Unión Andina de Cementos S.A.A.

Separate 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 separate financial statements of Unión Andina de Cementos S.A.A., which comprise the separate statement of financial position as of December 31, 2021, and the separate statements of profit or loss, other comprehensive income, changes in equity and cash flows for the year then ended, and notes 1 to 33, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Separate Financial Statements

Management is responsible for the preparation and fair presentation of these separate 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 separate 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 separate 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 separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the separate financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the separate financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the separate 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 Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the separate financial statements.

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 separate financial statements referred to above present fairly, in all material respects, the non-consolidated financial position of Unión Andina de Cementos S.A.A. as of December 31, 2021, and its non-consolidated financial performance and its non-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 December 14, 2021, approved the reorganization of the Company (note 1). The reorganization includes a change in the organizational structure of the conglomerate to which the entities involved belong, restructuring the Company's operating activities in its subsidiaries, based on the economic sector or line of business to which each entity belongs.

Other Matters

The Company's separate financial statements were prepared in accordance with the applicable Peruvian laws for the presentation of financial statements. The separate financial statements reflect the cost of its investment in a subsidiary under the cost approach and not on a consolidated basis, so they shall be read together with the consolidated financial statements of the Company and its subsidiaries.

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

Lima, Peru,

February 28, 2022

Caipo y Asociados

Countersigned by:

Cristian Emmerich (Partner)
Peruvian CPA Registration 39801

Unión Andina de Cementos S.A.A.

Separate Financial Statements

As of December 31, 2021 and 2020

Contents	**Page**
Separate Statement of Financial Position	1
Separate Statement of Profit or Loss	2
Separate Statement of Comprehensive Income	3
Separate Statement of Changes in Equity	4
Separate Statement of Cash Flows	5
Notes to the Separate Financial Statements	6 - 63

(Translation of Financial Statements originally issued in Spanish)

Unión Andina de Cementos S.A.A.
Separate 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	*6*	54,588	290,252
Trade and other accounts receivable	*7*	287,498	375,956
Inventories	*8*	435,516	387,969
Prepaid expenses		3,833	1,791
Total current assets		**781,435**	**1,055,968**
Non-current assets			
Trade and other accounts receivable	*7*	105,079	130,015
Investments in subsidiaries and others	*9*	3,792,826	3,549,921
Mining concessions and property, plant and equipment	*10*	3,777,673	3,876,272
Stripping activity assets	*11*	102,528	109,672
Intangible assets	*12*	36,541	40,007
Total non-current assets		**7,814,647**	**7,705,887**
Total assets		**8,596,082**	**8,761,855**

In thousands of soles	***Note***	**2021**	**2020**
Liabilities			
Current liabilities			
Other financial liabilities	*14*	383,635	793,526
Trade and other accounts payable	*13*	427,127	255,075
Deferred revenue		-	18,474
Provisions	*15*	41,358	25,108
Total current liabilities		**852,120**	**1,092,183**
Non-current liabilities			
Other financial liabilities	*14*	2,280,272	2,377,416
Hedging instruments	*29.A*	25,428	43,335
Deferred tax liabilities	*16*	401,849	419,820
Provisions	*15*	25,405	28,471
Total non-current liabilities		**2,732,954**	**2,869,042**
Total liabilities		**3,585,074**	**3,961,225**
Equity	*17*		
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		(17,927)	(33,329)
Retained earnings		2,896,810	2,690,224
Total equity		**5,011,008**	**4,800,630**
Total equity and liabilities		**8,596,082**	**8,761,855**

The accompanying notes on pages 6 to 63 are an integral part of these separate financial statements.

(Translation of Financial Statements originally issued in Spanish)

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

In thousands of soles	***Note***	**2021**	**2020**
Revenue	*18*	2,429,187	1,698,958
Cost of sales	*19*	(1,565,175)	(1,234,908)
Gross profit		**864,012**	**464,050**
Operating income (expenses)			
Administrative expenses	*20*	(176,156)	(131,382)
Selling expenses	*21*	(65,616)	(55,841)
Other income	*23*	164,194	60,020
Other expenses	*23*	(43,703)	(75,806)
		(121,281)	**(203,009)**
Operating profit		**742,731**	**261,041**
Finance income	*24*	3,055	4,077
Borrowing costs	*25*	(159,271)	(163,417)
Exchange difference, net	*29.A*	(48,270)	(49,656)
Finance charge, net		**(204,486)**	**(208,996)**
Profit before tax		**538,245**	**52,045**
Tax expense	*16(a)*	(142,714)	(21,758)
Net profit or loss		**395,531**	**30,287**
Net basic and diluted earnings per share (in soles)	***27***	**0.218**	**0.017**

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(Translation of Financial Statements originally issued in Spanish)

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

In thousands of soles	***Note***	**2021**	**2020**
Net profit or loss		395,531	30,287
Other comprehensive income			
Other comprehensive income to be reclassified to profit or loss			
Changes in fair value of hedging instruments	*29.A*	17,907	(14,530)
Total other comprehensive income to be reclassified to profit or loss		**17,907**	**(14,530)**
Other comprehensive income not to be reclassified to profit or loss			
Reserve assets measured at FVOCI	*26(c)*	3,938	3,770
Total other comprehensive income not to be reclassified to profit or loss		**3,938**	**3,770**
Income tax related to components of other comprehensive income			
Fair value of hedging instruments	*16*	(5,282)	4,286
Assets measured at FVTPL	*16*	(1,161)	(1,113)
Income tax related to components of other comprehensive income		**(6,443)**	**3,173**
Other comprehensive income, net of taxes		**15,402**	**(7,587)**
Total other comprehensive income, net of taxes		**410,933**	**22,700**

The accompanying notes on pages 6 to 63 are an integral part of these separate financial statements.

