface right on the land when the project is built; ii) assets under financial leasing; iii) funds in guarantee amounting to Part 3 (at least 32 percent of the financing received) and to be applied to the payment of the initial pre-payment.

The Company completed the project under financial lease with BCP in the year 2013, for more details see note 11 (e). As for December 31, 2014, the net book value of the kiln 4 assets is approximately S/.565,369,000 (S/.602,225,000 as of December 31, 2013),which guarantee the financing described.

(k) In General Shareholders Meeting dated May 19, 2010, the lease agreement to increase the production capacity with Banco Internacional del Perú (Interbank) was approved, said project increase the production capacity of Kiln 1 plant from 3,200 to 7,500 tones clinker/day, located in Atocongo. The Company completed the project in the year 2013, for more details see note 11(e). As of December 31, 2014, the net book value of the assets is approximately S/.614,766,000 (S/.644,037,000 as of December 31, 2013), which guarantee the described financing.

(l) Financial covenants are quarterly monitored, and must be calculated on the basis of separate financial information and the calculation methods required by each financial entity.

- During 2014, the Company signed waivers with the following financial institutions:
    - BBVA Banco Continental, October 17, 2014.
    - Bank of Nova Scotia, October 20, 2014.
    - Banco de Crédito del Perú (BCP), September 24, 2014.

On mentioned waivers, it was considered that the coverage ratio of debt must be no greater than 5.00 in 2014 and 2015, 4.50 in 2016, 3.75 in 2017, 3.25 in 2018 and 3.00 in the year 2019; otherwise, the Company is not obligated with BCP compliance with the ratio of debt service coverage ratio and liquidity until September 30, 2015 and September 30,2016, respectively.

The fulfillment of the described financial covenants is supervised by the Company's management and the Note holders Representatives. In case of failure, it will be incurred in the event of early termination. In Management's opinion, the Company has complied with financial covenants requested for financial entities related to these obligations as of December 31, 2014.

(m) As of December 31, 2014 and 2013, interests payable related to bonds and long-term debt are amounted to approximately S/.28,098,000 and S/.14,147,000, respectively and are recorded in the caption "Trade and other accounts payable", of the statement of financial position, note 14.

(n) Interests generated by Bonds and long-term loans as of December 31, 2014 and 2013, amounted approximately a S/.86,981,000 and S/.53,578,000, respectively are included in the caption "Financial costs" in the separate statement of income, note 27. From the total interests generated as for December 31, 2013, approximately S/.25,381,000 of interests have been capitalized, and are included in the caption "Property, plant and equipment, net" of the statement of financial position, see note 11 (c).

16. Deferred income

As of December 31, 2014, mainly correspond to sales of cement and clinker invoiced and not delivered, amounting to approximately S/.94,349,000 and S/.4,376,000, respectively, which will be conducted in the first quarter of year 2015 (S/.9,932,000 as of December 31, 2013 sales of cement delivered during January 2014).

17. Provisions

(a) The table below presents the components of this caption:

	Current		Non-Current	
	2014 S/.(000)	2013 S/.(000)	2014 S/.(000)	2013 S/.(000)
Workers' profit sharing (b)	19,069	14,384	-	-
Severance indemnities	1,244	1,093	-	-
Provision for mine closure (c)	358	337	13,492	13,663
	20,671	15,814	13,492	13,663

(b) Workers' profit sharing –

In accordance with Peruvian legislation, the Company maintains an employee profit sharing plan of 10 percent of annual taxable income. Distributions to employees under the plan are based 50 percent on the number of days that each employee worked during the preceding year and 50 percent on proportionate annual salary levels. During the years 2014 and 2013, the Company recognized an expense approximately to S/.32,853,000 y S/.26,109,000, respectively, see note 24(a).

(c) Provision for mine closure -

As of December 31, 2014 and 2013, the Company maintains a provision for future closure costs of its mines to be occur between 30 and 46 years. The provision was created on the basis of studies conducted by internal specialists using a discount rate. Based on the current economic environment, Management adopted certain assumptions which are considered reasonable to make an estimation of future liabilities. These estimates are reviewed annually to take into account any significant change in the assumptions. However, the actual costs of mine closure finally depend on future market prices for the necessary works of abandonment that will reflect market conditions at the relevant time. In addition, the actual closing time depends on when the mines ceases to produce economically viable products.

18. Deferred income tax liability, net

(a) The following table presents the composition of the caption, in accordance to the difference:

	As of January 1, 2013 S/.(000)	Statement of income S/.(000)	Charge to equity S/.(000)	Other S/.(000)	As of December 31, 2013 S/.(000)	Statement of income S/.(000)	Charge to equity S/.(000)	As of December 31, 2014 S/.(000)
Deferred tax liability								
Differences on fixed assets tax bases	444,654	17,744	-	-	462,398	(48,406)	-	413,992
Stripping cost	39,716	3,128	-	-	42,844	(6,136)	-	36,708
Capitalized interests	27,085	6,606	-	-	33,691	(3,155)	-	30,536
Deferred commissions related to bonds and long-term debt with financial entities	1,347	362	-	(216)	1,493	7,228	-	8,721
Exchange difference on leasings	7,839	(1,568)	-	-	6,271	(1,567)	-	4,704
Amortization of software	-	2,784	-	-	2,784	(502)	-	2,282
Amortization of intangible assets	1,312	668	-	-	1,980	2	-	1,982
	521,953	29,724	-	(216)	551,461	(52,536)	-	498,925
Deferred asset								
Deferred income (net)	(1,148)	214	-	(76)	(1,010)	(15,574)	-	(16,584)
Provision for vacation	(2,187)	(1,329)	-	273	(3,243)	272	-	(2,971)
Provision for mine closure	(2,856)	(603)	-	-	(3,459)	594	-	(2,865)
Derivative financial instruments	(1,033)	(1,737)	1,429	(95)	(1,436)	(879)	649	(1,666)
Other provisions	(1,319)	(2,126)	-	(1,294)	(4,739)	2,365	-	(2,374)
Workers' profit sharing charged to inventories	(178)	(93)	-	-	(271)	342	-	71
	(8,721)	(5,674)	1,429	(1,192)	(14,158)	(12,880)	649	(26,389)
Deferred income tax liability, net	513,232	24,050	1,429	(1,408)	537,303	(65,416)	649	472,536

The Company offsets assets and liabilities if and only if it has a legally enforceable right to offset current tax assets with current tax liabilities and when the deferred assets and deferred liabilities are relate to income taxes levied by the same tax authority.

