Unión Andina de Cementos S.A.A.

UN-AUDITED Separate Interim Financial Statements
As of December 31, 2016 and December 31, 2015

UNIÓN ANDINA DE CEMENTOS S.A.A.
Statement of Financial Position
As of December 31st, of 2016 and December 31st, 2015
(In thousands of Nuevos Soles)

	Notes	As of December 31st, 2016	As of December 31, 2015
Assets			
Current Assets			
Cash and cash equivalents	4	54,481	131,043
Other Financial Assets		0	0
Trade Accounts Receivable and other accounts receivable	5	**326,686**	**227,468**
Trade Accounts Receivable , net		64,509	72,198
Other Accounts Receivable , net		34,227	23,998
Accounts Receivable from Related Companies		219,803	116,367
Advanced payments		8,147	14,905
Inventories	6	685,629	666,608
Biological Assets		0	0
Assets by Income Taxes	5	3,954	62,211
Other Non-Financial Assets		10,874	7,878
Total Current Assets different than assets or groups of assets for its classified as held for sale or for distribution to owners		**1,081,624**	**1,095,208**
Non-current assets or groups of assets for disposal Classified as Held for Sale		0	0
Non-current assets or groups of assets for its classified as held for distribution to owners		0	0
Non-current assets or groups of assets for disposal Classified as Held for Sale or Held for distribution to owners		**0**	**0**
Total Current Assets		**1,081,624**	**1,095,208**
Non-Current Assets			
Other Financial Assets		0	0
Investments in subsidiaries, joint ventures and associates	7	3,262,977	3,260,757
Trade Accounts Receivables and other accounts receivables	5	**46,984**	**47,069**
Trade Accounts Receivable		0	85
Other Accounts Receivable		46,984	46,984
Accounts Receivable from Related companies		0	0
Advanced payments		0	0
Biological Assets		0	0
Investment Property		0	0
Property, Plant and Equipment , net	8	3,989,548	4,025,405
Intangible Assets , net	10	69,422	70,190
Assets Deferred Income Tax		0	0
Surplus value	10	9,745	9,745
Other Assets	9	127,132	131,663
Total Non-current Assets		**7,505,808**	**7,544,829**
TOTAL ASSETS		**8,587,432**	**8,640,037**

	Notes	As of December 31st, 2016	As of December 31, 2015
Liabilities and Stocholders' Equity			
Current Liabilities			
Other Financial Liabilities	12	750,098	486,154
Trade accounts payable and other payable accounts	0	**247,894**	**342,309**
Trade Accounts Payable	11	90,387	126,591
Other Accounts Payable	11	69,217	79,879
Accounts payable to related companies	11	71,981	46,320
Diferred Income	13	16,309	89,519
Provision for Employee Benefits		0	0
Other provisions	14	15,366	1,562
Income Tax Liabilities		0	0
Other non-financial liabilities		0	0
Total Current Liabilities different of Liabilities included groups of assets for disposal Classified as Held for Sale		**1,013,358**	**830,025**
Liabilities included in asset groups classified as held for sale		0	0
Total Current Liabilities		**1,013,358**	**830,025**
Non-Current Liabilities			
Other Financial Liabilities	12	3,112,633	3,633,384
Trade accounts payable and other payable accounts	11	**4,200**	**7,679**
Trade Accounts Payable		0	0
Other Accounts Payable		0	0
Accounts payable to related companies		4,200	7,679
Deferred Income		0	0
Provision for Employee Benefits		0	0
Other provisions	14	13,044	13,044
Liabilities Deferred Income Taxes	15(a)	533,129	479,660
Other non-financial liabilities	24	10,492	6,650
Total Non-Current Liabilities		**3,673,498**	**4,140,417**
Total Liabilities		**4,686,856**	**4,970,442**
Stockholders' Equity			
Capital Issued	16	1,646,503	1,646,503
Issuance Premiums		0	0
Investment shares		0	0
Treasury Shares in portfolio		0	0
Other Capital Reserves		329,301	312,273
Accrued Results		1,924,493	1,710,488
Other Equity Reserves		279	331
Total Stockholders' Equity		**3,900,576**	**3,669,595**
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		**8,587,432**	**8,640,037**

UNIÓN ANDINA DE CEMENTOS S.A.A.

Statement Income

For the periods ended December 31st, 2016 and 2015
(In thousands of Nuevos Soles)

	Notes	For the specific quarter from October 1, to December 31st, 2016	For the specific quarter from October 1, to December 31st, 2015	For the cummulative period from January 1st to December 31st, 2016	For the cummulative period from January 1st to December 31st, 2015
Incomes from ordinary activities		478,551	495,685	1,865,100	1,949,355
Cost of Sales		-299,913	-299,688	-1,079,188	-1,109,774
Profit (Loss) Gross	**17**	**178,638**	**195,997**	**785,912**	**839,581**
Sales Expenses		-29,177	-24,445	-97,719	-93,629
Administrative expenses		-47,939	-28,364	-194,829	-154,422
Profit (Loss) in the write-off of financial assets carried at amortized cost		-	-	-	-
Other Operating Income	18	16,424	18,344	260,513	181,364
Other Operating Expenses	18	-18,176	-7,835	-29,456	-21,784
Other profit (loss)		-	-	-	-
Profit (Loss) from operating activities		**99,770**	**153,697**	**724,421**	**751,110**
Financial Income		2,914	5,894	8,958	9,359
Financial Expenses	19	-70,672	-55,615	-241,562	-230,179
Exchange differences, net		18,181	-165,340	-17,639	-379,372
Other income (expense) from subsidiaries, joint ventures and associates		-	-	-	-
Share of Profit (Loss) in net results from Equity-Accounted Joint Ventures and related companies		-	-	-	-
Difference between the book value of the distributed assets and the book value of the divided payable		-	-	-	-
Gains before Income tax		**50,193**	**-61,364**	**474,178**	**150,918**
Income tax expenses	15(b)	-88,062	15,627	-157,527	-20,332
Profit (Loss) Net of Continued Operations		**-37,869**	**-45,737**	**316,651**	**130,586**
Profit (loss) net of the tax to the profit from discontinued operations		-	-	-	-
Profit (loss) net of the year		**-37,869**	**-45,737**	**316,651**	**130,586**

UNIÓN ANDINA DE CEMENTOS S.A.A.
Statement of Comprehensive Income
For the periods ended December 31st, 2016 and 2015
(In thousands of Nuevos Soles)

	Notas	For the specific quarter from October 1, to December 31st, 2016	For the specific quarter from October 1, to December 31st, 2015	For the cummulative period from January 1st to December 31st, 2016	For the cummulative period from January 1st to December 31st, 2015
Net Profit (Loss) of the year		**-37,869**	**-45,737**	**316,651**	**130,586**
Components of other comprehensive income:					
Net Change for Cash Flow Hedges		-383	1,038	-173	689
Hedges of a Net Investment in a Foreign Operation		0	0	0	0
Profit (Loss) in equity instrument investments at fair value		0	0	0	0
Exchange difference on translation of Foreign Operations		0	0	0	0
Net variation of non-current assets or groups of assets held for sale		0	0	0	0
Revaluation Surplus		0	0	0	0
Actuarial Gain (Loss) on defined benefit pension plans		0	0	0	0
Changes in the fair value of financial liabilities attributable to changes in the credit risk of the liability		0	0	0	0
Other Comprehensive Income Pre Tax		**-383**	**1,038**	**-173**	**689**
Income tax relating to components of other comprehensive income					
Net Change for Cash Flow Hedges		107	-292	121	-194
Hedges of a Net Investment in a Foreign Operation		0	0	0	0
Profit (Loss) in equity instrument investments at fair value		0	0	0	0
Exchange difference on translation of Foreign Operations		0	0	0	0
Net variation of non-current assets or groups of assets held for sale		0	0	0	0
Revaluation Surplus		0	0	0	0
Actuarial Gain (Loss) on defined benefit pension plans		0	0	0	0
Changes in the fair value of financial liabilities attributable to changes in the credit risk of the liability		0	0	0	0
Sum of Income Tax-Related Components of other comprehensive income		**107**	**-292**	**121**	**-194**
Other Comprehensive Income		**-276**	**746**	**-52**	**495**
Total Comprehensive Income for the period , net of income tax		**-38,145**	**-44,991**	**316,599**	**131,081**

UNIÓN ANDINA DE CEMENTOS S.A.A.
Statement of Cash Flow
Direct Method
For the periods ended December 31st, 2016 and 2015
(In thousands of Nuevos Soles)