(Translation of Financial Statements originally issued in Spanish)

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

In thousands of soles	***Note***	**Issued capital**	**Additional capital**	**Treasury shares**	**Legal reserve**	**Unrealized gains and losses**	**Retained earnings**	**Total**
Balance as of January 1, 2020		1,818,128	(38,019)	-	363,626	(25,742)	2,681,929	4,799,922
Other comprehensive income								
Net profit or loss		-	-	-	-	-	30,287	30,287
Other comprehensive income		-	-	-	-	(7,587)	-	(7,587)
Total other comprehensive income		**-**	**-**	**-**	**-**	**(7,587)**	**30,287**	**22,700**
Transactions with owners of the Company								
Dividend distribution	*17(f)*	-	-	-	-	-	(23,636)	(23,636)
Others		-	-	-	-	-	1,644	1,644
Total transactions with owners of the Company		**-**	**-**	**-**	**-**	**-**	**(21,992)**	**(21,992)**
Balance as of December 31, 2020		**1,818,128**	**(38,019)**	**-**	**363,626**	**(33,329)**	**2,690,224**	**4,800,630**
Balance as of January 1, 2021		1,818,128	(38,019)	-	363,626	(33,329)	2,690,224	4,800,630
Other comprehensive income								
Net profit or loss		-	-	-	-	-	395,531	395,531
Other comprehensive income		-	-	-	-	15,402	-	15,402
Total other comprehensive income		**-**	**-**	**-**	**-**	**15,402**	**395,531**	**410,933**
Transactions with owners of the Company								
Dividend distribution	*17(f)*	-	-	-	-	-	(192,445)	(192,445)
Treasury shares	*17(c)*	-	-	(11,610)	-	-	-	(11,610)
Others		-	-	-	-	-	3,500	3,500
Total transactions with owners of the Company		**-**	**-**	**(11,610)**	**-**	**-**	**(188,945)**	**(200,555)**
Balance as of December 31, 2021		**1,818,128**	**(38,019)**	**(11,610)**	**363,626**	**(17,927)**	**2,896,810**	**5,011,008**

The accompanying notes on pages 6 to 63 are an integral part of these separate financial statements.

(Translation of Financial Statements originally issued in Spanish)

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

In thousands of soles	***Note***	**2021**	**2020**
Cash flows from operating activities			
Cash receipts from transfer of goods and services		2,897,445	1,987,718
Cash payments to suppliers		(1603.106)	(1,074,492)
Cash payments to employees		(240,483)	(173,520)
Cash payments from income tax		(82,644)	(84,085)
Cash payments from taxes		(194,939)	(162,654)
Cash payments from interest		(156,137)	(166,272)
Dividends received	*23*	168,731	143,947
Other cash receipts (payments), net		71,852	(64,449)
Net cash from operating activities		**860,719**	**406,193**
Cash flows from investing activities			
Contributions between the Company and its subsidiaries	*9(c)*	(252,581)	(5,507)
Expenses for work-in-progress	*10(b)*	(132,648)	(115,497)
Acquisition of property, plant and equipment	*10(b)*	(4,977)	(9,713)
Acquisition of intangible assets	*12*	(3,041)	(2,613)
Net cash used in investing activities		**(393,247)**	**(133,330)**
Cash flows from financing activities			
Short-term loans	*31*	531,316	447,486
Long-term debts	*31*	1,168,289	340,580
Cash payments from short-term loans	*31*	(735,248)	(277,708)
Cash payments from long-term debts	*31*	(1,534,435)	(474,004)
Cash payments from dividends	*31 & 17(f)*	(115,886)	(23,636)
Acquisition of treasury shares	*17(c)*	(11,610)	-
Net cash from (used in) financing activities		**(697,574)**	**12,718**
Net increase (decrease) in cash and cash equivalents		**(230,102)**	**285,581**
Exchange difference		(5,562)	(1,609)
Opening balance		290,252	6,280
Closing balance		**54,588**	**290,252**
Non-cash transactions			
Contributions between the Company and Unacem Chile S.A.	*7(d)*	83,678	-
Trigger of capitalized interest	*10(d)*	4,348	1,708

The accompanying notes on pages 6 to 63 are an integral part of these separate financial statements.

1. 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 conglomerate). It holds 42.22% 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 is mainly in the production and sale of all types of cement and clinker for purposes of local supply and export. Accordingly, the Company has two plants located in the Departments of Lima and Junín with an annual production capacity of 6.7 million tons of clinker and 8.3 million tons of cement.

The General Shareholders' Meeting, held on March 16, 2021, approved the separate financial statements as of December 31, 2020. The separate financial statements as of December 31, 2021 have been issued with management approval on January 25, 2022, and will be presented to the Board of Directors and General Shareholders' Meeting, which will be held within the terms established by law, for corresponding approval. In management's opinion, the separate financial statements will be approved by the General Shareholders' Meeting with no modification to the separate 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 as of 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 of clinker and cement in Peru for export purposes. 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 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 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 the 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 Company 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**

2. Basis of Preparation of the Separate Financial Statements

A. Basis of preparation

The separate financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), effective on December 31, 2021 and 2020. The Company is not required to prepare separate financial statements under IFRSs. However, entities domiciled in Peru are required to prepare separate financial statements in accordance with applicable laws. Accordingly, the Company prepared separate financial statements in accordance with IAS 27 *Separate Financial Statements*.

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

The Company prepared the separate financial statements on a going concern basis. In making its assessment, management considers events or conditions that may cast significant doubt upon the Company'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 separate financial statements.

New standards, amendments and interpretations

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

B. Significant accounting policies

The significant accounting policies used by management in preparing the separate financial statements are the following:

(a) Cash and cash equivalents (note 6)

Cash and cash equivalents comprise cash on hand, fixed funds, checking accounts and time deposits. In preparing the separate statement of cash flows, cash and cash equivalents comprise cash and short-term deposits with an original maturity of less than 3 months.

(b) 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 Company 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 Company classifies financial assets as subsequently measured at amortized cost, FVOCI or FVTPL on the basis of both the Company's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. The Company measures trade accounts receivable at their transaction price if they do not contain a significant financing component or when the Company applies the practical expedient. At initial recognition, the Company measures a financial asset at its fair value plus transaction costs. The Company measures accounts receivable at their transaction price if they do not contain a significant financing component or when the Company 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 Company 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 Company's business model refers to how the Company manages its financial assets in order to generate cash flows. That is, the Company'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 Company 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 Company'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 Company classifies financial assets as subsequently measured at amortized cost using the effective interest method. The Company 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 Company changes its business model for managing financial assets, it shall reclassify all affected financial assets.