(b) The current and deferred portions of income tax for the years ended 2014 and 2013 are comprised as follows:

	2014 S/.(000)	2013 S/.(000)
Current	(94,849)	(72,647)
Effect of exchange rate in the income tax	72,395	-
Deferred	(6,979)	(24,050)
	(29,433)	(96,697)

As of December 31, 2014 and 2013, the Company does not need to recognize a liability for deferred income taxes by the tax that would be payable on the profits of its subsidiaries. The Company has determined that the temporary differences will reverse through dividends to be received in the future, according to in force tax legislation in Peru are not subject to income tax.

(c) The table below presents the conciliation of the effective tax rate and the legal tax rate for the years 2014 and 2013:

	2014 S/.(000)	%	2013 S/.(000)	%
Profit before income tax	319,546	100.00	301,439	100.00
Income tax according tax rate	95,864	30.00	90,432	30.00
Effect of exchange rate in the income tax, note 30.3(a)	(72,395)	(22.66)	-	-
Tax effect on permanent items	5,964	1.87	6,265	2.10
Expense for income tax	29,433	9.21	96,697	32.1

In December 2014, the Peruvian Government approved a gradual reduction in the rate of income tax, see note 30.3(a). This reduction in future rates of income tax had a net impact of S/.72,395,000 as a reduction of the liability for deferred income tax. This amount has been recognized as a reduction to tax income in the statement of income for the year 2014.

19. Equity

(a) Capital stock–

As of December 31, 2014 and 2013, the capital stock is represented by 1,646,503,408common shares totally subscribed and paid at a nominal value of S/.1 per share. The common shares representing the Company's capital stock are traded on the Lima Stock Exchange.

Shareholders	Number of shares	Percent of participation %
Sindicato de Inversiones y Administración S.A.	714,311,308	43.38
Inversiones Andino S.A.	399,979,008	24.29
AFPs	351,394,094	21.34
Others	180,818,998	10.99
	1,646,503,408	100.00

As of December 31, 2014, the share price of each share has been S/.2.93 (S/.3.77 as of December 31, 2013).

(b) Legal reserve -

Under the terms of the General Corporation Law, it is required that at least 10 percent of the distributable profit for each year, less income tax, has to be transferred to a legal reserve until such reserve equals to 20 percent of the share capital. The legal reserve may offset any losses or may be capitalized, existing in both cases the obligation to replenish it.

(c) Unrealized net loss on hedging financial instruments –
Corresponds to the fair value changes on hedging financial instruments, net of its corresponding tax effect.

(d) Dividend distributions –
The Board of Directors meetings held on January 17, April 28, July 18 and November3, 2014, agreed to distribute dividends with charge to retained earnings for approximately S/.85,619,000 (S/.1 per common share), such payments were made on February 19, May 29, August 21 and December 3, 2014 respectively.

The Board of Directors meetings held on January 18, April 19, July 19 and October 18, 2013, agreed to distribute dividends with charge to retained earnings for approximately S/.83,971,000 (S/.1 per common share), such payments were made on February 21, May 23, August 22 and November 21, 2013, respectively.

20. Net sales

(a) This item is made up as follows:

	2014 S/.(000)	2013 S/.(000)
Cement	1,786,818	1,741,432
Clinker (b)	53,102	3
Concrete blocks, bricks and pavers	43,062	33,758
	1,882,982	1,775,193

(b) In 2014, the Company exported Clinker to Chile, Venezuela, Brazil and Uruguay for S/.53,096,000, since reached expected levels of production and delivery of cement in the local market.

21. Cost of sales

(a) This item is made up as follows:

	2014 S/.(000)	2013 S/.(000)
Beginning balance of finished goods and work in process, note 9(a)	149,763	94,322
Cost of production:		
Consumption of raw material (b)	128,446	220,049
Fuel	242,138	196,237
Depreciation, note 11(g)	172,022	129,228
Power	108,508	95,500
Personnel expenses, note 24(b)	102,395	86,291
Packaging	69,977	59,279
Stripping costs	11,985	22,731
Depreciation for stripping cost, note 12(a)	6,863	4,776
Other manufacturing expenses	265,512	253,106
Ending balance of finished goods and work in process, note 9(a)	(205,136)	(149,763)
	1,052,473	1,011,756

(b) In 2013, the Company made significant volumes of imports of clinker due to the fault of the Kiln 2, to achieve normal levels of cement production, see note 8 (c).

22. Administrative expenses

This item is made up as follows:

	2014 S/.(000)	2013 S/.(000)
Personnel expense, note 24(b)	54,074	49,507
Management services	39,311	36,578
Services rendered by third parties	32,156	30,944
Taxes	18,315	15,074
Donations	15,713	13,374
Depreciation, note 11(g)	5,690	9,217
Estimation for doubtful accounts, note 8(i)	-	1,553
Others	10,386	2,289
	175,645	158,536

23. Selling expenses

(a) This item is made up as follows:

	2014 S/.(000)	2013 S/.(000)
Sales commissions(b)	53,254	42,958
Advertising and marketing	39,417	37,767
Personnel expenses, note 24(b)	4,633	3,978
Warehouse managing services	3,182	2,653
Other	5,612	2,533
	106,098	89,889

(b) In 2014, the Company changed its cement marketing strategy with their key distributors, as a result the cement sales commissions increased.