	Notes	As of January 1st, 2016 to December 31st, 2016	As of January 1st, 2015 to December 31st, 2015
Operating activities cash flows			
Types of cash collections from operating activities			
Sale of Goods and Services		2,124,256	2,309,906
Royalties, fees, commissions and other income from ordinary activities		35,037	0
Contracts held for brokering or trading purposes		0	0
Lease and subsequent sales of such assets		0	0
Other Cash Receipts Related to Operating Activity		0	45,586
Types of cash collections from operating activities			
Suppliers of goods and services		-1,382,238	-1,426,119
Contracts held for brokering or trading purposes		0	0
cash payments to and on behalf of employees		-164,600	-172,216
Elaboration or acquisition of assets to be leased and other assets held for sale		0	0
Other Cash Payments Related to Operating Activity		0	0
Cash flows and cash equivalents from (used in) Operating Activities		**612,455**	**757,157**
Interests received (not included in the Investment Activities)		0	0
Interests paid (not included in the Investment Activities)		-241,062	-225,180
Dividends Received (not included in the Investment Activities)		0	0
Dividends Paid (not included in the Investment Activities)		0	0
Income tax (paid) reimbursed		-31,632	-62,211
Other cash collections (payments)		0	0
Cash flows and cash equivalents from (used in) Operating Activities		**339,761**	**469,766**
Cash flows from Investment activities			
Type of cash collections from investment activities			
Reimbursement of loan repayment and loans granted to third parties		0	0
Loss of control of subsidiaries or other businesses		0	0
Loan repayments received from related parties		0	0
Sale of Equity-related Financial Instruments or debt of other entities		0	0
Derivatives contracts (Futures, Forwards or Options)		0	0
Sales of Interest in Joint Ventures, Net of the expropriated cash		0	0
Sale of Property, Plant and Equipment		0	0
Sale of intangible assets		0	0
Sale of other long- term assets		0	0
Government Subventions		0	0
Interests received		0	0
Dividends received		116,180	127,615
Type of cash payments from investment activities			
Advances and loans granted to third parties		0	0
Controlling interest of subsidiaries and other businesses		0	0
Loans from related		0	0
Purchase of Financial Instruments of equity or debt of other entities		-2,220	-2,763
Derivatives contracts (Futures, Forwards or Options)		0	0
Purchase of Subsidiaries, Net of cash acquired		0	0
Purchase of Joint Venture shares, Net of the cash acquired		0	0
Purchase of Property, Plant and Equipment		-160,643	-289,973
Purchase of intangible assets		-4,895	-5,482
Purchase of other long- term assets		0	0
Income tax (paid) reimbursed		0	0
Other cash receipts (payments) relating to Investment activities			
Cash flows and cash equivalents from (used in) investing activities		**-51,578**	**-170,603**
Cash flows from Financing activities			

UNIÓN ANDINA DE CEMENTOS S.A.A.
Statement of Cash Flow
Direct Method
For the periods ended December 31st, 2016 and 2015
(In thousands of Nuevos Soles)

	Notes	As of January 1st, 2016 to December 31st, 2016	As of January 1st, 2015 to December 31st, 2015
Type of cash collections from financing activities			
Loan securing		352,698	509,182
Loans from related entities		0	0
Changes to the subsidiaries ownership interest not resulting in the loss of control		0	0
Issuance of Shares		0	0
Issuance of Other Equity Instruments		0	0
Government Subventions		0	0
Type of cash payments from financing activities		0	0
Loan Amortization or payment		-626,603	-652,747
Financial leasing liabilities		0	0
Loans from related entities		0	0
Changes to the subsidiaries ownership interest not resulting in the loss of control		0	0
Redemption or repurchase of the entities' shares (Shares in the portfolio)		0	0
Acquisition of other equity interest		0	0
Interests paid		0	0
Dividends paid		-85,618	-85,506
Income tax (paid) reimbursed		0	0
Other cash receipts (payments) relating to financing activities		0	0
Cash flows and cash equivalents from (used in) financing activities		**-359,523**	**-229,071**
Increase (Decrease) in Net Cash and cash equivalents, before Changes in Foreign Exchange Rates		**-71,340**	**70,092**
Effects of Changes in Foreign Exchange Rates on Cash and Cash Equivalents		-5,222	0
Increase (Decrease) in Net Cash and Cash Equivalents		**-76,562**	**70,092**
Cash and cash equivalents at beginning of year		**131,043**	**60,951**
Cash and cash equivalents at end of year		**54,481**	**131,043**

UNIÓN ANDINA DE CEMENTOS S.A.A.
Statement of change in Stockholder's Equity
For the periods ended December 31st, 2016 and 2015
(In thousands of Nuevos Soles)

	Capital Issued	Issuance Premiums	Investment shares	Treasury Shares in Portfolio	Other Capital Reserves	Accrued Results	Other Equity Reserves: Cash Flow Hedges	Investment Hedges, net of foreign businesses	Investments in equity instruments accounted at fair value	Exchange difference on translation of Foreign Operations	Non-current assets or groups of assets for held for sale	Revaluation Surplus	Actuarial Profit (Loss) on defined benefit plans	Changes in the fair value of financial liabilities attributable to changes in the credit risk of the liability	Subtotal	Total Stockholders' Equity
Balances as of January 1, 2015	1,646,503	-		-	299,214	1,678,579	-164								-164	3,624,132
1. Changes in Accounting Policies	-	-	-	-	-	-	-								-	-
2. Correction of Errors	-	-	-	-	-	-	-								-	-
3. Restated Initial Balance	1,646,503	-	-	-	299,214	1,678,579	-164	-	-	-	-	-	-	-	-164	3,624,132
4. Changes in Stockholders' Equity:																
5. Comprehensive Income:																
6. Gain (Loss) for the year						130,586										130,586
7. Other Comprehensive Income:						-	495	-	-	-	-	-	-	-	495	495
8. Comprehensive Income - Total year						130,586	495	-	-	-	-	-	-	-	495	131,081
9. Cash Dividends Declared					-	-85,618										-85,618
10. Equity Issuance (reduction)	-	-	-	-	-	-										-
11. Reduction or amortization of Investment shares		-	-	-		-										-
12. Increase (decrease) in Other Contributions by Owners	-	-	-	-	-	-										-
13. Decrease (Increase) for Other Distributions to Owners	-	-	-	-	-	-										-
14. Increase (Decrease) due to changes in the subsidiaries ownership interest not resulting in the loss of control	-	-	-	-	-	-										-
15. Increase (decrease) for transactions with Treasury Shares in Portfolio	-	-	-	-	-	-										-
16. Increase (Decrease) for Transfer and other Equity Changes	-	-	-	-	13,059	-13,059										-
Total Equity Increase (decrease)	-	-	-	-	13,059	31,909	495	-	-	-	-	-	-	-	495	45,463
Balance as of December 31st, 2015	1,646,503	-		-	312,273	1,710,488	331	-		-		-		-	331	3,669,595
Balance as of January 1, 2016	1,646,503	-		-	312,273	1,710,488	331			-		-		-	331	3,669,595
1. Changes in Accounting Policies	-	-	-	-	-	-			-	-	-	-	-	-	-	-
2. Correction of Errors	-	-	-	-	-	-			-	-	-	-	-	-	-	-
3. Restated Initial Balance	1,646,503	-	-	-	312,273	1,710,488	331		-		-		-	-	331	3,669,595
4. Changes in Stockholders' Equity:																
5. Comprehensive Income:																
6. Gain (Loss) for the year						316,651										316,651
7. Other Comprehensive Income:						-	-52	-	-	-	-	-	-	-	-52	-52
8. Comprehensive Income - Total year						316,651	-52		-		-		-	-	-52	316,599
9. Cash Dividends Declared					-	-85,618										-85,618
10. Equity Issuance (reduction)	-	-	-	-	-	-										-
11. Reduction or amortization of Investment shares		-	-	-		-										-
12. Increase (decrease) in Other Contributions by Owners	-	-	-	-	-	-										-
13. Decrease (Increase) for Other Distributions to Owners	-	-	-	-	-	-										-
14. Increase (Decrease) due to changes in the subsidiaries ownership interest not resulting in the loss of control	-	-	-	-	-	-										-
15. Increase (decrease) for transactions with Treasury Shares in Portfolio	-	-	-	-	-	-										-
16. Increase (Decrease) for Transfer and other Equity Changes	-	-	-	-	17,028	-17,028										-
Total Equity Increase (decrease)	-	-	-	-	17,028	214,005	-52	-	-	-	-	-	-	-	-52	230,981
Balance as of December 31st, 2016	1,646,503	-	-	-	329,301	1,924,493	279	-	-	-	-	-	-	-	279	3,900,576

Unión Andina de Cementos S.A.A.

