Unión Andina de Cementos S.A.A.
and Subsidiaries

Consolidated Financial Statements

As of December 31, 2021 and 2020

(including Independent Auditors' Report)

(TRANSLATION OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN SPANISH)

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(TRANSLATION OF A REPORT ORIGINALLY ISSUED IN SPANISH)

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of Unión Andina de Cementos S.A.A. and Subsidiaries, which comprise the consolidated statement of financial position as of December 31, 2021, and the consolidated statements of profit or loss, other comprehensive income, changes in equity and cash flows for the year then ended, and notes 1 to 39, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing approved for their application in Peru by the Dean's Council of the Peruvian Professional Associations of Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Unión Andina de Cementos S.A.A. and Subsidiaries as of December 31, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended, in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board.

Emphasis of Matter

The General Shareholders' Meeting, held on December 14, 2021, approved the reorganization of the Company (note 1.A). The reorganization is intended to restructure the subsidiaries of Unión Andina de Cementos S.A.A., based on the economic sector or line of business to which each entity belongs.

Other Matters

The consolidated financial statements as of and for the year ended December 31, 2020 were audited by other auditors. The auditors' report, dated April 23, 2021, expressed an unqualified opinion on this matter.

Lima, Peru,

Caipo y Asociados

March 22, 2022

Countersigned by:

Cristian Emmerich (Partner)
Peruvian CPA Registration 39801

Unión Andina de Cementos S.A.A. and Subsidiaries

Consolidated Financial Statements

As of December 31, 2021 and 2020

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(Translation of Financial Statements originally issued in Spanish)

Unión Andina de Cementos S.A.A. and Subsidiaries
Consolidated Statement of Financial Position
As of December 31, 2021 and 2020

In thousands of soles	*Note*	2021	2020
Assets			
Current assets			
Cash and cash equivalents	*7*	399,755	549,185
Trade and other accounts receivable, net	*8*	661,647	586,622
Inventories, net	*9*	675,556	576,052
Prepaid expenses	*10*	23,348	15,340
Investments in financial instruments		3,886	11,935
Other non-financial assets		70	158
Total current assets		**1,764,262**	**1,739,292**
Non-current assets			
Trade and other accounts receivable, net	*8*	89,260	55,924
Investments in associates	*11*	20,961	23,994
Investments in financial instruments	*7(b)*	-	21,708
Right-of-use assets	*12(a)*	24,257	22,559
Mining concessions and property, plant and equipment	*13*	7,491,629	7,260,394
Stripping activity assets, net	*14*	102,528	109,672
Intangible assets, net	*15*	1,404,893	1,391,698
Deferred tax assets	*20(b)*	206,404	177,328
Other non-financial assets		19,104	14,318
Total non-current assets		**9,359,036**	**9,077,595**
Total assets		**11,123,298**	**10,816,887**

In thousands of soles	*Note*	2021	2020
Liabilities			
Current liabilities			
Other financial liabilities	*16*	700,255	1,110,123
Trade and other accounts payable	*17*	857,568	646,626
Hedging instruments	*34.A*	209	-
Deferred revenue	*18*	1,007	15,887
Tax liabilities	*33.C(v)*	117,085	16,435
Provisions	*19*	88,814	56,954
Lease liabilities	*12(b)*	8,345	9,873
Total current liabilities		**1,773,283**	**1,855,898**
Non-current liabilities			
Other financial liabilities	*16*	3,227,779	3,345,632
Trade and other accounts payable	*17*	37,950	42,548
Hedging instruments	*34.A*	32,372	48,798
Deferred tax liabilities	*20(b)*	594,623	595,086
Provisions	*19*	70,489	63,530
Lease liabilities	*12(b)*	16,495	13,105
Total non-current liabilities		**3,979,708**	**4,108,699**
Total liabilities		**5,752,991**	**5,964,597**
Equity	*22*		
Issued capital		1,818,128	1,818,128
Additional capital		(38,019)	(38,019)
Treasury shares		(11,610)	-
Legal reserve		363,626	363,626
Unrealized gains and losses		(23,660)	(35,871)
Gains or losses on translation		430,200	287,923
Retained earnings		2,556,053	2,253,019
Equity attributable to owners of the Parent Company		**5,094,718**	**4,648,806**
Non-controlling interests	*21*	275,589	203,484
Total net equity		**5,370,307**	**4,852,290**
Total equity and liabilities, net		**11,123,298**	**10,816,887**

The accompanying notes on pages 6 to 101 are an integral part of these consolidated financial statements.

(Translation of Financial Statements originally issued in Spanish)

Unión Andina de Cementos S.A.A. and Subsidiaries
Consolidated Statement of Profit or Loss
For the years ended December 31, 2021 and 2020

In thousands of soles	***Note***	**2021**	**2020**
Net sales	*23*	5,066,169	3,575,309
Cost of sales	*24*	(3,559,005)	(2,728,546)
Gross profit		**1,507,164**	**846,763**
Operating income (expenses)			
Administrative expenses	*25*	(325,168)	(249,448)
Selling expenses	*26*	(110,701)	(89,321)
Other income	*28*	69,650	29,282
Other expenses	*28*	(70,397)	(88,787)
		(436,616)	**(398,274)**
Operating profit		**1,070,548**	**448,489**
Other income (expenses)			
Net interests in associates	*11(a)*	6,524	1,562
Finance income	*29*	7,250	8,841
Borrowing costs	*30*	(229,151)	(230,362)
Exchange difference, net	*34.A.ii*	(64,071)	(61,118)
		(279,448)	**(281,077)**
Profit before tax		**791,100**	**167,412**
Income tax	*20(a)*	(216,345)	(51,466)
Net profit or loss		**574,755**	**115,946**
Attributable to			
Owners of the Parent Company		498,114	83,071
Non-controlling interests	*21*	76,641	32,875
		574,755	**115,946**
Basic and diluted earnings per share (in soles)	***32***	**0.274**	**0.046**

The accompanying notes on pages 6 to 101 are an integral part of these consolidated financial statements.

(Translation of Financial Statements originally issued in Spanish)

Unión Andina de Cementos S.A.A. and Subsidiaries
Consolidated Statement of Comprehensive Income
For the years ended December 31, 2021 and 2020

In thousands of soles	*Note*	2021	2020
Net profit or loss		**574,755**	**115,946**
Other comprehensive income to be reclassified to profit or loss			
Exchange difference		144,003	130,457
Changes in fair value of hedging instruments	*34.A*	18,396	(15,929)
Other comprehensive income not to be reclassified to profit or loss			
Effects of changes in actuarial assumptions about provision for retirement and termination benefits and others		(1,026)	6,571
Income tax related to components of other comprehensive income			
Fair value of hedging instruments	*20*	(6,049)	4,852
Effects of changes in actuarial assumptions about provision for retirement and termination benefits and others	*20*	31	(1,752)
Other comprehensive income, net of taxes		**155,355**	**124,199**
Total other comprehensive income		**730,110**	**240,145**
Attributable to			
Owners of the Parent Company		652,602	201,670
Non-controlling interests		77,508	38,475
		730,110	**240,145**

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(Translation of Financial Statements originally issued in Spanish)

Unión Andina de Cementos S.A.A. and Subsidiaries
Consolidated Statement of Changes in Equity
For the years ended December 31, 2021 and 2020

		Attributable to owners of the Parent Company									
In thousands of soles	*Note*	Issued capital (note 22.A)	Additional capital (note 22.B)	Treasury shares (note 22.C)	Legal reserve (note 22.D)	Unrealized gains and losses (note 22.E)	Gains or losses on translation (note 22.G)	Retained earnings	Total	Non-controlling interests	Total net equity
Balance as of January 1, 2020		1,818,128	(38,019)	-	363,626	(29,215)	162,668	2,196,748	4,473,936	166,109	4,640,045
Net profit or loss		-	-	-	-	-	-	83,071	83,071	32,875	115,946
Other comprehensive income, net of taxes		-	-	-	-	(6,656)	125,255	-	118,599	5,600	124,199
Total other comprehensive income		**-**	**-**	**-**	**-**	**(6,656)**	**125,255**	**83,071**	**201,670**	**38,475**	**240,145**
Dividend distribution	*22.F*	-	-	-	-	-	-	(23,636)	(23,636)	(319)	(23,955)
Acquisition of non-controlling interests	*21.B*	-	-	-	-	-	-	-	-	(2,387)	(2,387)
Unpaid dividends	*22.H*	-	-	-	-	-	-	1,644	1,644	-	1,644
Changes in non-controlling interests and others		-	-	-	-	-	-	(4,808)	(4,808)	1,606	(3,202)
Balance as of December 31, 2020		**1,818,128**	**(38,019)**	**-**	**363,626**	**(35,871)**	**287,923**	**2,253,019**	**4,648,806**	**203,484**	**4,852,290**
Net profit or loss		-	-	-	-	-	-	498,114	498,114	76,641	574,755
Other comprehensive income, net of taxes		-	-	-	-	12,211	142,277	-	154,488	867	155,355
Total other comprehensive income		**-**	**-**	**-**	**-**	**12,211**	**142,277**	**498,114**	**652,602**	**77,508**	**730,110**
Dividend distribution	*22.F*	-	-	-	-	-	-	(192,445)	(192,445)	(7,018)	(199,463)
Acquisition of non-controlling interests	*21.B*	-	-	-	-	-	-	-	-	(4,912)	(4,912)
Acquisition of subsidiaries	*1.B*	-	-	-	-	-	-	-	-	(15)	(15)
Unpaid dividends	*22.H*	-	-	-	-	-	-	3,500	3,500	-	3,500
Treasury shares	*22.C*	-	-	(11,610)	-	-	-	-	(11,610)	-	(11,610)
Changes in non-controlling interests and others		-	-	-	-	-	-	(6,135)	(6,135)	6,542	407
Balance as of December 31, 2021		**1,818,128**	**(38,019)**	**(11,610)**	**363,626**	**(23,660)**	**430,200**	**2,556,053**	**5,094,718**	**275,589**	**5,370,307**

The accompanying notes on pages 6 to 101 are an integral part of these consolidated financial statements.

Unión Andina de Cementos S.A.A. and Subsidiaries
Consolidated Statement of Cash Flows
For the years ended December 31, 2021 and 2020

In thousands of soles	***Note***	**2021**	**2020**
Operating activities			
Cash receipts from transfer of goods and services		5,740,600	4,286,335
Tax recovery		11,034	8,554
Cash payments to suppliers		(3,365,955)	(2,407,271)
Cash payments to employees		(688,632)	(590,393)
Cash payments from income tax		(149,613)	(156,078)
Cash payments from interest		(211,140)	(219,028)
Cash payments from taxes and contributions		(329,061)	(266,856)
Other cash payments (receipts), net		(1,743)	10,407
Net cash from operating activities		**1,005,490**	**665,670**
Investing activities			
Loans to third parties	*8(g)*	-	(83,678)
Sale of property, plant and equipment		11,561	5,691
Cash receipts from dividends	*31*	26,273	-
Acquisition of property, plant and equipment	*13*	(341,703)	(224,407)
Acquisition of intangible assets	*15*	(5,178)	(6,595)
Acquisition of investments in financial instruments	*7(b)*	-	(21,708)
Sale of investments in financial instruments	*7(b)*	21,708	-
Acquisition of subsidiaries, net of cash	*1.B*	3,430	-
Other cash payments, net		10,984	(14,481)
Net cash used in investing activities		**(272,925)**	**(345,178)**
Financing activities			
Access to overdrafts	*36*	27,216	252,142
Access to short-term loans	*36*	677,642	511,021
Access to long-term financial liabilities	*36*	1,280,248	644,460
Cash payments from overdrafts	*36*	(3,623)	(348,149)
Cash payments from short-term loans	*36*	(798,248)	(242,093)
Cash payments from long-term financial liabilities	*36*	(1,925,354)	(681,925)
Cash payments from lease liabilities	*12(b) & 36*	(15,876)	(11,125)
Cash payments from dividends (controlling interests)	*22(f) & 36*	(115,886)	(23,636)
Cash payments from dividends (non-controlling interests)	*22(f) & 36*	(7,235)	(565)
Acquisition of non-controlling interests	*21(b)*	(4,912)	(2,387)
Acquisition of treasury shares	*22(c) & 36*	(11,610)	-
Other cash payments, net		(1,453)	-
Cash flows from (used in) financing activities		**(899,091)**	**97,743**
Net increase (decrease) in cash and cash equivalents		(166,526)	418,235
Exchange difference		17,096	6,613
Opening balance		549,185	124,337
Closing balance	*7*	**399,755**	**549,185**
Non-cash transactions:			
Acquisition of property, plant and equipment under finance lease	*13*	64,237	31,649
Accounts payable from acquisition of property, plant and equipment	*13*	23,388	19,834
Capitalized interest	*13(g)*	4,348	1,708
Unpaid dividends	*22(h)*	3,500	1,644
Provision for decommissioning costs	*13*	289	1,402
Other intangible assets	*15*	3,132	316

The accompanying notes on pages 6 to 101 are an integral part of these consolidated financial statements.

1. Background

A. Background and Economic Activity

Unión Andina de Cementos S.A.A. (hereinafter the Company) was incorporated in December 1967.

As of December 31, 2021 and 2020, the Company is a subsidiary of Inversiones JRPR S.A. (hereinafter the Parent Company, it is the ultimate controlling party of the group). It holds 42.22 percent of the direct and indirect shares of its share capital. The Parent Company has power to govern the financial and operating policies of the Company.

The Company's legal domicile is located at Avenida Atocongo 2440, Villa María del Triunfo, Lima, Peru.

The Company and its Subsidiaries (hereinafter the Group) are mainly engaged in the production and sale of all types of cement, clinker and concrete in Peru, United States, Ecuador and Chile, as well as the sale of energy and power in Peru.

The Group’s consolidated financial statements as of December 31, 2020 were approved by management. The consolidated financial statements as of December 31, 2021 have been issued with management approval on March 8, 2022, and will be presented to the Board of Directors for corresponding approval. In management’s opinion, the consolidated financial statements will be approved with no modification to the consolidated financial statements.

Reorganization and change in name and corporate purpose

The General Shareholders' Meeting, held on December 14, 2021, approved the reorganization of the Company, effective on January 1, 2022.

The reorganization plan aimed to set aside three blocks contributed by the Company to three wholly-owned subsidiaries, without resulting in changes in the Company's share capital or in the loss of control of Unacem Perú S.A., Minera Adelaida S.A. and Inversiones Nacionales y Multinacionales Andinas S.A.

Unacem Perú S.A. is a newly incorporated entity that since January 1, 2022 is engaged in the production and sale cement in Peru and export of clinker. Consequently, all assets and liabilities related to this economic activity were transferred to such entity. Mining concessions not related to the main economic activity of Unacem Perú S.A. were transferred to Minera Adelaida S.A. The real state properties not related to the main economic activity of Unacem Perú S.A. were transferred to Inversiones Nacionales y Multinacionales Andinas S.A.

The new organizational structure focused on long-term value creation for shareholders, talent development and transformation of the Company and its subsidiaries. It also facilitates the alignment of operating segments and uses knowledge accumulated over more than 100 years as the leader in the cement industry in Peru.

The General Shareholders' Meeting also approved the change in the name and corporate purpose of the Company. Accordingly, its new name is Unacem Corp. S.A.A.

The reorganization also resulted in a change in corporate purpose, since the Company became a holding company with investments in cement, concrete, energy and services. Its new corporate purpose is to:

(i) invest in other entities engaged in the production, manufacturing and sale of clinker, cement and other building materials in Peru and abroad;
(ii) create all types of intellectual property and technologies related to such activities, as well as to manage natural resources and circular economy for the purposes of exploitation or transfer to third parties; and
(iii) develop all activities, businesses and operations aimed at the control over its subsidiaries, the management of its investments, including shared services, the transfer of goods and services, including engineering services, and the granting of direct or indirect loans to its subsidiaries and affiliates. Additionally, the Group may invest in other entities incorporated in Peru and abroad engaged in (i) similar activities and/or that support, develop or complement its investments in the aforementioned activities, and (ii) real estate investments and activities of generation, transmission and/or distribution of electrical energy.

The assets and liabilities transferred as of January 1, 2022 were as follows:

In thousands of soles	**Unacem Perú S.A.**	**Minera Adelaida S.A.**	**Inversiones Nacionales y Multinacionales Andinas S.A.**
Assets			
Other accounts receivable	5,132	25	195
Advances	2,735	-	-
Inventories	435,516	-	-
Other non-financial assets	2,308	-	-
Total current assets	**445,691**	**25**	**195**
Other accounts receivable	10,380	-	
Mining concessions and property, plant and equipment	3,658,326	27,199	92,015
Intangible assets other than goodwill	3,246	-	-
Goodwill	9,746	-	-
Non-financial assets	102,528	-	-
Total non-current assets	**3,784,226**	**27,199**	**92,015**
Total assets	**4,229,917**	**27,224**	**92,210**
Liabilities			
Other financial liabilities	361,724	-	-
Trade accounts payable	44,520	-	-
Accounts payable to related parties	6,927	-	-
Other accounts payable	10,657	-	-
Other provisions	6,147	-	-
Total current liabilities	**429,975**	**-**	**-**
Other financial liabilities	1,199,254	-	-
Other provisions	25,405	-	-
Deferred tax liabilities	393,380	-	11,530
Other non-financial liabilities	25,428	-	-
Total non-current liabilities	**1,643,467**	**-**	**11,530**
Total liabilities	**2,073,442**	**-**	**11,530**
Total net assets	**2,156,475**	**27,224**	**80,680**

The reorganization aimed to set aside three blocks indicated above. It has no effect on the consolidated financial statements, since it is a distribution of assets and liabilities between Unacem Corp. S.A.A. and its subsidiaries.

B. Acquisitions of the year 2021

B.1 Unacem Chile S.A. (previously Cementos la Unión S.A.)

On December 11, 2020, the Company entered into a share purchase agreement with Cementos la Unión S.A., Áridos Jativa S.L. and Inversiones Mel 20 Ltda. (the Sellers) to purchase all the shares of Cementos la Unión S.A. and all the ownership interests of Inversiones Mel 20 Ltda. (note 1.B.2) under the fulfillment of certain conditions, including the approval of the acquisition by the National Economic Prosecutor of Chile (FNE, for its Spanish acronym). Through Resolution F-257-2020, dated February 23, 2021, the FNE approved the acquisition. On March 19, 2021, the Company obtained control of Cementos la Unión S.A.

On June 25, 2021, Cementos la Unión S.A. changed its corporate name to Unacem Chile S.A.

Consequently, the Group acquired all the direct and indirect shares of Unacem Chile S.A., an entity based in Chile that is engaged in the manufacturing and sale of cement.

Unacem Chile S.A. owns the San Juan plant located in the port of San Antonio, Valparaíso, that has a cement production capacity (grinding and dispatch) of 300,000 t/yr.

The acquisition amounted to US$ 23,131,000 (equivalent to S/ 83,688,000). It comprises the purchase price for US$ 3,000 (equivalent to S/ 10,000) and a loan from Unacem Chile S.A. for US$ 23,128,000 (equivalent to S/ 83,678,000), which was guaranteed by the Company (note 8(g)).

On December 29, 2021, the Company capitalized an account receivable from Unacem Chile S.A. for US$ 23,128,000 (equivalent to S/ 91,992,000 at the capitalization) (note 8(g)) and made a capital contribution for US$ 7,672,000, increasing the share capital of Unacem Chile S.A. by S/ 122,367,000 Unacem Chile S.A. used this contribution to enter into a sale and purchase agreement with Cementos Bío Bío S.A. and its subsidiaries Bio Bio Cementos S.A. and Minera Rio Teno S.A. (unrelated parties) to purchase all the assets of the San Antonio cement grinding plant located in the District of San Antonio, Valparaíso, that has a cement production capacity (grinding and dispatch) of 300,000 t/yr, and the exploitation rights, mining concessions or properties over the pozzolan deposit called "Popeta 1 to 30" with an area of 300 hectares.

B.2 Inversiones Mel 20 Ltda.

Under the agreement, dated March 19, 2021 (note 1.B.1), Unicon Chile S.A. entered into an assignment agreement with the Sellers. Consequently, Unicon Chile S.A. obtained control of Inversiones Mel 20 Ltda. on that date. The acquisition amounted US$ 1,000. It was fully paid by Unicon Chile S.A.

Therefore, the Group acquired all the direct and indirect shares of Inversiones Mel 20 Ltda., an entity based in Chile that is engaged in the transformation of cement-based materials, manufacturing, purchase, sale of ready-mix concrete, and rendering of construction activities.

Inversiones Mel 20 Ltda. owns two ready-mix concrete plants located in Santiago, Chile, that have a production capacity of 336,000 m^3/yr., and a fleet of concrete mixer trucks.

The Group acquired Unacem Chile S.A. and Inversiones Mel 20 Ltda. as part of its strategy to consolidate and diversify its business activities (cement, concrete and precast concrete). Likewise, it seeks to create synergies, optimize costs and share engineering experience between countries.

From the acquisition date to December 31, 2021, the acquirees contributed revenue for S/ 86,864,000 and a net loss for S/ 9,976,000 to the Group's profit or loss. According to management, if the acquisition had occurred on January 1, 2021, revenue would have amounted to S/ 5,188,057,000 and net profit or loss would have amounted to S/ 563,159,000. In determining these amounts, management assumed that the adjustments to fair value on the acquisition date would have been the same if the acquisition had occurred on January 1, 2021.

The acquisition-date fair value of identifiable assets acquired and the liabilities assumed of Cementos la Unión S.A. and Inversiones Mel 20 Ltda. Was as follows:

In thousands of soles	***Note***	**2021**
Assets		
Cash and cash equivalents		3,445
Trade and other accounts receivable, net		21,847
Inventories, net		10,345
Property, plant and equipment, net	*13*	94,559
Right-of-use assets	*12(a)*	5,854
Other financial assets		297
		136,347
Liabilities		
Financial liabilities	*16.A.(e) & 36*	241
Trade and other accounts payable		107,135
Deferred tax liabilities	*20*	10,643
Lease liabilities	*12(b)*	6,005
Provisions		2,861
		126,885
Identifiable net assets at fair value		**9,462**
Negative goodwill recognized at the acquisition date	***28***	**(9,447)**
Consideration transferred at the acquisition date		**15**
Net effects of acquisition		3,445
Consideration transferred at the acquisition date		(15)
Net cash flows at the acquisition date		**3,430**

C. COVID-19

The COVID-19 pandemic caused great impact during the years 2020 and 2021 on global economy and society, including the countries in which the Group operates. Accordingly, the Group implemented measures to face the COVID-19 crisis, protect health and safety of employees, and ensure business continuity. Likewise, the countries in which the Group operated implemented COVID-19 government measures to mitigate the COVID-19 effects of the third wave and ensure that the chain of payments is not interrupted.

Management is executing its business plan as required and adapting measures to address the COVID-19 crisis.

2. Financial Information of Subsidiaries

As of December 31, 2021 and 2020, the consolidated financial statements include the following subsidiaries (amounts according to IFRSs and before eliminations according to consolidation procedures):

In thousands of		Main economic	2021		2020		Assets		Liabilities		Net equity		Profit (loss)	
soles	**Entity**	**activity**	**Direct %**	**Indirect %**	**Direct %**	**Indirect %**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
Country of incorporation														
Peru/Ecuador	Inversiones Imbabura S.A. and Subsidiaries (i)	Production and sale of cement	100.00	-	100.00	-	2,176,107	1,947,595	487,172	394,071	1,688,935	1,553,524	114,132	81,798
United States	Skanon Investments Inc. and Subsidiaries (ii)	Production and sale of cement and concrete	95.80	-	86.55	8.68	1,878,389	1,473,702	754,667	615,024	1,123,722	858,678	26,834	9,032
Peru	Compañía Eléctrica El Platanal S.A. and Subsidiaries (iii)	Sale of power and energy	90.00	-	90.00	-	1,206,068	1,231,393	419,554	486,585	786,514	744,808	41,912	4,931
Peru/Chile	Inversiones en Concreto y Afines S.A. and Subsidiaries (iv)	Sale of concrete and ready-mix concrete	93.38	-	93.38	-	930,363	1,034,771	520,459	624,757	409,904	410,014	52,001	(19,016)
Chile	Unacem Chile S.A. and Subsidiary (note 1.B)	Production and sale of cement and concrete	99.89	0.11	-	-	256,578	-	133,171	-	123,407	-	(9,976)	-
Peru/Colombia	Prefabricados Andinos Perú S.A.C. and Subsidiary (v)	Production and sale of precast concrete	50.00	-	50.02	-	65,487	65,137	53,397	47,176	12,090	17,961	(4,812)	(5,308)
Chile	Prefabricados Andinos S.A.	Production and sale of precast concrete	50.00	-	51.00	-	98,197	79,544	84,864	69,405	13,333	10,139	6,667	2,766
Peru	Generación Eléctrica de Atocongo S.A.	Power plant operation services	99.85	0.15	99.85	0.15	36,762	33,339	35,933	31,765	829	1,574	(745)	717
Peru	Depósito Aduanero Conchán S.A.	Warehousing services	99.99	-	99.99	-	1,963	1,962	1,040	1,346	923	616	(223)	(249)
Peru	Inversiones Nacionales y Multinacionales Andinas S.A.	Real estate services	90.90	9.10	90.90	9.10	18,268	18,266	4,936	4,957	13,332	13,309	23	29
Peru	Vigilancia Andina S.A.	Surveillance services	55.50	44.50	55.50	44.50	13,055	15,060	5,944	8,504	7,111	6,556	574	722
Peru	ARPL Tecnología Industrial S.A.	Technical support services	100.00	-	100.00	-	54,260	65,766	7,611	25,149	46,649	40,617	11,683	7,379
Peru	Transportes Lurín S.A.	Services	99.99	-	99.99	-	1,032	35,166	-	-	1,032	35,166	(14)	(10)
Peru	Minera Adelaida S.A.	Holding	99.99	-	99.99	-	359	348	3	204	356	144	(204)	(235)
Peru	Naviera Conchán S.A.	Holding	100.00	-	100.00	-	12	10	-	21	12	(11)	(11)	(18)
Peru	Unacem Perú S.A. (note 1.A)	Production and sale of cement	99.99	0.01	-	-	10	-	-	-	10	-	-	-
United States	Staten Island Company Inc. and Subsidiaries (ii)	Sale of aggregates	-	-	100.00	-	-	141,370	-	38,265	-	103,105	-	10,899

(i) The subsidiaries of Inversiones Imbabura S.A. are Unacem Ecuador S.A., Canteras y Voladuras S.A. and Unión de Concreteras Unicon Ucue Cia. Ltda.

