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Unión Andina de Cementos S.A.A.

UNAUDITED Financial Statements as of December 31, 2014 and 2013

UNIÓN ANDINA DE CEMENTOS S.A.A.
Statement of Financial Position
As of December 31st, of 2014 and December 31st, 2013
(In thousands of Nuevos Soles)

	Notes	As of December 31st, 2014	As of December 31, 2013
Assets			
Current Assets			
Cash and cash equivalents	7	32,186	196,750
Other Financial Assets		0	0
Trade Accounts Receivable and other accounts receivable	8	**302,444**	**259,003**
Trade Accounts Receivable , net		62,965	48,879
Other Accounts Receivable , net		144,044	129,853
Accounts Receivable from Related Companies		80,483	66,506
Advanced payments		14,952	13,765
Inventories	9	602,529	497,835
Biological Assets		0	0
Assets by Income Taxes		0	0
Other Non-Financial Assets		8,318	11,204
Total Current Assets different than assets or groups of assets for its classified as held for sale or for distribution to owners		**945,477**	**964,792**
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		**945,477**	**964,792**
Non-Current Assets			
Other Financial Assets		0	0
Investments in subsidiaries, joint ventures and associates	10	3,257,994	1,645,786
Trade Accounts Receivables and other accounts receivables	8	**2,562**	**5,024**
Trade Accounts Receivable		222	344
Other Accounts Receivable			0
Accounts Receivable from Related companies		0	0
Advanced payments		2,340	4,680
Biological Assets		0	0
Investment Property		0	0
Property, Plant and Equipment , net	11	3,898,306	3,706,550
Intangible Assets , net	13	68,849	68,072
Assets Deferred Income Tax		0	0
Surplus value	13	9,745	9,745
Other Assets		135,951	142,815
Total Non-current Assets		**7,373,407**	**5,577,992**
TOTAL ASSETS		**8,318,884**	**6,542,784**

	Notes	As of December 31st, 2014	As of December 31, 2013
Liabilities and Stocholders' Equity			
Current Liabilities			
Other Financial Liabilities	15	533,487	693,406
Trade accounts payable and other payable accounts		**328,993**	**219,080**
Trade Accounts Payable	14	93,135	121,109
Other Accounts Payable	14	73,291	43,052
Accounts payable to related companies	14	63,842	44,987
Diferred Income	16	98,725	9,932
Provision for Employee Benefits		0	0
Other provisions	17	20,061	15,814
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		**882,541**	**928,300**
Liabilities included in asset groups classified as held for sale		0	0
Total Current Liabilities		**882,541**	**928,300**
Non-Current Liabilities			
Other Financial Liabilities	15	3,313,373	1,627,954
Trade accounts payable and other payable accounts	14	**9,714**	**11,883**
Trade Accounts Payable		0	0
Other Accounts Payable		0	0
Accounts payable to related companies	14	9,714	11,883
Deferred Income		0	0
Provision for Employee Benefits		0	0
Other provisions	17	13,492	13,663
Liabilities Deferred Income Taxes	18	468,692	537,303
Other non-financial liabilities	32(a)	6,940	5,557
Total Non-Current Liabilities		**3,812,211**	**2,196,360**
Total Liabilities		**4,694,752**	**3,124,660**
Stockholders' Equity			
Capital Issued	19	1,646,503	1,646,503
Issuance Premiums		0	0
Investment shares		0	0
Treasury Shares in portfolio		0	0
Other Capital Reserves		299,214	270,203
Accrued Results		1,678,579	1,503,096
Other Equity Reserves		-164	-1,678
Total Stockholders' Equity		**3,624,132**	**3,418,124**
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		**8,318,884**	**6,542,784**

UNIÓN ANDINA DE CEMENTOS S.A.A.

Statement Income

For the periods ended December 31st, 2014 and 2013

(In thousands of Nuevos Soles)

	Notes	For the specific quarter from October 1, to December 31st, 2014	For the specific quarter from October 1, to December 31st, 2013	For the cummulative period from January 1st to December 31st, 2014	For the cummulative period from January 1st to December 31st, 2013
Incomes from ordinary activities	20	516,463	456,088	1,882,982	1,775,193
Cost of Sales	21	-241,570	-278,613	-1,052,072	-1,011,756
Profit (Loss) Gross		**274,893**	**177,475**	**830,910**	**763,437**
Sales Expenses	23	-27,101	-24,721	-106,079	-89,889
Administrative expenses	22	-37,366	-43,134	-174,700	-158,536
Profit (Loss) in the write-off of financial assets carried at amortized cost		-	-	-	-
Other Operating Income	25	25,658	11,798	45,527	30,016
Other Operating Expenses	25	-12,384	-14,956	-13,260	-24,982
Other profit (loss)		-	-	-	-
Profit (Loss) from operating activities		**223,700**	**106,462**	**582,398**	**520,046**
Financial Income	26	1,389	7,976	7,109	10,488
Financial Expenses	27	-58,970	-22,970	-153,060	-90,835
Exchange differences, net		-76,692	-8,558	-122,393	-138,260
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		**89,427**	**82,910**	**314,054**	**301,439**
Income tax expenses	18b	48,953	-33,465	-23,941	-96,697
Profit (Loss) Net of Continued Operations		**138,380**	**49,445**	**290,113**	**204,742**
Profit (loss) net of the tax to the profit from discontinued operations		-	-	-	-
Profit (loss) net of the year		**138,380**	**49,445**	**290,113**	**204,742**

UNIÓN ANDINA DE CEMENTOS S.A.A.
Statement of Comprehensive Income
For the periods ended December 31st, 2014 and 2013
(In thousands of Nuevos Soles)

	Notas	For the specific quarter from October 1, to December 31st, 2014	For the specific quarter from October 1, to December 31st, 2013	For the cummulative period from January 1st to December 31st, 2014	For the cummulative period from January 1st to December 31st, 2013
Net Profit (Loss) of the year		**138,380**	**49,445**	**290,113**	**204,742**
Components of other comprehensive income:					
Net Change for Cash Flow Hedges		136	1,508	2,163	4,762
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		**136**	**1,508**	**2,163**	**4,762**
Income tax relating to components of other comprehensive income					
Net Change for Cash Flow Hedges		-41	-453	-649	-1,429
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		**-41**	**-453**	**-649**	**-1,429**
Other Comprehensive Income		**95**	**1,055**	**1,514**	**3,333**
Total Comprehensive Income for the period , net of income tax		**138,475**	**50,500**	**291,627**	**208,075**

UNIÓN ANDINA DE CEMENTOS S.A.A.
Statement of Cash Flow
Direct Method
For the periods ended December 31st, 2014 and 2013
(In thousands of Nuevos Soles)

	Notes	As of January 1st, 2014 to December 31st, 2014	As of January 1st, 2013 to December 31st, 2013
Operating activities cash flows			
Types of cash collections from operating activities			
Sale of Goods and Services		2,234,005	2,114,729
Royalties, fees, commissions and other income from ordinary activities		7,608	6,110
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	0
Types of cash collections from operating activities			
Suppliers of goods and services		-1,314,233	-1,497,003
Contracts held for brokering or trading purposes		0	0
cash payments to and on behalf of employees		-156,286	-141,189
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		**771,094**	**482,647**
Interests received (not included in the Investment Activities)		0	0
Interests paid (not included in the Investment Activities)		-153,060	-85,047
Dividends Received (not included in the Investment Activities)		0	0
Dividends Paid (not included in the Investment Activities)		0	0
Income tax (paid) reimbursed		-114,452	-92,401
Other cash collections (payments)		0	0
Cash flows and cash equivalents from (used in) Operating Activities		**503,582**	**305,199**
Cash flows from Investment activities			
Type of cash collections from investment activities		0	0
Reimbursement of loan repayment and loans granted to third parties		0	0
Loss of control of subsidiaries or other businesses		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		3,499	2,850
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
Purchase of Financial Instruments of equity or debt of other entities		-1,609,792	-89,527
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		-370,622	-259,799
Purchase of intangible assets		-4,597	-6,817
Purchase of other long- term assets		0	0
Income tax (paid) reimbursed		0	0
Other cash receipts (payments) relating to Investment activities		0	0
Cash flows and cash equivalents from (used in) investing activities		**-1,981,512**	**-353,293**
Cash flows from Financing activities			
Type of cash collections from financing activities			

UNIÓN ANDINA DE CEMENTOS S.A.A.

Statement of Cash Flow

Direct Method

For the periods ended December 31st, 2014 and 2013

(In thousands of Nuevos Soles)

	Notes	As of January 1st, 2014 to December 31st, 2014	As of January 1st, 2013 to December 31st, 2013
Loan securing		2,357,172	1,397,959
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		-958,294	-1,143,333
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		-85,512	-83,971
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		**1,313,366**	**170,655**
Increase (Decrease) in Net Cash and cash equivalents, before Changes in Foreign Exchange Rates		**-164,564**	**122,561**
Effects of Changes in Foreign Exchange Rates on Cash and Cash Equivalents		0	0
Increase (Decrease) in Net Cash and Cash Equivalents		**-164,564**	**122,561**
Cash and cash equivalents at beginning of year		**196,750**	**74,189**
Cash and cash equivalents at end of year		**32,186**	**196,750**

UNIÓN ANDINA DE CEMENTOS S.A.A.

Statement of Cash Flow

Direct Method

For the periods ended December 31st, 2014 and 2013

(In thousands of Nuevos Soles)

	Notes	As of January 1st, 2014 to December 31st, 2014	As of January 1st, 2013 to December 31st, 2013
Operating activities cash flows			
Types of cash collections from operating activities			
Sale of Goods and Services		2,234,005	2,114,729
Royalties, fees, commissions and other income from ordinary activities		7,608	6,110
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	0
Types of cash collections from operating activities			
Suppliers of goods and services		-1,314,233	-1,497,003
Contracts held for brokering or trading purposes		0	0
cash payments to and on behalf of employees		-156,286	-141,189
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		**771,094**	**482,647**
Interests received (not included in the Investment Activities)		0	0
Interests paid (not included in the Investment Activities)		-153,060	-85,047
Dividends Received (not included in the Investment Activities)		0	0
Dividends Paid (not included in the Investment Activities)		0	0
Income tax (paid) reimbursed		-114,452	-92,401
Other cash collections (payments)		0	0
Cash flows and cash equivalents from (used in) Operating Activities		**503,582**	**305,199**
Cash flows from Investment activities			
Type of cash collections from investment activities		0	0
Reimbursement of loan repayment and loans granted to third parties		0	0
Loss of control of subsidiaries or other businesses		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		3,499	2,850
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
Purchase of Financial Instruments of equity or debt of other entities		-1,609,792	-89,527
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		-370,622	-259,799
Purchase of intangible assets		-4,597	-6,817
Purchase of other long- term assets		0	0
Income tax (paid) reimbursed		0	0
Other cash receipts (payments) relating to Investment activities		0	0
Cash flows and cash equivalents from (used in) investing activities		**-1,981,512**	**-353,293**
Cash flows from Financing activities			
Type of cash collections from financing activities			

UNIÓN ANDINA DE CEMENTOS S.A.A.