24. Personnel expenses

(a) This item is made up as follows:

	2014 S/.(000)	2013 S/.(000)
Remunerations	79,796	69,893
Workers' profit sharing, note 17(b)	32,853	26,109
Bonuses	11,059	10,500
Vacations	8,975	6,652
Social contributions	8,484	7,143
Severance compensation	7,000	5,676
Medical aid	4,518	4,237
Fees and remunerations to Directors	3,931	3,658
Other	7,537	5,908
	164,153	139,776

(b) Personnel expenses are allocated as follows:

	2014 S/.(000)	2013 S/.(000)
Cost of sales, note 21(a)	102,395	86,291
Administrative expenses, note 22	54,074	49,507
Selling expenses, note 23(a)	4,633	3,978
Other operating income, net, note 25	3,051	-
	164,153	139,776

(c) The average number of employees during 2014was799 (755 in the year 2013).

25. Other operating income (expenses), net

This item is made up as follows:

	2014 S/.(000)	2013 S/.(000)
Other income -		
Insurance Indemnity, note 8(c)	21,761	35
Income from services	12,238	12,544
Income from royalties, note 28(b)	5,945	6,110
Sale of goods and supplies	3,842	3,182
Income of dividends	3,499	2,850
Recovery estimation of impairment of investments, note 10(b)	2,415	-
Rental income	1,942	2,609
Income from use of intellectual property, note 28(b)	1,663	-
Others	2,578	5,536
	55,883	32,866
Other expenses -		
Amortization of intangibles, note 13(a)	3,762	5,757
Personnel expenses, note 24(b)	3,051	-
Cost of goods and supplies	3,026	1,248
Cost from services	2,297	7,009
Provision for impairment of investments, note 10(b)	-	2,415
Others	1,124	8,553
	13,260	24,982

26. Finance income

This item is made up as follows:

	2014 S/.(000)	2013 S/.(000)
Interest on deposits	3,082	6,643
Others	528	995
	3,610	7,638

27. Finance expenses

(a) This item is made up as follows:

	2014 S/.(000)	2013 S/.(000)
Interest on bonds and long-term debt, note 15(n)	86,981	53,578
Interests on bank loans, note 15(c)	35,342	16,338
Other	5,981	5,345
	128,304	75,261
Commissions for structuring other financial liabilities, (b)	17,028	2,017
	145,332	77,278
Interest on hedging derivative instruments, note 31.1(i)	4,129	6,293
Change in fair value of trading derivatives	3,599	5,788
Loss on remeasurement to fair value of liabilities	-	1,476
	7,728	13,557
	153,060	90,835

(b) In May 2014, the Company paid a commission for structuring a bridge loan that came negotiating with local and foreign financial institutions; however, on October 2014, the Company chose other funding through a bond issue, see note 15(e) the amount paid and recognized as expenses in the year of approximately S/.14,527,000.

28. Related parties transactions

(a) Nature of the relationship -

During the years 2014 and 2013, the Company has made transactions with the following related entities:

- Sindicato de Inversiones y Administración S.A. – SIA

  SIA's main activity is to provide management services to the Company, in exchange for an annual payment up to 10 percent of its profits before taxes. As of December 31, 2014 and 2013, Sindicato de Inversiones y Administración S.A. owned 43.4 percent of the share capital of the Company.

- Unión de Concreteras S.A. – UNICON

  The Company main activity with UNICON is the commercialization of cement. UNICON is an indirect subsidiary of the Company through Inversiones en Concreto y Afines S.A. Likewise, UNICON provides the service of producing concrete blocks, bricks and pavers.

- Firth Industries Perú S.A. – FIRTH
  The Company main activity with UNICON is the commercialization of cement. FIRTH is a subsidiary of the Company, through Unión de Concreteras S.A.

- Compañía Eléctrica el Platanal S.A. – CELEPSA, see note 10 y 13(b).

- Prefabricados Andinos Perú S.A.C. – PREANSA, see note 10.

- Depósito Aduanero Conchán S.A. – DAC
  DAC's main activity is to provide storage services, authorized warehouse for own and third parties goods, as well as the promotion of services, transportation, storage, management and delivery of cement manufactured by the Company, which also rents to DAC the warehouse facilities for the development of its activities.

- Generación Eléctrica de Atocongo S.A. – GEA
  GEA's main activity is the generation and sale of electricity to the Company, which also leases GEA the equipment for the development of its business.

- ARPL Tecnología Industrial S.A. – ARPL
  The shareholders of the Company have significant influence in ARPL. The Company receives services related to advisory and technical assistance, development and management of engineering projects.

- La Viga S.A.
  It's the main supplier of cement of the Company in the city of Lima, representing approximately 20.7and 19.4 percent of total cement sales of the Company in 2014 and 2013, respectively.