At the General Shareholders' Meeting, held on May 10, 2021, Unión de Concreteras S.A. approved the sale of all its shares in Unión de Concreteras Unicon Ucue Cia. Ltda. to Inversiones Imbabura S.A. for S/ 51,114,000 (equivalent to US$ 13,000,000). On June 29, 2021, the transfer of shares was registered at the Companies Registry of Ecuador. The General Shareholders' Meeting, held on July 9, 2021, approved the merger of Unacem Ecuador S.A. (acquirer) and Unión de Concreteras Unicon Ucue Cia. Ltda. (Acquiree). On August 12, 2021, the public deed of statutory merger was presented to the Superintendency of Companies of Ecuador for its review and approval. At the reporting date, the deed is pending approval.

(ii) The subsidiaries of Skanon Investments Inc. are Drake Cement L.L.C., Sunshine Concrete & Materials Inc., Maricopa Ready Mix L.L.C., Ready Mix Inc., Desert Ready Mix L.L.C. and Staten Island Company Inc., which controls the subsidiaries Staten Island Holding L.L.C., Staten Island Terminal L.L.C., and Desert Aggregates L.L.C.

On May 17, 2021, the Company contributed its shares in Staten Island Co. L.L.C. and its subsidiaries to Skanon Investments Inc. for S/ 52,637,000 (equivalent to US$ 16,031,000). Consequently, Skanon Investments Inc. controls the subsidiary Staten Island Company Inc.. On June 28, 2021, the Company purchased the shares of Skanon Investments Inc. (equivalent to 8.68% of the share capital of Skanon Investments Inc.) from its subsidiaries Inversiones en Concreto y Afines S.A. for S/ 66,868,000, Transportes Lurín S.A. for S/ 34,120,000 and ARPL Tecnología Industrial S.A. for S/ 23,230,000 (equivalent to US$ 24,000,000, US$ 11,944,000 and US$ 6,869,000, respectively). Therefore, the Company holds 95.80% of the shares of Skanon Investments Inc..

(iii) The subsidiaries of Compañía Eléctrica El Platanal S.A. are Ambiental Andina S.A.C., Celepsa Renovables S.R.L. and Ecorer S.A.C.

(iv) The subsidiary of Inversiones en Concreto y Afines S.A. is Unión de Concreteras S.A., which controls the subsidiaries Concremax S.A., Unicon Chile S.A. and Entrepisos Lima S.A.C.

(v) The subsidiary of Prefabricados Andinos Perú S.A.C. is Prefabricados Andinos Colombia S.A.S.

(vi) The subsidiaries and other affiliates are domiciled in the country where they were incorporated.

3. Contracts and Concessions

A. Regulatory framework and contracts for electric power supply

- ***Law 25844 "Electricity Concessions Act"***

According to such Law, the operation of power generating stations and transmission lines is subject to the provisions of the Committee of Economic Operation of the National Interconnected System (COES-SINAC, for its Spanish acronym) in order to coordinate their operation at the lowest cost, thus ensuring the electric power supply and a better use of power resources. COES-SINAC regulates the prices of power and energy transmission between generation companies. It also regulates the compensations to holders of transmission lines.

- ***OSINERGMIN***

The Supervisory Agency for Investment in Energy and Mining of Peru (OSINERGMIN, for its Spanish acronym), formerly OSINERG, is responsible for monitoring the activities carried out by the companies of the electric power and hydrocarbons sectors, ensuring the quality and efficiency of the service rendered to users, and monitoring compliance with obligations assumed by concessionaires in service concession arrangements, as well as compliance with current legal requirements and technical regulations, including those related to environmental protection and preservation. However, OSINERGMIN transferred its functions i.e., monitoring, control and imposing sanctions in environmental matters concerning hydrocarbons and electric power to the Environmental Assessment and Control Agency (OEFA, for its Spanish acronym). OEFA was established through Legislative Decree 1013, which approved the "Law on Creation, Organization and Functions of the Ministry of Environment."

- ***Law 28832 "Law to Ensure the Efficient Development of Electricity Generation"***

Law 28832, dated July 23, 2006, was enacted to i) ensure enough efficient electric power generation in order to reduce the exposure of the Peruvian electrical system to price volatility and to reduce power shortage risks, as well as to ensure a competitive electric tariff for end users; ii) reduce administrative supervision in determining power prices through market solutions; and iii) promote effective competition in the generation and supply of electric power.

The main changes introduced by this Law are related to the participation in the short-term market of not only generation companies, but also distribution companies and non-regulated customers. As a result, distribution companies and non-regulated customers belong to COES-SINAC, thus modifying its structure. In addition, it established a tendering process, which shall be used by distribution companies when entering into contracts for electric power supply with generation companies intended to meet the public service of power supply. Adherence to this process is optional for non-regulated users.

The sale of power from generation companies to distribution companies is made using power prices at a generation level that are determined as the weighted average of prices in no-bid contracts and contracts resulting from tendering processes. This process was established to promote investments in new generation capacity through long-term contracts for electric power supply with distribution companies at firm prices.

- ***Regulation on the Wholesale Electricity Market***

Supreme Decree 026-2016-EM, approved the Regulation on the Wholesale Electricity Market. The Regulation incorporated the definition of "wholesale electricity market," which includes the short-term power market and the mechanisms for allocating complementary services, operational inflexibilities and congestion revenue. The participants authorized to purchase power from the short-term power market are generation companies to meet the contractual obligations related to contracts for power supply; distribution companies to meet the demand of non-regulated users (up to 10% of maximum demand); and major users their demand (up to 10% of maximum demand).

COES-SINAC calculates the marginal costs of power and congestion, temporarily measures on a daily basis the transactions in the wholesale electricity market, provides the results to the participants through its website. The congestion revenue is allocated among the participants according to the provisions of the relevant procedure. A participant that does not have an A rating (A, AA or AAA) shall have payment guarantees to meet its payment obligations in the wholesale electricity market. Also, a participant that fails to meet its payment obligations is subject to the actions by COES-SINAC.

- ***Supreme Resolution 006-2019-EM***

The Multisectoral Commission for the Electric Power Sector Reform was created on June 20, 2019. It is responsible for analyzing the electricity market and the regulatory framework of the electric power and hydrocarbons sectors regarding the electric power supply to the National Interconnected Electrical System (SEIN, for its Spanish acronym) in order to make proposals to implement measures that ensure the sustainable development of the electric power sector. This Commission is in force for 24 months.

- ***OSINERGMIN Resolution 144-2019-OS/CD***

OSINERGMIN Resolution 144-2019-OS/CD, modified the Technical Procedure 26 "Calculation of Firm Power." It is used to measure revenue from power of generation companies belonging to COES-SINAC and determine the maximum level of generation. From September 2019, the firm power for power plants that use wind, solar or tidal power was zero before the modification will be determined based on periods of high power demand (on-peak hours).

- ***Supreme Decree 023-2019-EM***

Supreme Decree 023-2019-EM, published on December 29, 2019, extended the suspension of the Regulation on the Secondary Market of Natural Gas (approved by Supreme Decrees 046-2010-EM and 032-2017-EM) until December 31, 2020.

- ***Contracts for energy and power supply***

As of December 31, 2021, Compañía Eléctrica el Platanal S.A. has 15 contracts for power supply with non-regulated customers with maturity between the years 2024 and 2032, and with a contracted power (C.P.) of 102.47 MW. As of December 31, 2021, Compañía Eléctrica el Platanal S.A. has 11 contracts for power supply with non-regulated customers with maturity between the years 2021 and 2030, and with a C.P. of 98.22 MW.

As of December 31, 2021, Compañía Eléctrica el Platanal S.A. has 8 contracts with: (i) distribution companies with maturity between the years 2022 and 2040, and with a C.P. of 180.5 MW; and (ii) distribution companies designated by the National Fund for Financing State Enterprise Activity (FONAFE, for its Spanish acronym) with maturity between the years 2013 and 2022, and with a C.P. of 9.93 MW. As of December 31, 2020, Compañía Eléctrica el Platanal S.A. has 8 contracts with: (i) various distribution companies with maturity between the years 2022 and 2040, and with a C.P. of 180.5 MW; and (ii) distribution companies designated by FONAFE with maturity between the years 2013 and 2022, and with a C.P. of 9.93 MW.

4. Significant Accounting Policies

A. Basis of preparation and presentation

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), effective as of December 31, 2021 and 2020.

The information contained in these consolidated financial statements is the responsibility of the Group's management that expressly states that all the principles and criteria, included in IFRSs effective as of December 31, 2021 and issued by IASB, have been applied.

The consolidated financial statements have been prepared on a historical cost basis, excluding hedging instruments, retirement and termination benefits and dividends receivable that are measured at fair value. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

The Group prepared the consolidated financial statements on a going concern basis. In making its assessment, management considers events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern. In assessing whether the going concern assumption is appropriate, management considers all available information about the future, which is at least twelve months from the end of the reporting period. The following matters were considered in preparing these consolidated financial statements.

New IFRSs and amendments
The application of the following standards, interpretations and amendments to IFRSs is mandatory for the first time for annual periods beginning on or after January 1, 2021.

Amendments to IFRSs	
Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	Annual periods beginning on or after January 1, 2021. Early adoption is permitted.

The Group adopted these standards, interpretations and amendments, which had no significant effect on the consolidated financial statements as of December 31, 2021.

B. Basis of consolidation
The consolidated financial statements present the assets, liabilities, equity, income, expenses and cash flows (financial statements as of December 31, 2021 and 2020) of the Company and its subsidiaries. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

An investor controls an investee if and only if the investor has all the following:

- power over the investee - i.e., the investor has existing rights that give it the current ability to direct the relevant activities of an investee;
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect the amount of the investor's returns.

The investor that holds a majority of those voting rights controls the investee. The Group (investor) shall consider all facts and circumstances when assessing whether it controls an investee, including:

- a contractual arrangement between the Group and other vote holders;
- rights arising from other contractual arrangements;
- the Group's voting rights; potential voting rights or a combination of the Group's voting rights and potential voting rights.

The Group reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. The Group includes the income and expenses of a subsidiary in the consolidated financial statements from the date it gains control until the date when the Group ceases to control the subsidiary. The assets, liabilities, income and expenses of a subsidiary acquired are included in the consolidated financial statements from the date the Group gains control until the date when the Group ceases to control the subsidiary.

The Group attributes the profit or loss and each component of other comprehensive income to the owners of the parent and to the non-controlling interests. The Group also attributes total comprehensive income to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. If a member of the Group uses accounting policies other than those adopted in the consolidated financial statements, appropriate adjustments are made to that group member's financial statements in preparing the consolidated financial statements to ensure conformity with the Group's accounting policies.

Consolidated financial statements eliminate in full intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the group. Changes in the Group's ownership interests in a subsidiary that do not result in a loss of control are recognized as equity transactions.

If the Group loses control of a subsidiary, it derecognizes the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost; and the carrying amount of any non-controlling interests in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them); recognizes any resulting difference as a gain or loss in profit or loss attributable to the parent; and recognizes any investment retained in the former subsidiary at its fair value at the date when control is lost.

C. Significant accounting policies

The significant accounting policies used in preparing the consolidated financial statements are the following:

i. Business combinations and goodwill, interests in consolidated structured entities

- ***Business combinations and goodwill***

A business combination is recognized by applying the acquisition method under IFRS 3 *Business Combinations*. The identifiable assets acquired and liabilities assumed are measured at their acquisition-date fair values, including identifiable intangible assets not recognized in the financial statements of the acquiree. Acquisition-related costs are recognized as expenses and included in 'administrative expenses.'

At the acquisition date, the Group classifies or designates the identifiable assets acquired and liabilities assumed on the basis of the contractual terms, economic conditions and other pertinent conditions as they exist at the acquisition date.

The Group recognizes goodwill at the acquisition date measured as the excess of the aggregate of the consideration transferred and the amount of any non-controlling interest in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. The consideration transferred may include assets or liabilities of the Group that have carrying amounts that differ from their fair values at the acquisition date. If so, the Group shall remeasure the transferred assets or liabilities to their fair values as of the acquisition date and recognize the resulting gains or losses, if any, in profit or loss.

The Group recognizes the acquisition-date fair value of contingent consideration as part of the consideration transferred in exchange for the acquiree. If a contingent consideration is classified as an asset or liability, that is a financial instrument and is within the scope of IFRS 9, it is measured at fair value and any resulting gain or loss is recognized in profit or loss.

The Group measures goodwill at the amount recognized at the acquisition date 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 acquirer's cash-generating units (CGU), or groups of CGUs, that is expected to benefit from the synergies of the combination.

If goodwill has been allocated to a CGU and the Group disposes of an operation within that unit, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal; and measured on the basis of the relative values of the operation disposed of and the portion of the CGU retained.

If the initial recognition of a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group shall report in its consolidated financial statements provisional amounts for the items for which the recognition is incomplete. During the measurement period, the Group shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognized as of that date. The measurement period ends as soon as the Group receives the information it was seeking about facts and circumstances that existed at the acquisition date or learns that more information is not obtainable. However, the measurement period shall not exceed one year from the acquisition date.

- ***Interests in consolidated structured entities***

- Desert Ready Mix L.L.C. is a consolidated structured entity through which Skanon Investments Inc. sales concrete and aggregates in Phoenix, United States. The initial capitalization and operating expenses of Desert Ready Mix L.L.C. were financed by Skanon Investments Inc.

  In July 2014, Skanon Investments Inc. granted working capital loans to Desert Ready Mix L.L.C. for US$ 1,750,000 and raw materials purchase loans for US$ 1,750,000. The loans include an option contract that grants Skanon Investments Inc. the irrevocable and exclusive right to convert unpaid debt into controlling interests in Desert Ready Mix L.L.C. at the sole and absolute discretion of Skanon Investments Inc. Skanon Investments Inc. and Desert Ready Mix L.L.C. also entered into an operating agreement whereby Skanon Investments Inc. shall provide technical and commercial support, short-term loans and other services to Desert Ready Mix L.L.C. The shareholders of Desert Ready Mix L.L.C. pledged their shares as collateral if Desert Ready Mix L.L.C. fails to meet its obligations related to the operating agreement.

  The main beneficiary of Desert Ready Mix L.L.C. is Skanon Investments Inc. based on power and benefits criteria. The Group considers that the loans provided by Skanon Investments Inc. to Desert Ready Mix L.L.C. and the operating agreement grant Skanon Investments Inc. the power to direct the activities that most significantly impact the economic performance of Desert Ready Mix L.L.C. Also, Skanon Investments Inc. is the main source of funding of Desert Ready Mix L.L.C. and bears the greatest risk of loss. As of December 31, 2021 and 2020, the Group holds the 70% of shares of Desert Ready Mix L.L.C. in the event that Desert Ready Mix L.L.C. fails to meet its obligations related to the operating agreement.

- Desert Aggregates L.L.C. is a consolidated structured entity through which Staten Island Company Inc. sales concrete and aggregates in Maricopa, Arizona, United States.

  In 2019, Skanon Investments Inc. granted land purchase loans to Desert Aggregates L.L.C. The shareholders of Desert Aggregates L.L.C. pledged their shares as collateral if Desert Aggregates L.L.C. fails to meet its obligations related to the operating agreement.

The main beneficiary of Desert Aggregates L.L.C. is Skanon Investments Inc. based on power and benefits criteria. The Group considers that the loans provided by Skanon Investments Inc. to Desert Aggregates L.L.C. and the operating agreement grant Skanon Investments Inc. the power to direct the activities that most significantly impact the economic performance of Desert Aggregates L.L.C. Also, Skanon Investments Inc. is the main source of funding of Desert Aggregates L.L.C. and bears the greatest risk of loss. As of December 31, 2021 and 2020, the Group holds the 70% of shares of Desert Aggregates L.L.C. in the event that Desert Aggregates L.L.C. fails to meet its obligations related to the operating agreement.

The main balances of Desert Ready Mix L.L.C. and Desert Aggregates L.L.C., after the elimination of intragroup transactions, are as follows:

In thousands of soles	**2021**	**2020**
Assets	236,532	158,049
Liabilities	118,445	74,459

ii. Cash and cash equivalents (note 7)

Cash and cash equivalents comprise cash in hand, petty cash fund, checking accounts and time deposits. In preparing the consolidated statement of cash flows, cash and cash equivalents comprise cash and short-term deposits with an original maturity of less than 3 months.

iii. Financial instruments

Initial recognition and measurement

A financial instrument is any contract that gives rise to both a financial asset in one entity and a financial liability, or equity instrument in another.

- ***Financial assets***

Initial recognition and measurement

After initial recognition, the Group classifies financial assets into measurement categories: at amortized cost, fair value through other comprehensive income (FVOCI), or fair value through profit or loss (FVTPL).

The Group classifies financial assets as subsequently measured at amortized cost, FVOCI or FVTPL on the basis of both the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. The Group measures trade accounts receivable at their transaction price if they do not contain a significant financing component or when the Group applies the practical expedient. At initial recognition, the Group measures a financial asset at its fair value plus transaction costs. The Group measures accounts receivable at their transaction price if they do not contain a significant financing component or when the Group applies the practical expedient in accordance with IFRS 15.

A financial asset is measured at amortized cost or FVOCI if the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The Group determines whether the asset's contractual cash flows are solely payments of principal and interest on the principal amount outstanding at an individual instrument level.

The Group's business model refers to how the Group manages its financial assets in order to generate cash flows. That is, the Group's business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both.

Subsequent measurement
For the purpose of subsequent measurement, financial assets are classified into the following four categories:

- financial assets measured at amortized cost (debt instruments);
- financial assets measured at FVOCI (debt instruments): the Group may transfer the cumulative gain or loss within equity;
- financial assets measured at FVOCI that are not transferred to profit and loss when derecognized (equity instruments): when the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss; and
- financial assets measured at FVTPL.

The classification is made on the basis of the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

Financial assets measured at amortized cost (debt instruments)
A financial asset is measured at amortized cost if both of the following conditions are met:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the outstanding principal amount.

The Group classifies financial assets as subsequently measured at amortized cost using the effective interest method. The Group applies the impairment requirements to financial assets that are measured at amortized cost. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

When, and only when, the Group changes its business model for managing financial assets, it shall reclassify all affected financial assets.

The Group's financial assets measured at amortized cost comprise cash and cash equivalents and trade and other accounts receivable (notes 7 and 8).

Financial assets measured at FVOCI (debt instruments)
A financial asset is measured at FVOCI if both of the following conditions are met:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the outstanding principal amount.

The Group does not have debt instruments classified into this category.

Financial assets measured at FVOCI (equity instruments)
At initial recognition, the Group may make an irrevocable election to present in other comprehensive income changes in the fair value of an investment in an equity instrument that is not held for trading under IAS 32 *Financial Instruments: Presentation*. This election is made on an instrument-by-instrument basis.

Amounts presented in other comprehensive income shall not be subsequently transferred to profit or loss. Dividends on such investments are recognized in 'other income' in the consolidated statement of profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment. If so, they are recognized in other comprehensive income. Equity instruments measured at FVOCI are not subject to impairment requirements.

The Group does not have financial assets classified into this category.

Financial assets measured at FVTPL
Financial assets measured at FVTPL comprise financial assets held for trading, financial assets designated as at FVTPL, and financial assets that shall be measured at fair value. A financial asset is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term.

A derivative that is a designated and effective hedging instrument is not classified as held for trading. Financial assets that have contractual cash flows that are not solely payments of principal and interest are classified and measured at FVTPL, regardless of the Group's business model.

Financial assets measured at FVTPL are recognized in 'borrowing costs' (net negative changes in the fair value) or 'finance income' (net positive changes in the fair value) in the consolidated statement of profit or loss.

The Group does not have investments classified as financial assets measured at FVTPL.

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

- the contractual rights to receive the cash flows from the financial asset expire; or
- the Group transfers the contractual rights to receive the cash flows from the financial asset, or assumes a contractual obligation to pay the cash flows to a third party in a pass-through arrangement; and (a) the Group transfers substantially all risks and rewards of ownership of the financial asset, or (b) the Group neither transfers nor retains substantially all risks and rewards of ownership of the financial asset, but transfers control of the financial asset.

When the Group transfers a financial asset, it shall evaluate the extent to which it retains the risks and rewards of ownership of the financial asset. In this case: if the Group has retained control, it shall continue to recognize the financial asset to the extent of its continuing involvement in the financial asset. When the Group continues to recognize an asset to the extent of its continuing involvement, the Group 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 Group has retained.

When the Group's continuing involvement takes the form of guaranteeing the transferred asset, the extent of the Group's continuing involvement is the lower of the amount of the asset and the maximum amount of the consideration received that the Group could be required to repay.

- ***Impairment of financial assets***

The Group recognizes a loss allowance for debt instruments not measured at FVTPL. A credit loss is the present value of the difference between the contractual cash flows that are due to the Group under the contract and the cash flows that the Group expects to receive. The cash flows that are considered include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

Expected credit losses (ECL) are recognized in two stages. At the reporting date, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs - i.e., the portion of lifetime ECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date - if the credit risk on a financial instrument has not increased significantly since initial recognition. At the reporting date, the Group measures the loss allowance for a financial instrument at an amount equal to the lifetime ECLs - i.e., the ECLs that result from all possible default events over the expected life of a financial instrument - if the credit risk on that financial instrument has increased significantly since initial recognition.

The Group applies a simplified approach for trade accounts receivable when measuring ECLs. Therefore, the Group does not assess whether there are changes in credit risk. It measures the loss allowance for a financial instrument at an amount equal to the lifetime ECLs. The Group uses a provision matrix that is based on historical credit loss experience, adjusted to reflect information about borrower-specific factors and general economic conditions.

The Group considers a financial asset to be in default when contractual payments are more than 365 days past due. However, the Group may consider a financial asset to be in default when internal or external information indicates that it is not probable that the Group will collect the amounts due before the Group enforces the collateral on the financial asset. The carrying amount of a financial asset is written-off if the Group has no reasonable prospects of recovering any further cash flows from the financial asset.

- ***Financial liabilities***

Initial recognition and measurement

At initial recognition, financial liabilities are classified as financial liabilities measured at FVTPL, loans, accounts payable, or derivatives designated as hedging instruments.

At initial recognition, the Group measures a financial liability at its fair value plus or minus, in the case of a financial liability not at FVTPL, transaction costs that are directly attributable to the acquisition or issue of the financial liability.

The Group's financial liabilities comprise trade and other accounts payable, lease liabilities and other financial liabilities (notes 17, 12(b) and 16).

Subsequent measurement

The Group subsequently measures financial liabilities based on their classification, as follows:

Financial liabilities measured at FVTPL

Financial liabilities measured at FVTPL comprise financial liabilities held for trading and financial liabilities designated as at FVTPL.

A financial liability is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term. Gains and losses are recognized in profit or loss. This category also comprises hedging instruments and derivatives that are not designated and effective hedging instruments in accordance with IFRS 9 *Financial Instruments*.

Financial liabilities designated as at FVTPL are designated as such if the criteria in IFRS 9 are met.

As of December 31, 2021 and 2020, the Group has two financial instruments held for trading, interest rate swaps and cross-currency interest rate swaps (notes 34.A.i and 34.A.ii).

Interest-bearing debts and loans
After initial recognition, interest-bearing debts and loans are measured at amortized cost using the effective interest method. Gains and losses are recognized in profit or loss when liabilities are derecognized, and accrued using the effective interest method.

Amortized cost is calculated taking into consideration any discounts or premiums on acquisition and fees and costs that are an integral part of the effective interest rate. Amortization according to the effective interest method is presented in 'borrowing costs' in the consolidated statement of profit or loss.

This category comprises trade and other accounts payable, lease liabilities and other financial liabilities.

Derecognition
A financial liability is derecognized when its contractual obligations are discharged or canceled or expire. An exchange between an existing borrower and lender of debt instruments with substantially different terms is recognized as an extinguishment of the original financial liability and the recognition of a new financial liability.

Similarly, a substantial modification of the terms of an existing financial liability or a part of it is recognized as an extinguishment of the original financial liability and the recognition of a new financial liability.

- ***Offsetting financial instruments***

Financial assets and financial liabilities are offset and the net amount is presented in the consolidated statement of financial position when the Group has a legally enforceable right to set off them, and management intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

- ***Fair value of financial instruments***

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. A fair value measurement assumes 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 Group shall have access to the principal market or the most advantageous market at the measurement date.

When measuring fair value, the Group uses the assumptions that market participants would use when pricing the asset or the liability, assuming that market participants act in their best economic 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 Group uses valuation techniques appropriate for the measurement, 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 consolidated financial statements are categorized within the fair value hierarchy, based on the lowest level input that is significant to the entire measurement as follows:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2 inputs: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3 inputs: unobservable inputs for the asset or liability.

For assets and liabilities that are measured at fair value on a recurring or non-recurring basis in the consolidated statement of financial position, the Group determines whether transfers between levels of the fair value hierarchy have occurred by reviewing the categorization at the end of each reporting period.

Management sets out policies and procedures for recurring and non-recurring fair value measurements. At the end of each reporting period, management analyzes changes in the fair value of assets and liabilities, which shall be measured according to the Group's accounting policies.

For disclosure purposes, the Group determined classes of assets and liabilities based on their nature, characteristics, and risks, and the level of the fair value hierarchy, as described above.