UN-AUDITED Separate Interim Financial Statements

As of December 31, 2016 and 2015

1. Identification and Economic Activity

Unión Andina de Cementos S.A.A. (hereinafter “the Company” or "UNACEM") was incorporated in December 1967. The Company is a subsidiary of Sindicato de Inversiones y Administración S.A. (hereinafter “the Principal”) which holds 43.40 percent of the Company’s capital stock, which in turn is a subsidiary of Inversiones JRPR S.A., ultimate parent of the consolidated economic group. On July 24, 2012, the General Shareholder's 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 of cement and clinker. For this purpose, the Company owns two plants, one in Lima and the other one in Junín, whose annual production capacity is 6.7 million tons of clinker and 8.3 million tons of cement.

The separate financial statements as of the fourth quarter, 2016 have been issued with Management authorization and on January 27, 2017 will be presented for the approval of the Boards of Directors. The separate financial statements as of December 31, 2015 were approved on March 29, 2016 by the Board of Directors and the Shareholders within the terms established by law.

2. Acquisition of subsidiaries and bond issuance in 2014

On May 26, 2014, the Board of Directors 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 of the company agreed the international bond issue (“Senior Notes”). Therefore, on October 31, 2014 the Company issued the international bonds (“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 October 2021, resulting a total net collection of fees and expenses of US$615,000,000 (approximately equivalent to S/.1,839,000,000), see note 12 (e).

The Company used the funds to purchase the Lafarge Cementos S.A. shares through its subsidiary Inversiones Imbabura S.A. (“Imbabura”) for a total amount of US$518,900,000 (approximately equivalent to S/1,520,000,000), see note 7(a). On November 25, 2014, Imbabura took control of Lafarge operations in Ecuador. On December 2014, the company changed the name of Lafarge Cementos S.A. to UNACEM Ecuador S.A.

3. Summary of significant accounting policies

The accounting policies adopted to prepare the separate financial statement are consistent with those applied on December 31, 2015, except when otherwise indicated.

3.1 Basis of preparation -

The Company Separate Interim Financial Statements have been prepared according with the IAS 34 Interim financial information issued by the International Accounting Standards Board (IASB).

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 Soles (previously named "Nuevos Soles") and all values are rounded to the nearest thousand (S/000), except when otherwise indicated.

The interim financial statements provide comparative information for earlier periods, however, does not include all information and disclosures required in the annual financial statements and should therefore be read in conjunction with the audited report as of and for the year ended on December 31, 2015.

3.2 New accounting standards, interpretations and amendments

The IASB issued the following International Financial Reporting Standards (hereinafter 'IFRS"), 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 replaces IAS 39 Financial Instruments: Recognition and Measurement" and all the early versions of IFRS 9. IFRS 9 meets three aspects of project accounting for financial instrument: classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Except for hedge accounting retrospective application is required, but comparative information is not compulsory. For hedge accounting, the requirements generally applied prospectively with some exceptions.

- **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 separate statement of financial position and present movements in these account balances as separate line items in the separate 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 periods beginning on or after January 1, 2016.

- 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 recognized 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 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 January 1, 2018, when the IASB completes its amendments to defer the effective date of IFRS 15 for one year. Early adoption is permitted.

- **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 re-measured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, 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.

- **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.

  Amendments will take effect prospectively for periods beginning on or after January 1, 2016, with early adoption permitted.

- **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 January 1, 2016, with early adoption permitted.

- **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 January 1, 2016, with early adoption permitted.

IFRS 10 and IAS 28: "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture".

The amendments address the conflict between IFRS 10 Consolidated Financial Statements and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognized in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture. These amendments must be applied prospectively and are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted.

- **Annual improvements 2012 - 2014 Cycle**

  These improvements are effective from January 1, 2016. Including:

  IFRS 5 "Non-current assets held for sale and discontinued operations "

  Assets (or group of assets for disposal) are usually arranged through a sale or through distribution to owners. The precise modification when changing one of these methods available to another would not be considered as a new layout plan, but as a continuation of the original plan. Therefore, there is no interruption of the application of the requirements of IFRS 5. This amendment should be applied prospectively.

  IFRS 7 "Financial Instruments: Disclosures"

  - Servicing contracts

    The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in IFRS 7 in order to assess whether the disclosures are required. The assessment of which servicing contracts constitute continuing involvement must be done retrospectively. However, the required disclosures would not need to be provided for any period beginning before the annual period in which the entity first applies the amendments.
  - Applicability of the amendments to IFRS 7 to condensed interim financial statements.

    The amendment clarifies that the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report. This amendment must be applied retrospectively.

  IAS 19 "Employee Benefits"

  The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. This amendment should be applied prospectively.

IAS 34 " Interim Financial Reporting"

The precise modification of interim disclosures must be in the interim financial statements, or incorporated with a cross-reference of the interim financial statements to the other part of the interim financial information (for example, the Management's comments that report risk). The other part of the interim financial information should be available to users on the same conditions and while interim financial statements. This amendment must be applied retrospectively.

- **Amendments to IAS 1:** "Disclosure Initiative"

  The amendments to IAS 1 Presentation of Financial Statements clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

  - The materiality requirements in IAS 1.
  - That specific line items in the statement(s) of profit or loss and OCI and the statement of separated financial position may be disaggregated.
  - That entities have flexibility as to the order in which they present the notes to financial statements.
  - That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

  Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI. These amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted.

- Amendments to IFRS 10, IFRS 12 and IAS 28 "Investment Entities: "Application exception consolidation"

  The amendments address issues that have arisen in the application of the exemption for investment entities under IFRS 10.

  Amendments to IFRS 10 require that the exception applies present consolidated financial statements to a parent that is a subsidiary of an investment entity when the investment entity all its subsidiaries measured at fair value.

  In addition, amendments to IFRS 10 require only a subsidiary of an investment entity that is not itself an investment entity that provides support services to the investment entity should be consolidated. All other subsidiaries of an investment entity should be measured at fair value. The amendments to IAS 28 allow the investor in applying the equity method, keep the fair value measurement applied by the associate or joint venture is an investment entity to its holdings in subsidiaries.

  These amendments must be applied retrospectively and are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted.

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.

4. Cash and cash equivalent

(a) This caption is made up as follows:

	As of December 31 , 2016 S/.(000)	As of December 31 , 2015 S/(000)
Petty cash	847	761
Current accounts (b)	12,066	72,023
Time deposits (c)	41,568	58,259
	54,481	131,043

(b) Current accounts are maintained in local banks and abroad, mainly in Soles and US dollars; and they are free 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.

5. Trade and other receivables, net

(a) This caption is made up as follows:

	Current		Non- Current	
	As of December 2016 S/.(000)	As of December 31 , 2015 S/(000)	As of December 2016 S/(000)	As of December 31 , 2015 S/(000)
Trade accounts receivable, (b)	64,509	72,198	-	85
Accounts receivable from related parties, note 20 (b)	219,803	116,367	-	-
Advances to suppliers	8,147	14,905	-	-
Loans to employees (d)	10,654	6,560	5,663	5,663
Claims to third parties	10,846	5,425	3,853	3,853
Derivative financial instruments, note 23.1 (i)	396	460	-	-
Other accounts receivable	15,701	13,524	-	-
	330,056	229,439	9,516	9,601
Pre-paid income tax (c)	3,954	62,211	-	-
Claims to Tax Administration (e)	-	-	37,468	37,468
	3,954	62,211	37,468	37,468
Less – Estimation for doubtful accounts (f)	(3,370)	(1,971)	-	-
	330,640	289,679	46,984	47,069

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

(c) As of December 31, 2016 and December 31, 2015, corresponds to pre-paid income tax, paid on those dates, in addition to payments of temporary tax on net assets and credit from public works tax deduction.

In Management's opinion, the credit from income taxes will be applied to future taxes generated in the current period.

(d) As of December 31, 2016 and December 31, 2015 corresponds mainly to loans to employees, 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/10,654,000, and S/6,560,000 respectively.

(e) As of December 31, 2016 and December 31, 2015 corresponds mainly to claims submitted to the tax administration for the return of overpayment of income tax and selective excise of previous year, see note 22.4.