Statement of Cash Flow

Direct Method

For the periods ended December 31st, 2014 and 2013

(In thousands of Nuevos Soles)

	Notes	As of January 1st, 2014 to December 31st, 2014	As of January 1st, 2013 to December 31st, 2013
Loan securing		2,357,172	1,397,959
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		-958,294	-1,143,333
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		-85,512	-83,971
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		**1,313,366**	**170,655**
Increase (Decrease) in Net Cash and cash equivalents, before Changes in Foreign Exchange Rates		**-164,564**	**122,561**
Effects of Changes in Foreign Exchange Rates on Cash and Cash Equivalents		0	0
Increase (Decrease) in Net Cash and Cash Equivalents		**-164,564**	**122,561**
Cash and cash equivalents at beginning of year		**196,750**	**74,189**
Cash and cash equivalents at end of year		**32,186**	**196,750**

UNIÓN ANDINA DE CEMENTOS S.A.A.
Statement of change in Stockholder's Equity
For the periods ended December 31st, 2014 and 2013
(In thousands of Nuevos Soles)

	Capital Issued	Issuance Premiums	Investment shares	Treasury Shares in Portfolio	Other Capital Reserves	Accrued Results	Other Equity Reserves									Total Stockholders' Equity
							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	
Balances as of January 1, 2013	1,646,503	-		-	249,728	1,398,672	-5,011								-5,011	3,289,892
1. Changes in Accounting Policies	-	-	-	-	-	-	-								-	-
2. Correction of Errors	-	-	-	-	-	-	-								-	-
3. Restated Initial Balance	1,646,503	-	-	-	249,728	1,398,672	-5,011	-	-	-	-	-	-	-	-5,011	3,289,892
4. Changes in Stockholders' Equity:																
5. Comprehensive Income:																
6. Gain (Loss) for the year						204,742										204,742
7. Other Comprehensive Income:						-	3,333	-	-	-	-	-	-	-	3,333	3,333
8. Comprehensive Income - Total year						204,742	3,333	-	-	-	-	-	-	-	3,333	208,075
9. Cash Dividends Declared					-	-83,971										-83,971
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	-	-	-	-	20,475	-16,347										4,128
Total Equity Increase (decrease)	-	-	-	-	20,475	104,424	3,333	-	-	-	-	-	-	-	3,333	128,232
Balance as of December 31st, 2013	1,646,503	-		-	270,203	1,503,096	-1,678	-		-		-		-	-1,678	3,418,124
Balance as of January 1, 2014	1,646,503	-		-	270,203	1,503,096	-1,678			-		-		-	-1,678	3,418,124
1. Changes in Accounting Policies	-	-	-	-	-	-			-	-	-	-	-	-	-	-
2. Correction of Errors	-	-	-	-	-	-			-	-	-	-	-	-	-	-
3. Restated Initial Balance	1,646,503	-	-	-	270,203	1,503,096	-1,678		-		-		-	-	-1,678	3,418,124
4. Changes in Stockholders' Equity:																
5. Comprehensive Income:																
6. Gain (Loss) for the year						290,113										290,113
7. Other Comprehensive Income:						-	1,514	-	-	-	-	-	-	-	1,514	1,514
8. Comprehensive Income - Total year						290,113	1,514		-		-		-	-	1,514	291,627
9. Cash Dividends Declared					-	-85,619										-85,619
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	-	-	-	-	29,011	-29,011										-
Total Equity Increase (decrease)	-	-	-	-	29,011	175,483	1,514	-	-	-	-	-	-	-	1,514	206,008
Balance as of December 31st, 2014	1,646,503	-	-	-	299,214	1,678,579	-164	-	-	-	-	-	-	-	-164	3,624,132

Unión Andina de Cementos S.A.A.

Notes to the UNAUDITED Financial Statements

As of December 31, 2014 and 2013

1. **Identification and economic activity**

Unión Andina de Cementos S.A.A. (hereinafter "the Company") was incorporated in December 1967. The Company is a subsidiary of Sindicato de Inversiones y Administración S.A. (hereinafter "the Principal") which holds 43.4 percent of the Company's capital stock, which in turn is a subsidiary of Nuevas Inversiones S.A., ultimate parent of the consolidated economic group. In the General Shareholders Meeting held on July 24, 2012 agreed to change the corporate name of 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, in the domestic market and abroad, of all types of cement and clinker. For this purpose, the Company owns two plants located at Lima and Junín, whose annual production capacity is 6.68 million tons of clinker and 7.60 million tons of cement.

The financial statements as of the fourth quarter of 2014 were issued and approved by Management and will be presented in the board's meeting on January 23, 2015. The financial statements as of December 31, 2013 were approved at the General Shareholders Meeting held on March 27, 2014.

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

On May 26, 2014, the General Shareholders Meeting of the company approved the acquisition of 98.57% of the shares of Lafarge Cementos S.A. – a public company located in Quito, Ecuador, subsidiary of Lafarge S.A. (France); considering the company's worth of approximately $545 million, subject to certain contractual adjustments. It was also approved the initial financing by a bridge loan of US $ 560 million and the creation of the Peruvian company Inversiones Imbabura S.A. (hereinafter "Imbabura") through which will be held the purchase of shares of Lafarge Cementos S.A. (hereinafter "Lafarge")

Additionally, the General Meeting of Shareholders held on August 15, 2014 approved that the Company will perform one or more loans or bonds operations, up to a total of US $ 700 million between the two operations. In this regard, on October 20, 2014 the Board of Meeting agreed the international bond issue ("Senior Notes") under the Rule 144A of the US Securities and under The Regulation S of the US Securities Act of 1933, on the Luxembourg Stock Exchange. As a result, on October 31, 2014 the Company issued bonds for a nominal value of US$625,000,000, at a nominal interest rate of 5.875% with maturity on 2021, resulting a total net collection of fees and expenses of US$615,072.946 (approximately equivalent to S/. S/.1, 839,341,779), see note 15 (e).

The Company used the funds to purchase the Lafarge shares through its subsidiary Imbabura for a total amount of US$519,087,894 (equivalent to S/.1' 520,983,425), see note 10. On November 25, 2014, Imbabura took control of Lafarge operations in Ecuador.

3. Summary of significant accounting policies

3.1 Basis of preparation -

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

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

The adopted accounting policies are consistent with those applied in previous years, except for the new IFRS and revised IAS adopted by the Company that are mandatory for periods beginning on or after January 1, 2014, as described below in note 5. However, due to the structure of the Company and nature of its operations, the adoption of these standards did not have a significant effect on its financial position and results; therefore, it has not been necessary to modify the comparative financial statements of the Company.

3.2 Summary of significant accounting policies -

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

(a) Cash and cash equivalents -

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

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

(i) Financial assets -

Initial recognition and measurement -

Financial assets are classified as financial assets at fair value with changes through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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

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

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

Subsequent measurement -

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

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

Financial assets at fair value through profit or loss -

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

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

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

Loans and receivables -

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

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

Held-to-maturity investments -

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

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

Available-for-sale financial assets -

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

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

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

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

Derecognition -

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

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

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

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

(ii) Impairment of financial assets -

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

Financial assets carried at amortized cost -

For financial assets carried at amortized cost, the company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, irrespective of its significance, then the asset is included in a group of financial assets with similar credit risk characteristics and shall be collectively assessed for impairment purposes. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

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

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

The interest income is recorded as part of finance income in the income statement. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Company. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after recognizing the impairment, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If an item accounted as a write-off is later recovered, the recovery is credited to finance costs in the income statement.

(iii) Financial liabilities -

Initial recognition and measurement -

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

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

As of December 31, 2014 and 2013, the Company's financial liabilities include bank overdrafts and loans, trade and other payables, long-term debt and derivative financial instruments.

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

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

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

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

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

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

(v) Fair value of financial instruments -

The Company measures financial instruments, such as, derivatives at fair value at each balance sheet date. In addition, the value has financial instruments measured at amortized cost, which are disclosed in note (c) (ii).

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

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

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

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

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

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

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

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

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

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

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

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

Derivative financial instruments -

Initial recognition and subsequent measurement -

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

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

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

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

- Fair value hedges when hedging the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment;
- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognized firm commitment; or
- Hedges of a net investment in a foreign operation.

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

The Company expects such hedges to be highly effective in offsetting changes in fair value or variations of the cash flows. The Company is permanently assessing the hedges to determine that they have actually been highly effective throughout the financial reporting periods for which they were designated.

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

Fair value hedges -

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

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

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

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

Cash flow hedges -

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

The Company uses swaps contracts to hedge its exposure to exchange rate and interest rate risks in forecasted transactions. The ineffective portion related to contracts of exchange rate and / or interest rate is recognized as finance costs. See details in note 27.

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

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

Hedges of a net investment in a foreign operation -

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

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

(c) Current versus non-current classification

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

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

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

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

(d) Foreign currency translation -

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

Transactions and balances in foreign currency -

Are considered foreign currency transactions those made in a currency other than the functional currency. Transactions in foreign currencies are initially recorded at the functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are converted to the functional currency using the Exchange rate ruling at the statement of financial position date. The differences between the closing rate at the date of each financial statement presented and the exchange rate initially used to record the transactions are recognized in the income statement in the period in which they occur in the "Exchange difference, net" caption. Non-monetary assets and liabilities acquired in foreign currencies are translated at the exchange rate at the date of the initial transaction.

(e) Inventories -

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

- Raw materials and supplies -

  Purchase cost, using the weighted average method.