- ***Hedging instruments and hedge accounting (note 34.A)***

The Group uses derivatives - e.g., hedging instruments in cash flow hedges or cross-currency interest rate swaps - to hedge its interest rate risk. At inception of the contract, a derivative is measured at its fair value and subsequently measured at its fair value. Derivatives are recognized as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

For hedge accounting purposes, the hedging relationships are the following:

- fair value hedge: a hedge of the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment.
- cash flow hedge: a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with all, or a component of, a recognized asset or liability or a highly probable forecast transaction.
- hedge of a net investment in a foreign operation.

A hedging relationship qualifies for hedge accounting if, at the inception of the hedging relationship, there is formal designation and documentation of the hedging relationship and the Group's risk management objective and strategy for undertaking the hedge.

That documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements.

The hedge is expected to be highly effective in achieving offsetting changes in the fair value or cash flows attributable to the hedged risk. The hedge is assessed on an ongoing basis and determined actually to have been highly effective throughout the financial reporting periods for which the hedge was designated.

A hedging relationship qualifies for hedge accounting only if the hedging relationship meets all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

As long as a cash flow hedge meets the qualifying criteria, the hedging relationship is recognized as follows:

Cash flow hedges
The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge shall be recognized in other comprehensive income, and the ineffective portion shall be recognized in profit or loss.

The Group designated certain derivatives as hedging instruments. Any gain or loss arising from changes in the fair value of derivatives is recognized in profit or loss, except for the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge and that is recognized in other comprehensive income. It is reclassified to profit or loss.

For cash flow hedges, the amount that has been accumulated in the cash flow hedge reserve is reclassified from the cash flow hedge reserve to profit or loss as a reclassification adjustment in the same period or periods during which the hedged expected future cash flows affect profit or loss.

When the Group discontinues hedge accounting for a cash flow hedge, it shall account for the amount that has been accumulated in the cash flow hedge reserve as follows: if the hedged future cash flows are still expected to occur, that amount shall remain in the cash flow hedge reserve until the future cash flows occur; and if the hedged future cash flows are no longer expected to occur, that amount shall be immediately reclassified from the cash flow hedge reserve to profit or loss as a reclassification adjustment.

After discontinuation of hedge accounting, once the hedged future cash flows occur, the amount that remains in other comprehensive income shall be recognized considering the underlying transactions.

For hedge accounting purposes, the Group designated the seven interest rate swaps as a cash flow hedge, effective as of December 31, 2021 and 2020.

iv. Classification of assets and liabilities as current and non-current
The Group's assets and liabilities are presented in the consolidated statement of financial position and classified as current and non-current. The Group classifies an asset as current when:

- it expects to realize the asset, or intends to sell or consume it, in its normal operating cycle;
- it holds the asset primarily for the purpose of trading;
- it expects to realize the asset within twelve months after the reporting period; or
- the asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

The Group classifies all other assets as non-current.

The Group classifies a liability as current when:

- it expects to settle the liability in its normal operating cycle;
- it holds the liability primarily for the purpose of trading;
- the liability is due to be settled within twelve months after the reporting period; or
- it does not have the right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

The Group classifies deferred tax assets and liabilities as non-current assets and liabilities.

v. Foreign currency transactions
The consolidated financial statements are presented in *soles*, which is the Parent Company's functional currency. The members of the Group determine their functional currency. The non-monetary items included in the financial statements of each member are measured in that functional currency.

The consolidated financial statements were prepared to present the joint activities of the members of the Group. Therefore, the presentation currency is the *sol* (the currency used by the Company). Consequently, the Group translates financial information of entities based in a country whose functional currency is other than the *sol* into its presentation currency applying the translation methods under IAS 21 *The Effects of Changes in Foreign Exchange Rates*.

Foreign currency transactions and balances

Functional and presentation currency
The Company's functional and presentation currency is the *sol*, since it is the currency of its primary economic environment in which it operates and is used for all transactions. Management assessed each subsidiary and determined their functional currency, which is the currency of the primary economic environment in which each subsidiary operates.

The Group translated financial information of subsidiaries based in a country whose functional currency is other than the *sol* into its presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position. The exchange difference of opening balances to the presentation currency at an exchange rate different from the closing rate is presented as a movement of each of the items to which it corresponds.

- income and expenses for each statement presenting profit or loss and other comprehensive income are translated at exchange rates at the dates of the transactions; and

- all resulting exchange differences are recognized in 'gains or losses on translation' in the consolidated statement of other comprehensive income.

Foreign currency transactions and balances
A foreign currency transaction is a transaction that is denominated or requires settlement in a foreign currency. A foreign currency transaction is recorded, at initial recognition in the functional currency, at the exchange rate ruling at the transaction date.

Monetary items stated in foreign currency are retranslated into the functional currency at the exchange rate existing at the reporting date. Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated at initial recognition are recognized in 'exchange difference, net' in profit or loss in the period in which they arise.

Non-monetary items stated in foreign currency are translated using the exchange rate ruling at the transaction date.

Under IAS 21, exchange differences on intragroup transactions eliminated by consolidation and exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation shall be recognized in profit or loss in the consolidated financial statements.

vi. Inventories (note 9)
Inventories are measured at the lower of cost or net realizable value. The costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management are recognized as follows:

- ***Raw materials, replacement parts, materials, supplies, containers and packaging***

The cost of inventories is determined using the weighted average cost method.

- ***Finished goods and work-in-progress***

The cost comprises direct labor and material costs, other direct costs, and a systematic allocation of fixed and variable production overheads that are incurred in converting materials into finished goods, based on the normal capacity of the production facilities. The cost is determined using the weighted average cost method. It excludes borrowing costs and exchange differences.

- ***Goods in transit***

The cost comprises costs directly attributable to the acquisition of goods.

Net realizable value is the estimated selling price in the normal course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

- ***Loss allowance***

The Group periodically assesses if inventories have become wholly or partially obsolete based on criteria to determine the extent to which, or manner in which, the asset is used or is expected to be used. Accordingly, it recognizes an impairment loss on inventories, which affects profit or loss in the period that the impairment loss is identified. Management reviews on an annual basis such criteria to measure a loss allowance.

vii. Prepaid expenses (note 10)

This caption comprises services or taxes paid in advance. They are recognized as prepaid expenses when the payment is made and are amortized to the extent that the service is used or consumed.

viii. Investments in associates (note 11)

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee without the power to control or jointly control those policies.

Factors considered to determine the existence of joint control of, or significant influence over, an investee are similar to those necessary to determine the existence of control of an investee.

Investments in associates are recognized using the equity method.

Under the equity method, at initial recognition the investment in an associate is recognized at cost, and the carrying amount is increased or decreased to recognize the Group’s share of the profit or loss of the investee after the date of acquisition. Goodwill relating to an associate is included in the carrying amount of the investment. Amortization of that goodwill is not permitted. Goodwill is not tested for impairment separately.

The Group’s share of the investee’s profit or loss is recognized in the Group’s profit or loss. The investor’s share of changes in the investee’s other comprehensive income is recognized in the investor’s other comprehensive income The investor’s share of changes recognized directly in the associate’s equity is recognized directly in equity by the investor, and disclosed in the consolidated statement of changes in equity. Profits and losses resulting upstream and downstream transactions between the Group and an associate are eliminated to the extent of the investor's interest in the associate.

The Group's share of the associate’s profit or loss is recognized in the Groups profit or loss, outside EBIT. The share includes profit or loss, net of taxes, and non-controlling interests of the associate’s subsidiaries.

When the end of the reporting period of the entity is different from that of the associate, the associate prepares financial statements as of the same date as the financial statements of the Group. If an associate uses accounting policies other than those of the Group, adjustments shall be made to make the associate’s accounting policies conform to those of the Group.

After applying the equity method, the Group assesses whether there is any objective evidence that its net investment in the associate is impaired. The Group assesses at the end of each reporting period whether there is any indication that its net investment in the associate or joint venture may be impaired. An investment in an associate is impaired when its carrying amount exceeds its recoverable amount. Any impairment loss is recognized in 'net investments in associates' in the consolidated statement of profit or loss.

If the retained interest in the former associate is a financial asset, the Group measures the retained interest at fair value. The Group recognizes in profit or loss any difference between the fair value of any retained interest and any proceeds from disposing of a part interest in the associate; and the carrying amount of the investment at the date the equity method was discontinued.

ix. Borrowing costs (note 13.g)
The Group capitalizes borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. All other borrowing costs are recognized in the consolidated statement of profit or loss as incurred.

Borrowing costs are interest and other costs that an entity incurs in connection with the borrowing of funds.

x. Leases (note 12)
The Group determines whether an arrangement is, or contains, a lease based on an assessment of whether fulfillment of the arrangement is dependent on the use of a specific asset or assets; and the arrangement conveys a right to use the asset.

The Group as lessee
The Group classifies each of its leases as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset.

At the commencement of the lease term, the Group recognizes finance leases as assets and liabilities at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments. Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Borrowing costs are recognized in the consolidated statement profit or loss.

A leased asset is amortized over the asset's useful life. However, if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term, the asset shall be amortized over the shorter of the lease term or its useful life.

An operating lease is any lease other than a finance lease. The Group recognizes lease payments from operating leases as an expense over the lease term.

The Group as lessor
A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset.

Lease income from operating leases is recognized on a straight-line basis over the lease term in ‘revenue’ in the consolidated statement of profit or loss. Initial direct costs incurred by lessors in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as the lease income. Contingent rents are recognized as revenue in the period in which they are incurred.

Right-of-use assets (note 12.a)
At the commencement date, a right-of-use asset is measured at cost. The cost of the right-of-use asset comprises the amount of the initial measurement of the lease liability; any lease payments made at or before the commencement date, less any lease incentives received; any initial direct costs incurred by the lessee; and an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset or restoring the site on which it is located.

The Group depreciates on a straight-line basis the right-of-use asset from the commencement date to the end of the useful life of the right-of-use asset or the end of the lease term, considering whether the Group will exercise a purchase option.

The useful lives of right-of-use assets are as follows:

Description	**Years**
Land	3 to 30
Vehicles	3 to 5
Buildings and constructions	3
Premises	3 to 4
Various equipment	2 to 4

In addition, the right-of-use asset is measured at cost less any accumulated impairment losses, and adjusted for any remeasurement of the lease liability.

Lease liabilities (note 12(b))
At the commencement date, a lease liability is measured at the present value of the lease payments that are not paid at that date. The lease payments shall be discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. The Group’s incremental borrowing rate is the discount rate.

The lease payments comprise fixed payments (including in-substance fixed payments), variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date, among others. Likewise, an arrangement may contain non-lease components referred to as lease payments. As a practical expedient, the Group may elect not to separate non-lease components from lease components. However, payments relating to non-lease components are included in the measurement of the lease liability.

Lease liabilities are measured at amortized cost using the effective interest method. Lease liabilities are remeasured when there is a change in the future lease payments resulting from a change in an index or rate; there is a change in the amounts expected to be payable under a residual value guarantee; or if the Group reassesses whether it is reasonably certain to exercise a purchase, extension or termination option. When the Group remeasures the lease liability, it recognizes the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. However, if the carrying amount of the right-of-use asset is reduced to zero, the Group recognizes any remaining amount of the remeasurement in profit or loss.

The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Options to extend or terminate the lease are included in the lease term. In assessing whether the Group is reasonably certain to exercise an option to extend a lease, or not to exercise an option to terminate a lease, it considers all relevant facts and circumstances that create an economic incentive for the lessee to exercise the option to extend the lease, or not to exercise the option to terminate the lease.

Practical expedient
The Group does not recognize right-of-use assets and lease liabilities for short-term leases of low-value assets (i.e., IT equipment) that have a lease term of 12 months or less. The Group recognizes lease payments associated with these leases as expenses on a straight-line basis over the lease term.

The Group as lessor
A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset. Lease income from operating leases is recognized on a straight-line basis over the lease term in 'other income' in the consolidated statement of profit or loss.

Initial direct costs incurred by lessors in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as the lease income. Contingent rents are recognized as revenue in the period in which they are incurred.

xi. Sale and leaseback transactions
The asset under sale and leaseback transactions is included in the consolidated financial statements at the amount of the leaseback and the related liability is presented in 'other financial liabilities' in the consolidated statement of financial position (note 16.A(b)). If a sale and leaseback transaction results in a finance lease, any excess of sales proceeds over the carrying amount is recognized in 'deferred revenue' in the consolidated statement of financial position (note 18(a)) and amortized to profit or loss on a straight-line basis over the term of the leaseback.

xii. Property, plant and equipment, net (note 13)
An item of property, plant and equipment is measured at cost less any accumulated depreciation and any accumulated impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. This cost comprises costs incurred to replace part of an item of property, plant and equipment and borrowing costs for long-term construction projects, provided that the recognition criteria are met. The cost of an item of property, plant and equipment also comprises the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located (note 4.C.xv). If the Group recognizes in the carrying amount of an item of property, plant and equipment the cost of a replacement for part of the item, then it derecognizes the carrying amount of the replaced part regardless of whether the replaced part had been depreciated separately. When each major inspection is performed, its cost is recognized in the carrying amount of the item of property, plant and equipment as a replacement if the recognition criteria are satisfied. All major inspection or overhaul costs are recognized in the consolidated statement of profit or loss as incurred.

Depreciation is determined using the straight-line method over the asset's useful life. The following useful lives are used to calculate depreciation:

Description	Years
Closure of quarries	11 to 38
Buildings and constructions	10 to 70
Premises	3 to 30
Machinery and equipment	5 to 70
Vehicles	2 to 10
Furniture and fixtures	3 to 10
Various equipment	2 to 15

The carrying amount of an item of property, plant and equipment is derecognized on disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of an asset (determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item) is included in the consolidated statement of profit or loss.

Work-in-progress includes projects in progress and is measured at cost. The cost comprises costs that are directly attributable to the acquisition, construction or production of a qualifying asset and other direct costs. Work-in-progress is not depreciated until the asset is brought into use.

Land is measured at cost and has an indefinite useful life; therefore, it is not depreciated.

The residual value, useful life and depreciation method are reviewed and adjusted, as appropriate, at the end of each reporting period.

xiii. Mining concessions (note 13)

Mining concessions correspond to rights to explore areas of interest acquired in prior years. Mining concessions are measured at cost, less any accumulated amortization and any impairment losses. They are recognized in 'mining concessions and property, plant and equipment.'

Mining concessions are amortized using the straight-line method. If the Group abandons a concession, the related costs are recognized in the consolidated statement of profit or loss.

xiv. Intangible assets (note 15)

The useful life of an intangible asset may be finite or indefinite.

The Group tests an intangible asset with a finite useful life for impairment to determine whether the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. If there has been a change in the expected pattern of consumption of the future economic benefits embodied in the asset, the amortization method is changed to reflect the changed pattern. Such changes are recognized as changes in accounting estimates. The amortization charge for each period is recognized in 'expenses' in the consolidated statement of profit or loss.

Any gain or loss on derecognition of an intangible asset (determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item) is included in the consolidated statement of profit or loss.

Goodwill
The Group recognizes goodwill at the acquisition date measured as the excess of the aggregate of the consideration transferred and the amount of any non-controlling interest in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. Goodwill is recognized in 'intangible assets, net' in the consolidated statement of financial position.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses, which are measured at least every year in December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the acquirer's cash-generating units (CGU), or groups of CGUs, that is expected to benefit from the synergies of the combination.

If goodwill has been allocated to a cash-generating unit and the Group disposes of an operation within that unit, the goodwill associated with the operation disposed of shall be measured on the basis of the relative values of the operation disposed of and the portion of the CGU retained.

A CGU to which goodwill has been allocated shall be tested for impairment annually, and whenever there is an indication that the unit may be impaired, by comparing the carrying amount of the unit, including the goodwill, with the recoverable amount of the unit. If the carrying amount of the unit exceeds the recoverable amount of the unit, the Group shall recognize the impairment loss. An impairment loss recognized for goodwill shall not be reversed in a subsequent period.

Customer list
Customer list is recognized in 'intangible assets, net' in the consolidated statement of financial position. It has a useful life of 10 years.

Brand
Brand is recognized in 'intangible assets, net' in the consolidated statement of financial. It has an indefinite useful life.

Software and licenses
Software and licenses are measured initially at cost. The cost comprises all directly attributable costs necessary to create, produce, and prepare the asset to be capable of operating in the manner intended by management. Such costs are amortized over the useful life of the intangible asset (i.e., from 3 to 10 years).

Concession for the generation of electrical energy
A concession for the generation of electrical energy is measured initially at cost, including the right to transfer the concession. The cost and right to transfer are amortized over the concession term (i.e., 25 years).

xv. Deferred stripping costs (note 14)
The Group incurs waste removal costs (stripping costs) during the development and production phases of the open-pit mine. During the production phase, production stripping costs are incurred both in relation to usable ore that can be used to produce inventory and improved access to further quantities of material that will be mined in future periods. To the extent that the benefit from the stripping activity is realized in the form of inventory produced, the Group recognizes the costs of that stripping activity as production costs. To the extent the benefit is improved access to ore, the Group recognizes these costs as a stripping activity asset. Management uses significant judgment to distinguish development and production activities, as well as to distinguish between costs of the stripping activity asset and the inventory produced.

The Group initially measures the stripping activity asset at cost. The stripping activity asset shall be amortized over the expected useful life of the identified component of the ore body that becomes more accessible as a result of the stripping activity. The identified component of ore body is the more accessible as a result of the stripping activity. Management uses significant judgment to identify the component of the ore body and determine the volume of waste extracted (e.g., tons) and the expected mineral content to be extracted.

The assessments are performed for each individual mining operation based on the information available in the quarry plan. A quarry plan and identification of the component of the ore body vary between quarries for different reasons. These include, but are not limited to, the type of product, the geological characteristics of the ore body, the geographical location and/or financial considerations.

The stripping activity asset shall be depreciated over the expected useful life of the identified component of the ore body that becomes more accessible as a result of the stripping activity. After initial recognition, the stripping activity asset shall be carried at either its cost or its revalued amount less depreciation and impairment losses.

xvi. Reserve estimates (note 19)

Reserves are estimates of the amount of product (ore) that can be economically and legally extracted from mineral resources. The Group estimates its ore reserves and mineral resources based on information compiled by suitably qualified professionals relating to the geological data on the size, depth and shape of the ore body. This process may require complex and difficult geological judgments to interpret the data. In order to estimate reserves, assumptions are required about a range of geological, technical and economic factors, including quantities, grades, production costs, commodity prices and exchange rates.

Changes in the reserve estimates may affect the carrying amount of items of property, plant and equipment, provision for closure of quarries and depreciation and amortization charges.

xvii. Impairment of non-financial assets

At the end of each reporting period, the Group assesses whether there is any indication that a non-financial asset may be impaired. If any such indication exists, the Group shall estimate the recoverable amount of the asset. The recoverable amount of an asset or CGU is the higher of its fair value less costs of disposal and its value in use. It is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. If this is the case, recoverable amount is determined for the CGU to which the asset belongs. An asset or a CGU is impaired when its carrying amount exceeds its recoverable amount. The Group shall reduce the carrying amount of the asset or CGU to its recoverable amount. Value in use of an asset or CGU is the expected future cash flows, discounted to 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 or CGU. When determining fair value less costs of sale, the Group uses current market transactions that might be available. If such market transactions are not available, the Group uses a valuation technique that is appropriate in the circumstances.

Any impairment loss of an asset, including inventories, is recognized in the consolidated statement of profit or loss and other comprehensive income in 'expenses' to which the credit-impaired asset belongs.

The Group assesses at the end of each reporting period whether there is any indication that an impairment loss recognized in prior periods for an asset other than goodwill may no longer exist or may have decreased. If any such indication exists, the Group shall estimate the recoverable amount of that asset.

An impairment loss recognized in prior periods for an asset other than goodwill is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss shall not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognized for the asset in prior periods.

A reversal of an impairment loss for an asset other than goodwill is recognized immediately in profit or loss, unless the asset is carried at revalued amount. Any reversal of an impairment loss of a revalued asset shall be treated as a revaluation increase.

In measuring value in use the Group bases cash flow projections on the most recent financial budgets/forecasts approved by management. Projections based on these budgets/forecasts shall cover a maximum period of five years. When a period greater than five years is used for a CGU, the Group uses a long-term average growth rate to extrapolate cash flow projections.

Any impairment loss of an asset, including inventories, is recognized in the consolidated statement of profit or loss and other comprehensive income in 'expenses' to which the credit-impaired asset belongs.

An impairment loss on a non-revalued asset is recognized in 'expenses' in the consolidated statement of profit or loss. However, an impairment loss on a revalued asset is recognized in other comprehensive income to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same asset. Such an impairment loss on a revalued asset is offset against the revaluation surplus for that asset, and only when that has been exhausted, it is recognized in profit or loss.

The Group assesses at the end of each reporting period whether there is any indication that an impairment loss recognized in prior periods for an asset other than goodwill may no longer exist or may have decreased. If any such indication exists, the Group shall estimate the recoverable amount of that asset.

An impairment loss recognized in prior periods for an asset other than goodwill is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss shall not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognized for the asset in prior periods. Any reversal of an impairment loss of a revalued asset shall be treated as a revaluation increase.

The Group tests goodwill for impairment annually (as of December 31) and when there is any indication that goodwill may be impaired. If there is an indication that an asset may be impaired, recoverable amount is determined for the CGU or group of CGUs to which the asset belongs. If the carrying amount of the unit exceeds the recoverable amount of the unit, the Group shall recognize the impairment loss. An impairment loss recognized for goodwill shall not be reversed in a subsequent period.

xviii. Provisions (note 19)

General provision
A provision is only recognized when the Group has a present legal or constructive obligation 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. When some or all of the expense required to settle a provision is expected to be reimbursed by another party - e.g., under an insurance contract, the reimbursement is recognized when, and only when, it is virtually certain that the reimbursement will be received. The reimbursement is treated as a separate asset. In the consolidated statement of comprehensive income, the expense relating to a provision is presented net of the amount recognized for a reimbursement. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenses expected to be required to settle the obligation. When discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognized as borrowing cost in profit or loss.

Provision for closure of quarries
The Group recognizes a provision for the costs of legal or constructive obligations to clean up contaminated land or restore facilities in the period in which the obligation is incurred. A provision for closure of quarries is measured at the amount that the Group would rationally pay to settle the obligation at the end of the reporting, using expected cash flows. The costs are recognized as an integral part of the cost of that asset. The discount rate shall be a pre-tax rate that reflect current market assessments of the time value of money and the risks specific to the liability.

Accruals are recognized as an expense as incurred in 'borrowing costs' in the consolidated statement of profit or loss. The closure costs are reviewed and adjusted, as appropriate, on an annual basis. Changes in the expected future costs or in the discount rate are added to or deducted from the cost of the asset.

Provision for environmental rehabilitation (Ecuador)
The Group makes judgments and estimates to recognize costs and measure provisions related to the environmental management plan. They are based on current information on the estimated rehabilitation costs and environmental rehabilitation plans required by law.

The actual costs may differ from the estimates due to changes in the laws and regulations, discovery and analysis of site conditions, and changes in the clean-up technology. Therefore, any change in the facts and circumstances related to this provision and in the laws and regulations may have a significant effect on the provision recognized. The provision for environmental rehabilitation is reviewed on an annual basis using a study that is updated every 3 years.

xix. Contingencies (note 33.D)
A contingent liability is recognized depending on whether some uncertain future events occur or when the amount of the obligation cannot be measured reliably. A contingent asset is not recognized in the consolidated financial statements, but it is disclosed where an inflow of economic benefits is probable. When the realization of revenue is virtually certain, then the related asset is not a contingent asset and its recognition is appropriate.

xx. Employee benefits

The Group's short-term employee benefits include salaries, social security contributions, legal bonuses, performance bonuses and employees' profit sharing. These liabilities are monthly charged to the consolidated statement of comprehensive income on an accrual basis.

Retirement and termination benefits and other employee benefits (note 19(b))

The Group has a defined benefit plan (i.e., post-employment benefit plan) that regulated and required by the employment and labor law of Ecuador. Under applicable laws, in the event of termination of employment at the request of the employer or employee, the employer will give the employee a bonus of 25% of the last monthly salary for each year of service. This employee benefit is referred as termination benefits. The Group has an additional employee benefit plan for employees under a collective agreement.

The Group annually measures the provision for retirement and termination benefits based on actuarial assumptions made by an independent specialist. It is recognized in the consolidated statement of profit or loss using the projected unit credit method and is the present value of the defined benefit obligation at the reporting date, which is measured by discounting estimates of future cash flows at an annual rate equivalent to the average rate of U.S. bonds stated in the currency in which the benefits are paid and have terms that are an approximation of terms of pension plans until maturity.

The actuarial assumptions include factors such as discount rate, mortality rate, age, sex, year of service, compensation, future increase in compensation, turnover rate, among others.

Actuarial gains and losses resulting from experience adjustments and the effects of changes in the actuarial assumptions are recognized in other comprehensive income when they arise. Any past service cost is recognized in profit or loss.

xxi. Revenue recognition

The Group is engaged in the sale of cement, concrete and precast concrete, the supply of electric power and other services. The Group recognizes revenue from contracts with customers when (or as) the Group satisfies a performance obligation is satisfied by transferring a promised good or service to a customer. An asset is transferred when (or as) the customer obtains control over that asset.

Sale of goods

The Group identify the sale of goods as a performance obligation. Revenue is recognized when the Group transfers control of the goods to the customer - i.e., upon delivery.

IFRS 15 establishes a five-step model for the recognition of revenue from contracts with customers:

- identify the contract with a customer;
- identify the performance obligations in the contract;
- determine the transaction price;
- allocate the transaction price to the performance obligations; and
- recognize revenue when (or as) a performance obligation is satisfied.

IFRS 15 provides a clear rationale for the recognition of revenue by an entity and takes a principle-based approach to recognizing revenue.

The Group does not have a contract that has multiple performance obligations; therefore, it is not required to allocate the transaction price to the performance obligations in the contract (e.g., warranties, customer loyalty programs).