(f) The aging analysis of trade receivables and other as of December 31, 2016 and December 31, 2015 is as follows:

	As December 31, 2016		
	Non impaired S/(000)	Impaired S/(000)	Total S/(000)
Unexpired	184,248	-	184,248
Expired -			
Up to 1 month	39,250	-	39,250
- From 1 to 3 months	12,715	-	12,715
- From 3 to 6 months	121,218	-	121,218
- More than 6 months	16,238	3,370	19,608
Total (*)	373,670	3,370	377,040

	As December 31, 2015		
	Non impaired S/(000)	Impaired S/(000)	Total S/(000)
Unexpired	191,543	-	191,543
Expired -			
Up to 1 month	15,442	-	15,442
- From 1 to 3 months	17,236	-	17,236
From 3 to 6 months	22,272	-	22,272
- More than 6 months	19,716	1,971	21,687
Total (*)	266,209	1,971	268,180

(*) The balance does not include payments of income tax by approximately S/3,954,000 and S/62,211,000 as of December 31, 2016 and December 31, 2015, respectively.

In the note 23.2 on credit risk and accounts receivable, it is explained how the Company manages and measures the credit risk of trade receivables that are neither past due nor impaired.

(h) In Management's opinion, the allowance for doubtful accounts adequately covers the credit risk as of December 31, 2016 and December 31, 2015.

6. Inventories

(a) This caption is made up as follows:

	As of December 2016 S/(000)	As of December 2015 S/(000)
Finished products	13,775	16,349
Work in progress (b)	259,379	257,182
Raw and auxiliary materials (c)	183,296	182,525
Packages and packing	30,316	24,891
Spare parts and supplies (d)	205,456	193,546
	692,222	674,493
Provision for inventory obsolescence	(6,593)	(7,885)
	685,629	666,608

(b) Work in progress includes coal, pozzolan, 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 mainly include imported and domestic coal. As of December 31, 2016, the Company has in stock coal for approximately S/66,261,000 (S/49,607,000 as of December 31, 2015). In addition, the Company has remained in the warehouse of Drake Cement LLC (Company´s subsidiary) Clinker for approximately S/58,990,000 and S/58,882,000 as of December 31, 2016 and December 31, 2015, respectively.

(d) As of December 31, 2016 and December 31, 2015, the Company maintains no significant and necessary supplies parts to provide maintenance machinery and kiln of plants Atocongo and Condorcocha; these plants are evaluated through technical reviews, and in turn comply with the provisions of quality and are in proper storage conditions.

7. **Investments in subsidiaries and other**

(a) This caption is made up as follows:

	Economic activity	Country	Percentage of share Share participation		Carrying amounts	
			2016 %	2015 %	2016 S/(000)	2015 S/(000)
Inversiones Imbabura S.A.	Holding	Peru (subsidiary in Ecuador)	99.99	99.99	1,516,724	1,516,724
Skanon Investments, Inc.	Cement and concrete	United States of America	85.05	85.05	1,025,145	1,025,145
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	64,250	64,250
Prefabricados Andinos S.A.	Prefabricated	Chile	51.00	51.00	20,021	20,021
Prefabricados Andinos Perú S.A.C.	Prefabricated	Peru (subsidiary in Colombia)	50.02	50.02	17,537	17,537
Ferrocaril Central Andino S.A.	Services	Peru	16.49	16.49	7,567	7,567
Minera Adelaida S.A.	Holding	Peru	99.99	99.99	2,461	2,461
Depósito Aduanero Conchán S.A.	Services	Peru	99.99	99.50	2,783	563
Generación Eléctrica de Atocongo S.A.	Services	Peru	99.85	99.85	125	125
Others					224	224
					3,291,702	3,289,482
Estimation for Impairment of investments (b)					(28,725)	(28,725)
					3,262,977	3,260,757

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

Inversiones Imbabura S.A. – IMBABURA

It is a company incorporated in July 2014. IMBABURA's main activity is the investment in securities in entities domiciled in Ecuador, mainly dedicate to the cement industry related activities, ready-mix concrete, building materials and related activities.

On November 25, 2014, IMBABURA acquired 98.57 percent of total shares representing the capital of Ecuador UNACEM S.A. ("UNACEM Ecuador) and Subsidiaries and took control over it, whose main activity is the production and sale of cement in Ecuador.

In December 2014, IMBABURA acquired an additional 0.32 percent of voting shares with UNACEM Ecuador and thus their increased its stake to 98.89 percent.

In 2015, the Company made a capital contribution of approximately US$327,000 (equivalent to S/989,000), with which obtained 1,231 shares representing the capital of Ecuador UNACEM.

On March 9, 2015, the Company Finlatam Vermögensverwaltungs GMBH German, owned Lafarge S.A., made a refund through Inversiones Imbabura S.A. by initial valuation adjustment of approximately US$ 1,693,000 (equivalent to S/5,250,000).

- 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 94.15 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 2015, the Company made a capital contribution of approximately US$2,073,000 (equivalent to S/6,197,000), with which obtained 2,198,619 shares representing the capital 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 99.99 percent, which is also the owner in 99.99 percent of Concremax S.A., dedicated to the same activity.

- Transportes Lurín S.A. - LURIN

  It is a company incorporated in June 1990, Company´s direct subsidiary, which holds 99.99 percent share of the capital stock. LURIN's main activity is investment in securities, mainly in SKANON.

- Prefabricados Andinos S.A. – PREANSA Chile

  It is a company incorporated in November 1996. PREANSA Chile´s main activity is the manufacture and trade of prestressed and precast concrete structures in Chile.

- Prefabricados Andinos Perú S.A.C. - PREANSA Perú

  It is a company incorporated in October 2007. PREANSA Peru's main activity is the manufacture and trade of concrete structures (precast and prestressed) in Peru and abroad. PREANSA Peru holds 100 percent of the capital stock of Preansa Colombia S.A.S. (hereinafter "PREANSA Colombia"), which started it's operations on November 01, 2016.

As of December 2016, the Company made new capital contribution of approximately S/. 2,220,000 in Deposito Aduanero Conchan S.A. (S/156,000, S/172,000 and S/500,000 in Transportes Lurín S.A., Minera Adelaida S.A. and Depósito Aduanero Conchán S.A., respectively as of December 31, 2015).

(b) As of December 31, 2016 and December 31, 2015, the Company´s Management expect than the estimation for impairment of investments to S/28,725,000 substantively related to Transportes Lurín S.A.

8. Mining Concessions, 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 (d) S/(000)	Total S/(000)
Cost -												
As January 1, 2015	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
Additions	7,072	5,383	3,642	0	0	264	304	50	1,242	0	285,064	303,021
Transfers (e)	-	12,514	-	20,340	1,753	34,765	-	0	1,723	(7,234)	(63,861)	-
Withdrawals	-	-	-	-	-	(434)	(93)	-	-	-	-	(527)
As December 31, 2015	41,705	586,223	9,629	739,312	60,007	2,580,328	24,033	17,141	61,187	0	723,141	4,842,706
Additions (d)	1,836	-	575	-	1,852	-	1,012	81	584	-	154,703	160,643
				-	-							
Transfers	-	-	-	164,858	28,794	157,996	-	-	183	-	(351,831)	-
Withdrawals	-	-	-	-	-	-	(622)	-	-	-	38	(584)
As of December 31, 2016	43,541	586,223	10,204	904,170	90,653	2,738,324	24,423	17,222	61,954	-	526,051	5,002,765
Accumulated depreciation -												
As January 1, 2015	9,993	-	3,012	108,794	43,292	402,990	14,157	14,325	38,468	-	-	635,031
Depreciation of the period (e)	267	-	368	28,802	1,467	144,145	3,031	586	3,688	-	-	182,354
Withdrawals	-	-	-	-	-	-	(84)	-	-	-	-	(84)
As December 31, 2015	10,260	-	3,380	137,596	44,759	547,135	17,104	14,911	42,156	-	-	817,301
Depreciation of the period (e)	267	-	1,238	34,204	4,353	149,686	2,622	515	3,523	-	-	196,408
Withdrawals	-	-	(1)	-	-	(21)	(470)	-	-	-	-	(492)
As of December 31, 2016	10,527	-	4,617	171,800	49,112	696,800	19,256	15,426	45,679	-	-	1,013,217
Net amount in books -												
As of December 31, 2016	33,014	586,223	5,587	732,370	41,541	2,041,524	5,167	1,796	16,275	-	526,051	3,989,548
As December 31, 2015	31,445	586,223	6,249	601,716	15,248	2,033,193	6,929	2,230	19,031	-	723,141	4,025,405

(b) As of December 31, 2016 and December 31, 2015, corresponds mainly to the concessions of the quarries of Atocongo, Atocongo Norte, Pucará and Oyón.