- Finished goods and work in progress –

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

  At purchase cost, specifically.

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

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

(f) Investments in subsidiaries -

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

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

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

(g) Borrowing costs -

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

(h) Leases -

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

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

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

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

(i) Property, plant and equipment -

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

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

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

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

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

(j) Mining concessions -

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

(k) Intangible assets -

Goodwill -

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

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

Licenses -

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

(l) Deferred stripping costs -

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

Once the Company has identified its production stripping for each surface mining operation, it identifies the separate components of the ore bodies for each of its mining operations for the purposes of accumulating costs for each component and pay off based on their respective useful lives. An identifiable component is a specific volume of the ore body that is made more accessible by the stripping activity. Significant judgment is required to identify and define these components, and also to determine the expected volumes (e.g., in tonnes) of waste to be stripped and ore to be mined in each of these components. These assessments are undertaken for each individual mining operation based on the information available in the mine plan. The mine plans and, therefore, the identification of components, will vary between mines for a number of reasons. These include, but are not limited to, the type of commodity, the geological characteristics of the ore body, the geographical location and/or financial considerations.

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

(m) Estimates of resources and reserves -

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

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

(n) Impairment of non-financial assets -

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

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

For assets excluding goodwill, the Company assesses an impairment test to each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or cash-generating unit's recoverable amount.

A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized.

The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of corresponding depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of income, unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

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

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

(o) Provisions -

General -

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

Mine closure provision -

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

(p) Contingencies –

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

(q) Employees' Benefits -

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

(r) Revenue recognition –

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

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

Sales of goods -

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

Interest income -

Interest income is carried by using the effective interest rate method. Interest income is included in finance income in the consolidated statement of income.

Dividends income -

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

(s) Taxes -

Current income tax -

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

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

Deferred income tax -

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

Deferred tax liabilities are recognized for all taxable temporary differences, except:

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

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

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

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

- In respect of deductible temporary differences associated with investments in subsidiaries and associates, where deferred assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

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

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

Value added tax -

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

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

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

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

(t) Earnings per share -

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

(u) Reclassifications -

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

4. Significant accounting judgments, estimates and assumptions

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

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

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

Management considers that estimates are based on its best knowledge of the relevant facts and circumstances, having regard to prior experience. Actual results may differ from the amounts included in the separate financial statements.

5. New accounting standards

The Company has decided not to early adopt the following standards and interpretations were issued by the IASB, which are not effective as of issue date of the financial statements. The Company will adopt these standards, if applicable, when they are in force:

- IFRS 9 "Financial Instruments: Classification and Measurement"

  OnJuly 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all the phases of the Financial Instruments project and replace IAS 39"Financial Instruments: Classification and Measurement" and all the previous version of IFRS 9. The standard introduces new requirements for the classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods from January 1, 2018 and it is permitted the early adoption. The retrospective application is necessary, but the comparative information is not obligatory. The early application of the previous versions of IFRS 9 (2009, 2010 and 2013) is allowed if the date of initial application is prior to February 1, 2015.

The adoption of IFRS 9 will have an effect on the classification and measurement of financial assets of the Company, but does not affect the classification and measurement of financial liabilities.

- IFRS 14 “Deferred regulatory accounts”

  IFRS 14 is an optional rule that allows an entity; whose activities are subject to rate regulation; continue applying most of its existing accounting policies for balances of deferred accounts after the first adoption of IFRS. Entities which adopt IFRS 14 must present apart the deferred regulatory accounts in the financial statement and present components such balances as separate items in the statement of income and other comprehensive income lines. The standard requires disclosure of the nature, associated risks, regulation of the rate and the effect of such regulation on its financial statements. IFRS 14 is effective for periods which begin on or after January 1, 2016. This rule should not apply to the Company.

- Amendments to IAS 19 “Defined benefit plans: Contributions for Employees”

  IAS 19 requires an entity to consider the contributions from employees or third parties when registering the defined benefit plans. When contributions are linked to a service, they must be attributed to periods of service as a negative benefit. These amendments require that if the amount of contributions is independent of the number of years of service, the entity is permitted to recognize these contributions as a reduction of cost of service in the period in which the service is provided, instead of allocating contributions to periods of service. This amendment is effective for annual periods beginning on or after July 1, 2014.Management believes that this amendment is not important for the Company, because the Company has no defined benefit plans with contributions from employees or third parties.

- Annual Improvements to IFRS - Cycle 2010 - 2012

  These improvements are effective from July 1, 2014 and Management estimates that would have a material impact on the financial statements of the Company, including:

  ”IFRS 2 "Payments based on Share"

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

  - A performance condition must contain a service condition
  - A performance target must be met while the partner is providing the service
  - A performance target may be related to the operations or activities of an entity, or those of another entity in the same group
  - A performance condition must be a market condition or a condition not referred to market
  - If the other side, regardless of the reason, stops rendering service during the vesting period of the concession, the service condition is not met.

  IFRS 3 "Business Combinations"

  This improvement is applied in a prospective way and clarifies that all contingent consideration arrangements are classified as liabilities (or assets) arising from a business combination to be measured subsequently at fair value through profit whether you are or not within the scope of IFRS 9 (or IAS 39, if applicable).

IFRS 8 "Operating Segments"

These improvements are applied retrospectively and require that:

- An entity must disclose the judgments made by management in applying the aggregation criteria of paragraph 12 of IFRS 8, including a brief description of the operating segments have been added and the economic characteristics (eg, sales and gross margins) used to assess whether the segments are similar.

- It is necessary the disclosure of the reconciliation of segment assets with total assets, if reconciliation is reported to the highest authority in decision-making, similar to the disclosure required for segment liabilities.

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

This improvement is applied in a prospective way and clarifies in IAS 16 and IAS 38 that an asset may be revalued by observable data references either the gross or the net carrying amount. Additionally, the accumulated depreciation and amortization is the difference between the gross amount and the carrying amount of the asset.

IAS 24 " Related Party Disclosure"

This improvement is applied in a retrospective way and accurate that a management entity (an entity that provides services of key management personnel) is subject to related party disclosures. A well, it requires an entity that uses a management entity to disclose the expenses incurred by the management services.

- Annual Improvements to IFRS - Cycle 2011 - 2013

  These improvements are effective from July 1, 2014 and the Management estimates that would have a material impact on the financial statements of the Company; including:

IFRS 3 "Business Combinations"

The improvement is applied in a prospective way and clarifies the exceptions within the scope of IFRS 3:

- Joint arrangements are not only joint ventures; as well they are outside the scope of IFRS 3.
- The scope exception applies only in the financial statements accounting of joint agreement.

IFRS 13 "Fair Value Measurement"

This improvement is applied in a prospective way and clarifies the exception of portfolio in IFRS 13; it can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IFRS 9 (or IAS 39, if applicable).

IAS 40 "Investment Property"

The description of secondary services in IAS 40 makes a distinction between investment and owner-occupied properties (eg, property, plant and equipment). The amendment is applied in a prospective way and accurate that IFRS 3, and not the description of secondary services in IAS 40, is used to determine if the transaction is the purchase of an asset or a business combination.

- IFRS 15 "Revenue from contracts with customers"

  IFRS 15 was issued in May 2014 and established a new five-step model to be applied to income from contracts with customers. Under IFRS 15, revenues are recognized at an amount that reflects the consideration that the entity expects to be entitled in exchange for the transfer of goods or services to a customer.

  The principles of IFRS 15 provide a more structured approach to measurement and revenue recognition approach. The new standard of revenue is applicable to all entities and replaces all current requirements for revenue recognition under IFRS. It is necessary a full retrospective or modified application for annual periods beginning on or after January 1, 2017 with early adoption permitted. The Company is evaluating the impact of IFRS 15 and plans to adopt the new standard in the effective date required.

- Amendments to IFRS 11 "Joint Arrangements: Accounting for acquisition of interests"

  The amendments to IFRS 11 require an operator to register the acquisition of interests in a joint operation in which the activity of the joint operation constitutes a business must apply the relevant principles of IFRS 3 in accounting for business combinations. The amendments also need an interest previously held in a joint operation; it is not re-measured at the acquisition of additional interests in the same joint operation while joint control is retained. Additionally, an exclusion of the scope has been included in IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including reporting entity, are under common control of the same controlling party matrix.

  The changes apply to both the acquisition of the initial interest in a joint operation and the acquisition of additional interests in the same joint operation and are effective prospectively for periods beginning on or after January 1, 2016, with early adoption permitted.

- Amendments to IAS 16 and IAS 38: Accuracy depreciation methods and acceptable repayment

  The amendments require the IAS 16 and IAS 38 which states that revenues reflect a pattern of economic benefits that are generated by the operation of a business (which the asset is part) rather than the economic benefits are consumed through the asset usage. As a result, income-based method cannot be used to depreciate property, plant and equipment and can only be used in very limited circumstances to write off intangibles assets. The amendments are effective for periods beginning on or after January 1, 2016 with early adoption permitted. Management believes that these changes will have an impact for the Company, since the Company has not used a system based on revenues to depreciate its non-current assets.

- Amendments to IAS 16 and IAS 41 “Agriculture: Production Plants”

  The amendments change the requirements of accounting for biological assets that meet the definition of production plants. Under the changes, biological assets that comply with the definition of producing plants will not be found within the scope of IAS 41.Instead, apply IAS 16. After initial recognition, producing plants will be measured under IAS 16 to cumulative cost (before maturity) and using the cost model or the revaluation model (after maturity). The amendments also require that production grows at the production facilities will remain in the scope of IAS 41 measured at fair value less costs to sell. For government grants related to producing plants, apply IAS 20 "Accounting for Government Grants and Disclosure of Government Assistance".

  The amendments are effective retrospectively for annual periods beginning on January 1, 2016, with early adoption permitted. Management believes that these changes will have an impact for the Company, since it has no producing plants.

- Amendments to IAS 27: Equity method in separate financial statements

  The amendments allow entities to use the equity method of accounting for investments in subsidiaries, joint ventures and associates in its separate financial statements. Entities that already apply IFRS and choose to change the equity method in its separate financial statements will have to apply the change in a retrospective way.

  Entities which adopt IFRS for the first time and choose to use the equity method in its separate financial statements will be required to apply this method from the date of transition to IFRS. The changes will be effective for 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 financial statements and disclosures in the notes to the separate financial statements.