Sale of power and energy
Revenue from the sale of power and energy is monthly recognized over time based on meter reading periods and are fully recognized when the service is rendered. Revenue from power delivered but not invoiced, which is generated between the last meter reading period and the end of each month, is included in the invoice of the following month, but is recognized in the relevant month based on estimates of the power consumed by the customer during such period.

Rendering of services
Revenue from rental services of gantry cranes, overhead cranes and hydroelectric power plants and other services is recognized over time.

The Group identifies separate performance obligations and allocates the transaction price to each performance obligation.

In some contracts, the Group grants the customer the right to return the good and offers trade discounts and volume rebates.

Variable considerations
In some contracts, the Group grants the customer the right to return the good and offers trade discounts and volume rebates that shall be deducted from sales revenue under IFRS 15. The Group shall estimate an amount of variable consideration by using the expected value method - i.e., the sum of probability-weighted amounts in a range of possible consideration amounts. The amounts are recognized as a decrease in trade accounts receivable in the consolidated statement of financial position and as a decrease in revenue in the consolidated statement of profit or loss. Sales commissions granted to suppliers are also included.

Interest revenue
Interest revenue is recognized using the effective interest method. Interest is presented in 'finance income' in the consolidated statement of profit or loss.

xxii. Recognition of costs and expenses
Costs and expenses are recognized on an accrual basis, regardless of when they are incurred, in the periods to which they relate.

xxiii. Taxes (notes 20 and 33.C)

Current tax
Current tax assets and liabilities are measured at the amount expected to be paid to (recovered from) the Tax Authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Current tax that relates to items recognized directly in equity, is recognized outside profit or loss, directly in equity. Management assesses on an ongoing basis the income tax treatment used by the Group in its income tax filings regarding situations in which the applicable tax laws are subject to interpretation. The Group recognizes a provision, as appropriate.

Deferred tax
Deferred tax assets and liabilities are recognized for all (deductible and taxable) temporary differences - i.e., differences between the carrying amount of an asset or liability in the consolidated statement of financial position and its tax base. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled. The measurement of deferred tax liabilities and deferred tax assets shall reflect the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

The carrying amount of deferred tax assets and liabilities may change even though there is no change in the amount of the related temporary differences. This can result from a change in tax rates or tax laws. The resulting deferred tax is recognized in profit or loss, except to the extent that it relates to items previously recognized outside profit or loss.

A deferred tax asset and liability is measured without considering the period in which the temporary differences are expected to reverse. A deferred tax asset is recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized. At the end of each reporting period, the Group assesses the unrecognized deferred tax assets, and recognized deferred tax assets. The Group measures deferred tax assets and liabilities at the tax rate applicable to undistributed profits. The Group recognize the income tax consequences of dividends when it recognizes a liability to pay a dividend.

The Group shall offset deferred tax assets and liabilities if it has a legally enforceable right to set off current tax assets against current tax liabilities; and the deferred tax assets and liabilities relate to income taxes levied by the same Tax Authorities.

Uncertainty over income tax treatments
The acceptability of a particular tax treatment under tax law may not be known until the relevant Tax Authorities or a court takes a decision in the future. Consequently, a dispute or examination of a particular tax treatment by the Tax Authorities may affect an entity's accounting for a current or deferred tax asset or liability.

If an entity concludes it is probable that the Tax Authorities will accept an uncertain tax treatment, the entity shall determine the taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatment used or planned to be used in its income tax returns.

If an entity concludes it is not probable that the Tax Authorities will accept an uncertain tax treatment, the entity shall reflect the effect of uncertainty.

If an uncertain tax treatment affects current and deferred tax, an entity shall make consistent judgments and estimates for both current and deferred tax.

An entity shall reassess a judgment or estimate if the facts and circumstances on which the judgment or estimate was based change or as a result of new information that affects the judgment or estimate. An entity shall reflect the effect of a change in the facts and circumstances or of new information as a change in the accounting estimate.

As of December 31, 2021 and 2020, the Group did not identify uncertain tax treatments that would result in the recognition of provisions in the consolidated financial statements, under IFRIC 23.

Mining royalties (note 33.E)
In accordance with Law 28258, amended by Law 29788, mining royalty payments are the higher of a percentage of operating profit or 1% of profits. If a mining royalty is calculated as a percentage of operating profit, marginal tax rates ranging from 1% to 12% are applicable. Such rates increase gradually for entities with higher operating margins. Mining royalties are recognized under IAS 12 *Income Taxes*, since they meet the requirements of taxes. Royalty payments are required by the Peruvian government and are based on profits, net of expenses after adjustments for temporary differences, rather than on the amount produced or a percentage of profits. They are measured using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Consequently, royalty payments made by the Group to the Peruvian government are within the scope of IAS 12.

Sales tax
Revenue, expenses and assets are recognized net of the amount of sales tax, except when:

- sales tax incurred in the acquisition of goods or services is not recoverable from the Tax Authorities, in which case, it is recognized as part of costs of purchase of the asset or as part of 'expenses,' as appropriate; and
- accounts receivable and payable are stated with the amount of sales tax included.

The net amount of sales tax expected to be recovered from or paid to the Tax Authorities is presented in 'other accounts receivable' or 'other accounts payable' in the consolidated statement of financial position.

xxiv. Earnings per share (note 32)
Basic earnings per share are calculated by dividing the profit or loss attributable to ordinary shareholders by the weighted average number of outstanding ordinary shares during the period. As of December 31, 2021 and 2020, the Group does not have dilutive financial instruments; therefore, the basic and diluted earnings per share are the same.

xxv. Operating segments (note 37)
An operating segment is a component of an entity: (i) that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), (ii) whose operating results are regularly reviewed by management to make decisions about resources to be allocated to the segment and assess its performance, and (iii) for which discrete financial information is available.

5. Significant Accounting Estimates and Assumptions

In preparing these consolidated financial statements, management has made judgments, estimates and assumptions related to determining the reported amounts of assets and liabilities, exposure of contingent assets and contingent liabilities at the reporting date, and the reported amounts income and expenses for the years ended on December 31, 2021 and 2020.

Significant estimates and judgments related to the consolidated financial statements comprise the following:

- Impairment of long-lived assets (notes 4.C.xii, 4.C.xiii and 4.C.xiv).
- Reserve estimates (note 4.C.xvi).
- Income tax (note 4.C.xxiii).

In management's opinion, the estimates included in the consolidated financial statements were made based on the best understanding of relevant facts and circumstances at the reporting date. However, actual results may differ from these estimates.

6. Standards issued but not yet Effective

The following standards are applicable to annual periods beginning on or after January 1, 2022, and have not been applied in preparing these consolidated financial statements. The Group does not plan to early adopt the applicable standards.

Amendments to IFRSs	
Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)	Annual periods beginning on or after January 1, 2022 to existing contracts on the adoption date. Early adoption is permitted.
Annual Improvements to IFRS Standards 2018-2020	Annual periods beginning on or after January 1, 2022. Early adoption is permitted.
Property, Plant and Equipment – Proceeds before Intended Use (Amendments to IAS 16)	
Reference to the Conceptual Framework (Amendments to IFRS 3)	Annual periods beginning on or after January 1, 2022. Early adoption is permitted.
Classification of Liabilities as Current or Non-current (Amendments to IAS 1)	Annual periods beginning on or after January 1, 2023. Early adoption is permitted.
Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)	Annual periods beginning on or after January 1, 2023. Early adoption is permitted.
Definition of Accounting Estimates (Amendments to IAS 8)	Annual periods beginning on or after January 1, 2023. Early adoption is permitted.
Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)	Annual periods beginning on or after January 1, 2023. Early adoption is permitted.

Such standards issued but not yet effective are not expected to have a significant effect on the Group's consolidated financial statements.

7. Cash and Cash Equivalents

This caption comprises the following:

In thousands of soles	2021	2020
Checking and savings accounts (a)	245,201	210,671
Time deposits (b)	153,159	337,064
Petty cash fund	1,395	1,450
	399,755	**549,185**
Investments in financial instruments (b)	-	21,708
	-	**21,708**

(a) It corresponds to checking and savings accounts stated in local and foreign currency and deposited at local and foreign banks with a high credit rating. They have free withdrawal option and accrue interest at market rates.

(b) It corresponds to time deposits held in local and foreign financial institutions and stated in local and foreign currency. They accrue interest at market rates and have original maturities of less than three months.

As of December 31, 2020, Unión de Concreteras S.A. had a time deposit in a local financial institution for US$ 6,000,000. It accrued interest at a market rate and matured on October 25, 2022. However, the time deposit was paid in advance on October 12, 2021.

8. Trade and Other Accounts Receivable, Net

This caption comprises the following:

		Current portion		Non-current portion	
In thousands of soles	**Note**	**2021**	**2020**	**2021**	**2020**
Trade accounts receivable					
Invoices and bills receivable (a)		513,329	383,565	18,574	16,594
Loss allowance for accounts receivable (b)		36,095	32,185	-	-
		549,424	**415,750**	**18,574**	**16,594**
Related parties					
Accounts receivable from related parties	*31(b)*	31,500	30,611	-	-
Others					
Advances to suppliers (c)		23,039	10,686	2,292	6,384
Claims to Tax Authorities (d)		8,155	7,468	73,632	38,554
Loans to employees		7,680	6,837	8,176	6,682
Third-party claims		7,437	6,449	-	-
Hedging instruments	*34.A.i*	-	-	1,422	-
Loans to third parties (g)		-	83,678	-	-
Other accounts receivable		18,508	17,519	2,919	3,825
		64,819	**132,637**	**88,441**	**55,445**
Taxes					
Down payments of income tax (e)		14,109	19,634	-	-
Sales tax credit (f)		28,068	4,529	819	479
		42,177	**24,163**	**819**	**479**
		687,920	**603,161**	**107,834**	**72,518**
Less: ECLs (i)		(26,273)	(16,539)	(18,574)	(16,594)
		661,647	**586,622**	**89,260**	**55,924**

(a) Invoices receivable are stated in local and foreign currency, have current maturity and do not accrue interest. Bills receivable have current maturity and accrue interest at market rates.

(b) As of December 31, 2021 and 2020, it corresponds to loss allowances for accounts receivable from the sale of energy, power and precast concrete in December of those years for S/ 36,095,000 and S/ 32,185,000, respectively. They were invoiced and paid at the beginning of the following year.

(c) As of December 31, 2021 and 2020, it corresponds to advance payments made to suppliers for the acquisition of machinery and equipment, as well as the rendering of various services. They are paid in the short and long term.

(d) As of December 31, 2021 and 2020, it corresponds to claims to the Tax Authorities mainly related to mining royalties, fines for down payments, claims for cash payments from interest, among others (note 33.D).

It is the opinion of management and its legal advisors that there are sufficient legal grounds to determine that it is probable that these claims will be recovered in the short and long term.

(e) As of December 31, 2021 and 2020, it corresponds to the credit balance of down payments of income tax and expenses for temporary tax on net assets.

In management's opinion, down payments of income tax will be applied against future taxes levied in the current period.

(f) As of December 31, 2021, it corresponds to the tax sales tax credit from the acquisition of the San Antonio cement grinding plant by Unacem Chile S.A. As of December 31, 2020, it corresponds to the sales tax credit from the construction of the Marañón Hydroelectric Station, which will be applied against taxes payable levied in the short and long term.

(g) As of December 31, 2020, it corresponds to the loan receivable from Cementos La Unión S.A. (currently Unacem Chile S.A.) for US$ 23,128,000 (equivalent to S/ 83,678,000). It was granted on December 9, 2020 and was contributed as capital to the entity on December 29, 2021 (note 1.B.1). This transaction is eliminated in the consolidated financial statements as of December 31, 2021.

(h) Movement in the loss allowance for the years ended December 31, 2021 and 2020 is as follows:

In thousands of soles	***Note***	**2021**	**2020**
Opening balance		33,133	27,489
Provisions	*24, 25 & 28*	2,498	6,003
Acquisition of subsidiaries	*1.B*	10,344	-
Write-off and others		(6)	(1,704)
Reversals	*28*	(606)	(110)
Effects of exchange difference and translation		(516)	1,455
Closing balance		**44,847**	**33,133**

In management's opinion, the loss allowance adequately hedges the impairment risk as of December 31, 2021 and 2020.

(i) As of December 31, 2021 and 2020, the aging of trade and other accounts receivable is as follows:

			Past due but not impaired				
	Total	**Neither past due nor impaired**	**Less than 30 days**	**30-90 years**	**91-180 years**	**More than 180 days**	**Impaired**
2021	795,754	644,090	58,693	26,445	4,496	17,183	44,847
2020	675,679	553,876	43,286	21,229	13,273	10,882	33,133

As of December 31, 2021 and 2020, the Group assessed the exposure to credit risk of trade accounts receivable (note 34.B).

9. Inventories, Net

This caption comprises the following:

In thousands of soles	**2021**	**2020**
Replacement parts and supplies (a)	291,295	238,340
Work-in-progress (b)	202,151	154,520
Raw materials and auxiliary materials (c)	176,413	175,095
Finished goods	38,958	38,901
Packaging	25,557	18,053
Goods in transit	3,583	10,867
	737,957	**635,776**
Provision for inventory obsolescence (d)	(62,401)	(59,724)
	675,556	**576,052**

(a) It corresponds to replacement parts that will be used by the Group in the short term. The replacement parts that the Group expects to use in a period greater than one year are presented in 'machinery and equipment and major replacement parts' in 'mining concessions and property, plant and equipment, net' (note 13).

(b) It corresponds to coal, pozzolana, gypsum, clay, clinker in production and limestone extracted from the Group's quarries. According to management, they will be used in the production phase in the short term.

(c) It corresponds to imported and local coal, pozzolana, iron and imported clinker. As of December 31, 2021, the Group has coal, aggregates and clinker in stock for S/ 43,142,000, S/ 20,151,000 and S/ 13,411,000, respectively (2020: S/ 59,082,000, S/ 21,651,000 and S/ 21,098,000).

(d) Movement in the provision for inventory obsolescence for the year ended December 31, 2021 and 2020 is as follows:

In thousands of soles	***Note***	**2021**	**2020**
Opening balance		59,724	40,269
Provisions	*24*	4,174	18,771
Reversals	*28*	(157)	(954)
Effects of translation		(802)	1,638
Write-off		(538)	-
Closing balance		**62,401**	**59,724**

In management's opinion, the provision for inventory obsolescence adequately hedges the obsolescence risk as of December 31, 2021 and 2020.

10. Prepaid Expenses

This caption comprises the following:

In thousands of soles	**2021**	**2020**
Prepaid insurance contracts	16,560	11,405
Deferred charges and others	6,788	3,935
	23,348	**15,340**

11. Investments in Associates

This caption comprises the following:

	Number of shares		Interests (%)		Carrying amount	
In thousands of soles	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
Master Builders Solutions Perú S.A.	209,520	209,520	30.00	30.00	11,414	11,609
Ferrocarril Central Andino S.A.	2,479,642	5,732,871	16.49	16.49	3,273	7,567
Ferrovías Central Andina S.A.	250,509	250,509	15.00	15.00	3,268	1,939
Compañía de Inversiones Santa Cruz S.A.	12,390	12,390	8.85	8.85	2,342	2,339
Others	-	-	-	-	664	540
					20,961	**23,994**

(a) Movement in this caption was as follows:

In thousands of soles	**2021**	**2020**
Opening balance	23,994	22,328
Investments in subsidiaries	6,524	1,562
Capital reduction	(4,294)	-
Dividends received	(5,392)	-
Other adjustments to retained earnings	129	104
Closing balance	**20,961**	**23,994**

(b) The following table provides information of the financial statements of associates prepared in accordance with IFRSs:

	Master Builders Solutions Perú S.A.		Ferrocarril Central Andino S.A.		Ferrovías Central Andina S.A.		Compañía de Inversiones Santa Cruz S.A.	
In thousands of soles	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
Total assets	67,227	72,783	464,125	411,092	146,356	150,111	36,457	36,521
Total liabilities	29,179	34,085	337,495	254,383	112,604	127,228	9,977	10,074
Total net equity	38,048	38,698	126,630	156,709	33,752	22,883	26,480	26,447
Net sales	103,354	61,090	202,090	147,715	59,342	46,708	132	515
Profit (loss)	17,322	7,132	34,831	28,747	8,857	(800)	33	268

12. Right-of-use Assets and Lease Liabilities, Net

(a) Movement in the right-of-use assets is as follows:

In thousands of soles	*Note*	Land	Buildings and constructions	Vehicles	Premises	Various equipment	Total
Costs							
Balance as of January 1, 2020		24,309	-	1,387	2,058	14,003	41,757
Additions		4,210	-	354	-	1,787	6,351
Disposals		-	-	(281)	-	(7)	(288)
Others		(2,881)	-	-	-	-	(2,881)
Effects of translation		1,641	-	152	-	-	1,793
Balance as of December 31, 2020		**27,279**	**-**	**1,612**	**2,058**	**15,783**	**46,732**
Additions		4,909	-	-	-	5,575	10,484
Acquisition of subsidiaries	*1.B*	-	4,510	1,926	1,480	2,938	10,854
Disposals		(5,830)	-	-	(1,283)	(32)	(7,145)
Others		161	18	390	(302)	(50)	217
Effects of translation		435	(386)	(94)	(108)	(252)	(405)
Balance as of December 31, 2021		**26,954**	**4,142**	**3,834**	**1,845**	**23,962**	**60,737**
Accumulated depreciation							
Balance as of January 1, 2020		3,494	-	304	410	7,061	11,269
Additions (c)		5,860	-	369	542	3,848	10,619
Disposals		-	-	(56)	-	(7)	(63)
Others		1,767	-	-	-	-	1,767
Effects of translation		516	-	65	-	-	581
Balance as of December 31, 2020		**11,637**	**-**	**682**	**952**	**10,902**	**24,173**
Additions (c)		5,607	103	854	791	4,418	11,773
Acquisition of subsidiaries	*1.B*	-	862	1,445	1,088	1,605	5,000
Disposals		(2,979)	-	-	(1,283)	(32)	(4,294)
Others		-	166	161	(154)	(103)	70
Effects of translation		280	(82)	(159)	(113)	(168)	(242)
Balance as of December 31, 2021		**14,545**	**1,049**	**2,983**	**1,281**	**16,622**	**36,480**
Net carrying amount							
Balance as of December 31, 2021		**12,409**	**3,093**	**851**	**564**	**7,340**	**24,257**
Balance as of December 31, 2020		**15,642**	**-**	**930**	**1,106**	**4,881**	**22,559**

(b) Movement in the lease liabilities is as follows:

In thousands of soles	**2021**	**2020**
Opening balance	22,978	28,254
Additions	10,805	6,261
Acquisition of subsidiaries (note 1.B)	6,005	-
Lease payments	(15,876)	(11,125)
Others	687	(1,946)
Exchange difference	241	1,534
Closing balance	**24,840**	**22,978**
Classification upon maturity		
Current portion	8,345	9,873
Non-current portion	16,495	13,105
	24,840	**22,978**

(c) Depreciation charge was allocated to the consolidated statement of profit or loss as follows:

In thousands of soles	***Note***	**2021**	**2020**
Cost of sales	*24*	11,097	9,868
Administrative expenses	*25*	637	732
Selling expenses	*26*	39	19
		11,773	**10,619**

(d) As of December 31, 2021 and 2020, the Group only has leases with fixed payments.

13. Mining Concessions and Property, Plant and Equipment, Net

This caption comprises the following:

In thousands of soles	*Note*	Mining concessions (a)	Land	Closure of quarries	Buildings and constructions	Premises	Machinery and equipment	Vehicles	Furniture and fixtures	Various equipment	Goods in transit	Work-in-progress	Total
Costs													
Balance as of January 1, 2020		106,508	981,154	31,008	3,806,477	160,620	4,550,870	627,742	24,546	162,575	2,487	256,999	10,710,986
Additions (c)		126	26,779	1,402	14,076	6,501	34,636	14,979	44	3,673	656	176,128	279,000
Transfers (d)		-	52	-	10,678	2,599	70,497	16,526	12	4,203	(2,745)	(101,822)	-
Disposals and sales (e)		-	-	-	(246)	(341)	(8,622)	(26,216)	(2)	(368)	(23)	(58,379)	(94,197)
Classification of replacement parts and others		-	-	(1,448)	1,958	-	49,620	(231)	-	2,097	-	(1,846)	50,150
Effects of translation		-	11,205	-	142,301	1,790	80,461	14,828	224	4,640	-	6,855	262,304
Balance as of December 31, 2020		**106,634**	**1,019,190**	**30,962**	**3,975,244**	**171,169**	**4,777,462**	**647,628**	**24,824**	**176,820**	**375**	**277,935**	**11,208,243**
Additions (c)		1,280	25,031	749	89,631	2,431	28,577	51,128	62	3,979	451	230,646	433,965
Acquisition of subsidiaries	*1.B*	-	5,601	-	130,852	9,717	1,955	2,141	336	1,171	-	-	151,773
Transfers (d)		-	1,299	-	78,064	4,058	153,870	19,374	485	5,520	(411)	(262,259)	-
Disposals and sales (e)		-	-	(650)	(199)	(11)	(3,761)	(45,074)	-	(995)	-	(7)	(50,697)
Classification of replacement parts and others		-	-	(4,905)	2,665	-	(2,083)	(3,594)	-	98	-	(757)	(8,576)
Effects of translation		-	12,846	-	146,806	(2,046)	91,213	7,190	165	4,430	-	5,678	266,282
Balance as of December 31, 2021		**107,914**	**1,063,967**	**26,156**	**4,423,063**	**185,318**	**5,047,233**	**678,793**	**25,872**	**191,023**	**415**	**251,236**	**12,000,990**
Accumulated depreciation													
Balance as of January 1, 2020		19,474	-	9,331	1,008,936	88,688	1,747,150	449,316	21,694	117,083	-	-	3,461,672
Additions (f)		125	-	1,628	100,083	12,402	252,674	51,987	663	9,439	-	-	429,001
Disposals and sales (e)		-	-	-	(145)	(76)	(9,250)	(24,822)	(66)	(326)	-	-	(34,685)
Others		-	-	-	24	-	(133)	(99)	(2)	(502)	-	-	(712)
Effects of translation		-	-	-	43,489	907	37,017	7,588	172	3,400	-	-	92,573
Balance as of December 31, 2020		**19,599**	**-**	**10,959**	**1,152,387**	**101,921**	**2,027,458**	**483,970**	**22,461**	**129,094**	**-**	**-**	**3,947,849**
Additions (f)		125	-	5,542	107,699	14,452	260,109	54,937	641	9,623	-	-	453,128
Acquisition of subsidiaries	*1.B*	-	-	-	43,700	8,774	1,363	2,113	331	933	-	-	57,214
Disposals and sales (e)		-	-	(21)	(150)	(1)	(2,385)	(43,542)	-	(986)	-	-	(47,085)
Others		-	-	-	1,153	-	2,842	(1,851)	(32)	287	-	-	2,399
Effects of translation		-	-	-	46,033	(1,464)	43,086	5,187	133	2,881	-	-	95,856
Balance as of December 31, 2021		**19,724**	**-**	**16,480**	**1,350,822**	**123,682**	**2,332,473**	**500,814**	**23,534**	**141,832**	**-**	**-**	**4,509,361**
Net carrying amount													
Balance as of December 31, 2021		**88,190**	**1,063,967**	**9,676**	**3,072,241**	**61,636**	**2,714,760**	**177,979**	**2,338**	**49,191**	**415**	**251,236**	**7,491,629**
Balance as of December 31, 2020		**87,035**	**1,019,190**	**20,003**	**2,822,857**	**69,248**	**2,750,004**	**163,658**	**2,363**	**47,726**	**375**	**277,935**	**7,260,394**

(a) As of December 31, 2021 and 2020, it corresponds to the Company's concessions of the Atocongo, Atocongo Norte, Pucará, Oyón, El Silencio 8, Selva Alegre, Cumbas, Pastaví (Unacem Ecuador S.A.) and Jicamarca (Unión de Concreteras S.A.) quarries.

(b) As of December 31, 2021, the carrying amount of assets acquired through leases and sale and leaseback transactions amounts to S/ 102,397,000 (2020: S/ 152,511,000). In 2021, additions amount to S/ 64,237,000 (2020: S/ 31,649,000) under leases and sale and leaseback transactions. The leased assets guarantee the lease liabilities (note 16.A(b)).

(c) In 2021, additions correspond to:

i. Expenses for the projects of cooler dedusting system, control system migration and modernization of the Cenit-Pillard system in kiln 2, as well as modernization of the Carpapata I and II substations, and refurbishing of kiln 1 in the Condorcocha plant. Likewise, expenses for the projects of mill shell replacement, structural reinforcement and modification of chamber 1 of the multi silo, improvement in the system of rotary kiln 1 in the Atocongo plant for S/ 74,415,000.

ii. Additions of Drake Cement L.L.C. for the execution of the projects of construction of a new warehouse and improvements to the raw mill for US$ 7,407,000 (equivalent to S/ 29,444,000).

iii. Additions of Desert Ready Mix L.L.C. for the i) acquisition of machinery and equipment for US$ 1,438,000 (equivalent to S/ 5,718,000) and ii) acquisition of concrete mixer trucks and other vehicles for US$ 8,274,000 (equivalent to S/ 32,889,000).

iv. Additions of Desert Aggregates L.L.C. for the acquisition of machinery, equipment and trucks for US$ 598,000 (equivalent to S/ 2,375,000).

v. Additions to work-in-progress of Unacem Ecuador S.A. for the execution of the project of conditioning of biomass to increase fuel for US$ 797,000 (equivalent to S/ 3,169,000).

vi. Additions of Unión de Concreteras S.A. for the i) acquisition of front-end loaders for S/ 5,714,000, ii) acquisition of concrete mixer trucks for S/ 4,996,000, iii) overhaul of trucks for S/ 6,711,000 and iv) overhaul and commissioning of mixing plants for S/ 2,751,000.

vii. Additions of Concremax S.A. for the i) execution of the project of construction of a dry mix concrete plant for S/ 8,849,000 and ii) overhaul of trucks and machinery and equipment for S/ 5,222,000.

viii. Additions of Compañía Eléctrica El Platanal S.A. for the acquisition of runners (ANDRITZ) for S/ 2,197,000.