(c) As of December 31, 2016, the carrying value of assets acquired through finance leases and leaseback amounted to approximately S/. 474,207,000 (S/. 507,714,000 as of December 31, 2015). The leased assets guaranteed financial lease liabilities, see note 12.

(d) The main additions as of December 30, 2016 correspond mainly to Cement Mill VIII, packing machine V and Carpapata II Hydroelectric plant for approximately S/. 80,716,000 (S/. 252,236,000 as of December 31, 2015).

(e) Depreciation has been distributed as follows:

	As of December 2016 S/(000)	As of December 2015 S/(000)
Cost of sale	188,801	175,307
Administrative expenses	5,469	5,378
Inventories in process	2,138	1,309
	196,408	182,354

(f) The amount of interest costs capitalized during the year ended on Saturday, December 31, 2016 was S/13,126,000 (S/13,048,000 as of December 31, 2015) that are related to qualified assets. Interest rates used to determine the amount of borrowing costs eligible for capitalization was 5.55 percent as of December 31, 2016 (As of December 31, 2015 was 5.56 percent).

(g) Management has assessment the recoverable amounts of mining concessions and property, plant and equipment of the Company has not identified an impairment loss of value for assets as of December 31, 2016 and December 31, 2015.

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

9. Deferred tripping assets

(a) This item is made up as follows:

	S/(000)
Cost -	
As of January 1, 2015	164,502
Additions	410
As of December 31, 2015	164,912
Additions	0
As of December 31, 2016	164,912
Accumulated depreciation -	
As of January 1, 2015	(28,550)
Additions	(4,699)
As of December 31, 2015	(33,249)
Additions	(4,530)
As of December 31, 2016	(37,780)
Net amount in books -	
As of December 31, 2016	127,132
As of December 31, 2015	131,663

As of December 30, 2016 and 2015, the Company has three identifiable components that allow a specific volume of waste and limestone in the quarries. Atocongo quarry; North Atocongo and Pucara quarry

As of December 31, 2016, the Company and technical advisors established 175,495,000 and 156,142,000 tons of limestone reserve and waste related to limestone to be extracted in the future, respectively (179,729,000 y 157,375,000 tons as of December 31, 2015, respectively), which are determined and controlled by identified components.

Limestone production and removal of waste as of December 31, 2016 was 4,233,929 and 1,233,089 tons (4,563,593 and 1,510,267 tons as of December 31, 2015) from quarries Atocongo; North Atocongo and Pucará. The preparation cost of quarries for the removal of waste as of December 31, 2016 amounted to approximately S / 5,189,000 (S/. 6,486,000 as of December 31, 2015)

10. Intangible assets, net

(a) This caption is made up as follows:

	Concession for electricity generation (b) S/(000)	Goodwill (c) S/(000)	Software S/(000)	Environmental protection program S/(000)	Others S/(000)	Total S/(000)
Cost -						
As of January 1, 2015	61,330	9,745	11,953	17,071	5,974	106,073
Additions	-	-	5,061	-	421	5,482
Withdrawals	-	-	0	-	(325)	(325)
As of December 31, 2015	61,330	9,745	17,014	17,071	6,070	111,230
Additions	-	-	2,809	-	2,086	4,895
Withdrawals	-	-	(451)	-	0	(451)
As of December 31, 2016	61,330	9,745	19,372	17,071	8,156	115,674
Accumulated amortization -						
As of January 1, 2015	7,105	-	3,229	16,797	348	27,479
Amortization of the period	1,484	-	2,282	37	13	3,816
As of December 31, 2015	8,589	-	5,511	16,834	361	31,295
Amortization of the period	1,484	-	2,932	237	569	5,212
As of December 31, 2016	10,073	-	8,443	17,071	920	36,507
Net amount in books -						
As of December 31, 2016	51,257	9,745	10,929	-	7,236	79,167
As of December 31, 2015	52,741	9,745	11,503	237	5,709	79,935

(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, 2016 and December 31, 2015, 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 in 2011 such Company was merged by absorption.

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.

(c) As of December 31, 2016 and December 31, 2015, the Company Management performed an evaluation of the state of use of their intangible assets, finding no evidence of impairment in such assets so that, in their opinion, the net value of the intangible assets is recoverable with future profits generated by the Company.

11. Trade and other payables

(a) This caption is made up as follows:

	Current		Non- Current	
	As of December 2016 S/(000)	As of December 2015 S/(000)	As of December 2016 S/(000)	As of December 2015 S/(000)
Trade accounts payable (b)	90,387	126,591	-	-
Related Accounts receivable, note 20 (b)	71,981	46,320	4,200	7,679
Interest payable, note 12(c) and (l)	35,095	39,211	-	-
Salaries and vacation payable	14,525	13,963	-	-
Value Added Tax payable	10,754	12,960	-	-
Dividends payable	246	246	-	-
Board compensation payable	2,612	172	-	-
Other accounts payable	5,985	13,327	-	-
	231,585	252,790	4,200	7,679

(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 yield interest and have no specific guarantees.

12. Other Financial liabilities

(a) This caption is made up as follows:

	As of December 31, 2016			As of December 31, 2015		
	Current Portion S/(000)	Non- Current Portion S/(000)	Total S/(000)	Current Portion S/(000)	Non- Current Portion S/(000)	Total S/(000)
Bank loans (b) and (c)	368,309	335,894	704,203	134,030	652,786	786,816
Bonds and long-term loans (d)	381,789	2,776,739	3,158,528	352,124	2,980,598	3,332,722
	750,098	3,112,633	3,862,731	486,154	3,633,384	4,119,538

(b) Bank loans mainly correspond to loans for working capital at fixed annual rates that range from 3.65 to 5.85 percent, do not have specific guarantees and are renewed depending on the needs of working capital from the Company. As of December 31, 2016 and December 31, 2015, the balance per bank consists of:

	As of December 2016 S/(000)	As of December 2015 S/(000)
Financial Entity -		
Citibank N.A. New York	312,480	258,466
BBVA Banco Continental	133,333	200,000
Banco Santander Uruguay	164,640	167,236
Scotianbank Peru S.A.A	93,750	131,250
ITAU UNIBANCO S.A.	-	29,864
	704,203	786,816

(c) As of December 31, 2016 and December 31, 2015, the interest payable amounts to approximately S/6,731,000 and S/8,214,000, respectively, and are recorded in the caption "Trade and other payable" of the separate statement of financial position, see note 11(a). As of December 31, 2016 and December 31, 2015, the interest expenses amounted to approximately S/39,159,000 and S/43,171,000, respectively, and are included in the caption "Financial costs" of the separate statement of income.

(d) The composition of the caption “Bonds and long-term loans” is as follows:

	Annual interest rate %	Maturity	Guarantee	As of December 31, 2016 S/(000)	As of December 31, 2015 S/(000)
Corporate Bonds -					
International bonds (e)	5,875	October 2021	No guarantees	2,100,000	2,133,125
First and third issuance of the second program (f) and (k)	Between 4.93 and 5.16	July 2020 and March 2023	No guarantees	120,000	180,000
First and third issuance programs (g) y (k)	6.25	January 2018	No guarantees	28,224	47,781
				2,248,224	2,360,906
Amortized costs				(21,837)	(25,617)
				2,226,387	2,335,289
Bank loans (k) -					
Banco Internacional del Perú	Between 5.25 and 6.24	July 2017 and March 2019	No guarantees	204,668	242,583
Bank of Nova Scotia	Libor to 3 months + 2.35 and 2.40	August and September 2018	No guarantees	124,180	183,591
Banco de Crédito del Perú (i)	Between 5.90 and 6.60	April 2019 and February 2020	No guarantees	174,819	182,072
BBVA Banco Continental (n)	4.35, 5.40 and 6.25	June 2017, July 2018 and November 2017	No guarantees	152,061	62,489
Banco de Crédito e Inversiones	2.45	July 2016	No guarantees	-	59,728
Scotiabank (n)	6.25	December, 2021	No guarantees	120,000	-
				775,728	730,463
Amortized costs				(3,986)	(4,893)
				771,742	725,570
Financial leasing -					
Banco de Crédito del Perú (h) and (k)	6.52	February 2018	Leased goods	114,876	200,463
Banco Internacional del Perú (j) and (k)	5.80	October 2018	Leased goods	45,523	71,400
				160,399	271,863
Total				3,158,528	3,332,722
Less - current portion				381,789	352,124
Non- Current Portion				2,776,739	2,980,598

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

(f) 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 Soles".

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 the same year, placed the Third Issuance of the same program amounting to S/60,000,000. On December 11, 2016 this issuance was dully canceled.