6. Foreign currency transactions

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

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

	2014		2013	
	US$(000)	Equivalent in S/.(000)	US$(000)	Equivalent in S/.(000)
Assets				
Cash and cash equivalents	5,936	17,695	45,968	128,435
Trade and other receivables, net	22,474	66,994	7,024	19,625
	28,410	84,689	52,992	148,060
Liabilities				
Bank over drafts and loans	75,,250	224,922	80,500	225,078
Trade and other payables	23,110	69,076	16,846	47,101
Financial obligations	926,261	2,768,593	326,634	913,268
Derivative financial instruments	319	953	1,133	3,169
	1,024,940	3,063,544	425,113	1,188,616
Derivative financial instruments	2,013	5,988	854	2,388
Net liability position	(998,543)	(2,984,843)	(372,975)	(1,042,944)

7. Cash and cash equivalents

(a) This item is made up as follows:

	2014 S/.(000)	2013 S/.(000)
Petty cash	779	673
Current accounts (b)	6,710	28,470
Time deposits (c)	24,697	167,607
	32,186	196,750

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

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

8. Trade and other accounts receivable, net

(a) This item is made up as follows:

	Current		Non current	
	2014 S/.(000)	2013 S/.(000)	2014 S/.(000)	2013 S/.(000)
Trade accounts receivable, (b)	62,965	48,879	222	344
Accounts receivable from related parties, note 28 (c)	80,483	66,506		-
Pre-paid income tax (c)	17,202	51,399		-
Claims to third parties (d)	62,678	45,026		-
Claims to tax authority (e)	45,090	24,146		-
Advances to suppliers (f)	14,952	13,765	2,340	4,680
Loans to employees	15,742	6,355		-
Derivative financial instruments, note 32(a)	718	772		-
Other accounts receivable	4,381	3,839		-
	304,211	260,687	2,562	5,024
Less – Estimation for doubtful accounts (h)	(1,768)	(1,684)	-	-
	302,444	259,003	2,562	5,024

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

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

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

(d) In February 2014, the kiln 2 of the Company located in Atocongo plant, suffered a breakdown reducing the production of clinker; main raw material for cement production. The net cost of the assets that were affected totals S/.9, 029,000.
As of the date, the Company has made negotiations with the insurers and reinsurers for the collection of compensation of approximately US$ 20,000,000 (equivalent to S/. 59,620,000) as of December 31, 2014 (US$ 15, 000,000 equivalent to S/.41, 940,000 as of December 31, 2013), according to the conditions of insurance contracts that found effect on the date of the accident and reports issued by the independent expert appointed by the reinsurers.

As of December 31, 2013, the Company reported revenues of approximately S/.41, 940,000, which is included in other manufacturing costs under "Cost of sales" in the income statement, see note 21. In the month of January 2014, the kiln 2 has recovered its production capacity after technical repairs required.

In Management and its advisors' opinion, that amount will be returned as soon as the final settlement is approved.

(e) As of December 31, 2014 and 2013, this balance corresponds to claims to tax authorities for the refund of the overpayment of income tax in prior years, see note 30.

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

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

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

	December 31, 2014		
	Unimpaired S/.(000)	**Impaired** S/.(000)	**Total** S/.(000)
Unmatured-			
	260,051		260,051
mature-			
- Up to 1 month	18,617		18,617
- From 1 to 3 months	6,847		6,847

- From 3 to 6months	16,391		16,391
- More than 6 months	3,099	1,768	4,867
	305,005	1,768	306,773

	December 31, 2013		
	Unimpaired S/.(000)	**Impaired** S/.(000)	**Total** S/.(000)
Unmatured-			
	233,503		233,503
mature-			
- Up to 1 month	13,474		13,474
- From1 to 3 months	1,967		1,967
- From 3 to 6months	4,824		4,824
- More than 6 months	10,258	1,684	11,942
	264,027	1,684	265,711

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

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

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

In Management's opinion, the estimation for doubtful accounts adequately covers the credit risk for the years ended December 31, 2014 and 2013.

9. Inventories

(a) This item is made up as follows:

	2014 S/.(000)	2013 S/.(000)
Finished goods	7,567	10,486
Work in progress (b)	197,570	139,277
Raw and auxiliary materials (c)	115,084	127,844
Packages and packing	41,552	44,510
Sundry supplies	175,866	141,381
Inventory in transit (d)	64,890	34,337
	602,529	497,835

(b) Work in progress includes coal, pozzolana, 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) The raw and auxiliary materials include imported and national coal.

(d) As of December 31, 2014, includes clinker, ash and gypsum warehouse of third person and as of December 31, 2013, includes coal, ash and gypsum.

(e) In Management's opinion, according to the assessment made by the operative areas, it is not necessary to create estimations for impairment of inventories as of December 31, 2014 and 2013.

10. Investments in subsidiaries and other

(a) This item is made up as follows:

	EconomicActivity	Country	DirectParticipationPorcentage		Carryingvalue	
			2014	2013	2014	2013
			%	%	S/.(000)	S/.(000)
Inversiones Imbabura S.A.	Holding	Peru (subsidiary in Ecuador)	98.89	-	1,520,983	-
Skanon Investments Inc.	Cement and concrete	UnitesStates	88.04	86.03	1,018,948	952,514
Compañía Eléctrica El Platanal S.A.	Electrical Energy and Power	Peru	90.00	90.00	567,829	567,829
Inversiones en Concreto y Afines S.A.	Holding	Peru	93.38	93.38	67,036	67,036
Transportes Lurín S.A.	Holding	Peru	99.99	99.99	64,094	63,937
Prefabricados Andinos S.A.	Precast	Chile	51.00	-	20,021	-
Prefabricados Andinos Perú S.A.C.	Precast	Peru (subsidiary in Colombia)	50.02	50.00	17,537	17,527
Ferrocarril Central Andino S.A.	Services	Peru	16.49	14.69	7,567	5,617
Minera Adelaida S.A.	Holding	Peru	99.99	99.99	2,289	2,053
Generación Eléctrica de Atocongo S.A.	Services	Peru	99.85	99.85	125	125
Depósito Aduanero Conchán S.A.	Warehouse Management	Peru	99.50	99.50	63	63
Others					227	225
					3,286,719	1,676,926

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

- Inversiones Imbabura S.A. (IMBABURA)

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

  The detail of the acquisition made is as follows:

AcquiredCompany	Entry price		Heritage Acquired (*)
	US$(000)	S/.(000)	S/.(000)
Lafarge Cementos S.A. and subsidiaries	519,088	1,520,983	134,537

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

The referred acquisition was financed with a bond issuance abroad, see more detail in Note 2 and 15.

- 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. Skannon owns 93.56 percent of Drake Cement LLC, a company domiciled in the United States of America, which core business is a cement plant in Yavapai County, in northern Arizona.

  During the year 2014, the Company made a capital contribution of approximately US$ 23,568,240 (equivalent to S/.66,434,947) receiving 24,996,426 shares of the capital stock of the subsidiary, during the year 2013, the Company made a capital contribution of approximately US $ 32.92 million (equivalent to S/.89,121,000) acquiring 34,914,774 shares of the capital stock of the subsidiary.

- Compañía Eléctrica El Platanal S.A. - CELEPSA

  It is a company incorporated in Lima in December 2005. It is dedicated to the generation and sale of electricity, using water resources, geothermal and thermal as well as to the operation of its property and facilities in general.

- Inversiones en Concreto y Afines S.A. - INVECO

  It is a company incorporated in Lima in April 1996, dedicated to investing in companies principally engaged in supplying concrete ready-mix, building materials and related activities, through its subsidiary Unión Concreteras S.A., on which holds a participation of 99.9 percent, which is also the owner in 99.99 percent of Firth Industries Perú S.A., dedicated to the same activity.

- Transportes Lurín S.A. - LURIN

  It is a company incorporated in Lima in July 1990 On January 1, 2013, Transportes Lurín S.A. transferred all of its investments in Staten Island Terminal, LLC to Skanon Investments Inc. in exchange for shares worth US$1,084,000 (equivalent to S/.2,884,000). .

  From January 01, 2013; TransportesLurín S.A. transferred all of its investments in Staten Island Terminal, LLC in exchange for shares of the latter, thus increasing the registered cost without altering its participation, because the main shareholder made a corresponding contribution to not alter the shareholding structure.

  As of December 31, 2014 and 2013, the Company considers investment in Skanon Investments Inc. as a subsidiary because it has indirect control over its parent.

- Prefabricados Andinos S.A. – PREANSA Chile

  In January 2014, the Company acquired 51 percent of the equity shares of PREANSA Chile for a total amount of US $ 7.14 million (equivalent to approximately S / 20,020,560). This company is dedicated to the manufacture, sale and rental of all types of products especially concrete for industrial construction.

- Prefabricados AndinosPerú S.A.C. - PREANSA

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

(b) The movement of the estimation for impairment of investments for the years ended December 31, 2014 and 2013 is as follows:

	2014 S/.(000)	2013 S/.(000)
Opening balance	31,140	28,725
Additions (withdrawals), note 25	(2,415)	2,415
Ending balance	28,725	31,140