The Company's financial assets measured at amortized cost comprise cash and cash equivalents and trade and other accounts receivable (notes 6 and 7).

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 Company does not have debt instruments classified into this category.

Financial assets measured at FVOCI (equity instruments)
At initial recognition, the Company 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 separate 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 Company classifies dividends receivable from subsidiaries into this category (note 26).

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 Company'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 separate statement of profit or loss.

The Company 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 Company 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 Company transfers substantially all risks and rewards of ownership of the financial asset, or (b) the Company neither transfers nor retains substantially all risks and rewards of ownership of the financial asset, but transfers control of the financial asset.

When the Company 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 Company has retained control, it shall continue to recognize the financial asset to the extent of its continuing involvement in the financial asset. When the Company continues to recognize an asset to the extent of its continuing involvement, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

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

- ***Impairment of financial assets***

The Company 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 Company under the contract and the cash flows that the Company 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 Company 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 Company 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 Company applies a simplified approach for trade accounts receivable when measuring ECLs. Therefore, the Company 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 Company 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 Company considers a financial asset to be in default when contractual payments are more than 365 days past due. However, the Company may consider a financial asset to be in default when internal or external information indicates that it is not probable that the Company will collect the amounts due before the Company enforces the collateral on the financial asset. The carrying amount of a financial asset is written-off if the Company 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 Company 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 Company's financial liabilities comprise trade and other accounts payable and other financial liabilities (notes 13 and 14).

Subsequent measurement
The Company 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 Company does not have financial liabilities classified into this category.

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 separate statement of profit or loss.

This category comprises trade and other accounts payable 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 separate statement of financial position when the Company 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.

- ***Hedging instruments and hedge accounting (note 29.A)***

The Company uses derivatives—e.g., hedging instruments in cash flow hedges—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 Company'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 Company 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 Company 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 Company 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 Company 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 Company designated the three interest rate swaps entered into in the year 2018 as a cash flow hedge, effective as of December 31, 2021 and 2020.

(c) Fair value of financial instruments (note 30)
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 Company shall have access to the principal market or the most advantageous market at the measurement date.

When measuring fair value, the Company 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 Company 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 separate 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 measured at fair value in the separate financial statements on a recurring basis, the Company determines whether transfers have occurred between the different levels of the hierarchy 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 Company's accounting policies.

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

(d) Current and non-current financial assets and financial liabilities

The Company's assets and liabilities are presented in the separate statement of financial position and classified as current and non-current. The Company 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 Company classifies all other assets as non-current.

The Company 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 Company classifies all other liabilities as non-current.

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

(e) Foreign currency transactions

Items included in the separate financial statements are stated in *soles*. Management considers the *sol* as its functional and presentation currency since it reflects the underlying transactions, events and conditions that are relevant to the Company.

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.

(f) Inventories (note 8)

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. 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 Company 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.

(g) Investments in subsidiaries and others (note 9)

An investment in a subsidiary and an associate is recognized at cost less loss allowance. The Company determines whether there is objective evidence that its investment in the subsidiary and associate is impaired.

The entire carrying amount of the investment is tested for impairment, by comparing its recoverable amount with its carrying amount whenever there is an indication that the net investment may be impaired. A net investment is impaired when its carrying amount exceeds its recoverable amount. If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset shall be reduced to its recoverable amount. That reduction is an impairment loss. If, in a further period, the impairment loss decreases and such decrease can be related objectively to the occurrence of an event subsequent to impairment recognition, the reversal of the previously recognized impairment is recognized. The reversal shall not result in a carrying amount of the asset that exceeds what its amortized cost would have been at the date of reversal had the impairment not been recognized. The amount of the reversal is recognized in the separate statement of comprehensive income.

Dividend revenue from investments is recognized in profit or loss when declared.

(h) Borrowing costs (note 10.d)

The Company 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 separate 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.

(i) Property, plant and equipment (note 10)

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 2(o).(o.2)). If the Company 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 separate 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:

	Years
Buildings and other constructions	10-50
Premises	3-10
Machinery and equipment and major replacement parts	7-25
Vehicles	5-10
Furniture and fixtures	6-10
Various equipment	4-10
Closure of quarries	11-38

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 separate 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.

(j) Mining concessions (note 10.a)
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' in the separate statement of financial position. Mining concessions are amortized using the straight-line method. If the Company abandons a concession, the related costs are recognized in the separate statement off profit or loss.

(k) Intangible assets (note 12)

Goodwill
The Company recognizes goodwill at the acquisition date measured as the excess of the aggregate of the consideration transferred and the amount of any NCI 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' in the separate 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 Company 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 Company shall recognize the impairment loss. An impairment loss recognized for goodwill shall not be reversed in a subsequent period.

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 and the consideration received from royalties. The cost and right to transfer are amortized over the concession term (i.e., 25 years).

Software and licenses
Software and licenses are measured initially at cost. The 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).

(l) Deferred stripping costs (note 11)

The Company 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 Company recognizes the costs of that stripping activity as production costs. To the extent the benefit is improved access to ore, the Company 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 Company 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.

(m) Reserve estimates (note 15(b))

Reserves are estimates of the amount of product (ore) that can be economically and legally extracted from non-metallic mineral resources. The Company 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.

(n) Impairment of non-financial assets (note 10.f)

At the end of each reporting period, the Company assesses whether there is any indication that a non-financial asset may be impaired. If any such indication exists, the Company 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 Company 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 Company uses current market transactions that might be available. If such market transactions are not available, the Company uses a valuation technique that is appropriate in the circumstances.

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

The Company 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 Company 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.

(o) Provisions (note 15)

(o.1) General provision

A provision is only recognized when the Company 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 separate 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.

(o.2) Provision for closure of quarries (note 15(b))

The Company 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 Company 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 separate 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.

(p) Contingent assets and contingent liabilities (note 28.C)

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 separate 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.

(q) Employee benefits (note 22)

The Company'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 separate statement of comprehensive income on an accrual basis.

(r) Revenue recognition (note 18)

The Company's revenue corresponds to the sale of goods, which are transferred to customers at a point in time. The Company satisfies such performance obligation upon delivery of goods. The Company concluded that it acts as a principal in sales agreements because it controls the goods or services before those goods or services are transferred to the customer.