(g) 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) US$40,000,000 or its equivalent in 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". On January 21, 2010, The Company placed the Fisrt and Third issuance for US$7,000,000 and US$28,000,000. The First issuance of this program was dully cancel on January 2013.

(h) On December 17, 2008, the Company signed with BCP a contract of terms and conditions of financial leasing for a total of US$ 187,000,000 for the installment of a new line of production (Kiln 4) in the plant of Condorcocha located in Junin.

On March 13, 2015 the balance of funding up to US$ 84,832,000, which was initially in foreign currency was changed for local currency financing under the following conditions:

- The current interest rate in soles for all sections is 6.52 percent.
- Availability term of financing is three years and the payments are quarterly.
- The financing is secured by the assets given in financial leasing.

As of December 31, 2016, the net book value of the assets of the kiln 4 is approximately S/491,552,000 (S/528,461,000 as of December 31, 2015), which guarantee the funding described.

(i) On August 12, 2015, the Company entered into with Banco de Crédito Del Peru (BCP) a loan agreement medium-term S/150,000,000 for construction, equipment, installation and commissioning of the hydroelectric plant Carpapata. The term of the loan is four and a half years and accrues interest at an effective annual interest rate of 5.90 percent. Among other terms of the contract the Company requires compliance with certain financial covenants.

(j) On May 19, 2010, the General Shareholders Meeting approved the leasing agreement signed with Banco Internacional del Peru (Interbank) to expand the production capacity of the kiln 1 from 3.200 to 7.500 tons of Clinker/daily located in the Atocongo plant. The Company completed the project in 2013.

As of December 31, 2016, the net book value of the assets of the extension of kiln 1 at the Condorcocha plant is approximately S/555,016,000 (S/584,891,000 as of December 31, 2015), which guarantee the described financing.

(k) Financial covenants are quarterly monitored and must be calculated on the basis of the independent financial information and the calculus methodology required by the financial entity.

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 the financial covenants required by financial institutions with which has funding as of December 31, 2016 and December 31, 2015.

(l) As of December 31, 2016 and December 31, 2015, interests payable related to bonds and long-term debt are amounted to approximately S/28,364,000 and S/30,997,000, respectively, and is recorded in the caption "Trade and other payable" of the separate statement of financial position, note 11(a).

(m) Interests generated by Bonds and long-term loans as of December 31, 2016 and June 30, 2015 amounting approximately S / 168,016,000 and S / 167,265,000, respectively, and is recorded in the caption "Financial costs" in the separate income statement. From the total interests generated as for March 31, 2016 have been capitalized approximately S/13,126,000 and are included in the caption "Property, plant and equipment, net" of the separate statement of financial position.

(n) On November 30, 2016, the Company entered into two financing agreements, each for S/120,000,000, with Scotiabank Perú and BBVA Continental, both for a term of five (5) years with a grace period of eighteen (18) months and fourteen (14) quarterly amortizations, with the purpose of refinancing short-term financial debt.

13. Deferred income

As of December 31, 2016, mainly correspond to sales of cement and clinker invoiced and not delivered, amounting to approximately S/16,309,000 which will be conducted in the third quarter of year 2017 (S/89,519,000 as of December 31, 2015 sales of cement delivered during the first quarter of year 2016).

14. Provisions

(a) This caption is made up as follows:

	Current		Non- Current	
	As of December 2016 S/(000)	As of December 2015 S/(000)	As of December 2016 S/(000)	As of December 2015 S/(000)
Compensation for time served	1,467	1,318	-	-
Mine closure provision (c)	196	244	13,044	13,044
Workers' profit sharing (b)	13,703	-	-	-
	15,366	1,562	13,044	13,044

(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. As of December 31, 2016, the Company recognized an expense approximately S/24,592,000 (S/16,806,000 as of December 31, 2015).

(c) Provision for mine closure

As of December 31, 2016 and December 31, 2015, the Company maintains a provision for future closure costs of its mines to be occur between 12 and 38 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. This estimate is reviewed annually to take into account any change in the assumptions. However, the actual costs of closing the mines finally depend on future market prices for the necessary works of abandonment that reflect market conditions at the relevant time. In addition, the actual closing time depends on when the mines cease to produce economically viable products.

15. Deferred income tax liability

(a) The following presents the composition of the caption as of December 31, 2016 and December 31, 2015.

	As of December 31, 2016 S/(000)	As of December 31, 2015 S/(000)
Deferred liability		
Differences on fixed assets tax bases	463,467	428,182
Deferred tripping assets	37,504	35,507
Capitalized interests	36,975	32,505
Exchange difference on financial leasing's	2,184	2,826
Amortization of intangibles	3,897	2,586
Amortization of software	1,195	1,787
	545,222	503,393
Deferred asset		
Deferred income (net)	(1,506)	(11,723)
Provision for vacation	(3,097)	(2,291)
Derivative financial instruments	-	(1,533)
Provision for mine closure	(1,968)	(1,303)
Depreciation charged to inventories	-	(1,211)
Participation charged to inventories	-	(442)
Other provisions	(5,522)	(5,230)
	(12,093)	(23,733)
Deferred income tax liability, net	533,129	479,660

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 as of December 31, 2016 and 2015 are comprised as follows:

	As of December 31 , 2016 S/(000)	As of December 31 , 2015 S/(000)
Current	(92,431)	(4,708)
Impact of exchange rates on the income tax	(61,657)	-
Deferred	(3,439)	(15,624)
Total	(157,527)	(20,332)

16. Equity

(a) Issued Capital –

As of December 31, 2016 and 2015, the capital stock is represented by 1,646,503,408 common 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	Percentage Share %
Sindicato de Inversiones y Administración S.A.	714,311,308	43.38
Inversiones Andino S.A.	399,979,008	24.29
AFPs	361,198,870	21.94
Others	171,014,222	10.39
	1,646,503,408	100,00

As of December 31, 2016, the share price of each share has been S/2.56 (S/1.70 as of December 31, 2015).

(b) Legal reserve -

Under the terms of the Peruvian General Companies 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 profit (loss) on hedging financial instruments –

It corresponds to the fair value changes on hedging financial instruments, net of its corresponding tax effect.

(d) Dividend distributions –

At the Board of Directors meetings held on January 29, April 29, July 22 and October 28, 2016, the Company agreed to distribute dividends with charge to retained earnings for approximately S/85,618,000 (S/0.039 per share); such payments were made on March 02, June 1, August 26 and December 5, 2016, respectively.

At the Board of Directors meetings held on January 23, April 17, July 17 and October 23, 2015, the Company agreed to distribute dividends with charge to retained earnings for approximately S/85,618,000 (S/0.052 per share), such payments were made on February 24, May 20, August 24 and November 25, 2015 respectively.

17. Net sales, cost of sales and net earnings

(a) The following table presents the composition of the caption, of the period ending on December 31, 2016:

	As of December 31 , 2016 S/(000)	As of December 31 , 2015 S/(000)
Cement	1,783,212	1,846,731
Concrete blocks, bricks and pavers	52,477	55,794
Exports of Clinker	29,411	46,830
	1,865,100	1,949,355
Cost of sale	(1,079,188)	(1,109,774)
Gross profit	785,912	839,581

18. Other operating (expenses) income, net

As of December 31, 2016 and 2015 this category is mainly composed of dividends received from subsidiaries:

- Inversiones Imbabura S.A., received dividends from its subsidiary UNACEM Ecuador SA, for approximately US$ 52,900,000 (equivalent to S/180,653,000.) And US$ 40,296,000 (equivalent to S/130,675,000), respectively. See note 20 (a) and (b).
- Inversiones en Concreto y Afines S.A., received dividends from its subsidiary Union Concreteras S.A., for approximately S/30,154,000 as of December 31, 2016. See note 20 (a) and (b).
- Ferrocarril Central Andino SA for US $ 247,000 (equivalent to S/2,523,000) and US $660,000 (equivalent to S/2,041,000) respectively. See note 20 (a) and (b).

19. Financial costs

As of December 31, 2016 and 2015, this item is mainly composed of interest on bonds and debt with banks by S/207,176,000 and S/210,435,000, respectively.