11. Property, plant and equipment

(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)	Otherinstallations S/.(000)	Machinery and equipment S/.(000)	Transportationunits S/.(000)	Furniture and fixtures S/.(000)	Otherequipment S/.(000)	Units in transit S/.(000)	Work in progress (e) S/.(000)	Total S/.(000)
Cost -												
As of January, 2013	34,856	551,481	6,516	417,664	50,206	1,498,464	23,974	17,068	43,607	69,428	1,296,761	4,010,025
Additions	666	6,599	-	315	1,441	12,997	847	202	1,604	7,487	234,812	266,970
Transfers (e)	-	5,543	-	310,927	5,087	1,084,521	4,393	126	11,129	(69,681)	(1,352,045)	-
Withdrawals (f)	(947)	-	(529)	(22)	(792)	(31,902)	(6,283)	-	(18)	0	(858)	(41,351)
Adjustments (g)	-	-	-	(11,202)	-	(59,884)	(58)	(586)	(975)	0	-	(72,705)
As of December 31, 2013	34,575	563,623	5,987	717,682	55,942	2,504,196	22,873	16,810	55,347	7,234	178,670	4,162,939
Additions (e)	58	4,703		946	884	23,162	1,228	165	2,875	0	336,656	370,677
Transfers				344	1,428	18,375	0	116	0	0	(20,263)	0
Withdrawals				0	0	0	(279)	0	0	0	0	(279)
As of December 31, 2014	34,633	568,326	5,987	718,972	58,254	2,545,733	23,822	17,091	58,222	7,234	495,063	4,533,337
Accumulateddepreciation -												
As of January 01, 2013	10,207	-	2,226	67,730	40,047	224,973	14,395	13,637	31,071	-	-	404,286
Perioddepreciation (h)	466	-	420	24,214	1,834	109,578	3,252	637	3,510	-	-	143,911
Transfers (e)	-	-	-	(210)	210	(1,128)	-	-	1,128	-	-	-
Withdrawals (f)	(947)	-	(2)	90	(10)	(11,949)	(6,285)	-	-	-	-	(19,103)
Adjustments (g)	-	-	-	(11,202)	-	(59,884)	(58)	(586)	(975)	-	-	(72,705)
As of December 31, 2013	9,726	-	2,644	80,622	42,081	261,590	11,304	13,688	34,734	-	-	456,389
Perioddepreciation (h)	267		368	28,172	1,211	141,400	3,055	637	3,734			178,844
Transfers	0		0	0	0	0	0	0	0			0
Withdrawals	0		0	0	0	0	(202)	0	0			(202)
As of December 31, 2014	9,993		3,012	108,794	43,292	402,990	14,157	14,325	38,468			635,031
Net bookvalue -												
As of December 31, 2014	24,640	568,326	2,975	610,178	14,962	2,142,743	9,665	2,766	19,574	7,234	495,063	3,898,306
As of December 31, 2013	24,849	563,623	3,343	637,060	13,861	2,242,606	11,569	3,122	20,613	7,234	178,670	3,706,550

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

(c) During the year 2014, there were no additions of fixed assets under the system of leasing. As of December 31, 2013, the carrying value of assets acquired through finance leases amounted to approximately S/.599, 491,000. Additions during the year 2013 under finance leases amounted to approximately S/.7, 171,000. The leased assets guaranteed financial lease liabilities, see note 15.

(d) The amount of borrowing costs capitalized during the year ended December 31, 2014 was S/. 461,000 (S/.25, 381,000 as of December 31, 2013). Interest rates used to determine the amount of borrowing costs eligible for capitalization were between Libor from 0.308 to 0.581 plus a spread of 2.35 percent as of December 31, 2013.

(e) The main additions during the year 2014 correspond mainly to the work in progress related to the expansion of production capacity of the Atocongo plant, cement mill VIII and packing machine V, control of Kiln system III and the hydroelectric of Carpapata III located in the plant Condorcocha plan for approximately S /. 337,000,000.

At December 31, 2013; mainly represent the work in progress to the Project of enlargement of the production capacity of Kiln 1 and the construction of Kiln 4. During 2013 ,the transfers include mainly the transfer of the work in progress of Kiln 1 and 4 of Condorcocha and Atocongo, respectively, which began operations in November and March 2013, respectively.

(f) During the year 2013, the Company made a technical analysis and derecognized certain components of the account Machinery and Equipment, because they would not continue to be used and others were reclassified from significant parts to supplies for approximately S/.4, 627,000 (S/.7, 286,000 y S/.11, 913,000) cost and accumulated depreciation, respectively) all these included in the caption "Retained earnings" of the statement of changes in equity and S/.22,777,000 in the caption "Inventories" in the statement of financial position.

(g) During the year 2013, cost and depreciation of Condorcocha plant were reversed with a zero net balance, and had no effect on profit and loss of the Company.

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

	2014 S/.(000)	2013 S/.(000)
Cost of sales, note 21	166,443	129,228
Administrative expenses, note 22	5,690	9,217
Inventories	6,711	5,466
	178,844	143,911

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

(J) As of December 31, 2014 and 2013, the Company has granted one mortgage on its mining concession Atocongo for up to US$ 75,000,000, to guarantee the loan obtained from the Bank of Nova Scotia and a mortgage on their properties sub lot 1 district of Pachacamac and Lurín, sub lot 2 district of Lurín and sub lot 3 district of Pachacamac for up to US$50,000,000 to secure the loan obtained from the Bank of Nova Scotia, see note 15.

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

12. Deferred stripping asset

(a) This item is made up as follows:

	S/.(000)
Cost -	
As of January 1, 2013	149,297
Additions	15,205
As of December 31, 2013	164,502
Additions	
As of December 31, 2014	164,502
Accumulateddepreciation-	
As of January 1, 2013	(16,911)
Additions, note 21	(4,776)
As of December 31, 2013	(21,687)
Additions, note 21	(6,863)
As of December 31, 2014	(28,550)
Importe neto en libros -	
As of December 31,2014	135,951
As of December 31,2013	142,815

(a) The Company has three components, the quarry of Atocongo has two components (Atocongo and Atocongo Norte known as phases in the plan of limestone vining of the Company) and Pucará has a single component and phase.

13. Intangible assets, net

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

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

(b) This amount corresponds to the expenditures to develop the comprehensive project "El Platanal," consisting of the construction of two hydroelectric reservoirs and a system for the irrigation of uncultivated land, and to obtain the final concession to develop the activity of electricity generation, which was obtained by the Company, through Supreme Resolution 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 CompañíaEléctrica El Platanal S.A. (CELEPSA) was approved by Supreme Resolution 053-2006-EM for a period of 25 years from March 30, 2011, whereby the Company receives royalties in exchange equivalent to 3.55 percent of net monthly income obtained by CELEPSA, on sales of energy and power to third parties. As of December 31, 2014 and 2013, the Company amortizes the cost during the term of the contract (25 years).

(c) Effective 2003, the Company acquired 100 percent of the shares representing the capital stock of LarCarbón S.A. The acquisition was accounted for using the purchase method, by means of which the Company recorded adjustments to its financial separate 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.

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

(d) As of 31 December 2014 and 2013, the Company's management conducted an assessment on of its intangibles assets, finding no indicators of impairment in those assets. Accordingly, the carrying value of intangibles assets is recoverable with future profits to be generated by the Company.

14. Trade and other accounts receivable

(a) This item is made up as follows:

	Current		Non current	
	2014	2013	2014	2013
	S/.(000)	S/.(000)	S/.(000)	S/.(000)
Trade accounts receivable (b)	93,135	121,109		-
Accounts receivable from related parties, note 28 (c)	63,842	44,987	9,714	11,883
Interest payable, note 15 (c) and (o)	31,864	16,391		-
Salaries and vacation payable	15,067	13,914		-
Board Compensation payable	2,007	1,919		-
Dividends payable	134	28		-
General sales tax payable	17,096	-		-
Other accounts receivable	7,123	10,800		-
	230,268	209,148	9,714	11,883

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

15. Other financial liabilities

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

	2014			2013		
	Current Portion S/.(000)	NoCurrentPortion S/.(000)	Total S/.(000)	Current Portion S/.(000)	No Current Portion S/.(000)	Total S/.(000)
Bank loan (b)	93,996	431,080	525,076	266,766	450,154	716,920
Long-term bonds and debt to banks(d)	439,491	2,882,293	3,321,784	426,640	1,177,800	1,604,440
	533,487	3,313,373	3,846,860	693,406	1,627,954	2,321,360

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

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

(c) As of December 31, 2014 and 2013, the interest payable amounts to approximately S/. 3,766,000 and S/.2, 244,000, respectively, and are recorded in the caption "Trade and other accounts payable" of the separate statement of financial position. As of December 31, 2014 and 2013, the interest expenses amounted to approximately S/. 35,342,000 and S/.16, 338,000, respectively, and are included in the caption "Financial costs" of the separate statement of income, see note 27.

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

	AnnualRate %	Maturity	Guarantee	2014 S/.(000)	2013 S/.(000)
Corporatebonds -					
International bond (e)	5.875	October 2021	None	1,868,125	-
First to eighth issuance programs (f) and (l)	Between 5.91 and 6.13	BetweenJanuary 2015 and March 2015	None	100,000	270,000
First and third issuance of the second program (g) and (l)	Between 4.93 and 5.56	December 2016, March 2020 and 2023	None	180,000	180,000
First and third issuance of the first program (h) and (l)	6.25	January 2018	None	58,584	70,459
				2,206,709	520,459
Bank loans (i) and (l) -					
Banco Internacional del Perú	6.24	July 2017	None	130,000	-
Banco de Credito e Inversiones	2.45	July 2016	None	156,923	-
Bank of Nova Scotia	Libor to 3 months + 2.35	August 2018	Guarantee on property, see note 11 (j)	93,406	110,675
BBVA Banco Continental	Libor to 3 months + 2.90	September 2016	Guarantee on property, see note 11 (j)	52,308	76,890
BBVA Banco Continental	6.00	January 2015	Guarantee on property, see note 11 (j)	-	18,675
Bank of Nova Scotia	Libor to 3 months + 1.95	September 2015	Guarantee on property, see note 11 (j)	26,901	58,716
BBVA Banco Continental	4.35	June 2017	Guarantee on property, see note 11 (j)	42,375	59,325
Banco de Crédito del Perú	5.80	October 2016	None	26,901	25,164
Banco de Crédito del Perú	5.57	July 2016	None	12,952	17,695
Bank of Nova Scotia	Libor to 3 months + 2.40	September 2018	None	117,692	133,858
Banco International del Perú	5.25	March 2019	None	134,194	168,421
				793,652	669,419
Amortizedcost				(33,379)	(5,248)
				760,273	664,171
Financial lease -					
Banco de Crédito del Perú (j) y (l)	Libor + 2.35	February 2018	Assetsunder leasing	273,093	326,420
Banco Internacional del Perú (k) y (l)	5.80	October 2018	Assetsunder leasing	81,709	93,390
				354,802	419,810
Total bank loans				3,321,784	1,604,440
Less – current portion				439,491	426,640
Non-currentportion				2,882,293	1,177,800

(e) As mentioned in note 2, in octubre 31, 2014, the Company issued bonds by US $ 625 million with a nominal interest rate of 5.875 % and maturing in October 2021.

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

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

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

As of December 31, 2014, the Company has the obligation to fulfill with the financial safeguards mentioned in the following paragraph (l).