(b) The main transactions with related during the years 2014 and 2013 were as follows:

	2014 S/.(000)	2013 S/.(000)
Cement sales –		
La Viga S.A.	370,265	358,978
Unión de Concreteras S.A.	183,010	190,060
Firth Industries Perú S.A.	57,506	56,214
Prefabricados Andinos Perú S.A.C.	823	1,664
Blocks, bricks and pavers sales –		
Unión de Concreteras S.A.	26,557	32,242
Firth Industries Perú S.A.	14,086	1,400
Leases of plant, equipment and facility –		
Unión de Concreteras S.A.	453	624
Depósito Aduanero Conchán S.A.	340	354
Prefabricados Andinos Perú S.A.C.	160	197
La Viga S.A.	77	7
Generación Eléctrica Atocongo S.A.	18	798
Firth Industries Perú S.A.	8	3
Vigilancia Andina S.A.	3	2
Income from royalties –		
Compañía Eléctrica el Platanal S.A., nota 25	5,945	6,110
Licenses - Intellectual property and trademarks – Abroad		
Lafarge Cementos S.A., nota 25	1,663	-
Dividends income –		
Generación Eléctrica Atocongo S.A.	2,996	2,496
Ferrocarril central Andino S.A.	486	308
Administrative, technology and management support–		
Drake Cement LLC	919	377
Prefabricados Andinos Perú S.A.C.	273	289
Depósito Aduanero Conchán S.A.	168	160
Generación Eléctrica Atocongo S.A.	92	88
Vigilancia Andina S.A.	67	66
Compañía Eléctrica el Platanal S.A.	63	37
Other income–		
Compañía Eléctrica el Platanal S.A.	1,201	593
Unión de Concreteras S.A.	190	281
Prefabricados Andinos Perú S.A.C.	59	545
Depósito Aduanero Conchán S.A.	41	8

	2014 S/.(000)	2013 S/.(000)
Generación Eléctrica Atocongo S.A.	4	250
La Viga S.A.	18	12
Sindicato de Inversiones y Administración S.A.	-	108
Purchases of electric energy –		
Compañía Eléctrica el Platanal S.A.	104,735	80,112
Generación Eléctrica Atocongo S.A.	-	3,536
Purchaseof Clinker –		
Drake Cement LLC	82,822	-
Management services–		
Sindicato de Inversiones y Administración S.A.	28,304	26,338
Inversiones Andino S.A.A.	11,007	10,243
Management project services–		
ARPL Tecnología Industrial S.A.	14,834	23,836
Celepsa Renovables S.A.C.	2,879	-
Compañía Electrica el Platanal S.A	865	-
Commissions and freight costs of cement sales-		
La Viga S.A.	23,414	18,260
Technical assistance and engeniering services –		
ARPL Tecnología Industrial S.A.	17,696	16,029
Maquila Service –		
Unión de Concreteras S.A.	7,793	11,178
Firth Industries S.A.	7,714	-
Purchase of concrete –		
Unión de Concreteras S.A.	19,821	6,794
Warehouse management services–		
Depósito Aduanero Conchán S.A.	3,710	4,348
Purchases of additional material –		
Unión de Concreteras S.A.	5,735	3,360
Generación Electrica Atocongo S.A.	67	1,202
Precast structures–		
Prefabricados Andinos Perú S.A.C.	-	814

	2014 S/.(000)	2013 S/.(000)
Expense reimbursements –		
Unión de Concreteras S.A.	7,582	1,894
ARPL Tecnología Industrial S.A.	689	333
Depósito Aduanero Conchán S.A.	-	435
Others –		
Vigilancia Andina S.A.	19,255	19,293
Generación Eléctrica Atocongo S.A.	3,572	4,453
Inversiones Andino S.A.	935	876
Firth Industries Perú S.A.	537	1,235
ARPL Tecnología Industrial S.A.	529	835
Depósito Aduanero Conchán S.A.	403	-
Prefabricados Andinos	158	-
Minera Adelaida	11	-
Basf Constrution Chemic	3	-
Prefabricados Andinos Perú S.A.C.	-	184
Drake Cement	-	31
Compañía Eléctrica el Platanal S.A.	-	4

(c) As a result of these and other minor transactions, as of December 31, 2014 and 2013, the Company had the following balances with its related entities:

	2014 S/.(000)	2013 S/.(000)
Trade receivable –		
Unión de Concreteras S.A.	25,926	23,948
Firth Industries Perú S.A.	23,907	14,085
La Viga S.A.	19,664	14,971
Compañía Eléctrica El Platanal S.A.	6,337	6,255
Asociación UNACEM	3,740	-
Drake Cement LLC	1,922	895
Lafarge Cementos S.A.	1,297	-
Sindicato de Inversiones y Administración S.A.	691	4,650
Inversiones en Concreto y Afines S.A.	316	315
Prefabricados Andinos Perú S.A.C.	54	813
Generación Eléctrica de Atocongo S.A.	18	250
Others	265	324
	84,137	66,506

	2014 S/.(000)	2013 S/.(000)
Trade payable–		
Compañía Eléctrica El Platanal S.A.	22,325	6,752
Unión de Concreteras S.A.	16,945	16,669
Sindicato de Inversiones y Administración S.A.	16,285	10,558
ARPL Tecnología Industrial S.A.	6,576	5,485
Inversiones Andino S.A.A.	6,333	12,297
Vigilancia Andina S.A.A.	2,243	1,381
La Viga S.A.	1,288	1,607
Firth industries Peru S.A.	1,021	1,063
Drake Cement LLC	338	31
Depósito Aduanero Conchán S.A.	325	97
Generación Eléctrica de Atocongo S.A.	306	898
Celepsa Renovables S.A.C.	256	-
Prefabricados Andinos Perú S.A.C	-	32
	74,241	56,870
By term -		
Current portion, note 14(a)	64,527	44,987
Non current portion, note 14(a)	9,714	11,883
	74,241	56,870

The Company conducts its operations with related entities under the same conditions as those made with third parties, therefore there is no difference in pricing policies or the settlement of tax base, in relation to the payment, and they do not differ with the policies issued to third parties.

(d) The total remuneration paid to directors and key members of management as of December 31, 2014is amounting to approximately S/.22,812,000 (approximately S/.21,800,000 in 2013), which include short-term benefits and compensation for time served.