In 2020, additions correspond to:

i. Expenses for the projects of cooler dedusting system of kiln 2, control system migration in kiln 2, modernization of the Carpapata I and II substations, major inspection of kiln 2 and roofing of the clinker silo in the Condorcocha plant; as well as structural reinforcement and internal modification of chambers 1 and 3 of the multi silo, major maintenance of kiln 1 and repair of clinker tower 1 in the Atocongo plant for S/ 69,644,000 .

ii. Additions of Drake Cement L.L.C. for the i) acquisition of machinery and equipment for US$ 2,856,000 (equivalent to S/ 10,333,000) and ii) execution of projects of construction of a new warehouse and a mill for US$ 6,136,000 (equivalent to S/ 22,199,000).

iii. Additions of Drake Materials for the i) acquisition of machinery and equipment for US$ 2,499,000 (equivalent to S/ 9,040,000) and ii) execution of the project of aggregate plant for US$ 3,879,000 (equivalent to S/ 14,034,000).

iv. Additions of Desert Ready Mix L.L.C. for the i) acquisition of machinery and equipment for US$ 1,254,000 (equivalent to S/ 4,535,000) and ii) acquisition of concrete mixer trucks and other vehicles for US$ 1,638,000 (equivalent to S/ 5,928,000).

v. Additions of Desert Aggregates L.L.C. for the acquisition of machinery, equipment and trucks for US$ 2,167,000 (equivalent to S/ 7,841,000).

vi. Additions to work-in-progress of Unacem Ecuador S.A. for the construction of grinding station 3, crankshaft parts, construction of a chimney in the cement mill and opacimeter for US$ 1,481,000 (equivalent to S/ 5,358,000).

vii. Additions of Unión de Concreteras S.A. for the i) acquisition of concrete mixer trucks S/ 5,878,000 and ii) overhaul of trucks for S/ 8,723,000.

viii. Additions of Compañía Eléctrica El Platanal S.A. and Celepsa Renovables S.R.L. for social obligations assumed through framework agreements for the purchase of land for S/ 9,171,000.

(d) In 2021, transfers correspond to:

i. The Company completed the projects related to the structural reinforcement and internal modification of chamber 3 of the multi silo, improvements to the church, hospital and school, major maintenance of clinker tower 1, replacement of Flender gear units in the Atocongo plant, as well as cooler dedusting and major maintenance to kiln 2 in the Condorcocha plant for S/ 141,483,000. Such projects were transferred from ‘work-in-progress’ to ‘mining concessions and property, plant and equipment, net.’

ii. Unión de Concreteras S.A. performed major inspections of concrete mixer trucks, pumps and front-end loaders for S/ 12,340,000 and concrete batching plant for S/ 2,777,000, which were transferred to the relevant items.

iii. Concremax S.A. performed the activation of the new concrete bagging plant for S/ 5,954,000, overhaul of trucks and pumps for S/ 3,689,000, commissioning of concrete plants for S/ 3,048,000 and overhaul of crushers for S/ 2,031,000, which were transferred to the relevant items.

In 2020, transfers correspond to:

i. The Company completed the projects related to the implementation of feeder equipment into Pennsylvania crusher, implementation of cement silo, installation of construction hoists for the preheating tower, equipment in the Ancieta and Cajamarquilla plants, as well as installation of a new engine starting system of the roller press 3 in the Atocongo plant, among others, for S/ 10,077,000. Such projects were transferred from 'work-in-progress' to 'mining concessions and property, plant and equipment, net.'

ii. Unión de Concreteras S.A. performed major inspections of concrete mixer trucks, pumps and front-end loaders for S/ 6,838,000 and concrete batching plant for S/ 1,841,000, which were transferred to the relevant items.

iii. Concremax S.A. completed the works related to overhaul of trucks and pumps for S/ 2,907,000 and overhaul of crushers for S/ 1,164,000, which were transferred to the relevant items.

iv. Unacem Ecuador S.A. completed the works related to the construction of grinding station 3 for S/ 47,379,000 (equivalent to US$ 13,095,000). The project was transferred from 'work-in-progress' to 'mining concessions and property, plant and equipment, net.'

(e) In 2021, it corresponds to the derecognition of assets by i) Unión de Concreteras S.A. related to the sale of concrete mixer trucks and front-end loaders (the cost and accumulated depreciation amounted to S/ 14,883,000 and S/ 14,777,000) and ii) Desert Ready Mix L.L.C. related to the sale of concrete mixer trucks (the cost and accumulated depreciation amounted to S/ 24,070,000 and S/ 23,168,000).

In 2020, it corresponds to the derecognition of assets for S/ 57,737,000 by the Company related to the suspension of projects in the Atocongo power plant and the comprehensive plan of the Cristina mining concession as a result of the COVID-19 pandemic.

(f) In 2021 and 2020, depreciation charge was allocated as follows:

In thousands of soles	*Note*	2021	2020
Cost of sales	*24*	432,496	412,457
Administrative expenses	*25*	14,561	11,946
Selling expenses	*26*	121	148
Other expenses	*28*	4,749	1,210
Inventories		1,201	3,240
		453,128	**429,001**

(g) In 2021, interest was capitalized for S/ 4,348,000 (2020: S/ 1,708,000). The amount of borrowing costs eligible for capitalization shall be determined by applying a capitalization rate to the outlays on that asset. As of December 31, 2021, the rate used to determine the amount of borrowing costs eligible for capitalization was 4.1% (2020: 3.0%).

(h) Skanon Investments Inc. has security agreements on plants, vehicles and equipment located in the United States, which guarantee loans (note 16.A(b)).

On the other hand, Unión de Concreteras S.A. has a mortgage on the Ancieta and Villa El Salvador plants for up to S/ 100,000,000 issued by Scotiabank Peru S.A.A. to guarantee the loan granted by this bank (note 16.A(b)).

Likewise, Unacem Chile S.A. has a mortgage on the San Juan plant for US$ 23,000,000 issued by Banco de Crédito e Inversiones S.A. to guarantee the loan granted by this bank (note 16.A (b)).

(i) As of December 31, 2021 and 2020, management assessed whether there is any indication that an intangible asset may be impaired and did not identify any such indication.

14. Stripping Activity Assets, Net

This caption comprises the following:

In thousands of soles	*Note*	
Costs		
Balance as of January 1, 2020		164,912
Additions		-
Balance as of December 31, 2020		**164,912**
Additions		-
Balance as of December 31, 2021		**164,912**
Accumulated depreciation		
Balance as of January 1, 2020		(52,114)
Additions	*24*	(3,126)
Balance as of December 31, 2020		**(55,240)**
Additions	*24*	(7,144)
Balance as of December 31, 2021		**(62,384)**
Net carrying amount		
Balance as of December 31, 2021		**102,528**
Balance as of December 31, 2020		**109,672**

As of December 31, 2021 and 2020, the Company has three identified components (quarries): Atocongo, Atocongo Norte and Pucará. These quarries have a specific volume of limestone and waste.

15. Intangible Assets, Net

This caption comprises the following:

In thousands of soles	Goodwill (b)	Customer list	Brand	Concession for the generation of electrical energy (a)	Environmental protection program	Exploration expenses	Software	Others	Total
Costs									
Balance as of January 1, 2020	1,166,087	20,925	137,722	62,600	17,071	3,185	45,837	44,266	1,497,693
Additions	-	-	-	-	-	1,020	3,837	2,054	6,911
Others	-	-	-	-	-	-	-	(348)	(348)
Effects of translation	6,052	-	12,779	-	-	296	498	561	20,186
Balance as of December 31, 2020	**1,172,139**	**20,925**	**150,501**	**62,600**	**17,071**	**4,501**	**50,172**	**46,533**	**1,524,442**
Additions	-	-	-	-	-	129	4,898	3,283	8,310
Others	-	-	-	-	-	-	1,200	(212)	988
Disposals and derecognition (note 28)	-	-	-	-	-	-	-	(3,316)	(3,316)
Effects of translation	6,663	-	14,813	-	-	343	491	(366)	21,944
Balance as of December 31, 2021	**1,178,802**	**20,925**	**165,314**	**62,600**	**17,071**	**4,973**	**56,761**	**45,922**	**1,552,368**
Accumulated amortization									
Balance as of January 1, 2020	-	5,137	111	40,023	17,071	1,699	31,086	25,542	120,669
Additions (c)	-	2,177	30	1,484	-	1,245	4,876	1,913	11,725
Others	-	-	-	-	-	-	(185)	-	(185)
Effects of translation	-	-	21	-	-	165	289	60	535
Balance as of December 31, 2020	**-**	**7,314**	**162**	**41,507**	**17,071**	**3,109**	**36,066**	**27,515**	**132,744**
Additions (c)	-	2,177	31	1,484	-	379	4,751	5,231	14,053
Others	-	-	-	-	-	-	374	(109)	265
Effects of translation	-	-	(15)	-	-	210	289	(71)	413
Balance as of December 31, 2021	**-**	**9,491**	**178**	**42,991**	**17,071**	**3,698**	**41,480**	**32,566**	**147,475**
Net carrying amount									
Balance as of December 31, 2021	**1,178,802**	**11,434**	**165,136**	**19,609**	**-**	**1,275**	**15,281**	**13,356**	**1,404,893**
Balance as of December 31, 2020	**1,172,139**	**13,611**	**150,339**	**21,093**	**-**	**1,392**	**14,106**	**19,018**	**1,391,698**

(a) It corresponds to expenses to execute the project "El Platanal hydroelectric station" related to the construction of two hydroelectric stations and an irrigation system for undeveloped land, as well as to obtain the definitive concession for the generation of electrical energy, which was obtained by the Company through Supreme Resolution 130-2001-EM, dated July 25, 2001. Supreme Resolution 036-2003-EM, dated October 2, 2003, approved the division of the definitive concession for the generation of electrical energy into two separate concessions: G-1 El Platanal hydroelectric station that has a capacity of 220 megawatts and G-2 Morro de Arica hydroelectric station that has a capacity of 50 megawatts. Supreme Resolution 053-2006-EM, dated September 12, 2006, approved the transfer of the project "El Platanal hydroelectric station" to Compañía Eléctrica El Platanal S.A. for a 25-year term from March 30, 2011. As of December 31, 2021 and 2020, the Company has the concession related to the G-1 El Platanal hydroelectric station. In 2017, the G-2 Morro de Arica hydroelectric station was dropped and it is fully amortized.

(b) Goodwill comprises the higher transaction price paid for the acquisition of the following subsidiaries:

In thousands of soles ***CGU***	**Category**	**2021**	**2020**
Unacem Ecuador S.A.	Cement – Ecuador	1,023,795	1,023,795
Concremax S.A., SAG Concreto Premezclado S.A. and Entrepisos Lima S.A.C.	Concrete and aggregates – Peru	65,327	65,327
Maricopa Ready Mix L.L.C. and Subsidiaries, Sunshine Concrete & Materials Inc. and others	Concrete and aggregates – United States	39,673	39,673
Unicon Chile S.A.	Concrete – Chile	17,393	17,393
Lar Carbón S.A.	Cement – Peru	9,745	9,745
Prefabricados Andinos S.A.	Precast concrete – Chile	3,207	3,207
Unión de Concreteras Unicon Ucue Cia. Ltda.	Concrete – Ecuador	1,734	1,734
		1,160,874	**1,160,874**
Effects of translation		17,928	11,265
		1,178,802	**1,172,139**

As of December 31, 2021 and 2020, changes in the amounts compared to the prior year are due to changes in the exchange rates relating to the translation of functional currency of those countries to *soles*, applying a translation method (note 4.C(v)).

Impairment test for goodwill and brand with an indefinite useful life
For impairment testing, goodwill acquired in a business combination is allocated to CGUs of the acquiree.

Cash-generating Units
In measuring value in use of a CGU the Group bases cash flow projections on the most recent financial budgets/forecasts approved by management and uses the appropriate discount rate to those future cash flows. The Group discloses the information on the growth rate used to extrapolate cash flow projections beyond the period covered by the most recent budgets/forecasts, and the justification for using any growth rate that exceeds the long-term average growth rate for the industries in which the Group operates.

The key assumptions used in testing a CGU for impairment are the following:

CGU	Category	Discount rate %	Average annual growth rate (long term) %	Average EBITDA margin (long term) %
Inversiones Imbabura S.A. and Subsidiaries (including Unacem Ecuador S.A. and Canteras y Voladuras S.A.) (*)	Cement – Ecuador	11.62	3.28	37.46
Concremax S.A., SAG Concreto Premezclado S.A. and Entrepisos Lima S.A.C.	Concrete and aggregates – Peru	8.31	5.1	18.05
Drake Materials and Subsidiaries (including Drake Excavating & Aggregates Inc., Desert Ready Mix L.L.C., Maricopa Ready Mix L.L.C. and Subsidiaries, Sunshine Concrete & Materials Inc. and others)	Concrete and aggregates – United States	7.33	6.0	25.0

(*) The impairment test includes the brand of Unacem Ecuador S.A. with an indefinite useful life.

Key assumptions used to measure value in use

- ***EBITDA margin***

The margin is based on historical multiples recognized in the years prior to the beginning of the budget period. It is increased during the budget period through profitability improvements, considering the country in which each subsidiary operates.

- ***Discount rate***

The discount rate reflects current market assessments of the risks specific to the asset for which the future cash flow estimates have been adjusted and the country risk.

- ***Growth rate***

The growth rate shall not exceed the long-term average growth rate for the industries, or country or countries in which the Group operates, or for the market in which the asset is used.

As of December 31, 2021 and 2020, management compared the carrying amount of the CGU containing goodwill with the recoverable amount and determined that it is not necessary to measure a loss allowance.

Sensitivity to changes in the key assumptions
The key assumptions described above may change if there is a change in the market and economic conditions. A reasonably possible change in a key assumption (about growth rate or discount rate) on which management based its determination of the unit's recoverable amount would cause its carrying amount to exceed its recoverable amount.

(c) In 2021 and 2020, amortization charge was allocated as follows:

In thousands of soles	***Note***	**2021**	**2020**
Cost of sales	*24*	3,792	4,497
Other expenses	*28*	3,075	4,037
Administrative expenses	*25*	3,517	2,789
Selling expenses	*26*	3,669	402
		14,053	**11,725**

16. Other Financial Liabilities

This caption comprises the following:

		2021			2020		
In thousands of soles	***Note***	**Current portion**	**Non-current portion**	**Total**	**Current portion**	**Non-current portion**	**Total**
Bonds and bank loans	*16.A*	360,721	3,227,779	3,588,500	679,405	3,345,632	4,025,037
Promissory notes (a) & (b)		315,546	-	315,546	430,440	-	430,440
Overdrafts (c)		23,988	-	23,988	278	-	278
		700,255	**3,227,779**	**3,928,034**	**1,110,123**	**3,345,632**	**4,455,755**

(a) It corresponds to working capital loans at a fixed interest rate ranging from 2.35% and 3.68% annually. They do not have specific collaterals and are renewed based on the Group's working capital requirements. As of December 31, 2021 and 2020, it comprises the following:

In thousands of soles	**Original currency**	**Maturity date**	**2021**	**2020**
Financial institution				
Banco de Crédito del Perú S.A.	PEN	Between May 2022 and June 2022	315,546	123,000
BBVA Banco Continental S.A.	USD	May 2021	-	217,440
Scotiabank Perú S.A.A.	PEN	May 2021	-	90,000
			315,546	**430,440**

(b) As of December 31, 2021 and 2020, interest payable on promissory notes amounted to S/ 389,000 and S/ 2,926,000, respectively. It is recognized in ‘trade and other accounts payable’ in the consolidated statement of financial position (note 17). As of December 31, 2021 and 2020, interest expense amounted to S/ 1,938,000 and S/ 9,502,000, respectively. It is included in ‘borrowing costs’ in the consolidated statement of profit or loss (note 30).

(c) As of December 31, 2021, it corresponds to the obligations assumed by Skanon Investments Inc. with different financial institutions. The overdrafts are stated in U.S. dollars for US$ 6,000,000 (equivalent to S/ 23,988,000).

A. Bonds and Bank Loans

This caption comprises long-term bonds and debts and do not have specific collaterals.

In thousands of soles	2021	2020
Corporate bonds (a)	467,533	465,307
Bank loans (b)	3,120,967	3,559,730
Total	**3,588,500**	**4,025,037**
Less: Current portion	360,721	679,405
Non-current portion	3,227,779	3,345,632

(a) As of December 31, 2021 and 2020, corporate bonds are as follows:

In thousands of soles	Effective annual interest rate %	Maturity date	2021	2020
Bonds				
Bonds of Arizona (i)	Between 1.6 and 1.95 + variable interest rate	September 2035	459,770	416,760
Corporate bonds of Peru (ii)	5.16	March 2023	18,815	60,000
			478,585	**476,760**
Amortized cost			(11,052)	(11,453)
			467,533	**465,307**

(i) On November 18, 2010, Drake Cement L.C.C. obtained a loan by issuing of bonds from the Yavapai County Industrial Development Authority, Arizona, United States, to finance part of the investment in the cement plant for up to US$ 40,000,000. It matures in September 2035 and is subject to a monthly interest payment based on a variable interest rate (Securities Industry and Financial Markets Association Index) plus 1.6% against a maximum interest rate of 12%. The bonds are guaranteed by a letter of credit (note 33.A(iii)).

On July 30, 2015, Drake Cement L.C.C. obtained a new loan by issuing bonds to finance the construction of the cement plant and the acquisition of assets, materials and facilities for up to US$ 75,000,000. It matures in September 2035 and is subject to a monthly interest payment based on a variable interest rate (Securities Industry and Financial Markets Association Index) plus 1.95% against a maximum interest rate of 12%. The bonds are guaranteed by a letter of credit (note 33.A(iii)).

The bonds have the following conditions:

- Drake Cement L.C.C. cannot increase its debt for more than US$ 5,000,000 of the outstanding balance at the issuance of bonds, excluding debt refinancing.
- Maintain an interest coverage ratio of more than or equal to 1.0.

In management's opinion, Drake Cement L.C.C. has complied with the restrictive consideration and the covenant required by the Yavapai County as of December 31, 2021 and 2020.

(ii) At the Board of Directors' Meeting, held November 16, 2021, the Company made the irrevocable offer to all the holders of corporate bonds corresponding to the issuance called "Unión Andina de Cementos S.A.A. bonds - Second issuance" (the Bonds) made under the Second program for the issuance of debt instruments to purchase all the outstanding Bonds issued within the framework of the aforementioned issuance. On November 23, 2021, the partial redemption of 8,237 bonds was made at a price equal to 101.00% of the principal. Additionally, on the same date, all accrued interest was paid for S/ 446,000. As a result of the advance payment of the Bonds, the Company paid costs related to the partial redemption for S/ 412,000.

(b) As of December 31, 2021 and 2020, bank loans are as follows:

In thousands of soles	Maturity date	Original amount	Currency	Use of funds	Warranties	2021	2020
Bank loans							
Scotiabank Perú S.A.A.	October 2024, March 2025 and January 2027	671,547	PEN	Debt refinancing	No collateral	671,547	621,547
BBVA Banco Continental S.A.	January 2027	533,357	PEN	Debt refinancing	No collateral	533,357	323,357
Banco de Crédito del Perú S.A.	October 2026	502,500	PEN	Redemption – overseas	No collateral	502,500	793,780
Banco Internacional del Perú S.A.A.	January 2027	228,385	PEN	Debt refinancing	No collateral	228,385	488,385
Citibank N.A. (i)	October 2025	50,000	USD	Debt refinancing	No collateral	199,900	181,200
Banco Santander S.A. (i)	November 2023	45,000	USD	Debt refinancing	No collateral	179,910	163,080
Banco Santander S.A.	March 2023	35,000	USD	Working capital and investments	No collateral	139,930	126,840
Banco de Crédito del Perú S.A.	March 2022 and March 2027	34,000	USD	Debt refinancing	No collateral	135,932	123,216
Bank of Nova Scotia S.A. (i)	September 2025	30,000	USD	Partial redemption	No collateral	89,955	103,284
Banco de Crédito e Inversiones S.A.	June 2024	-	CLP	-	Real estate collateral (note 13(h))	79,192	-
Scotiabank Perú S.A.A.	April 2025	72,000	PEN	Acquisition loan to purchase Unicon Chile S.A.	Real estate collateral (note 13(h))	50,400	72,000
BBVA Banco Continental S.A.	December 2024	28,773	PEN	-	No collateral	28,773	28,773
Citibank N.A. (New York)	July 2024	-	USD	-	No collateral	27,487	31,559
Banco Internacional del Perú S.A.A. (ii)	Between March 2023 and September 2023	34,387	PEN	Working capital	Reactiva Peru program	17,379	39,387
Scotiabank Chile S.A. (i)	August 2022	4,000	USD	-	Letter of credit (note 33.A) (ii)	15,887	14,490
BBVA Banco Continental S.A. (i)	December 2023	-	COP	-	Letter of credit (note 33.A) (ii)	11,857	11,486
Scotiabank Chile S.A.	Between March 2022 and October 2023	-	CLP	-	No collateral	6,473	15,257
Banco de Crédito del Perú S.A. (iii)	-	31,400	USD	Construction loan to build the Marañón Hydroelectric Station	-	-	102,756
Scotiabank Perú S.A.A.	-	47,500	USD	Debt refinancing	-	-	27,180
Banco de Crédito del Perú S.A.	-	30,000	USD	Debt refinancing	-	-	24,571
Banco de Crédito del Perú S.A. (ii)	-	11,461	PEN	Working capital	Reactiva Peru program	-	11,461
Scotiabank Perú S.A.A. (ii)	-	10,000	PEN	Working capital	Reactiva Peru program	-	10,000
Less than S/ 10,000,000	-	-	-	-		59,303	70,050
						2,978,167	**3,383,659**
Amortized cost						(10,577)	(15,800)
Total						**2,967,590**	**3,367,859**
Sale and leaseback transactions							
Scotiabank Chile S.A.	March 2024	-	CLP	Leased assets	-	2,283	3,315
Banco de Crédito del Perú S.A.	-	109,673	PEN	Leased assets	-	-	49,935
						2,283	**53,250**
Amortized cost						-	(105)
						2,283	**53,145**
Finance leases							
Consorcio Transmantaro S.A.	July 2039	-	USD	Leased assets	-	60,920	55,762
Scotiabank Perú S.A.A.	Between December 2022 and December 2024	-	-	Leased assets	-	25,549	26,263
Banco de Crédito e Inversiones S.A. (i)	November 2027	-	CLP	Leased assets	-	9,487	11,087
Banco Internacional del Perú S.A.A.	January 2022 to October 2022	-	-	Leased assets	-	2,585	8,538
Less than S/ 10,000,000						46,434	36,679
						144,975	**138,329**
Debt factoring						**6,119**	**397**
Total						**3,120,967**	**3,559,730**

(i) The Group entered into swap contracts to reduce the risk of the variable interest rate related to these loans (note 34.A.i).

(ii) As of December 31, 2021 and 2020, the Group has long-term loans for S/ 17,379,000 and S/ 60,848,000 from different local banks under the loan guarantee scheme (Reactiva Peru program), a scheme created through Legislative Decree 1457 to provide loans to entities in response to the COVID-19 crisis. As of December 31, 2021, such loans accrue interest at an interest rate ranging from 0.79% to 1.18% annually, mature between March 2023 and September 2023 and include a grace period of 12 months.

(iii) On February 6, 2017, Celepsa Renovables S.R.L. entered into a loan agreement with Banco de Crédito del Perú S.A. for US$ 31,400,000. On December 24, 2021, the loan was paid in advance.

(c) Management monitors covenants applicable to local financial liabilities on a quarterly, semiannual and annual basis. They are calculated based on the Group's separate or consolidated financial statements and the valuation techniques required by each financial institution

(i) As of December 31, 2021 and 2020, the main covenants calculated based on the separate financial statements are the following:

Unión Andina de Cementos S.A.A.

- Maintain a debt-to-equity ratio of less than or equal to 1.5.
- Maintain a debt-service coverage ratio of more than or equal to 1.2.
- Maintain an interest coverage ratio of more than or equal to 3.0.
- Maintain a net debt-to-EBITDA ratio of less than 5.0.

Unacem Ecuador S.A.

- Maintain a debt-service coverage ratio of more than or equal to 1.2.
- Maintain a net debt-to-EBITDA ratio of less than or equal to 3.75.

Unión de Concreteras S.A.

- Maintain a debt-service coverage ratio of more than or equal to 1.2.
- Maintain a net debt-to-EBITDA ratio of less than or equal to 2.5.

Concremax S.A.

- Maintain a debt-service coverage ratio of more than or equal to 1.25.
- Maintain a net debt-to-EBITDA ratio of less than or equal to 2.5.

Unicon Chile S.A.

- Maintain a debt-service coverage ratio of more than or equal to 1.0.
- Maintain a debt-to-equity ratio of less than or equal to 1.8.
- Maintain a net debt-to-EBITDA ratio of less than or equal to 3.5.

Prefabricados Andinos Perú S.A.C.

- Maintain a debt-to-equity ratio of less than or equal to 1.
- Maintain a debt-to-equity ratio of less than or equal to 2.5.
- Maintain a debt-service coverage ratio of more than or equal to 1.

Compañía Eléctrica El Platanal S.A. (until December 31, 2020)

- Maintain a debt-service coverage ratio of more than or equal to 1.10.
- Maintain a debt-to-equity ratio of less than or equal to 1.

(ii) As of December 31, 2021, the main covenants calculated based on the consolidated financial statements are the following:

Unión Andina de Cementos S.A.A. and Subsidiaries

- Maintain a debt-to-equity ratio of less than 1.5.
- Maintain a debt-service coverage ratio of more than 1 for the year 2020, 1.10 for the year 2021, and 1.20 for the year 2022 onwards.
- Maintain a net debt-to-EBITDA ratio of less than or equal to 6.75 for the year 2020, 4.75 for the year 2021, 4.0 for the year 2022 and 3.75 for the year 2023 onwards.