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

On September 15, 2010, the Company signed with ScotiabankPerú, as Representative of the Noteholders, under contract bond, and in October the prospectus was signed under the "Second Program of Issuance of Corporate Bonds and Short-Term Instruments Unión Andina de Cementos S.A.A."

In March 2013, the Company placed the First and Second Issuance of the Corporate Bonds totaling S/.60, 000,000 each, and in December 2013, placed the Third Issuance of the same program for S/.60, 000,000.

As of December 31, 2014, the Company has the obligation to fulfill with the financial safeguards mentioned in the following paragraph (l).

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

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

As of December 31, 2014, the Company has the obligation to fulfill with the financial safeguards mentioned in the following paragraph (l).

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

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

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

- Financing amounts until US$162,000,000, to be disbursed in three parts: US$25,000,000, US$85,000,000 and US$52,000,000.

- Interest rate corresponds to: i) Part 1, nominal annual Libor + 2.35 percent, ii) Part 2, nominal annual Libor + 4.95 percent and iii) Part 3, nominal annual Libor + 4.20 percent.

- Availability term of financing is three years and the payment term of the quarterly payments is five years.

- Financing has as guarantee: i) surface right on the land when the project is built; ii) assets under financial leasing; iii) funds in guarantee amounting to Part 3 (at least 32 percent of the financing received) and to be applied to the payment of the initial pre-payment.

- The fulfillment of the financial safeguards is similar to those detailed in the following paragraph (l).

The Company completed the project in the year 2013, for more details see note 11 (e). As for December 31, 2014, the net book value of the assets is approximately S/ 565, 369, 000 (S/ 602,225,000 as of December 31, 2013).

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

As of December 31, 2014, the Company has the obligation to fulfill with the financial safeguards mentioned in the following paragraph (l).

(l) Financial covenants are monitored quarterly, and must be calculated on the basis of separate financial information and the calculation methods required by the financial entity. Below are the results obtained by the Company as of December 31, 2014 in relation to these safeguards:

	Limitsestablished	Waiverobtained (*)	Resultsobtained
Bonos -			
BBVA Banco Continental -			
Non-taxed assets on total amount of financial debt ratio	Higherthan 1.20	-	2.18
Debt ratio	Lessthan 1.50	-	1.19
Receivable accounts from related on total assets ratio	Lessthan 0.08	-	0.01
Banco de Crédito del Perú - BCP -			
Interest coverage ratio	Higherthan 4.00	-	5.29
Debt service coverage ratio	Higherthan 1.25	UntilSeptember 30, 2015	1.07
Cash ratio	Higherthan 1.00	Until September 30, 2016	1.08
Leverage ratio	Lessthan 1.50	-	1.17

	Limits established	Waiver obtained (*)	Results obtained
Loans and leases-			
Banco de Crédito del Perú - BCP			
Debt service coverage ratio	Highert han 1.25	Greater than or equal to 1.20	1.21
Cash ratio	Higher than 1.00	Greater than or equal to 1.00	1.08
Leverage ratio	Less than 1.50	Less than or equal to 1.50	1.17
Debt service coverage ratio	Higher than 1.20	Less than or equal to 5.00 until 2015 (changes per year)	4.96
BBVA Banco Continental -			
Total liabilities/equity ratio	Less than 1.50	-	1.30
Debt coverage ratio	Less than 3.00	-	5.00
Interests coverage ratio	Higher than 4.00	Higher than 5.00 for the year 2014 (different ratio per year 2014 to 2017)	5.03
Bank of Nova Scotia -			
Debt ratio	Less than 1.50	-	1.17
Coverage of debt service ratio	Higher than 1.30	Higher than 1.20	1.21
Debt ratio /EBITDA	Less than 3.50	Less than 5.00 (changes per year)	5.00

Banco Internacional del Perú -			
Debt ratio	Less than 1.15	Lessthan 1.50	1.17
Coverage of debt service ratio	Higherthan 1.30	Lessthan 5.00	4.96
Interest coverage ratio	Higher than 4.00	Higherthan 3.00	5.27

Banco de Crédito e Inversiones S.A.			
Unencumbered assets ratio of the total amount of debt	Higher than 1.20	-	2.18
Debt ratio	Less than 1.50	-	1.19
Ratio of receivables to total assets	Less than 0.08	-	0.01

(*) The dates of the waiver obtained for each banks is as follows:

- BBVA Banco Continental, October 17, 2014.
- Bank of Nova Scotia, October 20, 2014.
- Banco de Crédito del Perú, September 24, 2014.

The fulfillment of the described financial safeguards 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 the opinion of Management, the Company has complied with these obligations as of December 31, 2014 and 2013.

(o) As of December 31, 2014 and 2013, interests payable amounted to approximately S/28, 098,000 and S/14, 147,000, respectively and are recorded in the caption "Trade and other accounts payable", note 14.

(p) Interests generated by financial liabilities held as of December 31, 2014 and 2013, amounted approximately a S/86,981,000 and S/78,959,000, respectively. From the total interests generated as for December 31, 2013, interests have been capitalized for approximately S/.25,381,000, respectively and are included in the caption "Property, plant and equipment, net" of the separate statement of financial position, see note 11 (c). The balance ascending approximately to S/ 86, 981,000 and S/53, 578,000, respectively, is included in the caption "Financial costs" in the separate statement of income, note 27.

16. Deferred income

As of December 31, 2014, it mainly relates to cement sales invoiced and not shipped ascending to S/98, 725,000 which will be performed in the first quarter of 2015 (S/.9,932,000 as of December 31, 2013 released during the month of January 2014).

17. Provisions

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

	Workers' profitsharing (b) S/.(000)	Provision for mine closure (c) S/.(000)	Severanceindemnities S/.(000)	Total S/.(000)
As of January 1, 2014	14,384	14,000	1,093	29,477
Additions	32,243	-	7,000	39,243
Payments	(28,168)	(150)	(6,849)	(35,167)
As of December 31, 2014	18,459	13,850	1,244	33,553
Classification:				
Current portion	18,459	358	1,244	20,061
Non current portion	-	13,492	-	13,492
As of December 31, 2014	18,459	13,850	1,244	33,553
As of January 1, 2013	23,549	11,976	1,141	36,666
Additions	26,109	-	5,676	31,785
Accretion expense	-	2,610	-	2,610
Payments	(35,274)	(586)	(5,724)	(41,584)
As of December 31, 2013	14,384	14,000	1,093	29,477
Classification:				
Current portion	14,384	337	1,093	15,814
Non current portion	-	13,663	-	13,663
As of December 31, 2013	14,384	14,000	1,093	29,477

(b) Workers' profitsharing –

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.

(c) Provision for mine closure -

As of December 31, 2014 and 2013, the Company maintains a provision for future closure costs of its mines based on an estimated life between 30 and 46 years. The provision was created on the basis of studies conducted by internal specialists using a discount rate of approximately 2.87 per cent in 2014 (2.87 per cent in 2013). 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 ceases to produce economically viable products.

18. Deferred income tax liability

(a) The following table presents the composition of the deferred income tax asset and liability:

	As of January 1, 2013 S/.(000)	Statement of income S/.(000)	Charge to equity S/.(000)	Other S/.(000)	As of December 31, 2013 S/.(000)	Statement of income S/.(000)	Chargetoequity S/.(000)	Other S/.(000)	As of December 31, 2014 S/.(000)
Deferredliability									
Differences on fixed assets bases	444,654	17,744	-	-	462,398	(47,337)	-	(4,913)	410,148
Stripping cost	39,716	3,128	-	-	42,844	(6,136)	-		36,708
Capitalized interests	27,085	6,606	-	-	33,691	(4,894)	-	1,739	30,536
Exchange difference on leasings	7,839	(1,568)	-	-	6,271	(1,567)	-		4,704
Deferred commissions of financial obligations	1,347	362	-	(216)	1,493	7,228	-		8,721
Amortization of "El Platanal" studies	1,312	668	-	-	1,980	2	-		1,982
Amortization of software	-	2,784	-	-	2,784	(502)	-		2,282
	521,953	29,724	-	(216)	551,461	(53,206)		(3,174)	495,081
Deferred asset									
Derivative financial instruments	(1,033)	(1,737)	1,429	(95)	(1,436)	(1,567)	649	-	(2,354)
Provision for mine closure	(2,856)	(603)	-	-	(3,459)	382	-	212	(2,865)
Provision for vacation	(2,187)	(1,329)	-	273	(3,243)	272	-	-	(2,971)
Deferred income (net)	(1,148)	214	-	(76)	(1,010)	(15,594)	-	20	(16,584)
Workers' profit sharing charged to inventories	(178)	(93)	-	-	(271)	926	-	104	759
Sundry provisions	(1,319)	(2,126)	-	(1,294)	(4,739)	3,139	-	(774)	(2,374)
	(8,721)	(5,674)	1,429	(1,192)	(14,158)	(12,442)	649	(438)	(26,389)
Deferred liability, net	513,232	24,050	1,429	(1,408)	537,303	(65,648)	649	(3,612)	468,692

The Company compensates 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 relate to income taxes levied by the same taxation authority.

(b) The current and deferred portions of the provision for income tax for the years ended 2013 and 2012 are comprised as follows:

	2014 S/.(000)	2013 S/.(000)
Current	(89,589)	(72,647)
Deferred	65,648	(24,050)
	(23,941)	(96,697)

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

(c) The table below presents the reconciliation of the effective tax rate and the legal tax rate for the years ended December 31, 2014 and 2013:

	2014		2013	
	S/.(000)	%	S/.(000)	%
Profit before income tax	314,054	100	301,439	100
Income tax according tax rate	94,216	30.00	90,432	30.00
Exchange rate	(76,241)	(24.28)		
Tax effect on permanent items	5,966	1.90	6,265	2.1
Expense for income tax	23,941	7.62	96,697	32.1

19. Equity

(a) Capital stock–

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

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

(b) Legal reserve -

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

(c) Unrealized hedging derivatives –

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

(d) Dividend distributions –

The Board of Directors meetings held on January 17, April 28, July 18 and Novemberr03, 2014, agreed to distribute dividends with charge to retained earnings for approximately S/.85,619,000(S/.1 per share), such payments were made on February 19, May 29, August 21 and December 03, 2014 respectively.

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

20. Net sales

(a) This item is made up as follows:

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

(b) In 2014, the Company exported Clinker to Chile, Venezuela, Brazil and Uruguay for S /. 53, 096, 000 due to the surplus in the volume of production of that commodity.