29. Earnings per share

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

Calculation of the weighted average number of shares and the basic and diluted earnings per share is presented below:

	2014 S/.(000)	2013 S/.(000)
Numerator		
Net income attributable to common shares	290,113	204,742
	Thousand	**Thousand**
Denominator		
Weighted average number of common shares	1,646,503	1,646,503
Basic and diluted earnings for common shares	0.176	0.124

30. Commitments and contingencies

30.1 Financial commitments-

The Company has a "Comfort letter" with Scotiabank Perú S.A.A. in guarantee of Unión de Concreteras S.A.(subsidiary of Inversiones en Concreto y Afines S.A.), dated on July 31, 2009, which supports a credit line up to US$8,500,000 (approximately equivalent to S/.25,406,000), therefore it will be held different credit operations.

30.2 Financial leases -

The future minimum payments for leases are as follows:

	2014		2013	
	Minimum payments S/.(000)	Present value of minimum lease payments S/.(000)	Minimum payments S/.(000)	Present value of minimum lease payments S/.(000)
Between one to five years	368,911	342,742	420,309	380,865
Total payments	368,911	342,742	420,309	380,865
Less - finance costs	-	-	(499)	-
Present value of minimum lease payments	368,911	342,742	419,810	380,865

30.3 Tax situation-

(a) The Company is subject to the Peruvian tax system. As of December 31, 2014 and 2013, the income tax rate is 30 percent on the taxable income, after deducting the participation of workers which is calculated at a rate of 10 percent on the taxable income.

From the fiscal year 2015, according to law No.30296, "Law that promotes Economic Reactivation", the income tax rate applicable to taxable income, after deducting the workers participation will be as follows:

- Fiscal year 2015 and 2016: 28 per cent.
- Fiscal year 2017 and 2018: 27 per cent.
- Fiscal year 2019 forward: 26 per cent.

Legal persons not domiciled in Peru and individuals are subject to retention of an additional tax on dividends received.

In this regard, considering Law No.30296, the additional tax on dividend generated by profits is as follows:

- 4.1 per cent by profits generated until December 31, 2014.
- By the profits generated from 2015, whose distribution is made from that date and will be the following:
  - 2015 and 2016: 6.8 per cent.
  - 2017 and 2018: 8 per cent.
  - 2019 forward: 9.3 per cent.

(b) In order to determine the income tax, the transfer pricing transactions with related parties and resident companies in areas of low or no taxation, must be supported with documentation and information about the valuation methods used and the criteria used in its determination. Based on the Company's operations analysis; the Management's and its legal advisors' opinion, as a result of the application of these standards will not result any significant contingencies for the Company as for December 31, 2014 and 2013.

(c) The Tax Authority has the power to review and if necessary, adjust the income tax calculated by the Company during the four years following the year of the filing of the affidavit. The affidavits of income tax for the years 2010 to 2014 and the affidavits of General Sales Tax from monthly periods of exercise from December 2010 to December 2014 are open to inspection by the Tax Authority. The affidavits of income tax for the years 2011 to 2013 and the affidavits of General Sales Tax from monthly periods between December 2010 and September 2013 for Cemento Andino S.A. are open to inspection by the Tax Authority.

As for December 31, 2014 and 2013, the Company is in the process of audit of income tax with respect to 2007 and 2008.

Furthermore, dated November 27, 2014, the Company received a notice from the Tax Authority communicating that would take place from January 2015 a review of income tax of the year 2010.

As of to date of this report, the review referred to above, are in the process; however, in the opinion of management of the Company, any additional tax invoice will not be significant to the separate financial statements as of December 31, 2014 and 2013.

(d) Due to the interpretations likely to be given by the Tax Authority on current legal regulations, it is not possible to determine, as of this date, if whether the reviews to be conducted will result or not in liabilities for the Company, therefore, any increased tax or surcharge that could arise from possible tax reviews will be applied to the results of the year in which it is determined. In the Management's and its legal advisors' opinion, any additional tax settlement would not be significant for the financial statements as of December 31, 2014 and 2013.

As of December 31, 2014, the Company recorded a provision for income taxes of S/.88,705,000 and credits related to payments in advance of S/.100,017,000 (S/.70,494,000 and S/.132,170,000, respectively as of December 31, 2013). This balance amounting to S/.11,312,000 and other tax credits S/.4,243,000, are presented in "Trade receivable and others" of the statement of financial position, note 8 (f).

30.4 Contingencies –

In the normal course of business, the Company has received several complaints of such tax, legal (labor and management) and regulatory, which are recorded and disclosed in accordance with International Financial Reporting Standards as set out in note 3.2(p).

As a result of audits for the years 2004 to 2006, the Company has been notified by the Superintendence of Tax Authority (SUNAT) with different resolutions for alleged omissions in income tax. In some cases, the Company has filed appeals for not finding the appropriate resolutions in accordance with the laws in force in Peru and in other cases it has proceeded to pay the assessments received. As of December 31, 2014 and 2013, the Company has recorded the necessary provisions, leaving as a possible contingency an amount of S/.60,277,000 plus interest and costs. In October 2013, Cemento Andino S.A. submitted to SUNAT a request of refund of value added tax paid in excess for the month August 2013, for an amount ascending to approximately S/.584,000 , see note 8(d), that amount and interest was recovered in July 2014.

Likewise, as of December 31, 2014, the Company holds claims to Tax Authority (SUNAT), corresponding to demands and requirements of refund of income tax paid in excess for the years 2004, 2005, 2006 and 2009, in which it requested the decisions of the Tax Court set aside and will return the money paid ascending approximately S/.32,089,000 (approximately S/.17,900,000 as of December 31, 2013), see note 8(d).

Management and its legal advisors estimate that there are legal arguments to obtain a favorable outcome in these processes, in which case they will not have a significant impact on the financial statements of the Company.