Skanon Investments Inc. and Subsidiaries

- Maintain a debt-to-equity ratio of less than 1.

In management's opinion, the Group has complied with the covenants as of December 31, 2021, except for Unicon Chile S.A. and Prefabricados Andinos Perú S.A.C., whose obligation matures in 2022 and is presented in the short term for S/ 6,473,000 and S/ 984,000, respectively. These breaches do not have an effect on the other obligations of the Group. As of December 31, 2020, the Company, Generación Eléctrica de Atocongo S.A., Prefabricados Andinos Perú S.A.C. and Unicon Chile S.A. did not comply with some covenants. However, the Group obtained waivers duly approved and granted by creditor banks, so that the non-compliance with the covenants does not result in a default or default event, according to loan agreements.

(d) As of December 31, 2021 and 2020, interest payable on medium and long-term bonds and debts amounted to S/ 19,435,000 and S/ 18,261,000, respectively. It is recognized in 'trade and other accounts receivable' in the consolidated statement of financial position (note 17).

In 2021 and 2020, interest on bonds and bank loans amounted to S/ 168,292,000 and S/ 184,515,000, respectively. It is recognized in 'borrowing costs' in the consolidated statement of profit or loss (note 30).

(e) Movement in other financial liabilities is as follows:

In thousands of soles	2021	2020
Opening balance	4,455,755	4,142,003
Additions	1,985,106	1,407,623
Additions to finance leases	64,237	31,649
Cash payments	(2,727,225)	(1,272,167)
Amortized cost	6,970	(535)
Effects of exchange difference and translation	148,256	142,920
Acquisition of subsidiaries (note 1.B)	241	-
Others	(5,306)	4,262
Closing balance	**3,928,034**	**4,455,755**

(f) As of December 31, 2021, the Group has bank loans in local currency (*soles)* at effective annual interest rates ranging from 2.26% to 8.06%. Bank loans in foreign currency (U.S. dollars) are at a variable interest rate (3-month LIBOR and 1-month LIBOR plus a margin) ranging from 1.22% to 2.60% and a fixed interest rate ranging from 0.85% to 12%.

As of December 31, 2020, the Group has bank loans in local currency (*soles)* at effective annual interest rates ranging from 2.52% to 8.06%. Bank loans in foreign currency (U.S. dollars) are at a variable interest rate (3-month LIBOR and 1-month LIBOR plus a margin) ranging from 1.5% to 2.60% and a fixed interest rate ranging from 1% to 12%.

17. Trade and Other Accounts Payable

This caption comprises the following:

In thousands of soles	*Note*	2021	2020
Trade accounts payable (a)		556,438	452,630
Dividends payable	*22(f)*	87,846	11,668
Compensation and holidays payable		56,101	52,943
Customer advances (b)		41,398	33,464
Taxes, social security contributions payable		25,381	12,893
Accounts payable from acquisition of property, plant and equipment		22,746	20,942
Interest payable	*16(b) & 16.A(d)*	19,824	21,187
Accounts payable to related parties	*31(b)*	19,583	22,753
Community commitments		16,855	17,621
Sales tax payable		11,977	15,399
Loans payable to third parties		9,356	13,321
Compensation to Board of Directors		6,439	1,247
Interest on financial instruments payable		2,474	2,198
Other accounts payable		19,100	10,908
		895,518	**689,174**
Classification by maturity:			
Current portion		857,568	646,626
Non-current portion		37,950	42,548
		895,518	**689,174**

(a) Trade accounts payable arise from the acquisition of goods and services and correspond to invoices payable to local and foreign suppliers. They have current maturity, do not accrue interest and do not have specific collaterals.

Unión de Concreteras S.A. and Concremax S.A. offer suppliers a payment plan for invoices through financial institutions. This plan allows suppliers to sell their accounts receivable to financial institutions, according to an agreement between a supplier and a financial institution. Such agreement enables suppliers to improve cash flow management and the Group to reduce payment processing costs. Such subsidiaries do not have direct financial interest on these transactions.

The obligations to suppliers, including accounts payable, remain in place according to contractual terms. As of December 31, 2021 and 2020, accounts payable amount to S/ 96,271,000 and S/ 67,357,000, respectively.

(b) As of December 31, 2021 and 2020, it corresponds to:

Unión de Concreteras S.A.
It corresponds to contracts for the supply of ready-mix concrete whereby Unión de Concreteras S.A. received advance payments from its customers for S/ 17,157,000 and S/ 20,325,000 as of December 31, 2021 and 2020. These advance payments are deducted from measurements upon shipment of concrete made during the first months of 2022 and 2021, respectively.

As of December 31, 2021, the advance payments were made by Consorcio Checsac-CCCC4TH S.A.C., China Railway No. 10, Constructora Jaor E.I.R.L., Edificaciones JK S.A.C. and Corporación Inmobiliaria Sudamericana S.A.C. (2020: Edificaciones JK S.A.C., Consorcio Puente de Loreto, Consorcio Santa Fe, Consorcio PTAR Pachacutec and Grinor S.A.).

As of December 31, 2021, Unión de Concreteras S.A. has letters of guarantee on behalf of customers to ensure the fulfillment of contractual obligations for S/ 11,857,000 (2020: S/ 16,710,000).

Concremax S.A.
It corresponds to contracts for the supply of ready-mix concrete whereby Concremax S.A. received advance payments from its customers. These advance payments are deducted from measurements upon shipment of concrete. As of December 31, 2021 and 2020, they amount to S/ 4,096,000 and S/ 6,323,000, respectively.

Prefabricados Andinos S.A.
It corresponds to contracts for the construction of precast concrete buildings whereby Prefabricados Andinos S.A. received advance payments from its customers for S/ 10,405,000 (2020: S/ 3,386,000).

Prefabricados Andinos Perú S.A.C.
It corresponds to contracts for the production, transport and assembly of precast concrete buildings whereby Prefabricados Andinos Perú S.A.C. received advance payments from its customers for S/ 1,979,000 (2020: S/ 910,000). These advance payments are deducted from final measurements during the year upon delivery of goods.

18. Deferred Revenue

This caption comprises the following:

In thousands of soles	2021	2020
Cement and clinker	750	12,728
Others	257	834
Sale and leaseback transactions (a)	-	2,325
	1,007	**15,887**

(a) In 2013, Compañía Eléctrica El Platanal S.A. entered into a sale and leaseback transaction and obtained a higher amount of assets recognized as a result of the measurement, which was debited to 'mining concessions and property, plant and equipment' and credited to 'deferred revenue' for S/ 21,675,000. It was recognized in the consolidated statement of profit or loss according to the lease term, which matured in the year 2021. The higher amount of the asset was depreciated over the asset's useful life.

19. Provisions

This caption comprises the following:

	Current portion		Non-current portion	
In thousands of soles	2021	2020	2021	2020
Employees' profit sharing (a)	71,952	37,964	-	-
Provision for closure of quarries and environmental rehabilitation	7,029	6,341	36,556	39,109
Severance payment	4,714	4,371	-	-
Retirement benefits (b)	-	-	22,588	18,995
Provision for termination benefits (b)	-	-	5,629	4,495
Other provisions	5,119	8,278	5,716	931
	88,814	**56,954**	**70,489**	**63,530**

(a) In accordance with the Peruvian laws, the subsidiaries of the Group domiciled in Peru have profit-sharing plans (employee benefits) that range from 5% to 10% of annual taxable profits based on the economic sector in which the subsidiary operates. Employees' profit sharing under this plan is 50% based on the number of days that an employee has worked during the prior year, and the other 50% based on a proportion of the amount of annual compensation.

In accordance with the Ecuadorian laws, the employees of Unacem Ecuador S.A. receive a share of 15% of the net profits. The employees of Canteras y Voladuras S.A. receive a share of 3% of the net profits. It distributes 12% of the profits to the Internal Revenue Service.

In 2021 and 2020, the profit-sharing payments amount to S/ 101,269,000 and S/ 45,740,000, respectively. They are recognized in the consolidated statement of profit or loss (note 27).

(b) As of December 31, 2021 and 2020, the employee benefits from the subsidiaries domiciled in Ecuador correspond to:

Retirement benefits
In accordance with the Labor Code of Ecuador, the subsidiaries domiciled in Ecuador that have employees that provided uninterrupted or interrupted services for more than 25 years can retire without prejudice to retirement to which they are entitled as members of the Social Security Institution.

Termination benefits
In accordance with the Reform of the Labor Code of Ecuador, issued in 2016, in the event of termination of employment at the request of the employee, the subsidiaries domiciled in Ecuador will give the employee a bonus of 25% of the last monthly salary for each year of service, provided that the employee gave advance notice of termination.

In 2021 and 2020, management measured provisions based on actuarial assumptions made specialists:

In percentages	**2021**	**2020**
Discount rate	3.06	3.20
Pay rate of increase	3.00	1.40
Actuarial life table (*)	Table of Ecuadorian Institute of Social Security	Table of Ecuadorian Institute of Social Security
Turnover rate (average)	4.95 & 16.04	4.17 & 18.79
Length of service for retirement eligibility (men and women)	25 years	25 years

(*) Information provided by the Ecuadorian Institute of Social Security.

According to the projections made by management, these liabilities will be settled in the long term.

The following sensitivity analysis was prepared based on reasonably possible changes in the key assumptions at the end of the reporting period.

	Retirement benefits		**Termination benefits**	
Discount rate	**2021**	**2020**	**2021**	**2020**
Changes in defined benefit obligation (discount rate + 0.5%)	468	396	137	84
Effects % on defined benefit obligation (discount rate + 0.5%)	2%	2%	2%	2%
Changes in defined benefit obligations (discount rate - 0.5%)	(436)	(372)	(125)	(81)
Effects % on defined benefit obligation (discount rate - 0.5%)	-2%	-2%	-2%	-2%

	Retirement benefits		**Termination benefits**	
Pay rate of increase	**2021**	**2020**	**2021**	**2020**
Changes in defined benefit obligation (discount rate + 0.5%)	476	407	125	88
Effects % on defined benefit obligation (discount rate + 0.5%)	2%	2%	2%	2%
Changes in defined benefit obligations (discount rate - 0.5%)	(316)	(266)	(117)	(84)
Effects % on defined benefit obligation (discount rate - 0.5%)	-2%	-2%	-2%	-2%

(c) As of December 31, 2021, in accordance with the Peruvian laws, the Group has a provision for closure of quarries to be made by the Company of between 3 and 33 years, and a provision for the costs of dismantling plants and quarries by Unión de Concreteras S.A. of between 5 and 22 years (2020: between 6 and 23 years) and by Concremax S.A. of 3 years. As of December 31, 2021, the balances of such subsidiaries amount to S/ 29,756,000, S/ 7,402,000 and S/ 2,232,000, respectively (2020: S/ 32,811,000, S/ 7,341,000 and S/ 1,432,000).

The Environmental Management Act and the Environmental Regulation on Mining Activities of Ecuador require compliance with an obligation to restore the Selva Alegre, Cumbas and Pastaví quarries according to the closure plan. They have concession terms of 22, 21 and 22 years, respectively. As of December 31, 2021 and 2020, it amounts to S/ 3,051,000 and S/ 2,650,000, respectively.

As of December 31, 2021 and 2020, Unicon Chile S.A. has a provision for the costs of dismantling plants of 7 years for S/ 1,144,000 and S/ 1,216,000, respectively.

Management made reasonable assumptions about making estimates based on current conditions. These estimates are reviewed annually to take into account any changes in the assumptions. However, closure costs will ultimately depend on future market prices for the decommissioning works that will reflect market conditions at the relevant time. The timing of closure is likely to depend on when the mine ceases to produce at economically viable rates.

As of December 31, 2021, the Group recognized the effect on remeasurement of the liability for closure of quarries for S/ 1,862,000 (2020: S/ 1,762,000). It is recognized in 'borrowing costs' in the consolidated statement of profit or loss (note 30). In management's opinion, this liability is sufficient to meet the applicable environmental laws approved by the authorities of each country.

20. Income Tax

Movement in the deferred tax liabilities is as follows:

In thousands of soles	*Note*	Balance as of January 1, 2020	Effects on consolidated statement of profit or loss	Effects of translation	Debit to other comprehensive income	Others	Balance as of December 31, 2020	Effects on consolidated statement of profit or loss	Effects of translation	Debit to other comprehensive income	Acquisition of subsidiaries	Others	Balance as of December 31, 2021
Deferred tax assets													
Tax loss carryforward	33.C.(iv)(c)	246,442	18,550	15,269	-	(9)	280,252	13,867	17,614	-	-	-	311,733
Inventory obsolescence		10,883	5,256	412	-	-	16,551	1,348	(253)	-	-	-	17,646
Hedging instruments		8,200	1,032	98	4,852	-	14,182	1,151	19	(6,049)	-	-	9,303
Provision for holidays		11,164	(1,430)	61	-	-	9,795	(1,855)	(59)	-	129	-	8,010
Pre-operating expenses		6,848	-	-	-	-	6,848	-	-	-	-	-	6,848
Provision for closure of quarries		3,984	872	53	-	-	4,909	1,429	39	-		-	6,377
Retirement and termination benefits		1,280	568	128	-	-	1,976	90	217	31	-	-	2,314
Amortization of intangible assets		1,204	(157)	(3)	-	-	1,044	112	13	-	-	-	1,169
Deferred revenue		1,338	(1,053)	30	-	-	315	517	(58)	-	-	-	774
Other provisions		18,752	4,720	1,097	(1,752)	(519)	22,298	(1,680)	156	-	2,887	(49)	23,612
Total deferred tax assets		**310,095**	**28,358**	**17,145**	**3,100**	**(528)**	**358,170**	**14,979**	**17,688**	**(6,018)**	**3,016**	**(49)**	**387,786**
Deferred tax liabilities													
Difference in tax base and depreciation of fixed assets		(689,545)	37,638	(4,577)	-	-	(656,484)	18,974	(4,836)	-	(14,431)	-	(656,777)
Brand, customer list and other intangible assets		(49,352)	101	(3,754)	-	-	(53,005)	2,141	(4,647)	-	-	-	(55,511)
Stripping activity assets		(33,275)	707	-	-	-	(32,568)	1,986	-	-	-	-	(30,582)
Capitalized interest		(31,963)	1,653	-	-	-	(30,310)	814	-	-	-	-	(29,496)
Deferred charges		(1,680)	(53)	-	-	-	(1,733)	(1,222)	-	-	-	-	(2,955)
Other provisions		(2,049)	229	(8)	-	-	(1,828)	295	77	-	772	-	(684)
Total movement in deferred liabilities, net		**(807,864)**	**40,275**	**(8,339)**	**-**	**-**	**(775,928)**	**22,988**	**(9,406)**	**-**	**(13,659)**	**-**	**(776,005)**
Total deferred tax liabilities, net		**(497,769)**	**68,633**	**8,806**	**3,100**	**(528)**	**(417,758)**	**37,967**	**8,282**	**(6,018)**	**(10,643)**	**(49)**	**(388,219)**

Management assessed the recovery of tax losses and recognized the estimate of probable future taxable profit, which is based on the renewal of the contract with CPC and the contracts for electric power supply.

(a) In 2021 and 2020, expenses for the provision for income tax presented in the consolidated statement of profit or loss are as follows:

In thousands of soles	***Note***	**2021**	**2020**
Current tax		(250,196)	(117,014)
Deferred tax		37,967	68,633
		(212,229)	**(48,381)**
Mining royalties	*33.E*	(4,116)	(3,085)
		(216,345)	**(51,466)**

(b) The deferred tax assets and liabilities, net per entity, are as follows:

	Deferred assets, net		**Deferred liabilities, net**	
In thousands of soles	**2021**	**2020**	**2021**	**2020**
Subsidiary				
Skanon Investments Inc. (consolidated)	181,437	154,422	-	-
Prefabricados Andinos S.A.	7,395	7,778	-	-
Unicon Chile S.A.	3,862	5,239	-	-
Prefabricados Andinos Perú S.A.C.	4,714	3,951	-	-
Celepsa Renovables S.R.L.	3,754	3,358	-	-
Generación Eléctrica Atocongo S.A.	2,017	735	-	-
Ecorer S.A.C.	1,510	607	-	-
Depósito Aduanero Conchán S.A.	649	558	-	-
ARPL Tecnología Industrial S.A.	24	337	-	-
Transportes Lurín S.A.	144	138	-	-
Entrepisos Lima S.A.C.	35	91	-	-
Minera Adelaida S.A.	77	74	-	-
Inversiones Imbabura S.A.	303	6	-	-
Ambiental Andina S.A.C.	4	4	-	-
Inversiones en Concreto y Afines S.A.	-	571	41	-
Unión Andina de Cementos S.A.A.	-	-	401,849	419,820
Compañía Eléctrica El Platanal S.A.	-	-	95,635	85,484
Unacem Ecuador S.A. and Subsidiaries	-	-	66,253	62,378
Unión de Concreteras S.A.	-	-	7,003	8,949
Unicon Chile S.A.	-	-	7,665	6,811
Inversiones Nacionales y Multinacionales Andinas S.A.	-	-	4,926	4,923
Unacem Chile S.A. and Subsidiary	-	-	2,987	-
Concremax S.A.	-	-	3,389	1,545
Unión de Concreteras Unicon Ucue Cia. Ltda.	-	-	2,943	3,162
Prefabricados Andinos Colombia S.A.S.	-	-	598	629
Vigilancia Andina S.A.	-	-	329	223
Eliminations	479	(541)	1,005	1,162
	206,404	**177,328**	**594,623**	**595,086**

(c) The reconciliation of the effective tax rate was as follows:

In thousands of soles	2021	2020
Profit before tax	**791,100**	**167,412**
Income tax as per tax rate (*)	(226,384)	(46,114)
Tax effects of permanent accounts	14,155	(2,267)
Effects of mining royalties	(4,116)	(3,085)
Tax expense	**(216,345)**	**(51,466)**

(*) The income tax was determined using rates applicable to the Group's activities.

21. Non-controlling Interests

A. Non-controlling interests are presented in the consolidated statements of financial position, changes in equity and profit or loss as follows:

	Interests of third parties (%)		**Profit (loss)**		**Net equity**		**Non-controlling interests in the Group's profit**		**Non-controlling interests in the Group's equity**	
In thousands of soles	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
Entity										
Skanon Investments Inc. and Subsidiaries (B)	4.20	4.77	26,834	9,032	1,123,722	858,678	66,362	24,110	147,791	67,231
Compañía Eléctrica El Platanal S.A. and Subsidiaries (B)	10.00	10.00	41,912	4,931	786,514	744,808	4,344	525	79,090	74,952
Inversiones en Concreto y Afines S.A. and Subsidiaries (B)	6.62	6.62	52,001	(19,016)	409,904	410,014	4,246	(896)	31,620	33,190
Prefabricados Andinos Perú S.A.C. and Subsidiaries	50.00	49.98	(4,812)	(5,308)	12,090	17,961	(2,406)	(2,653)	6,045	8,977
Prefabricados Andinos S.A.	50.00	49.00	6,667	2,766	13,333	10,139	3,333	1,355	6,666	4,967
Inversiones Imbabura S.A. and Subsidiaries (B)	0.65	0.95	114,132	81,798	1,688,935	1,553,524	762	800	4,377	4,805
Staten Island Company Inc. and Subsidiaries	-	100	-	10,899	-	103,105	-	9,634	-	9,362
							76,641	**32,875**	**275,589**	**203,484**

B. As of December 31, 2021 and 2020, the non-controlling interests in profit and equity of each subsidiary includes drag-along rights of each consolidated subsidiary. In 2021, Inversiones Imbabura S.A. acquired 128,000 shares of Unacem Ecuador S.A. for US$ 1,259,000 (equivalent to S/ 4,912,000). In 2020, Inversiones Imbabura S.A. acquired 67,000 shares of Unacem Ecuador S.A. for US$ 661,000 (equivalent to S/ 2,387,000).

22. Net Equity

A. Issued capital

As of December 31, 2021 and 2020, the subscribed and paid-in capital is represented by 1,818,127,611 ordinary shares at a face value of S/ 1 each. The Company's ordinary shares are listed in the Lima Stock Exchange.

	Balance as of December 31, 2021	
	Number of shares	**Interests (%)**
Shareholders		
Inversiones JRPR S.A.	456,669,897	25.12
Nuevas Inversiones S.A.	459,129,497	25.25
Pension Fund Administrators	476,657,910	26.22
Others	425,670,307	23.41
	1,818,127,611	**100.00**

	Balance as of December 31, 2020	
	Number of shares	**Interests (%)**
Shareholders		
Inversiones JRPR S.A.	456,669,897	25.12
Nuevas Inversiones S.A.	459,129,497	25.25
Pension Fund Administrators	428,472,731	23.57
Others	473,855,486	26.06
	1,818,127,611	**100.00**

As of December 31, 2021, the share price of each ordinary share was S/ 2.40 (2020: S/ 1.55).

B. Additional capital

It corresponds to changes in the capital increase made in the year 2019 due to the merger of the Company with Sindicato de Inversiones y Administración S.A., Inversiones Andino S.A. and Inmobiliaria Pronto S.A. and equity.

C. Treasury shares

The Board of Directors' Meeting, held on August 20, 2021, approved the purchase of shares for up to S/ 34,600,000, without exceeding 2% of issued shares and before December 31, 2021. The Board of Directors' Meeting, held on December 22, 2021, agreed to extend the term to purchase shares until June 30, 2022. The shares are held in the portfolio for a maximum period of two years. Where they are held in the portfolio, rights inherent to the shares are suspended. The term may be extended and/or modified by the Company's Board of Directors.

As of December 31, 2021, the Company holds 7,289,000 treasury shares for S/ 11,610,000. As of December 31, 2020, the Company did not have treasury shares.

D. Legal reserve

According to the Companies Act, the Group shall allocate not less than 10% of its profits distributed in each period, less income tax. This allocation is required until such reserve equals 20% of capital. The legal reserve may be used to offset losses, but it shall be restored. As of December 31, 2021 and 2020, the legal reserve equals 20% of capital.

E. Unrealized gains and losses

It corresponds to changes in the fair value, net of tax effects, of hedging instruments (note 34.A.i).

F. Dividend distribution

This caption comprises the following:

2021 dividends

In thousands of soles	**Dividends declared and paid**	**Date of payment**	**Dividends per ordinary share**
Date of Board of Directors' Meeting			
February 24, 2021	23,636	March 30, 2021	0.013
April 23, 2021	23,636	May 12, 2021	0.013
June 21, 2021	36,362	July 23, 2021	0.020
October 27, 2021	36,362	November 30, 2021	0.020
December 14, 2021 (*)	72,449	January 18, 2022	0.040
	192,445		

(*) It was approved at the General Shareholders' Meeting of Unacem S.A.A., held on December 14, 2021.

2020 dividends

In thousands of soles	**Dividends declared and paid**	**Date of payment**	**Dividends per ordinary share**
Date of Board of Directors' Meeting			
January 31, 2020	23,636	March 4, 2020	0.013
	23,636		

In April 2020, based on the measures to face the COVID-19 crisis, the Company suspended the quarterly distribution of dividends to shareholders. It was resumed in the first quarter of 2021.

The General Shareholders' Meeting, held on December 14, 2021, agreed to replace the dividend policy approved by the General Shareholders' Meeting, held on March 31, 2015, with a new dividend policy. It consisted of the quarterly distribution of dividends in cash (*soles* or U.S. dollars) from US$ 0.005 to US$ 0.010 per share issued by the Group. They are charged to 'retained earnings.'

In 2021, Unacem Ecuador S.A., Entrepisos Lima S.A.C., Inversiones en Concreto y Afines S.A. and Ambiental Andina S.A. distributed dividends to minority shareholders for S/ 286,000, S/ 2,536,000, S/ 3,990,000 and S/ 206,000, respectively. In 2020, Unacem Ecuador S.A. distributed dividends to minority shareholders for S/ 319,000.

As of December 31, 2021, dividends payable amount to S/ 87,846,000 (2020: S/ 11,668,000) (note 17).

G. Gains or losses on translation

It corresponds to the exchange differences arising on translating foreign currency of subsidiaries into the Group's presentation currency. As of December 31, 2021 and 2020, the exchange differences attributable to non-controlling interests of each subsidiary is as follows:

In thousands of soles	2021	2020
Skanon Investments Inc. and Subsidiaries	278,205	179,578
Inversiones Imbabura S.A. and Subsidiaries	155,764	96,965
Staten Island Company Inc. and Subsidiaries	-	10,537
Inversiones en Concreto y Afines S.A. and Subsidiaries	(2,623)	2,475
Unacem Chile S.A. and Subsidiary	1,555	-
Prefabricados Andinos Perú S.A.C. and Subsidiary	(1,071)	(542)
Prefabricados Andinos S.A.	(1,630)	(1,090)
	430,200	**287,923**

In 2021 and 2020, the effects of exchange differences attributable to non-controlling interests recognized in the consolidated statement of comprehensive income resulted in gains and losses for S/ 142,277,000 and S/ 125,255,000, respectively.

H. Unpaid dividends

It corresponds to prior year dividends distributed to certain shareholders of the subsidiaries, which have not been paid in more than three years.