21. Cost of sales

This item is made up as follows:

	2014 S/.(000)	2013 S/.(000)
Beginning balance of finished goods and work in process	149,763	94,322
Cost of production:		
Consumption of raw material, including imported clinker	128,446	220,049
Fuel	242,138	196,237
Depreciation, note 11(h)	166,443	129,228
Power	108,508	95,500
Personnel expenses, note 24 (b)	101,994	86,291
Packaging	69,977	59,279
Stripping costs	11,985	22,731
Depreciation for stripping cost, note 12(a)	6,863	4,776
Other manufacturing expenses	271,091	253,106
Ending balance of finished goods and work in process	(205,136)	(149,763)
	1,052,072	1,011,756

22. Administrative expenses

This item is made up as follows:

	2014 S/.(000)	2013 S/.(000)
Personnel expense, note 24(b)	53,816	49,507
Management services	38,625	36,578
Services rendered by third parties	32,156	30,944
Taxes	18,315	15,074
Donations	15,713	13,374
Depreciation, note 11(h)	5,690	9,217
Estimation for doubtful accounts, note (h)	0	1,553
Others	10,385	2,289
	174,700	158,536

23. Selling expenses

(a) This item is made up as follows:

	2014 S/.(000)	2013 S/.(000)
Sales commissions(b)	53,254	42,958
Advertising and marketing	39,417	37,767
Personnel expenses, note 24(b)	4,615	3,978
Warehouse managing services	3,182	2,653
Other	5,611	2,533
	106,079	89,889

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

24. Personnel expenses

(a) This item is made up as follows:

	2014 S/.(000)	2013 S/.(000)
Remunerations	79,796	69,893
Employee profit sharing	32,243	26,109
Bonuses	11,059	10,500
Social contributions	8,484	7,143
Vacations	8,975	6,652
Severance compensation	7,000	5,676
Medical aid	4,518	4,237

Fees and remunerations to Directors	3,863	3,658
Other	7,538	5,908
	163,476	139,776

(b) Employee benefits expenses are allocated as follows:

	2014 S/.(000)	2013 S/.(000)
Cost of sales, note 21	101,994	86,291
Administrative expenses, note 22	53,816	49,507
Selling expenses, note 23	4,615	3,978
Other operating income, net, note 25	3,051	-
	163,476	139,776

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

25. Other operating income (expenses), net

This item is made up as follows:

	2014 S/.(000)	2013 S/.(000)
Other Income		
Income from services	12,238	12,544
Income from royalties, note 28(b)	5,945	6,110
Income from use of intellectual property, note 28 (b)	1,663	0
Sale of goods and supplies	3,842	3,182
Rental income	1,942	2,609
Indemnity insurance	14,905	35
Recovery estimation by depreciation of investments, note 10(b)	2,415	0
Others	2,577	5,536
	45,527	30,016
Otros gastos		
Cost from services	2,297	7,009
Staff costs, note 24(b)	3,051	0
Provision for impairment of investments , note 10(b)	0	2,415
Amortization of intangibles	3,762	5,757
Cost of goods and supplies	3,026	1,248
Others	1,124	8,553
	13,260	24,982

	32,267	5,034

26. Financial income

This item is made up as follows:

	2014 S/.(000)	2013 S/.(000)
Interestondeposits	3,082	6,643
Income of dividends	3,499	2,850
Others	528	995
	7,109	10,488

27. Financial expenses

This item is made up as follows:

	2014 S/.(000)	2013 S/.(000)
Interest on financialobligations, note 15(p)	86,981	53,578
Interest on borrowings, note 15(c)	35,342	16,338
Interest on hedging derivative instruments, note 31.1(i)	4,129	6,293
Change in fair value of trading derivatives	3,599	5,788
Loss on remeasurement to fair value of liabilities	-	1,476
Others	5,981	5,345
	136,032	88,818
Commissions for structuring financial obligations	17,028	2,017
	153,060	90,835

28. Transacciones con empresas relacionadas

(a) Nature of the relationship -

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

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

  SIA's main activity is to provide management services to the Company, in exchange for an annual payment up to 10 percent of its profits before taxes. As of December 31, 2014 and 2013, Sindicato de Inversiones y Administración S.A. owned 43.4 and 68.03 percent of the share capital of the Company, respectively.

- Unión de Concreteras S.A. – UNICON

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

- Firth Industries Perú S.A. – FIRTH

  FIRTH's main activity is the commercialization of cement with the Company, which is a subsidiary of the Company, through Unión de Concreteras S.A.

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

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

- Depósito Aduanero Conchán S.A. – DAC

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

- Generación Eléctrica de Atocongo S.A. – GEA

  GEA's main activity is the generation and sale of electricity to the Company, which also leases GEA the equipment for the development of its business.

- ARPL Tecnología Industrial S.A. – ARPL

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

- La Viga S.A.

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

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

	2014 S/.(000)	2013 S/.(000)
Cement sales –		
La Viga S.A.	370,265	358,978
Unión de Concreteras S.A.	183,010	190,060
Firth Industries Perú S.A.	57,506	56,214
Prefabricados Andinos Perú S.A.C.	823	1,664
Blocks, bricks and pavers sales –		
Unión de Concreteras S.A.	26,557	32,242
Firth Industries Perú S.A.	14,086	1,400
Leases of plant, equipment and facility –		
Generación Eléctrica Atocongo S.A.	18	798
Unión de Concreteras S.A.	453	624
Depósito Aduanero ConchánS.A.	340	354
Prefabricados Andinos Perú S.A.C.	160	197
La Viga S.A.	77	7
Firth Industries Perú S.A.	8	3
Vigilancia Andina S.A.	3	2
Income from royalties		
Compañía Eléctrica el Platanal S.A., nota 25	5,945	6,110

	2014 S/.(000)	2013 S/.(000)
Licenses - Intellectual property and trademarks – Abroad -		
Lafarge Cementos S.A.	1,663	-
Dividends income–		
Generación Eléctrica Atocongo S.A.	2,996	2,496
Ferrocarril central Andino S.A.	-	308
Administrative, technology and management support–		
Drake Cement LLC	919	377
Prefabricados Andinos Perú S.A.C.	273	289
Depósito Aduanero Conchán S.A.	168	160
Generación Eléctrica Atocongo S.A.	92	88
Vigilancia Andina S.A.	67	66
Compañía Eléctrica el Platanal S.A.	63	37
Other income–		
Compañía Eléctrica el Platanal S.A.	1,201	593
Prefabricados Andinos Perú S.A.C.	59	545
Unión de Concreteras S.A.	190	281
Generación Eléctrica Atocongo S.A.	4	250
La Viga S.A.	18	12
Sindicato de Inversiones y Administración S.A.	-	108
Depósito Aduanero Conchán S.A.	41	8
Purchases of electricenergy–		
Compañía Eléctrica el Platanal S.A.	104,735	80,112
Generación Eléctrica Atocongo S.A.	-	3,536
Management services–		
Sindicato de Inversiones y Administración S.A.	27,810	26,335
Inversiones Andino S.A.A.	10,815	10,243
Management Project services–		
ARPL Tecnología Industrial S.A.	14,834	23,836
Compañía Electrica el Platanal S.A	865	-
Commissions and freight costs of cement sales-		
La Viga S.A.	23,414	18,260
Technical assistance and engeniering services –		
ARPL Tecnología Industrial S.A.	17,696	16,029
Maquila service–		
Unión de Concreteras S.A.	7,793	11,178

	2014 S/.(000)	2013 S/.(000)
Firth Industries S.A.	7,714	-
Warehouse management services–		
Depósito Aduanero Conchán S.A.	3,710	4,348
Purchases of additional material –		
Unión de Concreteras S.A.	5,735	3,360
Generación ElectricaAtocongo S.A.	67	1,202
Precaststructures–		
Prefabricados Andinos Perú S.A.C.	-	814
Expense reimbursements–		
Unión de Concreteras S.A.	7,582	1,894
Depósito Aduanero Conchán S.A.	-	435
ARPL Tecnología Industrial S.A.	689	333
Others–		
Vigilancia Andina S.A.	19,255	19,293
Unión de Concreteras S.A.	19,821	6,794
Generación Eléctrica Atocongo S.A.	3,572	4,453
Firth Industries Perú S.A.	537	1,235
Inversiones Andino S.A.	935	876
ARPL Tecnología Industrial S.A.	529	835
Prefabricados Andinos Perú S.A.C.	-	184
Drake Cement	-	31
Compañía Eléctrica el Platanal S.A.	-	4
Depósito Aduanero Conchán S.A.	403	-
Basf ConstrutionChemic	3	-
Celepsa Renovables	2,879	-
Prefabricados Andinos	158	-
Drake Cement LLC	82,822	-
Minera Adelaida	11	-

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

	2014 S/.(000)	2013 S/.(000)
Accounts receivable –		
Unión de Concreteras S.A.	25,926	23,948
Firth Industries Perú S.A.	23,907	14,085
La Viga S.A.	19,664	14,971
Compañía Eléctrica El Platanal S.A.	6,337	6,255

	2014 S/.(000)	2013 S/.(000)
Drake Cement LLC	1,922	895
Lafarge Cementos S.A..	1,297	-
Sindicato de Inversiones y Administración S.A.	691	4,650
Inversiones ne Concreto y Afines S.A.	316	315
Prefabricados Andinos Perú S.A.C.	54	813
Generación Eléctrica de Atocongo S.A.	18	250
Others	351	324
	80,483	66,506

Accounts payable –		
Unión de Concreteras S.A.	16,945	16,669
Inversiones Andino S.A.A.	6,141	12,297
Sindicato de Inversiones y Administración S.A.	15,792	10,558
Compañía Eléctrica El Platanal S.A.	22,325	6,752
ARPL Tecnología Industrial S.A.	6,576	5,485
La Viga S.A.	1,288	1,607
Vigilancia Andina S.A.A.	2,243	1,381
Firth industries Peru S.A.	1,021	1,063
Generación Eléctrica de Atocongo S.A.	306	898
Depósito Aduanero Conchán S.A.	325	97
Prefabricados Andinos Perú S.A.C	-	32
Drake Cement	338	31
Celepsa Renovables S.A.C.	256	-
	73,556	56,870
Term –		
Current portion, note 14(a)	63,842	44,987
Non current portion, note 14(a)	9,714	11,883
	73,556	56,870

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

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

29. Earnings per share

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

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

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

30. Compromisos y contingencias

30.1 Financial Commitments-

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

30.2 Financial leases -

The future minimum payments for leases are as follows:

	2014		2013	
	Minimum payments S/.(000)	**Present value of minimum lease payments** S/.(000)	**Minimum payments** S/.(000)	**Present value of minimum lease payments** S/.(000)
Between one to five years	354,802	328,633	419,810	380,865
Total payments	354,802	328,633	419,810	380,865
Less - financialcosts	-		(499)	-
Present value of minimum lease payments	354,802	328,633	419,311	380,865

30.3 Tax situation-

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

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

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

Las personas jurídicas no domiciliadas en el Perú y las personas naturales están sujetas a la retención de un impuesto adicional sobre los dividendos recibidos.