20. Transactions with related parties

(a) The main transactions with related entities as of December 31 were as follows:

	2016 S/(000)	2015 S/(000)
Cement sales -		
La Viga S.A.	392,300	379,242
Unión de Concreteras S.A.	181,322	192,243
CONCREMAX S.A.	50,352	63,729
Prefabricados Andinos Perú S.A.C.	1,652	1,074
Asociación Unacem	493	430

	2016 S/(000)	2015 S/(000)
Blocks, bricks, pavers and HCR sales -		
Unión de Concreteras S.A.	25,109	31,180
CONCREMAX S.A.	27,370	24,379
Leases of plant, equipment and facility -		
Unión de Concreteras S.A.	753	548
Depósito Aduanero Conchán S.A.	326	328
La Viga S.A.	178	173
Prefabricados Andinos Perú S.A.C.	187	166
Others	64	73
Income from royalties –		
Compañía Eléctrica el Platanal S.A.	4,585	5,510
Licenses - Intellectual property and trademarks – Abroad		
Unacem Ecuador S.A.	18,459	20,743
Dividends income, note 18 –		
Inversiones Imbabura S.A.	180,653	130,675
Ferrocarril Central Andino S.A.	2,523	2,041
Inversiones en Concreto y Afines S.A.	30,154	-
Generación Eléctrica Atocongo S.A.	-	1,398
Administrative, technology and management support –		
Drake Cement LLC	349	493
Unacem Ecuador S.A.	2,446	-
Prefabricados Andinos Perú S.A.C.	324	307
Generación Eléctrica Atocongo S.A.	246	195
Depósito Aduanero Conchán S.A.	200	189
Compañía Eléctrica el Platanal S.A.	84	76
Vigilancia Andina S.A.	77	73
Prefabricados Andinos S.A.	48	-
Prefabricados Andinos Colombia S.A.S.	5	-
Transportes Lurín S.A.	110	-
Sell of Clinker-		
Drake Cement LLC	1,561	4,404
Other Incomes -		
Compañía Eléctrica el Platanal S.A.	1,120	1,101
Unacem Ecuador S.A.	495	-
Unión de Concreteras S.A.	185	120
Prefabricados Andinos Perú S.A.C.	96	84
Others	61	16

	2016 S/(000)	2015 S/(000)
Purchases of electric energy –		
Compañía Eléctrica el Platanal S.A.	88,048	116,325
Management service-		
Sindicato de Inversiones y Administración S.A.	40,914	13,098
Inversiones Andino S.A.	15,911	5,093
Project Management Services -		
ARPL Tecnología Industrial S.A.	6,438	27,714
Celepsa Renovables S.A.C.	1,594	2,718
Commission and freight for cement sales		
La Viga S.A.	19,155	17,934
Unión de Concreteras S.A.	1,030	-
Concremax S.A	865	-
Engineering services and technical assistance -		
ARPL Tecnología Industrial S.A.	19,702	18,065
Maquila Service –		
Concremax S.A	15,221	12,832
Unión de Concreteras S.A.	6,554	7,464
Purchase of concrete –		
Unión de Concreteras S.A.	-	17,198
Warehouse management services–		
Depósito Aduanero Conchán S.A.	2,099	3,647
Purchases of additional material –		
Unión de Concreteras S.A.	4,001	5,524
Expense reimbursements –		
Unión de Concreteras S.A.	5,997	8,316
ARPL Tecnología Industrial S.A.	202	942
Generación Eléctrica Atocongo S.A.	11	-
Leases of Carpapata III equipment		
Unión de Concreteras S.A.	17,167	-
Concremax S.A	1,853	-
Others -		
Vigilancia Andina S.A.	20,927	20,080
Generación Eléctrica Atocongo S.A.	3,183	2,964
Unión de Concreteras S.A.	489	-

	2016 S/(000)	2015 S/(000)
CONCREMAX S.A.	-	2,164
Inversiones Andino S.A.	1,005	880
Depósito Aduanero Conchán S.A.	404	361
Transportes Lurín S.A.	1,944	-
Drake Cement LLC	342	347
Prefabricados Andinos Perú S.A.C.	209	18
BASF Construction Chemicals Perú S.A.	65	-

(b) As a result of these and other minor transactions, the Company kept the following balances with its related entities as of December 31, 2016 and December 31, 2015:

	2016 S/(000)	2015 S/(000)
Trade accounts receivable -		
Inversiones Imbabura S.A.	103,546	6,000
Inversiones en Concreto y Afines S.A.	103	50
La Viga S.A.	23,746	30,235
CONCREMAX S.A.	12,149	13,800
Drake Cement LLC	22,561	21,016
Unión de Concreteras S.A.	41,326	33,994
Compañía Eléctrica el Platanal S.A.	4,811	5,842
Skanon Investments, Inc.	5,798	-
Unacem Ecuador S.A.	4,855	4,192
Prefabricados Andinos Perú S.A.C.	520	317
Generación Eléctrica de Atocongo S.A.	10	631
Sindicato de Inversiones y Administración S.A.	159	161
Asociación Unacem	137	6
Others	82	123
	219,803	116,367
Trade accounts receivable -		
Unión de Concreteras S.A.	21,204	20,138
Compañía Eléctrica el Platanal S.A.	10,452	10,586
ARPL Tecnología Industrial S.A.	2,673	9,561
CONCREMAX S.A.	4,242	4,106
Sindicato de Inversiones y Administración S.A.	23,001	2,532
Vigilancia Andina S.A.	2,110	1,988
La Viga S.A.	2,017	1,799
Inversiones Andino S.A.	7,946	1,096
Drake Cement LLC	1,173	846
Celepsa Renovables S.A.C.	71	630

	2016 S/(000)	2015 S/(000)
Generación Eléctrica de Atocongo S.A.	31	610
Depósito Aduanero Conchán S.A.	138	107
Transportes Lurin S.A.	1021	-
Unacem Ecuador S.A.	95	-
Prefabricados Andinos S.A.	7	-
	76,181	53,999
By Term -		
Current portion, note 11(a)	71,981	46,320
Current portion, note 11(a)	4,200	7,679
	76,181	53,999

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, 2016 is amounting to approximately S/23,774,000 (approximately S/21,247,000 as of December 31, 2015), which include short-term benefits and compensation for time served.

21. Earnings per share

Basic earnings per share 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:

	As of December 31 , 2016 S/(000)	As of December 31 , 2015 S/(000)
Numerator		
Earning attributable to common shares	316,651	130,586
	In thousands	**In thousands**
Denominator		
Weighted average number of common shares	1,646,503	1,646,503
Basic and diluted earnings for common shares	0.192	0.079

22. Commitments and contingencies

22.1 Financial Commitments –

As of December 31, 2016 and December 31, 2015, the Company has the following financial commitments:

- Guarantee letter in favor of the National Institute for the Defense of Competition and the Protection of Intellectual Property (INDECOPI) issued by BBVA Banco Continental in an amount of S/5,878,000 with a maturity on May 2017, in order to ensure compliance with the payment of a fine imposed for defense of free competition of INDECOPI, see note 22.4.

22.2 Finance leases -

The future minimum payments for financial leases and financial leasebacks are as follows:

	2016		2015	
	Minimum payments S/(000)	Present value of minimum payments S/(000)	Minimum payments S/(000)	Present value of minimum payments S/(000)
Between one and five years	168,876	154,647	294,948	245,949
Total Payments to be done	168,876	154,647	294,948	245,949
Less - finance costs	(8,477)	-	(23,085)	-
Present value of minimum lease payments	160,399	154,647	271,863	245,949

22.3 Tax Situation -

(a) The Company is subject to the Peruvian tax system. As of December 31, 2016 and 2015 the income tax rate is 28 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 2017, according to Law No.1261, "Law that promotes Economic Reactivation", the income tax rate applicable to taxable income, after deducting the workers participation will be 29.5 percent.

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.1261, the additional tax on dividend generated by profits is as follows:

- 4.1 per cent by profits generated until December 31, 2014.
- 6.8 per cent by profits generated from 2015 and 2016 period.
- 5.0 per cent by profits generated from 2017 period.

(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 of December 31, 2016 and December 31, 2015.

(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 2011 to 2015 and the affidavits of General Sales Tax from monthly periods of exercise from December 2011 to December 2015 are open to inspection by the Tax Authority. The affidavits of income tax for the years 2011 to 2012 and the affidavits of General Sales Tax from monthly periods between December 2010 and September 2012 for Cemento Andino S.A. are open to inspection by the Tax Authority.

(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, 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 separate financial statements as of December 31, 2016 and December 31, 2015.

As of December 31, 2016, the Company recorded a provision for income taxes of S/79,535,000 and credits related to payments in advance of S/83,489,000 and S/57,476,000, as of December 31, 2016 and December 31, 2015, respectively. This balance as of December 31, 2016 and December 31, 2015 amounts to S/3,954,000 and S/55,934,000, respectively; and other tax credits S/ 0 and S/6,277,000 respectively are presented in "Trade and others receivable, net" of the separate statement of financial position, note 5(c).