23. Net Sales

This caption comprises the following:

In thousands of soles	2021	2020
Operating segments		
Cement	2,940,125	2,077,972
Concrete	1,908,371	1,305,622
Power and energy	199,631	173,901
Other services	18,042	17,814
	5,066,169	**3,575,309**
Timing of transfer of goods or services		
Goods transferred at a point in time	4,753,146	3,318,184
Services transferred at a point in time	313,023	257,125
	5,066,169	**3,575,309**

24. Cost of Sales

This caption comprises the following:

In thousands of soles	***Note***	**2021**	**2020**
Beginning inventory of finished goods and work-in-progress	*9*	193,421	354,805
Production costs			
Use of raw materials		847,692	604,806
Personnel expenses	*27(a)*	615,135	485,776
Fuel		562,549	288,011
Depreciation	*13(f)*	432,496	412,457
Maintenance costs		294,329	168,746
Transport costs and import duties		180,956	113,485
Electric power		146,860	99,717
Use of packaging		110,858	82,533
Acquisition of subsidiaries	*1.B*	10,345	-
Depreciation of right-of-use assets	*12(c)*	11,097	9,868
Site preparation (quarries)		11,028	4,267
Depreciation of stripping activity assets	*14*	7,144	3,126
Provision for inventory obsolescence	*9(d)*	4,174	18,771
Amortization	*15(c)*	3,792	4,497
Royalty expense	*33.E*	3,474	2,323
Expected credit losses	*8(h)*	760	-
Other production costs		364,004	268,779
Ending inventory of finished goods and work-in-progress	*9*	(241,109)	(193,421)
		3,559,005	**2,728,546**

25. Administrative Expenses

This caption comprises the following:

In thousands of soles	***Note***	**2021**	**2020**
Personnel expenses	*27(a)*	169,030	125,494
Third-party services		71,547	57,518
Other administrative expenses		23,713	15,508
Donations		21,717	13,864
Depreciation	*13(f)*	14,561	11,946
Taxes		13,636	12,465
Amortization	*15(c)*	3,517	2,789
Loss allowance	*8(h)*	1,584	5,136
Depreciation of right-of-use assets	*12(c)*	637	732
Others		5,226	3,996
		325,168	**249,448**

26. Selling Expenses

This caption comprises the following:

In thousands of soles	*Note*	2021	2020
Advertising costs (a)		47,897	40,120
Personnel expenses	*27(a)*	38,482	30,235
Costs to export clinker		5,817	6,906
Amortization	*15(c)*	3,669	402
Depreciation	*13(f)*	121	148
Depreciation of right-of-use assets	*12(c)*	39	19
Others		14,676	11,491
		110,701	**89,321**

(a) It corresponds to advertising services on radio, television and other media to boost sales.

27. Personnel Expenses

This caption comprises the following:

In thousands of soles	*Note*	2021	2020
Compensation		464,793	389,532
Employees' profit sharing	*19(a)*	101,269	45,740
Employer contributions		56,472	44,588
Legal bonuses		49,922	43,416
Holidays		30,262	30,897
Severance payment		28,492	25,045
Health care		23,454	19,658
Travel and meal expenses		22,534	15,128
Bonuses		15,455	12,045
Fees and expense allowance for Board of Directors		9,289	812
Retirement and termination benefits		2,326	2,605
Other personnel expenses		19,256	14,458
		823,524	**643,924**

(a) Personnel expenses are allocated as follows:

In thousands of soles	*Note*	2021	2020
Cost of sales	*24*	615,135	485,776
Administrative expenses	*25*	169,030	125,494
Selling expenses	*26*	38,482	30,235
Other expenses	*28*	877	2,419
		823,524	**643,924**

(b) The lower expense in the year 2020 is related to management's strategy to face the COVID-19 crisis.

(c) In 2021 and 2020, the average number of employees was 5,870 and 5,704, respectively.

28. Other Income and Expenses

This caption comprises the following:

In thousands of soles	*Note*	2021	2020
Other income			
Dividend revenue	*31*	20,878	-
Sale of fixed assets, goods and supplies		13,364	4,057
Negative goodwill	*1.B*	9,447	-
Service revenue		3,573	10,022
Indemnities		3,168	27
Prior period revenue		1,446	3,769
Rental income		710	1,317
Revenue from sale and leaseback transactions		703	1,791
Reversal of impairment losses	*8(h)*	606	110
Reversal of an impairment loss on (provision for) inventory obsolescence	*9(d)*	157	954
Others		15,598	7,235
		69,650	**29,282**
Other expenses			
Administrative sanctions		(7,908)	(1,503)
Costs of disposal of fixed assets, goods and supplies		(7,660)	(3,014)
Taxes on economic recovery due to COVID-19 crisis in Ecuador		(6,855)	-
Depreciation	*13(f)*	(4,749)	(1,210)
Retirement fund for mining workers		(4,654)	-
Demurrage charges on clinker imports		(3,765)	-
Derecognition of intangible assets	*15*	(3,316)	-
Amortization	*15(c)*	(3,075)	(4,037)
Donations		(1,199)	(543)
Personnel expenses	*27(a)*	(877)	(2,419)
Loss allowance	*8(h)*	(154)	(867)
Prior period expenses		(43)	(3,251)
Compensations		-	(2,633)
Derecognition of assets	*13(e)*	-	(57,737)
Others		(26,142)	(11,573)
		(70,397)	**(88,787)**

29. Finance Income

This caption comprises the following:

In thousands of soles	*Note*	2021	2020
Interest on deposits and loans receivable		3,832	4,189
Interest on hedging instruments (swap contracts)	*34.A.i & ii*	1,399	293
Gain on fair value of hedging instruments	*34.A.i & ii*	473	2,459
Interest on refunds of tax claims		-	351
Others		1,546	1,549
		7,250	**8,841**

30. Borrowing Costs

This caption comprises the following:

In thousands of soles	*Note*	2021	2020
Interest on bonds and bank loans	*16.A(d)*	168,292	184,515
Interest on hedging instruments (swap contracts)	*34.A.i & ii*	18,195	14,425
Structuring fee for other financial liabilities (a)		12,971	6,896
Interest on tax claims		9,668	-
Loss on fair value of hedging instruments	*34.A.i & ii*	4,372	2,473
Prepayment penalty on loans		3,938	-
Interest on promissory notes	*16(b)*	1,938	9,502
Loss on remeasurement of liability for closure of quarries	*19(c)*	1,862	1,762
Bond issue costs		884	432
Interest on lease liabilities		694	489
Others		6,337	9,868
		229,151	**230,362**

(a) As of December 31, 2021, it corresponds to structuring fees accrued in the period relating to loans held by the Company for S/ 9,856,000 (2020: S/ 4,809,000).

31. Related Party Transactions

(a) In 2021 and 2020, the related party transactions are as follows:

In thousands of soles	*Note*	2021	2020
Revenue			
Sale of cement			
La Viga S.A.		474,850	366,661
Asociación Unacem		140	104
Dividends earned	*28*		
Ferrocarril Central Andino S.A.		20,878	-
Master Builders Solutions Perú S.A.		5,392	-
Others		3	-
Costs and expenses			
Donations			
Asociación Unacem		22,550	12,857
Purchase of additives			
Master Builders Solutions Perú S.A.		48,763	34,040
Fees and import duties for sale of cement			
La Viga S.A.		29,793	22,734
Other expenses			
Master Builders Solutions Perú S.A.		4,200	3,808
Compañía de Inversiones Santa Cruz S.A.		132	132
Other income			
Master Builders Solutions Perú S.A.		1,423	1,427
Asociación Unacem		252	250
La Viga S.A.		201	190

(b) As of December 31, 2021 and 2020, the Group has the following related party balances:

In thousands of soles	***Note***	**2021**	**2020**
Accounts receivable	*8*		
La Viga S.A.		30,252	29,428
Master Builders Solutions Perú S.A.		302	242
Others		946	941
		31,500	**30,611**
Accounts payable	*17*		
Master Builders Solutions Perú S.A.		16,151	18,873
La Viga S.A.		3,415	3,849
Others		17	31
		19,583	**22,753**

(c) The Group enters into related party transactions on terms equivalent to those that prevail in arm's length transactions; therefore, there is no difference in pricing policies or tax bases. Policies related to payment terms are not different from policies used in arm's length transactions.

(d) As of December 31, 2021, the total key management personnel compensation amounted to S/ 29,976,000 (2020: S/ 18,674,000). It includes short-term employee benefits and severance payment.

(e) As of December 31, 2021 and 2020, there were no changes in the Parent Company, Nuevas Inversiones S.A., or in the ultimate controlling party, Inversiones JRPR S.A.

32. Earnings per Share

Basic earnings per share are calculated by dividing the profit or loss attributable to ordinary shareholders by the weighted average number of outstanding shares during the period.

The following table shows the calculation of the diluted and basic earnings per share.

In thousands of soles	**2021**	**2020**
Numerator		
Profit or loss attributable to ordinary equity holders	498,114	83,071

In thousands	**2021**	**2020**
Denominator		
Weighted average number of outstanding shares (ordinary shares)	1,818,128	1,818,128

In soles	**2021**	**2020**
Net basic and diluted earnings per share	0.274	0.046

As of December 31, 2021, the Company holds 7,289,000 treasury shares with an average of 72 days. In 2020, the Company did not purchase treasury shares.

33. Contingencies and Commitments

A. Financial and purchase commitments

(i) As of December 31, 2021, the Company has the following letters of guarantee:

- A letter of guarantee issued by Banco de Crédito del Perú S.A. on behalf of MINEM to ensure the execution of the mine closure plan of its mining concessions for US$ 1,905,000, equivalent to S/ 7,616,000. It matures in January 2023 (2020: US$ 1,678,000, equivalent to S/ 6,071,000. It matures in January 2021).

- A letter of guarantee issued by Banco de Crédito del Perú S.A. on behalf of the Ministry of Production to ensure the execution of the mine closure plan of its mining concessions for US$ 4,608,000, equivalent to S/ 15,504,000, maturing in January 2022, and for S/ 2,919,000, maturing in December 2022 (2020: US$ 4,123,000, equivalent to S/ 14,917,000. It matures in January 2021).

- Various letters of guarantee on behalf of third parties for S/ 1,604,000, maturing in the year 2022 (2020: S/ 1,306,000 , maturing in the year 2021).

(ii) The subsidiaries have the following letters of guarantee:

- Letters of guarantee issued by financial institutions on behalf of Unión de Concreteras S.A. and Concremax S.A. to ensure the supply of concrete to customers. As of December 31, 2021, they amount to S/ 100,755,000 (2020: S/ 81,784,000).

- Letters of guarantee issued by financial institutions on behalf of Entrepisos Lima S.A.C. to ensure the supply of slabs and precast concrete products to customers. As of December 31, 2021, they amount to S/ 2,797,000 (2020: S/ 1,302,000).

- Letters of guarantee issued by financial institutions on behalf of Depósito Aduanero Conchán S.A. To ensure the fulfillment of obligations related to customs warehousing in accordance with the General Customs Law, regulations and other applicable administrative provisions. As of December 31, 2021, they amount to US$ 100,000, equivalent to S/ 400,000 (2020: US$ 100,000, equivalent to S/ 362,000).

- A letter of guarantee issued by Scotiabank Perú S.A.A. and granted by Compañía Eléctrica El Platanal S.A. on behalf of Consorcio Transmantaro S.A. for US$ 3,000,000 to ensure the fulfillment of contractual obligations related to the energy conversion contract for the complementary transmission system. It matures in July 2022.

- On September 23, 2016, Scotiabank Chile S.A. approved a credit facility of up to US$ 4,000,000 on behalf of Prefabricados Andinos S.A., which is secured by a letter of credit of Prefabricados Andinos Perú S.A.C. issued by Scotiabank Perú S.A.A. It matures in September 2022.

- On December 13, 2016, BBVA Colombia S.A. approved a credit facility of up to US$ 3,550,000 on behalf of Prefabricados Andinos Colombia S.A.S., which is secured by a letter of credit of Prefabricados Andinos Perú S.A.C. issued by BBVA Banco Continental S.A. It matures in January 2023.

- As of December 31, 2021, Vigilancia Andina S.A. has letters of guarantee issued by financial institutions to ensure the fulfillment of payment obligations related to salaries of employees under fixed-term employment contracts for S/ 2,661,000 (2020: S/ 2,514,000).

(iii) The Group has the following letters of credit:

- A letter of credit, dated November 18, 2010 and amended on November 10, 2020, for US$ 40,447,000 between Banco de Nova Scotia U.S. (issuer) and U.S. Bank National Association (trustee). On November 1, 2010, the trustee entered into a trust agreement with the Yavapai County Industrial Development Authority (authority). On November 10, 2020, the letter of credit was renewed for a five-year term (note 16.A.(a)i).

- A letter of credit, dated July 30, 2015, for US$ 75,838,000 between Drake Cement L.L.C. and Skanon Investments, Inc. (guarantors) and Bank of Nova Scotia, New York Agency (issuer) so that the issuer directly pays the credit by Drake Cement L.L.C. on behalf of U.S. Bank National Association (trustee). The trustee entered into a trust agreement with the Yavapai County Industrial Development Authority (authority). On June 1, 2020, the letter of credit was renewed for a five-year term (note 16.A.(a)i).

(iv) Letter of indemnity
Skanon Investments Inc. establishes indemnification provisions under agreements with other entities- i.e., trading partners, customers, property owners, lenders and lessors - in the normal course of business. Under such provisions, Skanon Investments Inc. generally indemnifies and holds harmless the indemnified party in respect of any loss or damage suffered by the indemnified party as a result of its activities or, in some cases, as a result of the indemnified party's activities. The maximum amount of future payments that Skanon Investments Inc. could make under the provisions is unlimited. Skanon Investments Inc. did not incur material costs to defend claims or settle claims related to the indemnification provisions. Accordingly, Skanon Investments Inc. considers that the fair value of these provisions is low. As of December 31, 2021 and 2020, management does not have any liabilities recognized under the indemnification provisions.

(v) Purchase option
In accordance with the third addendum to the limited liability company operating agreement, dated September 1, 2007, Skanon Investments Inc. has the option to purchase non-controlling interests in Drake Cement L.L.C. From January 1, 2009, Skanon Investments Inc. has the option, but not the obligation, to purchase non-controlling interests at any time at fair value. The fair value will be measured by mutual agreement at the General Shareholders' Meeting. As of December 31, 2021 and 2020, Drake Cement L.L.C. did not exercise the option.

B. Finance leases

The following table shows the minimum lease payments and sale and leaseback transactions:

In thousands of soles	2021 Minimum lease payments	2021 Present value of lease payments	2020 Minimum lease payments	2020 Present value of lease payments
Up to 1 year	48,398	35,876	99,754	86,146
More than 1 year	229,088	111,382	212,439	105,328
Total payments	**277,486**	**147,258**	**312,193**	**191,474**
Less: Borrowing costs	(130,228)	-	(120,719)	-
Present value of minimum lease payments	**147,258**	**147,258**	**191,474**	**191,474**

C. Tax Matters

(i) The subsidiaries of the Group are subject to the tax laws of the country in which they operate and to taxes separately based on their non-consolidated income. As of December 31, 2021 and 2020, the income tax rates of the countries in which the Group operates are as follows:

In percentages	Tax rates 2021	Tax rates 2020
Peru	29.5	29.5
Ecuador	25.0	25.0
United States (*)	21.0 & 4.9	21.0 & 4.9
Chile	27.0	27.0

(*) In accordance with the laws of the United States and Arizona, the subsidiary is subject to a federal tax rate of 21% and a state tax rate of 4.9%.

(ii) In determining income tax, transfer pricing with related parties and entities domiciled in territories with low or zero taxation shall be supported with documents and information on the valuation techniques and the criteria used for the pricing.

Based on the business analysis, it is the opinion of management and its legal advisors that no significant contingencies will arise as of December 31, 2021 and 2020 from the application of such regulations.

(iii) The Tax Authorities of each country are entitled to audit and, if applicable, to correct the income tax calculated by the Group. The Group's income tax returns are open for review by the Tax Authorities as follows:

	Period subject to tax assessments
Peru	
Unión Andina de Cementos S.A.A.	2016-2021
Compañía Eléctrica El Platanal S.A.	2016-2021
Celepsa Renovables S.R.L.	2017-2021
Generación Eléctrica Atocongo S.A.	2017-2021
Unión de Concreteras S.A.	2016-2021
Concremax S.A.	2016-2021
Inversiones en Concreto y Afines S.A.	2017-2021
Prefabricados Andinos Perú S.A.C.	2017-2021
Transportes Lurín S.A.	2017-2021
Depósito Aduanero Conchán S.A.	2017-2021
Inversiones Imbabura S.A.	2017-2021
Inversiones Nacionales y Multinacionales Andinas S.A.	2017-2021
ARPL Tecnología Industrial S.A.	2017-2021
Vigilancia Andina S.A.	2017-2021
Entrepisos Lima S.A.C.	2017-2021
Ecuador	
Unacem Ecuador S.A.	2017-2021
Unión de Concreteras Unicon Ucue Cia. Ltda.	2018-2021
Chile	
Prefabricados Andinos S.A.	2017-2021
Unacem Chile S.A.	2018-2021
Inversiones Mel 20 Ltda.	2018-2021
Unicon Chile S.A.	2018-2021
Colombia	
Prefabricados Andinos Colombia S.A.S.	2017-2021
United States	2017-2021

Due to the possible interpretations of the applicable laws by the Tax Authorities, it is not possible to determine, to date, whether a future tax assessment will result in liabilities for the Group. Therefore, any major tax or surcharge that might arise from eventual tax assessments would be applied to profit or loss when they are determined. It is the opinion of management and its legal advisors that any possible additional settlement of taxes would not be significant for the consolidated financial statements as of December 31, 2021 and 2020.

(iv) As of December 31, 2021 and 2020, tax loss carryforwards of subsidiaries are as follows:

In thousands of soles	**2021**	**2020**
Skanon Investments Inc. and Subsidiaries (a)	2,320,311	1,928,705
Compañía Eléctrica El Platanal S.A. and Subsidiaries (b)	274,926	304,541
Prefabricados Andinos S.A. (c)	42,707	46,390
Prefabricados Andinos Perú S.A.C. (b)	16,172	13,044
Unicon Chile S.A. (c)	4,547	11,816
Prefabricados Andinos Colombia S.A.S. (c)	9,160	8,406
Inversiones Imbabura S.A. (b)	1,013	-
Depósito Aduanero Conchán S.A. (b)	1,854	2,005
Transportes Lurín S.A. (b)	489	469
Concremax S.A. (b)	-	9,969
Unión de Concreteras S.A. (b)	-	3,696
Other subsidiaries (b)	414	375

(a) The tax loss carryforwards of subsidiaries domiciled in the United States amount to US$ 583,726,000 (equivalent to S/ 2,320,311,000). According to management, the federal and state losses for US$ 312,474,000 and US$ 271,252,000, respectively (equivalent to S/ 1,242,084,000 and S/ 1,078,227,000, respectively) will be recovered.

In accordance with the laws of the United States, the subsidiaries domiciled in the United States are subject to a federal tax rate of 21% and a state tax rate of 4.9%, respectively, on taxable profits.

(b) Management of each subsidiary domiciled in Peru with tax loss carryforwards chose the option to offset tax losses up to 50% of the taxable profits generated in each year, indefinitely, as well as the option to offset tax losses within four years from the date in which they are generated.

(c) The tax loss carryforwards of subsidiaries domiciled in Chile and Colombia will be offset against the future taxable profits of subsidiaries in accordance with applicable tax laws.

(v) As of December 31, 2021, the net outstanding balance, net of income tax, amounts to S/ 102,976,000 (2020: S/ 3,199,000).

D. Contingencies

In the normal course of business, the Group had various tax, legal (labor and administrative) and regulatory claims, which are recognized and disclosed in accordance with IFRSs (note 4.C.xix).

Peru

i. Tax assessments
As a result of the tax assessments, the Group received various resolutions related to alleged failure to meet tax payments from the Tax Authorities. In some cases, the Group filed claims before higher courts since it did not consider that such resolutions are compliance with the laws and, in others, it paid the objections under protest. The tax proceedings are related to:

Unión Andina de Cementos S.A.A.

- Income tax for the years 2000 and 2001.
- Income tax for the years 2004 and 2005.
- Fines for income tax for the year 2013.
- Fines for interest on down payments of income tax for the year 2014.
- Contribution to the retirement fund for mining, metallurgical and steel workers for the years from 2013 to 2015
- Mining royalties of Cementos Lima S.A.A. for the years 2008 and 2009.
- Mining royalties of Cementos Lima S.A.A. for the year 2008.

As of December 31, 2021 and 2020, the Company has accounts receivable from such tax proceedings (note 8(d)). It is the opinion of management and its legal advisors that the Company will obtain a favorable outcome.

Concremax S.A.

- Income tax for the year 2012.

As of December 31, 2021 and 2020, the Group has accounts receivable from such tax proceedings (note 8(d)). It is the opinion of management and its legal advisors that the Group will obtain a favorable outcome.

E. Mining royalties

Peru
In accordance with the law and Regulation on Royalties Metallic and Non-metallic Minerals effective from October 1, 2011, mining royalties for holders of mining concessions (metallic and non-metallic mineral resources) shall be quarterly settled. In determining mining royalties, the Group uses the higher of: (i) the amount obtained by applying a marginal step rate to the quarterly operating profit adjusted for certain items; and (ii) 1% of net quarter sales. These amounts shall be determined based on the Group's consolidated financial statements prepared under IFRS. Payments of mining royalties are deductible for determining income tax of the year in which payments are made.

The mining royalties paid to the Peruvian government for the years 2021 and 2020 amounts to S/ 4,116,000 and S/ 3,085,000, respectively. They are recognized in the consolidated statement of profit or loss (note 20(a)).

Ecuador
In accordance with the Mining Law of Ecuador, holders of mining concessions (non-metallic mineral resources) in the exploitation phase are required to make royalty payments to the Ecuadorian State, based on a royalty rate on the amount of minerals produced at a mine. They are settled on a semiannual basis.

In 2021 and 2020, Unacem Ecuador S.A. made royalty payments to the Ecuadorian State for US$ 891,000 (equivalent to S/ 3,474,000) and US$ 662,000 (equivalent to S/ 2,323,000). They are recognized in the consolidated statement of profit or loss (note 24).

F. Environmental commitments
The Group's activities are subject to the environmental regulations. Accordingly, it is required to comply with the following regulations:

i. Industrial sector

Peru
Law 28611 “General Environmental Law” and Law 27446 “National Environmental Impact Assessment Law” regulate the environmental liabilities of all related-activities, including identification, prevention, supervision, control and early correction of the negative environmental impacts from investment projects.

In accordance with the laws, the Company submitted its environmental impact assessments, environmental impact statement and Environmental Adjustment and Management Program (PAMA, for its Spanish acronym) in relation to its business units.

The Company has an environmental impact assessment of the "Updating and Modification of the Environmental Management Tool of the Cement Plant," approved by the Ministry of Production in July 2020. As of December 31, 2021, the investment related to the implementation of the environmental management plan in the cement production phase amounts to US$ 60,105,000 (2020: US$ 59,956,000).

In 2021 and 2020, Unión de Concreteras S.A. made investments for S/ 420,000 and S/ 380,000, respectively, to implement environmental protection programs.

ii. Mining and port sectors

Peru
The Company prepared environmental impact assessments related to its mining activities (non-metallic mineral resources). It has complied with the assessments within the established terms. As of December 31, 2021, the investment related to mining and port activities amount to US$ 23,116,000 (2020: US$ 22,919,000).

On October 14, 2003, the Congress of the Republic of Peru issued Law 28090, a law that regulates the mine closure plan. Such Law establishes the obligations and procedures that a holder of a mining concession shall meet for preparing, submitting, and implementing the mine closure plan as well as lodging the relevant environmental guarantees to ensure compliance with the investments subject to the principles of environmental protection, preservation and recovery. The Company submitted environmental impact assessments of mine closure plans to the Ministry of Production and MINEM within the term established by this Law. The assessments established the guarantee and the investment to be made in the future upon the progressive and final closures of mines. The provision for the closure of mines corresponds to the obligation to restore the site (quarries) and areas affected by exploitation activities. The main activities correspond to mine clearance and reforestation.

As of December 31, 2021 and 2020, the provision for closure of quarries amounts to S/ 39,390,000 and S/ 41,584,000, respectively, It is presented in 'provisions' in the consolidated statement of financial position (note 19(c)). The Group considers that this liability is sufficient to meet the applicable environmental laws approved by the Ministry of Energy and Mines. The Group is updating its quarry closure plan of main mines, in accordance with the applicable law.

Ecuador
The subsidiaries are governed by the Environmental Management Act and the Environmental Regulation on Mining Activities.

As of December 31, 2021 and 2020, the provision for environmental rehabilitation amounts to S/ 3,051,000 and S/ 2,650,000, respectively. It is presented in 'provisions' in the consolidated statement of financial position (note 19(c)).

Chile
The subsidiaries are governed by the Environmental Restoration Law.

As of December 31, 2021, the provision for the costs of dismantling the plants amounts to S/ 1,144,000 and S/ 1,216,000, respectively. It is presented in 'provisions' in the consolidated statement of financial position (note 19(c)).

iii. Hydrocarbons sector

Peru
The Regulation on Environmental Protection in Hydrocarbon-related Activities, approved by Supreme Decree 039-14-EM and updated on November 5, 2014, regulates the Company's hydrocarbon-related activities as a direct user. Accordingly, the Company prepared a PAMA approved by MINEM in 1996 until June 2020, since such PAMA was included in the environmental impact assessment of the "Updating and Modification of the Environmental Management Tool of the Cement Plant." As of December 31, 2021 and 2020, the investment related to the PAMA amounts to US$ 124,000. The Company meets the environmental impact assessment of the "Updating and Modification of the Environmental Management Tool of the Cement Plant"(note (i)).

iv. Environmental protection in the electricity-related activities

According to Law 25844 and Law 28611 "General Environmental Law," the Peruvian government designs and applies the policies and regulations necessary for the proper protection of the environment and cultural heritage of Peru, as well as ensures the proper usage of natural resources in developing electricity-related activities and hydrocarbon-related activities. Accordingly, MINEM approved the "Regulation on Environmental Protection in the Electricity-related Activities" (approved by Supreme Decree 29-94-EM), and the "Regulation on Environmental Protection in the Hydrocarbon-related Activities" (approved by Supreme Decree 015-2006-EM).

In management's opinion, Compañía Eléctrica el Platanal S.A. and Celepsa Renovables S.R.L. comply with the environmental laws.