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

- 4.1 per cent by profits generated until December 31, 2014.
- By the profits generated from 2015, whose distribution is made from that date and will be the following

    - 2015 and 2016: 6.8 per cent.
    - 2017 and 2018: 8 per cent.
    - 2019 forward: 9.3 per cent.

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

(c) The Tax Authority has the power to review and if necessary, adjust the income tax calculated by the Company during the four years following the year of the filing of the affidavit. The affidavits of income tax for the years 2010 to 2014 and the affidavits of General Sales Tax from monthly periods of exercise from December 2010 to December 2014 are open to inspection by the tax authorities. The affidavits of income tax for the years 2009 to 2013 and the affidavits of General Sales Tax from monthly periods between December 2010 and September 2013 for Cemento Andino S.A. are open to inspection by the tax authorities.

As of to date of this report, the Company is in the process of audit of Income Tax by the SUNAT with respect to 2007 and 2008 fiscal years, also a revision motivated by refund requested to the same tax with respect to 2004 to 2006 fiscal years.

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

As of December 31, 2014, The Company recorded a provision for income taxes of S/.87,057,000 and credits for accounts payable of S/.100,017,000 (S/.70,400,000 and S/.132,170,000, respectively as of December 31, 2013). This balance for up to S/.12, 961,000 and other tax credits S/.547, 000, are presented in "Trade Receivable and Others" of the financial statement, note 8 (c).

30.4 Contingencies –

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

As a result of audits for the years 2004 to 2006, the Company has been notified by the Tax Authority (SUNAT) with different resolutions for alleged omissions in income tax. In some cases, the Company has filed appeals for not finding the appropriate resolutions in accordance with the laws in force in Peru and in other cases it has proceeded to pay the assessments received. As of December 31, 2014 and 2013, the Company has recorded the necessary provisions, leaving as a possible contingency an amount of S/.52' 134,000 plus interest and costs.

Likewise, as of December 31, 2013, the Company holds three claims to SUNAT, corresponding to the request of refund of income tax paid in excess for the years 2004, 2005 and 2006, amounting to approximately S/.17,000,000 (approximately S/.17,900,000 as of December 31, 2013). In October 2013, CementoAndino S.A. submitted to SUNAT a request of refund of value added tax paid in excess for the month August 2013, for an amount ascending to approximately S/.584,000 , see note 8(d), that amount and interest was recovered in July 2014.

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.

30.5 Mining royalties –

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

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

30.6 Environmental commitments -

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

(a) Industrial activities -

In compliance with Supreme Decree 019-97-ITINCI "Regulation of Environmental Protection for the Development of Manufacturing Activities", enacted on September 26, 1997, the Company filed on January 29, 2001 its Program for Environmental Management (PAMA) before the Production Ministry – PRODUCE (before MITINCI), which was approved on February 1, 2002 and whose implementation program ended in May 2008, following the environmental monitoring programs, which environmental remediation and management-related expenditures are included in the EIA for the modernization of the industrial plant.

Currently, the Company has an EIA for the modernization of its industrial plant facility approved by the Ministry of Production in May 2011, and has been executing environmental protection activities with an accumulated investment as of December 31, 2014 of US$54,433,578 (US$53,725,000 as of December 31, 2013) for implementation of the environmental management plan in the cement manufacturing process.

(b) Mining and port activities –

In relation to its mining and port activities, the Company has filed before PRODUCE the corresponding environmental impact studies (EIA by its acronym in Spanish), which are in compliance with the terms and amounts determined in such studies. The cumulative investment as of December 31, 2014 amounts to approximately US$19,301,254 (approximately US$17,603,000 as of December 31, 2013).

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

As of December 31, 2014 and 2013, the provision for mine closure amounts to approximately S/.14, 000,000 and it is included in the "Provisions" caption in the statement of financial position, see note 17(a)

(c) Use of hydrocarbons –

Supreme Decree 046-93-EM "Regulation for the Protection of Hydrocarbon Activities" enacted on November 12, 1993 regulates the activities performed by the Company related to the use of hydrocarbons as final user. In compliance with this regulation, the Company has a PAMA that was approved by the Ministry of Energy and Mines in 1996. As of December 31, 2014, the Company has made an accumulated investment of approximately US$104,273 (US$98,000 as of December 31, 2013) in said PAMA.

(d) Special projects –

As of December 31, 2014, the projects that the Company is executing are:

(i) Second stage of the expansion of productive capacity of the Atocongo plant -

This project consists in increasing the production capacity of Kiln 1 from 3,200 to 7,500 tons of clinker per day and increasing the production capacity of raw meal and cement. Currently, it is operating. This project required to date, disbursements for approximately S/.586, 628,000 and commitments for approximately S/625,000.

(ii) Cement mill 8 and cement packing 5-

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

(iii) 20,000-ton Cement Multisilo for Atocongo plant -

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

(iv) Electro filter for the cooler of Kiln 1-

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

(v) Concrete brick plant -

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

(e) Carbon credits –

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

Under this Project, June 14, 2010 UNFCCC approved the first issuance of CERs 66. 207, the sale revenue represented approximately € 739.017. The second batch of 112.346 CERs was issued by UNFCCC dated May 23, 2011, revenue in the second issue were approximately € 1,304,000 which were fully charged and presented in the income statement of 2011, both issues were sold to EDF Trading Ltd

On September 20, 2013, the Secretariat of the UNFCCC issued 137.753 CERs corresponding to the third periodic verification of emission reductions. The verification period ranges from September 1, 2010 to August 31, 2011 and subsequent sale of the CERs is estimated to take place in January 2014.

31. Financial risk management, objectives and policies

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

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

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

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

31.1 Market risk –

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

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

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

(i) Interest rate risk –

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

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

Counterparty	Reference value as of December 31, 2014	Maturity	Receives variable rate at:	Paysfixrate at:	Fairvalue	
					2014	2013
	US$(000)				S/.(000)	S/.(000)
Assets-						
Bank of Nova Scotia	50,000	August2018	Libor to3 months + 2.35%	0.825%	313	307
Bank of Nova Scotia	50,000	September2018	Libor to3 months + 2.40%	1.020%	405	465
					718	772
Liabilities-						
Bank of Nova Scotia	60,000	September2015	Libor to3 months + 1.95%	3.680%	459	1,980
BBVA Banco Continental S.A.	40,000	September2016	Libor to3 months + 2.90%	4.455%	494	1,188
					953	3,168

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

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

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

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

Sensitivity to interest rate -

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

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

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

(ii) Foreign currency risk -

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

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

As of December 31, 2014 and 2013, the Company has two cross currency interest rate swap amounting to S/5,988,000 on behalf of the bank (a cross currency interest rate swap amounting to S/.2,389, on behalf of the bank as of December 31, 2013). These instruments were designated as held for trading.

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

(iii) 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	Effect on profit before tax	
	2014	2013
%	S/.(000)	S/.(000)
+5	(149,244)	(52,147)
+10	(298,487)	(104,294)
-5	149,244	52,147
-10	298,487	104,294

31.2 Creditrisk–

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

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

Trade accounts receivable –
Customer credit risk is managed by management, subject to the Company's established policies, procedures and controls. Outstanding customer receivables are regularly monitored to assure the collection. The Company's sales are made in Peru and there is a client portfolio of approximately 31 customers as of December 31, 2014 (from December 30 to December 31, 2013). As of December 31, 2014, the Company had 4 significant customers that accounted for approximately 52.1 percent of sales (approximately 73.9 as of December 31, 2013).Likewise, the Company evaluates the accounts receivable whose collection is estimated as remote to determine the required allowance for no irrecoverability.

Other accounts receivable –
Accounts receivable correspond to balances pending of collection due to concepts not related to the main operation activities of the Company. As of December 31, 2014 and 2013, other accounts receivable correspond mainly to: advances to suppliers, claims to SUNAT and claims to third parties. Company's Management made a continuous monitoring of the credit risk to such items and periodically, it assesses the balances that evidence an impairment to determine the required allowance for irrecoverability.

31.3 Liquidity risk –

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

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

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

	As of December 31, 2014		
	From 3 to 12 months S/.(000)	From 1 to 10 years S/.(000)	Total S/.(000)
Bank overdrafts and loans	93,996	431,080	525,076
Trade and other accounts payable	230,118	9,714	239,832
Financialobligations			
Amortization of capital	439,491	2,882,292	3,321,783
Flow of interestpayments	219,278	806,177	1,025,455
Total liabilities	982,883	4,129,263	5,112,146

	As of December 31, 2013		
	From 3 to 12 months S/.(000)	From 1 to 10 years S/.(000)	Total S/.(000)
Bank overdrafts and loans	266,766	450,154	716,920
Trade and other accounts payable	209,148	11,883	221,031
Financialobligations			
Amortization of capital	426,640	1,177,800	1,604,440
Flow of interestpayments	91,218	153,947	245,165
Total liabilities	993,772	1,793,784	2,787,556

31.4 Capital management–

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

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

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

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

32. Fair values

(a) Instruments recorded at fair value according to hierarchy -

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

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

Level 1 -

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

Level 2 -

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

- Derivative financial instruments–

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

Level 3 -

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

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

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

Level 1 –

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

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

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

Level 2 –

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

	2014		2013	
	Carrying value	**Fair value**	**Carrying value**	**Fair value**
	S/.000	S/.000	S/.000	S/.000
Financial obligations	3,321,784	2,773,364	1,604,440	1,287,365