Sale of goods

The Company identify the sale of goods as a performance obligation. Revenue is recognized when the Company 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 Company 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).

Variable considerations
In some contracts, the Company 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 Company 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 separate statement of financial position and as a decrease in revenue in the separate statement of profit or loss. Sales commissions granted to suppliers are also included.

(s) Taxes

Current tax (note 28.B)
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 Company in its income tax filings regarding situations in which the applicable tax laws are subject to interpretation. The Company recognizes a provision, as appropriate.

Deferred tax (note 16)
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 separate 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 Company 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 Company assesses, the unrecognized deferred tax assets, and recognized deferred tax assets. The Company measures deferred tax assets and liabilities at the tax rate applicable to undistributed profits. The Company recognize the income tax consequences of dividends when it recognizes a liability to pay a dividend.

The Company 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 Company did not identify uncertain tax treatments that would result in the recognition of provisions in the separate financial statements, under IFRIC 23.

Mining royalties (note 28.D)
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 Company 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 separate statement of financial position.

(t) Earnings per share (note 27)

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 Company does not have dilutive financial instruments; therefore, the basic and diluted earnings per share are the same.

(u) Operating segments (note 18)

The Company's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance is the Board of Directors. Management identified its operating segments based on the reports reviewed by the Board of Directors.

The category used by the Board of Directors to disaggregate revenue is major product lines: cement, clinker exports and sale of concrete blocks, paving blocks and pavement. The main operating segment is cement, which represents 91.30% of revenue in 2021 (2020: 92.80%) and that results from a single production process. The other operating segments do not exceed, individually, 5% of revenue in both years, so they are not considered reportable segments. Therefore, they are not necessary for an understanding of the reported segment information.

3. Significant Accounting Estimates and Assumptions

In preparing these separate 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 separate financial statements comprise the following:

- Estimated useful life and impairment of assets (note 2.B(i) & (n)).
- Reserve estimates (note 2.B(m)).
- Income tax (note 2.B(s)).

In management's opinion, the estimates included in the separate 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.

4. 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 separate financial statements. The Company 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)	

Amendments to IFRSs	
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 Company's financial statements.

5. Foreign Currency Transactions

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 transactions in *soles* were S/ 3.975 (buy rate) and S/ 3.998 (sell rate) (2029: S/ 3.618 and S/ 3.624, respectively).

As of December 31, 2021 and 2020, the Company has the following foreign currency transactions:

In thousands of U.S. dollars	**2021**	**2020**
Assets		
Cash and cash equivalents	1,347	5,592
Trade and other accounts receivable	17,223	56,142
	18,570	**61,734**
Liabilities		
Trade and other accounts payable	(8,675)	(14,354)
Other financial liabilities	(137,500)	(203,500)
Hedging instruments	(6,360)	(11,958)
	(152,535)	**(229,812)**
Net liability position	**(133,965)**	**(168,078)**

The Company manages the exchange rate risk by monitoring and controlling the amounts of the currencies other than functional currency that are exposed to changes in the exchange rates. As of December 31, 2021 and 2020, the Company does not have foreign currency transactions. Any devaluation or revaluation of foreign currency affects the separate statement of profit or loss.

6. Cash and Cash Equivalents

This caption comprises the following:

In thousands of soles	2021	2020
Petty cash fund	895	878
Checking accounts (a)	28,093	34,093
Time deposits (b)	25,600	255,281
	54,588	**290,252**

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

7. Trade and Other Accounts Receivable

This caption comprises the following:

		Current portion		Non-current portion	
In thousands of soles	*Note*	2021	2020	2021	2020
Trade accounts receivable (f)					
Trade accounts receivable (a)		72,292	83,946	-	-
Related parties					
Accounts receivable	*26(b)*	175,545	183,881	22,808	83,929
Other accounts receivable (f)					
Claims to Tax Authorities, net (c)		7,673	6,749	71,891	35,072
Third-party claims		4,206	5,089	-	-
Advances to suppliers (b)		20,567	9,597	2,292	4,584
Sales tax credit		7,950	-	-	-
Loans to employees		2,627	4,036	8,088	6,430
Loans to third parties (d)		-	83,678	-	-
Other accounts receivable		4,022	5,755	-	-
		294,882	**382,731**	**105,079**	**130,015**
Less: ECLs (e)		(7,384)	(6,775)	-	-
		287,498	**375,956**	**105,079**	**130,015**

(a) Trade accounts receivable are stated in *soles*, have current maturity, do not accrue interest and do not have specific collaterals.

(b) 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.

(c) 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. It is the opinion of management and its legal advisors that there are sufficient legal grounds to determine that it is probable that these assets will be recovered in the short and long term (note 28.C.(a)).

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.

(d) 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 to the entity on December 29, 2021 (note 9 (to)).

(e) Movement in the loss allowance for trade and other accounts receivable is as follows:

In thousands of soles	***Note***	**2021**	**2020**
Opening balance		6,775	4,776
Provisions		899	3,614
Reversals	*23*	(288)	-
Write-off		-	(1,704)
Exchange difference		(2)	89
Closing balance		**7,384**	**6,775**

In management's opinion, accounts receivable are not exposed to default risk, except for provision for accounts receivable. The Company's major customers have a good credit rating and are not experiencing financial difficulties. They were subject to credit risk assessments at the reporting date (note 29.B).

In management's opinion, the loss allowance and the specific provision for trade accounts receivable adequately hedges the default risk as of December 31, 2021 and 2020.

As of December 31, 2021 and 2020, the Company assessed the exposure to credit risk of trade accounts receivable (note 29.B).