22.4 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 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, 2016 and December 31, 2015, the Company has recorded the necessary provisions, leaving as a possible contingency an amount of S/48,255,000 plus interest and costs.

As a result of audits for the years 2004 to 2010, 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, 2016 the Company has recorded the necessary provisions, leaving as a possible contingency an amount of S/19,912,000 plus interest and costs.

Likewise, as of December 31, 2016 and December 31, 2015, 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/31,214,000, see note 5(e).

On the other hand, the Company has two additional claims for excise tax related to coal imports in 2006 and 2007 for a total amount of S/6,254,000, see Note 5(e). In December 2015, the Superior Court upheld the original ruling in 2014 declaring void the Tax Court Resolution N°14294-A-2013 by claims amounting to approximately S/5,023,000. 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. Through Resolution N°05 of July 13, 2015, the Twenty-Fifth Administrative Court declared the process sanitized the evidence was admitted and ordered to refer the case to the Public Ministry to issue the final opinion. The Company expects to obtain a favorable ruling in court.

22.5 Environmental commitments -

The activities of the Company are subject to environmental protection standards. This tax rules are the same as those described in the notes to the annual separate financial statements as of December 31, 2015.

22.6 Investment commitments -

As of December 31, 2016, the main project that is implementing the Company is the Hydroelectric Carpapata III. This project is about the construction of the Carpapata III hydroelectric plant and it will have a capacity of approximately 12.8 MW feeding to Condorcocha plant. As of December 31, 2016, the Company has a accumulate investment of approximately S/195,242,000 (S/123,810,000 as of December 31, 2015).

23. Financial risk management, objectives and policies

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

23.1 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 others prices 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 consolidated financial situation as of December 31, 2016 and 2015.

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, 2016 and December 31, 2015.

(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 two contracts interest rate swap designated as cash flow hedges and two contracts interest rate swap designated as negotiation. Both recorded at their fair value. The details of these operations are as follows:

Counterparty	Referential amount as of December 31, 2016	Maturity	Receives variable rate at:	Pays fix rate at:	Fair Value	
					2016	2015
	US$(000)				S/(000)	S/(000)
Asset						
Bank of Nova Scotia	14,583	August 2018	Libor to 3 months + 2.35%	0.825%	164	211
Bank of Nova Scotia	22,375	September 2018,	Libor to 3 months + 2.40%	1.020%	232	249
					396	460
Liabilities						
Citibank	23,000	October 2017	Libor to 3 months + 2.70%	2.750%	1,309	-
Citibank	70,000	April 2019	Libor to 3 months + 2.70%	2.900%	7,324	-
					8,633	-

Financial instruments are intended to reduce exposure to interest rate risk variable associated with the financial obligations set out in Note 12. These financings bear interest at a variable rate equal to Libor rate to 3 months.

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.

As of December 31, 2016 and December 31, 2015, the Company recognized an expense on these derivative financial instruments amounting to approximately S/1,623,000 and S/2,117,000 respectively whose amounts were actually paid during the year and are presented as "Finance costs" in the separate statement of income.

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, 2016 and December 31, 2015, the Company has recognized under "Unrealized net profit" in the statement of changes in equity, a positive and negative change in fair value of approximately S/279,000 and S/331 000, respectively, which is presented net of the income tax effect.

The effective portions of the changes in the fair value of derivative financial instruments that qualify as trading are recognized as an expense or income.

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 profit before income tax	
	2016	**2015**
%	S/(000)	S/(000)
-10	(556)	(136)
+10	556	136

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, 2016, the Company has one "Cross Currency Interest Rate Swap" amounting to S/1,859,000 on behalf of the bank (a "Cross Currency Interest Rate Swap" amounting to S/6,650,000 on behalf of the bank as of December 31, 2015). These instruments were designated as held for trading.

The result of holding balances in foreign currency for the Company in the period ended on December 31, 2016 and 2015 was an loss of approximately S/17,639,000 and S/379,372,000, respectively, which are presented in the caption "Exchange difference, net" in the separate statement of income.

As of December 31, 2016 and December 31, 2015, the Company had the following assets and liabilities in foreign currency (American dollars):

	2016		2015	
	US$(000)	Equivalent in S/.(000)	US$(000)	Equivalent in S/.(000)
Assets				
Cash and cash equivalent	10,138	33,984	15,040	51,255
Trade and other receivables, net	44,487	149,121	10,709	36,498
	54,625	183,105	25,749	87,753
Liabilities				
Trade and other payables	(15,824)	(53,169)	(24,283)	(82,876)
Other Financial liabilities	(825,907)	(2,775,047)	(788,961)	(2,692,727)
Derivative financial instruments	-	-	-	-
	(841,731)	(2,828,216)	(813,244)	(2,775,603)
Financial derivatives exchange	(3,123)	(10,492)	(1,977)	(6,743)
Liabilities Position, net	(790,229)	(2,655,603)	(789,472)	(2,694,593)

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 rate in American Dollars	**Impact on profit before income tax**	
	2016	2015
%	S/(000)	S/(000)
+5	(132,780)	(134,730)
+10	(265,561)	(269,460)
-5	132,780	134,730
-10	265,561	269,460

23.2 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 separate financial statements as of December 31, 2016 and 2015 is represented by the amount of the captions cash and cash equivalents, trade and other receivable.

The Company's Management monitors continuously the credit risk to such items and periodically, it assesses the balances that evidence an impairment to determine the required allowance for un-collectability.

23.3 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, 2016		
	From 3 to 12 months S/(000)	From 1 to 8 years S/(000)	Total S/(000)
Trade and other payables	231,585	4,200	235,785
Other Financial liabilities			
Amortization of capital	750,098	3,112,633	3,862,731
Flow of interest payments	200,414	590,035	790,449
Total liabilities	1,182,097	3,706,868	4,888,965

	As of December 31, 2015		
	From 3 to 12 months S/(000)	From 1 to 8 years S/(000)	Total S/(000)
Trade and other payables	252,790	7,679	260,469
Other Financial liabilities			
Amortization of capital	486,154	3,633,384	4,119,538
Flow of interest payments	163,756	796,104	959,860
Total liabilities	902,700	4,437,167	5,339,867

23.4 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.

As of December 31, 2016 and 2015 the leverage ratio is determine as follows:

	2016 S/(000)	2015 S/(000)
Other financial liabilities, note 12	3,862,731	4,119,538
Trade, related and other payables.	247,894	342,309
Less: Cash and cash equivalents, note 4	(54,481)	(131,043)
Net debt (a)	4,056,144	4,330,804
Equity	3,900,576	3,669,595
Total capital and net debt (b)	7,956,720	8,000,399
Leverage ratio (a/b)	0.510	0.541

No changes were made in the objectives, policies or processes for managing capital as of December 31, 2016 and December 31, 2015.

24. 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:

	2016 S/(000)	2015 S/(000)
Assets for derivative financial instruments:		
Level 2	396	460
Total	396	460
Liability for derivative financial instruments:		
Level 2	10,492	6,650
Total	10,492	6,650

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 are from regular transactions in the market.

Level 2 -

Financial instruments included in the Level 2 category are measured based on market factors. This category includes instruments valued using market prices of similar instruments, whether or not active markets, and other valuation techniques (models) in which 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 valuation of forwards and swaps, calculating the present value. The models incorporate various inputs, including the credit quality of counterparties, spot exchange rates and forward rates and interest rate curves.

Level 3 -

As of December 31, 2016 and December 31, 2015, 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 carrying amortized cost and fair value estimated is present in this note, such the level in the hierarchy of fair value as describe below:

Level 1 –

- Cash and cash equivalents do not represent a credit risk or significant interest rate, therefore, their carrying amounts approximate their fair value.
- Accounts receivable because they are net of provision for loan losses and primarily have maturities of less than three months, and Management has seen its fair value is not materially different from its carrying value.
- Trade and other payables, due to its current maturity Management estimates that its accounting balances approximate its fair value.

Level 2 –

- Other financial liabilities have been determined by comparing the fair value market interest rates at the time of initial recognition with current market rates offered for similar financial instruments. A comparison between the carrying amounts and fair values of these financial instruments:

	2016		2015	
	Carrying amounts S/(000)	Fair Value S/(000)	Carrying amounts S/(000)	Fair Value S/(000)
Other Financial payables (*)	3,158,528	2,729,316	3,332,722	2,651,625

(*) As of December 31, 2016 and December 31, 2015, the amount outstanding does not include promissory notes and bank overdraft, see note 12.

25. Subsequent events

No significant subsequent events have been identified as of December 31, 2016.