On the other hand, through Resolution N° 004-2010/ST-CLC-INDECOPI of March 25, 2010, the Technical Secretary of the Committee for the Defense of Free Competition declared admissible the complaint by the Ferretería Malva S.A., against to the Company and others related to commission of anticompetitive behavior, and initiate an infringement procedure against the complained companies. In 2013, through Resolution N° 010-2013/CLC, the Committee for the Defense of Free Competition sanctions to the Company at the end of the unjustified refusal sales, imposing a penalty of 1,488.20 UIT and absolves the offense relating to boycott. Given the resolution of the Commission, the Company filed an appeal to the Court of Competition, at the end of the penalty for the alleged refusal of unjustified sales, which confirmed the decision appealed, whereupon the Company has decided to bring contentious administrative proceedings before the Judiciary, for the annulment of the decision of INDECOPI is declared. The Company expects to obtain a favorable ruling in court.

30.5 Mining royalties –

On November 20, 2013, Peru's Constitutional Court, in a final and unappeasable decision stated that the new regulation of the Royalty Mining Law in the year 2011, violates the constitutional right of property, as well as, the principles of legal reservation and proportionality, consequently, this modification is rendered inapplicable to the Company. Accordingly, the Company will continue using as basis for the calculation of the mining royalty the value of the concentrate or mining component and not the value of the product obtained by the industrial and manufacturing process.

Mining royalty expense paid to the Peruvian Government for the years 2014 and 2013 amounted to S/.3,451,000 and S/.2,853,000, respectively, and were recorded in the statement of income.

30.6 Environmental commitments -

The Company's activities are subject to environmental protection standards and have to meet the following regulations:

(a) Industrial activities -

The Law N° 28271 regulates the environmental liabilities of mining, have as objective to regulate the identification of environmental liabilities of mining and funding for remediation of affected areas. Under said law, an environmental liability corresponding to the impact caused to the environment by mining operations abandoned or inactive.

In accordance with the mentioned law, the Company filed Environmental Impact Assessments (EIA by its acronym in Spanish), Environmental Impact Statement (EIS by its acronym in Spanish) and the Environmental Adaptation Programs (PAMA by its acronym in Spanish) for its operating units.

Currently, the Company has an EIA for the modernization of its industrial plant facility approved by the Ministry of Production in May 2011, and has been executing environmental protection activities with an accumulated investment as of December 31, 2014 of US$54,434,000 (US$53,725,000 as of December 31, 2013) for implementation of the environmental management plan in the cement manufacturing process.

(b) Mining and port activities –
In relation to its mining and port activities, the Company in the environmental impact studies (EIA by its acronym in Spanish) mentioned in note 30.6(a), which are in compliance with the terms and amounts determined in such studies, and the accumulated investment in mining and port activities as of December 31, 2014 amounts to approximately US$19,301,000 (approximately US$17,603,000 as of December 31, 2013).

On October 14, 2003, the Congress of Peru issued the Law N° 28090, regulating the mine closures. This law regulates the obligations and procedures that must be complied with to statements of the mining activity to prepare, submit and implement a Mine Closure Plan, as well as the environmental guarantees that ensure the compliance of the investments subject to the principles of protection, preservation and restoration of the environment. The Company has submitted the closure plans of its mining units to the Ministry of Production and the Ministry of Energy and Mines within the statutory terms. The Closure Plans Studies have established the guaranties and investments to be made in the future, when the incremental and final closures of the mining activities in each unit of production are made. The provision for mine closure corresponds to the activities that must be performed for restoring the areas affected by the exploitation activities. The main works are related to earth movements and reforesting.

As of December 31, 2014 and 2013, the provision for mine closure amounts to approximately S/.13,850,000 and S/.14,000,000, respectively and it is included in the "Provisions" caption in the statement of financial position, see note 17(b). The Company believes that this liability is sufficient to meet environmental protection laws in force approved by the Ministry of Energy and Mines.

(c) Use of hydrocarbons –
Supreme Decree N° 046-93-EM Regulation for the Protection of Hydrocarbon Activities enacted on November 12, 1993 regulates the activities performed by the Company related to the use of hydrocarbons as final user. In compliance with this regulation, the Company has a PAMA that was approved by the Ministry of Energy and Mines in 1996. As of December 31, 2014, the Company has made an accumulated investment of approximately US$104,000 (US$98,000 as of December 31, 2013) in said PAMA.

(d) Special projects –
As of December 31, 2014, the projects that the Company is executing are:

(i) Second stage of the expansion of productive capacity of the Atocongo plant -
This project consists in increasing the production capacity of Kiln 1 from 3,200 to 7,500 tons of clinker per day and increasing the production capacity of raw meal and cement. Currently, it is operating. This project required disbursements for approximately S/.586,628,000 and commitments for approximately S/.625,000.

(ii) Cement mill 8 and cement packing 5 -
This project consists in the construction of Cement mill with a capacity of 150 tons per hour and bagging plant for cement bags with a capacity of 2,800 bags per hour. This project required to date, disbursements for approximately S/.140,756,000 and commitments for approximately S/.75,792,000.

(iii) 20,000-ton Cement Multisilo for Atocongo plant -
This project consists in the construction of multisilo with a capacity of 20,000 tons of cement. It has two systems that permit to feed the plant bulk systems and tubular belt. Currently, it is completed and operating. As of December 31, 2014, the Company has paid approximately S/.79,646,000.

(iv) Electro filter for the cooler of Kiln 1-
This project for the control of emissions will generate efficiencies in the particle caption higher than 99.9 percent in compliance with the Environmental Adaptation Programs (PAMA). Currently, it is completed and operating. As of December 31, 2014, the Company has paid approximately S/.24,800,000.

(v) Concrete brick plant -
This project consists in the construction of concrete brick plant with a capacity of 54,000 thousands of units. The plant is operating since December 2013 and it only needs to complete formalities related to urban qualification. This project required approximately S/.45,211,000 and commitments for approximately S/.1,507,000.