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

In thousands of soles	**2021**	**2020**
Neither past due nor impaired	351,285	466,057
Less than 30 days	20,048	19,687
31-90 days	9,813	8,585
31-180 days	934	10,043
More than 180 days	10,497	1,599
Impaired	7,384	6,775
	399,961	**512,746**

8. Inventories

This caption comprises the following:

In thousands of soles	2021	2020
Finished goods	17,001	16,731
Work-in-progress (a)	147,105	112,620
Raw materials and auxiliary materials (b)	98,449	114,341
Packaging	24,558	17,770
Replacement parts and supplies (c)	194,113	160,223
Goods in transit	-	8,631
	481,226	**430,316**
Provision for inventory obsolescence (d)	(45,710)	(42,347)
	435,516	**387,969**

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

(b) It corresponds to imported and local coal. As of December 31, 2021, the Company has coal stocks for S/ 39,077,000 (2020: S/ 56,721,000).

(c) It corresponds to replacement parts that will be used by the Company in the short term. The replacement parts that the Company 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' (note 10).

(d) Movement in the provision for inventory obsolescence is as follows:

In thousands of soles	***Note***	2021	2020
Opening balance		42,347	24,124
Provisions	*19*	3,363	18,223
Closing balance		**45,710**	**42,347**

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

9. Investments in Subsidiaries and Others

This caption comprises the following:

In thousands of soles	Economic activity	Country of origin (i)	Interests (%) As of December 31, 2021	Interests (%) As of December 31, 2020	Carrying amount As of December 31, 2021	Carrying amount As of December 31, 2020
Investments in subsidiaries						
Inversiones Imbabura S.A.	Holding	Peru	99.99%	99.99%	1,516,724	1,516,724
Skanon Investments Inc. (b), (c) & (h)	Production and sale of cement and concrete	United States	95.80%	86.55%	1,440,274	1,219,607
Compañía Eléctrica El Platanal S.A.	Power and energy	Peru	90.00%	90.00%	567,829	567,829
Unacem Chile S.A. (a) & (d)	Production and sale of cement	Chile	99.89%	-	122,378	-
Inversiones en Concreto y Afines S.A.	Holding	Peru	93.38%	93.38%	67,036	67,036
Transportes Lurín S.A.	Security investments	Peru	99.99%	99.99%	30,130	64,250
Staten Island Co. L.L.C. (b)	Holding	United States	-	100.00%	-	52,637
ARPL Tecnología Industrial S.A.	Technical support services	Peru	100.00%	100.00%	32,071	32,071
Prefabricados Andinos S.A.	Production and sale of modular buildings	Chile	50.00%	51.00%	19,628	20,021
Prefabricados Andinos Perú S.A.C.	Production and sale of modular buildings	Peru	50.00%	50.02%	17,527	17,537
Depósito Aduanero Conchán S.A.	Warehousing services	Peru	99.99%	99.99%	3,913	3,383
Minera Adelaida S.A.	Holding	Peru	99.99%	99.99%	3,627	3,210
Vigilancia Andina S.A.	Surveillance services	Peru	55.50%	55.50%	2,308	2,308
Inversiones Nacionales y Multinacionales Andinas S.A.	Real estate services	Peru	90.90%	90.90%	1,165	1,165
Generación Eléctrica Atocongo S.A.	Power plant operation services	Peru	99.85%	99.85%	125	125
Other investments						
Ferrocarril Central Andino S.A.	Transportation services	Peru	16.49%	16.49%	3,273	7,567
Ferrovías Central Andina S.A.	Transportation services	Peru	15.00%	15.00%	2,762	2,762
Compañía de Inversiones Santa Cruz S.A.	Real estate services	Peru	8.85%	8.85%	180	180
Others	-	-	-	-	278	234
					3,831,228	**3,578,646**
Provision for inventory obsolescence (g)					(38,402)	(28,725)
					3,792,826	**3,549,921**

(a) Acquisition of a subsidiary

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 Unacem Chile S.A. and all the ownership interests of Inversiones Mel 20 Ltda. 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 and in operation.

The acquisition amounted to US$ 23,131,000, including the purchase price of US$ 3,000, which was fully paid by the Company, and the debt of Unacem Chile S.A. for US$23,128,000.

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) and made a capital contribution for US$ 7,672,000, increasing the share capital of Unacem Chile S.A. by S/ 122,367,000 (note 7(d)). Unacem Chile S.A. used this contribution to enter into a sale and purchase agreement with Cementos Bío S.A. and its subsidiaries 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, and the exploitation rights, mining concessions or properties over the pozzolan deposit called "Popeta 1 to 30" with an area of 300 hectares.

(b) It corresponds to the following transactions: On May 17, 2021, the Company contributed its shares of Staten Island Co. L.L.C. to Skanon Investments Inc. for S/ 52,637,000 (equivalent to US$ 16,031,000). On June 28, 2021, the Company purchased the shares 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). Likewise, capital contributions amount to S/ 43,812,000 (equivalent to US$ 10,738,000).

(c) Movement in this caption was as follows:

In thousands of soles	***Note***	**2021**	**2020**
Opening balance		3,549,921	3,544,414
Contributed capital		75,188	5,507
Debt capitalization (d)		91,992	-
Acquisition of shares		124,218	-
Capital reduction (e)		(38,414)	-
Sale of shares		(403)	-
Impairment of investments	*23*	(9,676)	-
Closing balance		**3,792,826**	**3,549,921**

(d) It corresponds to the loan to Unacem Chile S.A. granted in the year 2020 for US$ 23,128,000 (equivalent to S/ 83,678,000) (note (b)). On December 29, 2021, such loan was fully capitalized for S/ 91,992,000 at the capitalization.

(e) In 2021, Transportes Lurín S.A. and Ferrocarril Central Andino S.A. Reduced their share capital by transferring cash to the Company for S/ 34,120,000 and S/ 4,294,000, respectively.

(f) In 2021 and 2020, the Company received dividends from its subsidiaries for S/ 101,164,000 and S/ 8,944,000, respectively (note 23 (a)).

(g) As of December 31, 2021 and 2020, management estimates that the impairment loss on investments in subsidiaries amounts to S/ 38,402,000 and S/ 28,725,000 respectively. It is mainly related to Transportes Lurín S.A.

(h) In 2021, the Company performed an impairment test for this investment using cash flow projections derived from the financial budgets approved by management, and the applicable discount rate.

The key assumptions used in testing this investment for impairment are the following:

%	**Discount rate**	**Average annual growth rate (long term)**	**Average EBITDA margin (long term)**
Skanon Investments Inc.	7.33%	6%	25%

As of December 31, 2021, management compared the carrying amount of this investment 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 on which management based its determination of the unit's recoverable amount would cause its carrying amount to exceed its recoverable amount.