34. Financial Risk Management

The Group's main financial liabilities, other than hedging instruments, include trade and other accounts payable, and other financial liabilities. These financial liabilities are intended to obtain loans for the Group's activities. The Group has cash, trade and other accounts receivable arising directly from its activities. The Group also enters into transactions with hedging instruments.

The Group is exposed to market, credit and liquidity risks.

The senior management is responsible for monitoring the management of such risks. Accordingly, it has the support of the Financial Management, which advises on financial risks and appropriate corporate governance framework for managing the Group's financial risks. The Financial Management provides assurance to the senior management that the financial risk-taking activities are regulated by appropriate corporate policies and procedures, and that the financial risks are identified, measured and managed in accordance with these policies and the Group's preferences at the time of taking risks. The financial risk management of transactions using hedging instruments is made by teams of specialists with the appropriate skills and experience.

The Board of Directors reviews and agrees on the policies to manage each risk.

A. Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments fluctuates as a result of changes in the market rates. Market risks involve interest rate risk, exchange rate risk, commodity price risk and other price risks. Financial instruments affected by market risk are bank deposits, trade and other accounts receivable, other financial liabilities and hedging instruments.

The sensitivity analyses included in the following notes are related to the consolidated financial statements as of December 31, 2021 and 2020.

The Group prepared sensitivity analyzes based on the assumption that the variables (net debt, fixed and variable interest rates of debt and hedging instruments, and financial instruments in foreign currency) are held constant as of December 31, 2021 and 2020.

i. Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of financial instruments fluctuates as a result of changes in the interest rates. The Group's exposure to interest rate risk mainly arises from long-term variable-rate debt instruments.

- ***Hedging instruments***

The Group has three interest rate swaps designated as cash flow hedges and measured at fair value. Hedging instruments are as follows:

	Balance as of December 31, 2021					
Borrower	**Currency**	**Benchmark amount (000)**	**Maturity date**	**Variable-rate**	**Fixed-rate**	**Fair value (000)**
Liabilities						
Citibank N.A.	USD	50,000	October 2025	3-month LIBOR + 1.75%	5.700%	13,210
Banco Santander S.A.	USD	45,000	November 2023	3-month LIBOR + 1.85%	5.030%	8,499
Bank of Nova Scotia	USD	30,000	September 2025	3-month LIBOR + 2.60%	5.660%	3,719
Scotiabank Chile S.A.	USD	4,000	August 2022	1-month LIBOR + 1.22%	3.200%	219
Scotiabank Chile S.A.	USD	1,883	March 2022	1-month LIBOR + 1.94%	5.400%	64
Total						**25,711**
Assets						
Scotiabank Chile S.A. **(*)**	USD	3,355	October 2023	1-month LIBOR + 1.85%	5.550%	896
Banco de Crédito e Inversiones S.A. **(*)**	CLP	2,692,424	November 2027	6.78%	3.377%	526
Total						**1,422**

	Balance as of December 31, 2020					
Borrower	**Currency**	**Benchmark amount (000)**	**Maturity date**	**Variable-rate**	**Fixed-rate**	**Fair value (000)**
Liabilities						
Citibank N.A.	USD	50,000	October 2025	3-month LIBOR + 1.75%	5.700%	21,488
Banco Santander S.A.	USD	45,000	November 2023	3-month LIBOR + 1.85%	5.030%	14,575
Bank of Nova Scotia S.A.	USD	30,000	September 2025	3-month LIBOR + 2.60%	5.660%	7,272
Scotiabank Chile S.A.	USD	1,883	March 2022	1-month LIBOR + 1.94%	5.400%	1,568
Scotiabank Chile S.A. **(*)**	USD	3,355	October 2023	1-month LIBOR + 1.85%	5.550%	369
Banco de Crédito e Inversiones S.A. **(*)**	CLP	2,692,424	November 2027	6.78%	3.377%	364
Scotiabank Chile S.A.	USD	4,000	August 2021	3-month LIBOR + 1.1%	4.750%	191
Total						**45,827**

(*) They correspond to the same derivative.

The Group has financial instruments to minimize its exposure to the risk of changes in the interest rates of financial liabilities indicated in note 16.A. Such loans accrue interest at a variable interest rate equivalent to a 3-month LIBOR and 1-month LIBOR.

The Group pays or receives on a quarterly or monthly basis (at each payment date of loan interest) the difference between the LIBOR applicable to the loan in such period and the fixed rate agreed upon in the interest rate swaps. Cash flows effectively received from or paid by the Group are recognized as an adjustment to borrowing costs of the period for hedged loans.

The Group designated these financial instruments as hedging instruments, since there is an economic relationship between the hedged item and the hedging instrument.

In 2021, the Group recognized expenses incurred on hedging instruments for S/ 15,856,000 (2020: S/ 11,316,000), which were effectively paid. They are presented in 'borrowing costs' in the consolidated statement of profit or loss (note 30).

The effective portion of changes in the fair value of derivatives designated as hedging instruments is recognized in 'assets' or 'liabilities,' and the contra account is net equity. As of December 31, 2021 and 2020, the Group recognized a negative change in the fair value for S/ 12,347,000 and S/ 11,077,000, respectively, in 'unrealized gains and losses' in the consolidated statement of changes in equity. It was recognized net of the effects on income tax.

- ***Financial instruments held for trading***

As of December 31, 2020, changes in the fair value of derivatives designated as financial instruments held for trading are recognized as income or expense. In 2020, the effects resulted in income for S/ 2,459,000 and are presented in 'finance income' in the consolidated statement of profit or loss. As of December 31, 2021, there was no effect, since they were related to loans that matured in the year 2020 (note 29).

In 2020, the Company recognized expenses incurred on hedging instruments for S/ 2,709,000, which were effectively paid. They are presented in 'borrowing costs' in the consolidated statement of profit or loss (note 30).

Sensitivity to interest rates

The following table shows a sensitivity analysis to show the effect of reasonably possible changes in the interest rates of loans, after the effect of hedge accounting. The Group's profit before tax would be affected by the effect on variable rate loans, with all other risk variables held constant, as follows:

	Effects on profit before tax	
In thousands of soles	**2021**	**2020**
Increase or decrease in basis points %		
+10	147	196
-10	(147)	(196)

The fluctuation in interest rates based on basis points is reasonably possible.

ii. Exchange rate risk

Exchange rate risk is the risk that the fair value or future cash flows of financial instruments fluctuates as a result of changes in the exchange rates. The Group is exposed to exchange rate risk from its operating activities (when income and expenses are stated in a currency other than its functional currency).

Management monitors this risk through the analysis of macroeconomic factors.

In 2021 and 2020, the Group recognized exchange losses for S/ 64,071,000 and S/ 61,118,000. They are presented in 'exchange difference, net' in the consolidated statement of profit or loss.

As of December 31, 2021 and 2020, the Group has financial liabilities related a cross-currency interest rate swap amounting to S/ 6,870,000 and S/ 2,971,000 in favor of BBVA Banco Continental S.A. and Banco Internacional del Perú S.A.A., respectively, in order to hedge changes in the exchange rates. The derivative is designated as a financial instrument held for trading.

As of December 31, 2021 and 2020, changes in the fair value are recognized as income or expense. As of December 31, 2021, the effects resulted in net borrowing costs for S/ 3,899,000 (2020: net finance income for S/ 2,473,000) and are presented in 'borrowing costs' and 'finance income' in the consolidated statement of profit or loss (notes 29 and 30).

As of December 31, 2021 and 2020, the Group recognized borrowing costs, net incurred on hedging instruments for S/ 940,000 and S/ 107,000, respectively, which were effectively paid. They are presented in 'borrowing costs' and 'finance income' in the consolidated statement of profit or loss (notes 29 and 30).

Sensitivity to exchange rates

Foreign currency transactions are entered into at the free-market exchange rates published by the Banking, Insurance and Private Pension Plan Agency (Superintendencia de Banca, Seguros y AFP - SBS). As of December 31, 2021, the weighted average of free-market exchange rates used in foreign currency transactions (U.S. dollars) were S/ 3.975 (buy rate) and S/ 3.998 (sell rate) (2020: S/ 3.618 and S/ 3.624, respectively).

As of December 31, 2021 and 2020, the Group's assets and liabilities are held in U.S. dollars. The following table shows the foreign currency assets and liabilities:

In thousands of U.S. dollars	**2021**	**2020**
Assets		
Cash and cash equivalents	26,106	26,651
Trade and other accounts receivable	91,674	84,749
	117,780	**111,400**

In thousands of U.S. dollars	**2021**	**2020**
Liabilities		
Other financial liabilities	(179,726)	(261,841)
Trade and other accounts payable	(64,093)	(39,871)
	(243,819)	**(301,712)**
Foreign currency derivatives (i)	(1,718)	(820)
Net liability position	**(127,757)**	**(191,132)**

The following table shows a sensitivity analysis to show the effect of reasonably possible changes in the exchange rates (U.S. dollar). The Group's profit before tax would be affected by changes in the fair value of monetary items, including foreign currency non-derivatives, with all other risk variables held constant:

	Effects on profit before tax	
In thousands of soles	**2021**	**2020**
Changes in exchange rates (U.S. dollars)		
%		
+5	(25,674)	(34,667)
+10	(51,348)	(69,333)
-5	25,674	34,667
-10	51,348	69,333

B. Credit risk

Credit risk is the risk that a financial loss will be incurred if a borrower to a financial instrument or contract fails to meet its financial obligations. The Group is exposed to credit risk from its operating activities, including trade accounts receivable, as well as financing activities, including deposits at banks and financial institutions, foreign currency transactions and other financial instruments. The maximum exposure to credit risk for the items in the consolidated financial statements as of December 31, 2021 and 2020 is represented by the sum of items of cash and cash equivalents, trade and accounts receivable.

Financial instruments and bank deposits

The credit risk of cash at bank is controlled by management in accordance with the Group's policies. The borrower's credit limits are reviewed by management and the Board of Directors. The limits are established to minimize the concentration risk and, therefore, mitigate financial losses from the borrower potential failure to meet its obligations.

Trade accounts receivable

The credit risk of customers is managed by management based on the Group's policies, procedures and control related to credit risk management. The Group assesses the credit rating of a customer based on a credit scores and individual credit limits.

At the end of each reporting period, the Group uses a provision matrix to measure ECLs. The Group uses a provision matrix based on days past due for groupings showing significantly different loss patterns for different customer segments (i.e., geographical location, instrument type, collateral type, credit risk ratings, and the value of collateral relative to the financial asset). The Group shall measure ECLs in a way that reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes; the time value of money; and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions. The gross carrying amount of a trade account receivable is reduced if it is more than one year past due and is not subject to enforcement activities. At the reporting date, the maximum exposure to credit risk is the carrying amount of each type of financial asset disclosed in note 8 to the consolidated statement of financial position.

The Group has no collaterals (letters of credit). The letters of guarantee from customers are part of sales and are considered in the calculation.

As of December 31, 2021, 17% of the Group's trade accounts receivable are covered by letters of guarantee and others (2020: 14%).

The Group assesses the risk concentration of trade accounts receivable as low risk, since its customers belong mainly to the private sector and operate in a market independent of public procurement. In 2021, sales to construction companies represent 0.4% of sales (2020: 0.4%).

Other accounts receivable
Other accounts receivable correspond to outstanding balances for items not related to the Group's main operating activities. As of December 31, 2021 and 2020, other accounts receivable mainly correspond to advances to suppliers, claims to Tax Authorities and third party claims. Management periodically monitors the credit risk of such items and assesses debts evidencing an impairment in order to recognize the loss allowance.

C. Liquidity risk
The Group monitors liquidity risk using a liquidity-planning tool.

The Group's objective is to maintain a balance between continuity and flexibility of financing by using overdrafts in checking accounts and other financial liabilities.

The cash flow projections approved by management allow obtaining updated cash flow projections to ensure the Group has sufficient cash flow to meet its short, medium and long-term liquidity needs while maintaining a limit for unused credit facilities, so that the Group meets the debt limits or covenants, if applicable, on any credit facilities.

The following tables summarize the maturity terms of the Group's financial liabilities based on the undiscounted payments under the contracts:

	Balance as of December 31, 2021			
In thousands of soles	**1-12 months**	**1-3 years**	**More than 4 years**	**Total**
Trade and other accounts payable (*)	783,141	21,035	12,586	816,762
Other financial liabilities				
Amortization of principal	700,255	1,523,344	1,704,435	3,928,034
Cash flows from cash payments from interest	154,045	262,221	216,412	632,678
Lease liabilities				
Amortization of principal	8,345	12,760	3,735	24,840
Cash flows from cash payments from interest	623	771	2,154	3,548
Total liabilities	**1,646,409**	**1,820,131**	**1,939,322**	**5,405,862**

	Balance as of December 31, 2020			
In thousands of soles	**1-12 months**	**1-3 years**	**More than 4 years**	**Total**
Trade and other accounts payable (*)	584,870	26,080	16,468	627,418
Other financial liabilities				
Amortization of principal	1,110,123	1,574,021	1,771,611	4,455,755
Cash flows from cash payments from interest	190,705	303,209	270,875	764,789
Lease liabilities				
Amortization of principal	9,873	10,398	2,707	22,978
Cash flows from cash payments from interest	924	1,004	2,034	3,962
Total liabilities	**1,896,495**	**1,914,712**	**2,063,695**	**5,874,902**

(*) As of December 31, 2021 and 2020, it does not include customer advances, taxes, contributions, social security contributions and sales tax for S/ 78,756,000 and S/ 61,756,000, respectively.

D. Capital management

The Group's objective in managing capital is to safeguard its ability to continue as a going concern and provide the expected returns to its shareholders and respective benefits to shareholders, as well as to maintain an optimum structure to reduce capital cost.

The Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce its debt in order to maintain or adjust its capital structure.

In accordance with the industry, the Group monitors its capital based on the debt-to-equity ratio. This ratio is calculated by dividing the net debt by the total equity. Net debt corresponds to total debt ratio (including current and non-current debt) less cash and cash equivalents. Total equity corresponds to net equity, as shown in the consolidated statement of financial position, plus net debt.

In thousands of soles	***Note***	**2021**	**2020**
Other financial liabilities	*16*	3,928,034	4,455,755
Trade and other accounts payable (*)	*17*	854,120	655,710
Less: Cash and cash equivalents	*7*	(399,755)	(549,185)
Net debt (a)		**4,382,399**	**4,562,280**
Net equity		**5,370,307**	**4,852,290**
Net debt and total equity (b)		**9,752,706**	**9,414,570**
Debt-to-equity ratio (a/b)		**0.449**	**0.485**

(*) As of December 31, 2021 and 2020, it excludes customer advances for S/ 41,398,000 and S/ 33,464,000, respectively.

For the years ended December 31, 2021 and 2020, there were no changes in the objectives, policies or procedures related to capital management.

35. Fair Value

A. Financial instruments measured at fair value using the fair value hierarchy

The following table shows an analysis of financial instruments measured at fair value at the reporting date, including the level of the fair value hierarchy.

In thousands of soles	Level 2	Total
December 31, 2021		
Financial assets		
Hedging instruments	1,422	1,422
Financial liabilities		
Hedging instruments	32,581	32,581
Total financial liabilities, net	**31,159**	**31,159**
December 31, 2020		
Financial liabilities		
Hedging instruments	48,798	48,798
Total financial liabilities	**48,798**	**48,798**

Fair value of financial instruments measured at amortized cost

Below are the other financial instruments measured at amortized cost and their fair value categorized within different levels of the fair value hierarchy.

Level 1

- Cash and cash equivalents are not significantly exposed to credit or interest rate risks. Therefore, the carrying amount is a reasonable approximation of fair value.
- Accounts receivable are net of loss allowance, and have current maturities. In management's opinion, the carrying amount does not differ materially from the fair value.
- Due to their current maturity, the carrying amount of trade and other accounts payable is a reasonable approximation of fair value.

Level 2

- The fair value of financial liabilities is measured comparing market interest rates at initial recognition and current market rates related to similar financial instruments. The following table compares the carrying amount and the fair value of these financial instruments:

	2021		2020	
In thousands of soles	Carrying amount	Fair value	Carrying amount	Fair value
Other financial liabilities (*)	3,588,500	3,357,810	4,025,037	3,866,411

(*) As of December 31, 2021 and 2020, it does not include promissory notes and overdrafts (note 16).

36. Changes in Liabilities from Financing Activities

The reconciliation of changes in the financial liabilities and financing activities in the consolidated statement of cash flows is as follows:

In thousands of soles	Balance as of January 1, 2021	Cash flows	New bank loans	Dividends declared	New finance leases	Effects of exchange difference and translation	Acquisition of subsidiaries (note 1.B)	Treasury shares	Others	Balance as of December 31, 2021
Overdrafts	278	(3,623)	27,216	-	-	117	-	-	-	23,988
Promissory notes	430,440	(798,248)	677,642	-	-	5,712	-	-	-	315,546
Bank loans, finance leases and corporate bonds	4,025,037	(1,925,354)	1,280,248	-	64,237	142,427	241	-	1,664	3,588,500
Dividends payable	11,668	(123,121)	-	199,463	-	56	-	-	(220)	87,846
Lease liabilities	22,978	(15,876)	-	-	10,805	336	6,005	-	592	24,840
Acquisition of treasury shares	-	-	-	-	-	-	-	11,610	-	11,610
Others	-	(1,453)	-	-	-	-	-	-	1,453	-
Total liabilities from financing activities	**4,490,401**	**(2,867,675)**	**1,985,106**	**199,463**	**75,042**	**148,648**	**6,246**	**11,610**	**3,489**	**4,052,330**

In thousands of soles	Balance as of January 1, 2020	Cash flows	New bank loans	Dividends declared	New finance leases	Effects of exchange difference and translation	Others	Balance as of December 31, 2020
Overdrafts	93,129	(348,149)	252,142	-	-	3,150	6	278
Promissory notes	138,061	(242,093)	511,021	-	-	23,451	-	430,440
Bank loans, finance leases and corporate bonds	3,910,813	(681,925)	644,460	-	31,649	116,319	3,721	4,025,037
Dividends payable	13,553	(24,201)	-	23,955	-	78	(1,717)	11,668
Lease liabilities	28,254	(11,125)	-	-	6,261	1,534	(1,946)	22,978
Total liabilities from financing activities	**4,183,810**	**(1,307,493)**	**1,407,623**	**23,955**	**37,910**	**144,532**	**64**	**4,490,401**

37. Segment Information

For management purposes, the Group's business activities are organized on the basis of products and services. Accordingly, it identified three operating segments:

- Production and sale of cement.
- Production and sale of concrete.
- Generation and sale of electric power from water resources.

The Group did not include other operating segments other than those described above.

Management of each subsidiary reviews the operating results to make decisions about resources to be allocated to the segment and assess its performance.

The performance of the operating segments is assessed based on profit or loss and is measured using segment profit or loss in the consolidated financial statements.

The inter-segment transfer pricing with independent parties is agreed similarly to the pricing agreed with third parties.

The following table shows financial information as of December 31, 2021 and 2020 by reportable segment, net of eliminations:

	Balance as of December 31, 2021						
In thousands of soles	**Cement**	**Concrete**	**Electrical energy**	**Others**	**Total operating segments**	**Adjustments and eliminations**	**Consolidation**
Revenue							
External customers	2,940,125	1,908,371	199,631	18,042	5,066,169	-	5,066,169
Intersegments	228,489	155,496	127,303	75,548	586,836	(586,836)	-
Total revenue	**3,168,614**	**2,063,867**	**326,934**	**93,590**	**5,653,005**	**(586,836)**	**5,066,169**
Gross profit	**1,083,366**	**244,294**	**132,430**	**30,848**	**1,490,938**	**16,226**	**1,507,164**
Operating income (expenses)							
Administrative expenses	(252,533)	(69,913)	(16,578)	(19,065)	(358,089)	32,921	(325,168)
Selling expenses	(74,909)	(30,619)	(5,173)	-	(110,701)	-	(110,701)
Other operating income (expenses), net	104,193	6,930	(3,945)	160	107,338	(108,085)	(747)
Operating profit	**860,117**	**150,692**	**106,734**	**11,943**	**1,129,486**	**(58,938)**	**1,070,548**
Other income (expenses)							
Net interests in associates	-	5,209	(11)	-	5,198	1,326	6,524
Finance income	6,119	3,070	80	1,592	10,861	(3,611)	7,250
Borrowing costs	(171,952)	(30,571)	(21,833)	(8,406)	(232,762)	3,611	(229,151)
Exchange difference, net	(50,546)	3,921	(20,252)	2,806	(64,071)	-	(64,071)
Profit before tax	**643,738**	**132,321**	**64,718**	**7,935**	**848,712**	**(57,612)**	**791,100**
Income tax	(170,421)	(17,214)	(22,806)	(4,899)	(215,340)	(1,005)	(216,345)
Net profit by operating segment	**473,317**	**115,107**	**41,912**	**3,036**	**633,372**	**(58,617)**	**574,755**
Profit before tax by operating segment	**809,571**	**154,613**	**86,482**	**13,423**	**1,064,089**	**(272,989)**	**791,100**
Operating assets	**7,948,310**	**1,508,634**	**1,200,587**	**238,837**	**10,896,368**	**226,930**	**11,123,298**
Operating liabilities	**468,604**	**554,173**	**117,253**	**51,284**	**1,191,314**	**4,561,677**	**5,752,991**

	Balance as of December 31, 2020						
In thousands of soles	**Cement**	**Concrete**	**Electrical energy**	**Others**	**Total operating segments**	**Adjustments and eliminations**	**Consolidation**
Revenue							
External customers	2,077,972	1,305,622	173,901	17,814	3,575,309	-	3,575,309
Intersegments	164,577	89,685	64,975	65,037	384,274	(384,274)	-
Total revenue	**2,242,549**	**1,395,307**	**238,876**	**82,851**	**3,959,583**	**(384,274)**	**3,575,309**
Gross profit	**570,763**	**174,631**	**70,920**	**22,912**	**839,226**	**7,537**	**846,763**
Operating income (expenses)							
Administrative expenses	(188,701)	(53,953)	(14,481)	(15,033)	(272,168)	22,720	(249,448)
Selling expenses	(63,032)	(23,408)	(3,075)	-	(89,515)	194	(89,321)
Other operating income (expenses), net	(15,125)	(8,789)	1,521	324	(22,069)	(37,436)	(59,505)
Operating profit	**303,905**	**88,481**	**54,885**	**8,203**	**455,474**	**(6,985)**	**448,489**
Other income (expenses)							
Net interests in associates	-	2,140	(83)	296	2,353	(791)	1,562
Finance income	8,235	1,170	96	1,603	11,104	(2,263)	8,841
Borrowing costs	(176,062)	(27,260)	(22,620)	(6,681)	(232,623)	2,261	(230,362)
Exchange difference, net	(48,738)	3,256	(19,684)	4,048	(61,118)	-	(61,118)
Profit before tax	**87,340**	**67,787**	**12,594**	**7,469**	**175,190**	**(7,778)**	**167,412**
Income tax	(49,021)	11,689	(7,663)	(6,471)	(51,466)	-	(51,466)
Net profit by operating segment	**38,319**	**79,476**	**4,931**	**998**	**123,724**	**(7,778)**	**115,946**
Profit before tax by operating segment	**255,167**	**91,737**	**35,201**	**13,044**	**395,149**	**(227,737)**	**167,412**
Operating assets	**7,823,831**	**1,338,857**	**1,227,212**	**235,341**	**10,625,241**	**191,646**	**10,816,887**
Operating liabilities	**246,745**	**490,649**	**107,721**	**18,596**	**863,711**	**5,100,886**	**5,964,597**

Eliminations and reconciliation

The finance income and borrowing costs and gains and losses from changes in the fair value of financial assets are not allocated to separate segments, since the underlying instruments are managed centrally.

The current and deferred tax assets and liabilities and certain financial assets and liabilities are not allocated to the segments, since they are also managed centrally.

In thousands of soles	**2021**	**2020**
Reconciliation of profit or loss		
Profit before tax by operating segment before adjustments and eliminations	**1,064,089**	**395,149**
Finance income	7,250	8,841
Borrowing costs	(229,151)	(230,362)
Net interests in associates	6,524	1,562
Eliminations of related party transactions	(57,612)	(7,778)
Profit before tax by operating segment	**791,100**	**167,412**
Reconciliation of assets		
Segment assets	**10,896,368**	**10,625,241**
Deferred tax assets	206,404	177,328
Hedging instruments	1,422	-
Other assets	19,104	14,318
Operating assets of the Group	**11,123,298**	**10,816,887**
Reconciliation of liabilities		
Segment liabilities	**1,191,314**	**863,711**
Other financial liabilities	3,928,034	4,455,755
Accounts payable to directors	6,439	1,247
Deferred tax liabilities	594,623	595,086
Hedging instruments	32,581	48,798
Operating liabilities of the Group	**5,752,991**	**5,964,597**

Geographical information

The Group reports geographical information on revenue from external customers and non-current assets as follows:

In thousands of soles	**2021**	**2020**
Revenue from customers		
Peru	3,300,531	2,315,985
United States	704,152	606,128
Ecuador	649,607	440,479
Chile	393,268	202,048
Colombia	18,611	10,669
Total revenue under consolidated statement of profit or loss	**5,066,169**	**3,575,309**
Non-current assets		
Peru	6,513,777	6,673,382
United States	1,657,841	1,450,122
Ecuador	859,158	812,132
Chile	298,563	109,866
Colombia	29,697	32,093
Total non-current assets under consolidated statement of financial position	**9,359,036**	**9,077,595**

38. Subsequent Events

No material events or facts that may require disclosure in the consolidated financial statements have occurred between December 31, 2022 and the reporting date, except for information in note 1.

39. Explanation added for English translation

The accompanying consolidated financial statements were originally issued in Spanish and are presented on the basis of International Financial Reporting Standards, as described in Note 4. Certain accounting practices applied by the Company that conform to those accounting principles may not conform to generally accepted accounting principles in other countries. In the event of a discrepancy, the Spanish language version prevails.