(e) Carbon credits –
As of December 31, 2014 and 2013, the Company has the project "Fuel Switching at Atocongo Cement Plant and Natural Gas Pipeline Extension, Cementos Lima, Peru", registered with the Executive Board of the United Nations Framework Convention on Climate Change (UNFCCC) on November 10, 2008. As of to date the Company has made 3 emissions of CERs.

Under this Project, June 14, 2010 UNFCCC approved the first issuance of 66,207 CERs, the sale revenue represented approximately €739,017. The second batch of 112,346 CERs was issued by UNFCCC dated May 23, 2011, revenue in the second issue were approximately € 1,304,000 which were fully charged and presented in the income statement of 2011, both issues were sold to EDF Trading Ltd. On September 20, 2013, the Secretariat of the UNFCCC issued 137,753

CERs corresponding to the third periodic verification of emission reductions, related to the period from September 1, 2010 to August 31, 2011.

31. Financial risk management, objectives and policies

The Company's principal financial liabilities comprise – aside derivative instruments – bank loans, trade payables and others, and other financial liabilities. The main purpose of these financial liabilities is to finance the Company's operations. The Company has cash and trade receivables and others that arise directly from its operations. The Company also holds derivative financial instruments.

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

The Company's Senior Management oversees the management of these risks. The Company's Senior Management is supported by the Financial Management that advises on financial risks and the appropriate financial risk governance framework for the Company. The Financial Management provides assurance to the Company's Senior Management that the Company's financial risk-taking activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Company policies and company risk appetite. All activities comprising risk management related derivative instruments are handled by a team of experts with suitable capabilities, experience and oversight.

The Board of Directors reviews and agrees policies for managing each of these risks which are summarized below:

31.1 Market risk –

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise four types of risk: interest rate risk, currency risk, commodity price risk and other price risk. Financial instruments affected by market risk include loans and borrowings, deposits and derivative financial instruments.

The sensitivity analyses shown in the following sections relate to the position as of December 31, 2014 and 2013.

The sensitivity analyses have been prepared on the basis that the amount of net debts, the ratio of fixed to floating interest rate of the debt and the proportion of financial instruments in foreign currencies are all constant as of December 31, 2014 and 2013.

(i) Interest rate risk –

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Exposure of the Company to the interest rate risk is related mainly to the long-term debt with variable interest rates.

The Company has four contracts interest rate swap designated as cash flow hedges and are recorded at their fair value. The details of these operations are as follows:

Counterparty	Reference value as of December 31, 2014	Maturity	Receives variable rate at:	Pays fix rate at:	Fair value	
					2014	2013
	US$(000)				S/.(000)	S/.(000)
Assets-						
Bank of Nova Scotia	50,000	August2018	Libor to 3 months + 2.35%	0.825%	313	307
Bank of Nova Scotia	50,000	September2018	Libor to 3 months + 2.40%	1.020%	405	465
					718	772
Liabilities-						
Bank of Nova Scotia	60,000	September2015	Libor to 3 months + 1.95%	3.680%	459	1,980
BBVA Banco Continental S.A.	40,000	September2016	Libor to 3 months + 2.90%	4.455%	494	1,188
					953	3,168

Financial instruments are intended to reduce exposure to interest rate risk variable associated with the financial obligations set out in note 15. These financings bear interest at a variable rate equal to the 3-month Libor.

The Company pays or receives on a quarterly basis (on each interest payment date of the loan) the difference between the Libor rate on the loan market in that period and the fixed rate agreed upon in the contract coverage. Flows actually received or paid by the Company are recognized as a correction of the financial cost of the loan period for the hedged loans.

In 2014, the Company recognized an expense on these derivative financial instruments amounting to approximately S/.4,129,000 (S/.6,293,000 during the year 2013), whose amounts were actually paid during the year and are presented as "Finance costs " in the statement of income, see note 27.

The effective portion of changes in the fair value of financial instruments that qualify as hedges is recognized as assets or liabilities and with impact on equity. As of December 31, 2014 and 2013, the Company has recognized under "unrealized results" in the statement of changes in equity, a negative change in fair value of approximately S/.164 000 and S/.1 ,678,000, respectively, which is presented net of the income tax effect.

Sensitivity to interest rate -

The following table shows the sensitivity to a reasonably possible change in interest rates on the portion of the loans, after the impact of hedge accounting. With all other variables remaining constant, the income before income tax would be affected by the impact on variable rate loans, as follows:

Increase / decrease in basis points	Impact on income before income taxes	
	2014	2013
%	S/.(000)	S/.(000)
+10	(173)	(174)
-10	173	174

The movement course in the basics related to the analysis of sensitivity to interest rate is based on the current market environment.

(ii) Foreign currency risk -

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange relates primarily to the Company's operating activities (when revenue or expense is denominated in a different currency from the Company's functional currency).

Management monitors this risk through analysis of the country's macroeconomic variables.

As of December 31, 2014, the Company has two "Cross Currency Interest Rate Swap" amounting to S/.5,988,000 on behalf of the bank (a "Cross Currency Interest Rate Swap" amounting to S/.2,389,000 on behalf of the bank as of December 31, 2013). These instruments were designated as held for trading.

The result of holding balances in foreign currency for the Company in years 2014 and 2013 was a loss in exchange difference amounting approximately S/.122,393,000 and S/.138,260,000, respectively, which are presented in the caption "Exchange difference, net" in the statement of income.

Foreign currency sensitivity -

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar exchange rate, with all other variables held constant, of the Company's profit before income tax (due to changes in the fair value of monetary assets and liabilities, including derivative financial instruments in foreign currency not classified as hedge).