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

10. Mining Concessions and Property, Plant and Equipment

This caption comprises the following:

In thousands of soles	Mining concessions (a)	Land	Closure of quarries	Buildings and constructions	Premises	Machinery and equipment and major replacement parts	Vehicles	Furniture and fixtures	Various equipment	Work-in-progress (e)	Total
Costs											
Balance as of January 1, 2020	99,262	671,321	26,029	1,159,032	108,810	3,264,823	29,061	18,268	72,991	217,705	5,667,302
Additions (b)	126	2,117	-	-	825	5,624	187	26	808	117,205	126,918
Transfers (b)	-	-	-	3,434	3,684	20,442	-	12	2,553	(30,125)	-
Classification of replacement parts	-	-	-	-	-	43,964	6,005	-	-	-	49,969
Disposals and sales (h)	-	-	-	(246)	-	-	(177)	-	-	(57,698)	(58,121)
Closure of quarries and others	-	-	(1,448)	(97)	-	-	-	-	-	-	(1,545)
Balance as of December 31, 2020	**99,388**	**673,438**	**24,581**	**1,162,123**	**113,319**	**3,334,853**	**35,076**	**18,306**	**76,352**	**247,087**	**5,784,523**
Additions (b)	1,280	399	-	35	-	2,862	133	-	268	136,996	141,973
Transfers (b)	-	1,299	-	52,167	3,584	141,334	-	4	762	(199,150)	-
Reclassification of replacement parts	-	-	-	-	-	(6,899)	-	-	-	-	(6,899)
Disposals and sales (h)	-	-	(650)	-	-	-	(326)	-	-	-	(976)
Closure of quarries	-	-	(4,905)	-	-	-	-	-	-	-	(4,905)
Balance as of December 31, 2021	**100,668**	**675,136**	**19,026**	**1,214,325**	**116,903**	**3,472,150**	**34,883**	**18,310**	**77,382**	**184,933**	**5,913,716**
Accumulated depreciation											
Balance as of January 1, 2020	19,474	-	7,265	315,182	65,623	1,185,662	22,143	16,924	55,838	-	1,688,111
Depreciation (c)	125	-	906	45,260	5,879	161,967	2,487	292	3,426	-	220,342
Disposals and sales	-	-	-	(145)	-	-	(57)	-	-	-	(202)
Adjustments	-	-	-	-	-	(50)	50	-	-	-	-
Balance as of December 31, 2020	**19,599**	**-**	**8,171**	**360,297**	**71,502**	**1,347,579**	**24,623**	**17,216**	**59,264**	**-**	**1,908,251**
Depreciation (c)	125	-	2,929	47,416	6,079	165,315	2,491	275	3,455	-	228,085
Disposals and sales	-	-	(21)	-	-	-	(272)	-	-	-	(293)
Balance as of December 31, 2021	**19,724**	**-**	**11,079**	**407,713**	**77,581**	**1,512,894**	**26,842**	**17,491**	**62,719**	**-**	**2,136,043**
Net carrying amount											
Balance as of December 31, 2021	**80,944**	**675,136**	**7,947**	**806,612**	**39,322**	**1,959,256**	**8,041**	**819**	**14,663**	**184,933**	**3,777,673**
Balance as of December 31, 2020	**79,789**	**673,438**	**16,410**	**801,826**	**41,817**	**1,987,274**	**10,453**	**1,090**	**17,088**	**247,087**	**3,876,272**

(a) As of December 31, 2021 and 2020, it corresponds to the concessions of the Atocongo, Atocongo Norte, Pucará and Oyón and El Silencio 8 quarries.

(b) In 2021, additions correspond to 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 improvement works 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 silo, improvement in the system of rotary kiln 1 in the Atocongo plant for S/ 74,415,000.

In 2020, additions correspond to expenses for the projects of cooler dedusting system of kiln 2, modernization of the Carpapata I and II substations, major maintenance 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.

In 2021, 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.'

In 2020, the Company completed the projects related to the implementation of feeder equipment into Pennsylvania crusher, implementation of cement silo, installation of construction electric 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.'

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

In thousands of soles	***Note***	**2021**	**2020**
Cost of sales	*19*	215,146	209,530
Administrative expenses	*20*	7,208	6,681
Other expenses	*23*	4,530	1,031
Goods in transit		1,201	3,100
		228,085	**220,342**

(d) 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%).

(e) Work-in-progress comprises the following:

In thousands of soles	2021	2020
Buildings and other constructions	45,219	37,962
Machinery and equipment	139,714	209,125
	184,933	**247,087**

(f) In management's opinion, there are no events that could have an effect on the revenue forecast in the remaining useful life of fixed assets. As of December 31, 2021 and 2020, there is no indication that an asset may be impaired. Therefore, the Company is not required to measure a loss allowance.

(g) The Company insured its main assets in accordance with management's policies. In management's opinion, its insurance contracts are consistent with the international practice in the sector.

(h) As of December 31, 2021, the derecognition of assets did not resulted in a significant reduction in recognized assets or liabilities. As of December 31, 2020, it corresponds to the derecognition of assets for S/ 57,737,000 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.

(i) As of December 31, 2021 and 2020, the Company does not have contractual commitments for the acquisition of property, plant, and equipment, onerous contracts with suppliers, or restrictions on transfer or other restrictions that exist during the vesting period.

11. Stripping Activity Assets

This caption comprises the following:

In thousands of soles	*Note*	2021	2020
Costs			
Opening balance		164,912	164,912
Additions		-	-
Closing balance		**164,912**	**164,912**
Accumulated depreciation			
Opening balance		(55,240)	(52,114)
Additions	*19*	(7,144)	(3,126)
Closing balance		**(62,384)**	**(55,240)**
Net carrying amount			
Closing balance		**102,528**	**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.

12. Intangible Assets

This caption comprises the following:

In thousands of soles	Concession for the generation of electrical energy (a)	Goodwill (b)	Software	Environmental protection program	Exploration expenses	Others	Total
Costs							
Balance as of January 1, 2020	62,600	9,745	20,976	17,071	-	15,384	125,776
Additions	-	-	-	-	1,020	1,593	2,613
Balance as of December 31, 2020	**62,600**	**9,745**	**20,976**	**17,071**	**1,020**	**16,977**	**128,389**
Additions	-	-	86	-	129	2,826	3,041
Balance as of December 31, 2021	**62,600**	**9,745**	**21,062**	**17,071**	**1,149**	**19,803**	**131,430**
Accumulated amortization							
Balance as of January 1, 2020	40,023	-	15,681	17,071	-	11,841	84,616
Amortization	1,484	-	797	-	1,020	465	3,766
Balance as of December 31, 2020	**41,507**	**-**	**16,478**	**17,071**	**1,020**	**12,306**	**88,382**
Amortization	1,484	-	797	-	129	4,097	6,507
Balance as of December 31, 2021	**42,991**	**-**	**17,275**	**17,071**	**1,149**	**16,403**	**94,889**
Net carrying amount							
Balance as of December 31, 2021	**19,609**	**9,745**	**3,787**	**-**	**-**	**3,400**	**36,541**
Balance as of December 31, 2020	**21,093**	**9,745**	**4,498**	**-**	**-**	**4,671**	**40,007**

(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. (CELEPSA) for a 25-year term from March 30, 2011. Accordingly, the Company receives royalty payments as consideration calculated based on the 3.55% of the monthly net profit obtained by CELEPSA from the sale of energy and power to third parties. 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) In 2003, the purchase of all the shares of Lar Carbón S.A. became effective. The purchase was recognized using the acquisition method. Accordingly, the Company made adjustments to the separate financial statements to reflect the assets and liabilities measured at acquisition-date fair value. Such a transaction gave rise to goodwill for S/ 9,745,000.

The recoverable amount of the coal grinding plant (CGU) was measured based on the value in use that uses cash flow projections on financial budgets prepared by management over a 5-year term. The Company did not identify any indication that the CGU may be impaired. In management's opinion, no reasonably possible change in a key assumption would cause the carrying amount of the CGU to exceed its recoverable amount as of December 31, 2021 and 2020.

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

In thousands of soles	***Note***	**2021**	**2020**
Administrative expenses	*20*	710	-
Selling expenses	*21*	2,993	-
Other expenses	*23*	2,804	3,766
		6,507	**3,766**

13. Trade and Other Accounts Payable

This caption comprises the following:

In thousands of soles	***Note***	**2021**	**2020**
Trade accounts payable (a)		148,057	153,758
Accounts payable to related parties	*26(b)*	75,856	43,657
Interest payable	*14(b) & 14.1(e)*	18,205	18,260
Compensation and holidays payable		12,810	17,001
Dividends payable (b)		81,429	4,877
Social security contributions payable		3,084	3,560
Contingencies payable		2,495	2,651
Interest on financial instruments payable		2,474	2,198
Income tax payable	*28.B(e)*	71,663	641
Key management personnel compensation payable		3,301	526
Other accounts payable		7,753	7,946
		427,127	**255,075**

(a) Trade accounts payable arise from the rendering of mining services and the acquisition of fuels and additives. They are stated in local and foreign currency, have current maturity, do not accrue interest and do not have specific collaterals.

(b) It corresponds to dividends payable to Nuevas Inversiones S.A. for S/ 18,365,000 and Inversiones JRPR S.A. for S/ 18,267,000. In January 2022, the Company paid dividends for S/ 69,534,000.

14. Other Financial Liabilities

(a) This caption comprises the following:

	2021			2020		
In thousands of soles	**Current portion**	**Non-current portion**	**Total**	**Current portion**	**Non-current portion**	**Total**
Promissory notes (b)	170,000	-	170,000	367,440	-	367,440
Bonds and bank loans (14.1)	213,635	2,280,272	2,493,907	426,086	2,377,416	2,803,502
	383,635	**2,280,272**	**2,663,907**	**793,526**	**2,377,416**	**3,170,942**

(b) It corresponds to working capital loans. They do not have specific collaterals and are renewed based on the Company'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	June 2022	170,000	100,000
Scotiabank Perú S.A.A.	PEN	May 2021	-	50,000
BBVA Banco Continental S.A.	USD	May 2021	-	217,440
			170,000	**367,440**

As of December 31, 2021 and 2020, interest payable on promissory notes amounted to S/ 147,000 and S/ 2,926,000, respectively. It is recognized in ‘trade and other accounts payable’ in the separate statement of financial position (note 13). As of December 31, 2021 and 2020, interest expense for promissory notes amounted to S/ 1,266,000 and S/ 8,909,000, respectively. It is recognized in ‘borrowing costs’ in the separate statement of profit or loss (note 25).

14.1 Bonds and Bank Loans

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

In thousands of soles	**2021**	**2020**
Corporate bonds (b)	18,815	60,000
Bank loans (c)	2,475,092	2,743,502
	2,493,907	**2,803,502**
Less: Current portion	213,635	426,086
Non-current portion	2,280,272	2,377,416

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

In thousands of soles	**Effective annual interest rate**	**Maturity date**	**2021**	**2020**
Corporate bonds				
1st and 2nd issuance – Second program	5.16%	March 2023	18,815	60,000
			18,815	**60,000**

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.

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

In thousands of soles	**Maturity date**	**Original amount (000)**	**Currency**	**Use of funds**	**Balance as of December 31, 2021**	**Balance as of December 31, 2020**
Bank loans (d) & (f)						
Banco de Crédito del Perú S.A.	October 2026	502,500	PEN	Debt refinancing	502,500	793,780
Scotiabank Perú S.A.A.	October 2024, March 2025 and January 2027	671,547	PEN	Debt refinancing	671,547	621,547
Banco Internacional del Perú S.A.A.	January 2027	228,385	PEN	Debt refinancing	228,385	488,385
BBVA Banco Continental S.A.	January 2027	533,357	PEN	Debt refinancing	533,357	323,357
Banco Citibank S.A. (c.1)	October 2025	50,000	USD	Debt refinancing	199,900	181,200
Banco Santander S.A. (c.1)	November 2023	45,000	USD	Debt refinancing	179,910	163,080
Bank of Nova Scotia S.A. (c.1)	September 2025	30,000	USD	Debt refinancing	89,955	103,284
Banco de Crédito del Perú S.A.	March 2022	20,000	USD	Debt refinancing	79,960	72,480
Banco Internacional del Perú S.A.A. (g)	February 2021	10,000	PEN	Working capital	-	10,000
					2,485,514	**2,757,113**
Amortized cost					(10,422)	(13,611)
Total					**2,475,092**	**2,743,502**

(c.1) The Company entered into swap contracts to reduce the risk of the variable interest rate related to these loans (note 29.A).