Change in US Dollars exchange rate	**Effect on profit before tax**	
	2014	**2013**
%	S/.(000)	S/.(000)
+5	(149,630)	(52,147)
+10	(299,259)	(104,294)
-5	149,630	52,147
-10	299,259	104,294

31.2 Credit risk –

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to a credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks and financial institutions, and trade and other receivables. The maximum credit risk of the components of the financial statements as of December 31, 2014 and 2013 is represented by the amount of the captions cash and cash equivalents, trade and other accounts receivable.

Financial instruments and cash deposits -

Credit risk from balances with banks and financial institutions is managed by the Company's CFO in accordance with the Company's policy. Counterparty credit limits are reviewed by Management and Board of Directors to minimize the concentration of risks and therefore mitigate financial loss through potential counterparty's failure.

Trade accounts receivable –

Customer credit risk is managed by management, subject to the Company's established policies, procedures and controls. Outstanding customer receivables are regularly monitored to assure the collection. The Company's sales are made in Peru and there is a client portfolio of approximately 50 customers as of December 31, 2014 (from 49 to December 31, 2013). As of December 31, 2014, the Company had 4 significant customers that accounted for approximately 52.1 percent of sales (approximately 73.9 as of December 31, 2013).Likewise, the Company evaluates the accounts receivable whose collection is estimated as remote to determine the required allowance for no recoverability.

Other accounts receivable –

Accounts receivable correspond to balances pending of collection due to concepts not related to the main operation activities of the Company. As of December 31, 2014 and 2013, other accounts receivable correspond mainly to: advances to suppliers, claims to Tax Authority and

claims to third parties. Company's Management made a continuous monitoring of the credit risk to such items and periodically, it assesses the balances that evidence an impairment to determine the required allowance for no recoverability.

31.3 Liquidity risk –

The Company monitors its risk of shortage of funds using a recurring liquidity planning tool.

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of overdraft current accounts, bank loans and other financial liabilities

The table below summarizes the maturity profile of the Company's financial liabilities based on contractual undiscounted payments:

	As of December 31, 2014		
	From 3 to 12 months S/.(000)	**From 1 to 10 years** S/.(000)	**Total** S/.(000)
Trade and other accounts payable	233,828	9,714	243,542
Other financial liabilities			
Amortization of capital	573,293	3,313,373	3,886,666
Flow of interest payments	219,278	806,177	1,025,455
Total liabilities	1,026,399	4,129,264	5,155,663

	As of December 31, 2013		
	From 3 to 12 months S/.(000)	**From 1 to 10 years** S/.(000)	**Total** S/.(000)
Trade and other accounts payable	209,148	11,883	221,031
Other financial liabilities			
Amortization of capital	693,406	1,627,954	2,321,360
Flow of interest payments	91,218	153,947	245,165
Total liabilities	993,772	1,793,784	2,787,556

31.4 Capital management–

The Company's objective in managing capital is to safeguard its ability to continue as a going concern in order to generate returns for shareholders, benefits for other groups of interest and maintain optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company can adjust the amount of dividends paid to shareholders, refund capital to shareholders, issue new shares or sell assets to reduce its debt.

Consistent to the industry, the Company monitors its capital on the basis of leverage ratio. This ratio is calculated dividing the net debt into the capital stock. The net debt corresponds to the total of debt (including current and non-current debt) minus the cash and cash equivalents. The total capital stock corresponds to the net equity and is presented in the separate statement of financial position plus the net debt.

No changes were made in the objectives, policies or processes for managing capital during the years ended December 31, 2014 and 2013.

32. Fair values

Instruments recorded at fair value according to hierarchy -

The following table presents an analysis of the financial instruments recorded at fair value, according to their hierarchy level:

	2014 S/.(000)	2013 S/.(000)
Assets for derivative financial instruments:		
Level 2	718	772
Total	718	772
Liability for derivative financial instruments:		
Level 2	6,940	5,557
Total	6,940	5,557

Level 1 -

The financial assets included in the Level 1 category are measured based on quotations obtained from an active market. A financial instrument is regarded as quoted in an active market if prices are readily and regularly available from a centralized trading mechanism, agent, broker, industry group, pricing providers or regulatory agencies; and those prices stem from regular transactions in the market.

Level 2 -

Level 2 Financial instruments are measured based on market factors. This category includes instruments valued using market prices of similar instruments - whether it be an active market or not – and other valuation techniques (models) where all significant inputs are directly or indirectly observable in the marketplace. The following is a description of how the fair value of the Company's main financial instruments included in this category is determined:

- Derivative financial instruments–

  The valuation technique most commonly used includes forwards and swaps valuation methods that calculate the present value. These models consider various inputs, including the counterparties' credit quality, spot exchange rates, forward rates and interest rate curves.

Level 3 -

As of December 31, 2014 and 2013, the Company does not maintain financial instruments in this category.

The Company only carries derivative financial instrument at fair value, as indicated in paragraph (a); therefore, they are considered in Level 2 of the fair value hierarchy.

Other financial instruments are carried at amortized cost and their estimated fair value. The level of the fair value hierarchy is described as follows:

Level 1 –

- Cash and cash equivalents do not represent a credit risk or a significant interest rate; therefore, their carrying amounts are close to their fair value.

- Accounts receivable, as they are net of provision for loan losses and most have maturities of less than three months; Management deems their fair value is not materially different from its carrying value.

- Trade payables and others, due to its current maturity, Management deems that its accounting balances are close to its fair value.

Level 2 –

- The fair value of other financial liabilities was determined by comparing the market's interest rates at the time of its initial recognition against the market's current interest rates offered for similar financial instruments. The following is a comparison between the carrying value and the fair value of these financial instruments.

	2014		2013	
	Carrying value S/.(000)	Fair value S/.(000)	Carrying value S/.(000)	Fair value S/.(000)
Other financial liabilities (*)	3,361,589	2,812,532	1,604,440	1,287,365

(*) As of December 31, 2014 and 2013, the balance does not include bank notes, see note 15.

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