(d) Management monitors covenants applicable to local financial liabilities on a quarterly basis. They are calculated based on the Company's separate quarterly financial statements and the valuation techniques required by each financial institution.

As of December 31, 2021 and 2020, the main covenants with which the Company shall comply fluctuate according to the following ratios:

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

Additionally, the following covenant is calculated based on the Company's quarterly consolidated financial statements:

- Maintain a debt-to-equity ratio of less than 1.5.
- Maintain a net debt-to-EBITDA ratio of less than or equal to 4.75 for the year 2021, 4.00 for the year 2022 and 3.75 for the year 2023 onwards.
- Maintain a debt-service coverage ratio of more than 1.10 for the year 2021 and 1.20 for the year 2022 onwards.

In management's opinion, the Company complied with the covenants as of December 31, 2021. As of December 31, 2020, the Company did not comply with the debt-service coverage ratio. However, the Company obtained the waivers duly approved and granted by the creditor banks, so that the non-compliance with the covenants does not result in a default or default event, according to loan agreements.

(e) As of December 31, 2021 and 2020, interest payable on medium and long-term bonds and debts amounted to S/ 18,058,000 and S/ 15,334,000, respectively. It is recognized in 'trade and other accounts receivable' in the separate statement of financial position (note 13).

As of December 31, 2021 and 2020, interest expense for medium and long-term bonds and debts amounted to S/ 115,215,000 and S/ 130,000,000, respectively. It is recognized in 'borrowing costs' in the separate statement of profit or loss (note 25).

(f) As of December 31, 2021, the Company had bank loans in local currency (*soles)* at effective annual rates ranging from 4.10% to 4.92%. Bank loans in foreign currency (U.S. dollars) are at a variable interest rate (3-month LIBOR plus a margin) ranging from 1.75% to 2.60% and a fixed interest rate of 3.40%.

As of December 31, 2020, the Company had bank loans in local currency (*soles)* at effective annual rates ranging from 2.10% to 5.80%. Bank loans in foreign currency (U.S. dollars) are at a variable interest rate (3-month LIBOR plus a margin) ranging from 1.75% to 2.60% and a fixed interest rate of 3.40%.

(g) In May 2020, the Company obtained a long-term loan during for S/ 10,000,000 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. Such loan accrued interest at an effective annual interest of 0.79% and was paid in February 2021.

15. Provisions

This caption comprises the following:

	Current portion		Non-current portion	
In thousands of soles	**2021**	**2020**	**2021**	**2020**
Employees' profit sharing (a)	35,140	19,025	-	-
Provision for closure of quarries (b)	4,351	4,340	25,405	28,471
Severance payment	1,867	1,743	-	-
	41,358	**25,108**	**25,405**	**28,471**

(a) Employees' profit sharing

Movement in the employees' profit sharing is as follows:

In thousands of soles	***Note***	**2021**	**2020**
Opening balance		19,025	24,248
Employees' profit sharing	*22*	57,878	22,215
Payments and advances		(41,763)	(27,438)
Closing balance		**35,140**	**19,025**

(b) Provision for closure of quarries.

As of December 31, 2021 and 2020, the Company has a provision for closure of quarries. The provision was measured on the basis of assessments performed by internal specialists using a discount rate. 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 and 2020, the Company has seven approved mine closure plans.

As of December 31, 2021, the present value of the provision for closure of quarries amounts to S/ 48,737,000 (2020: S/ 45,579,000). As of December 31, 2021, the risk-adjusted discount rate used in measuring the provision ranges from 1.68% to 3.86% (2020: 0.37% to 2.92%), resulting in a liability for S/ 29,756,000 (2020: S/ 32,811,000). In management's opinion, this liability is sufficient to meet the applicable environmental laws approved by the Ministry of Energy and Mines (MINEM).

Movement in the provision for closure of quarries is as follows:

In thousands of soles	**2021**	**2020**
Opening balance	32,811	32,066
Increase in provision	-	-
Remeasurement of present value of cash flows	(3,055)	745
Closing balance	**29,756**	**32,811**

16. Deferred Tax Liabilities

This caption comprises the following:

In thousands of soles	As of January 1, 2020	Debit (credit) to separate statement of profit or loss	Debit (credit) to separate statement of comprehensive income	As of December 31, 2020	Debit (credit) to separate statement of profit or loss	Debit (credit) to separate statement of comprehensive income	As of December 31, 2021
Deferred assets							
Hedging instruments	9,222	(725)	4,286	12,783	-	(5,282)	7,501
Provision for inventory obsolescence	7,117	5,376	-	12,493	992	-	13,485
Provision for holidays	4,252	(582)	-	3,670	(3,670)	-	-
Provision for closure of quarries	3,446	800	-	4,246	1,258	-	5,504
At FVOCI	2,274	-	(1,113)	1,161	-	(1,161)	-
Amortization of intangible assets	1,261	(184)	-	1,077	286	-	1,363
Loss allowance for investments	-	-	-	-	2,854	-	2,854
Gains on sale of shares	-	-	-	-	1,863	-	1,863
Other provisions	562	1,884	-	2,446	(950)	-	1,496
	28,134	**6,569**	**3,173**	**37,876**	**2,633**	**(6,443)**	**34,066**
Deferred liabilities							
Difference in tax base and depreciation of fixed assets	(430,668)	43,709	-	(386,959)	12,525	-	(374,434)
Stripping activity assets	(33,275)	707	-	(32,568)	1,986	-	(30,582)
Capitalized interest	(31,963)	1,653	-	(30,310)	814	-	(29,496)
Deferred revenue	(42)	42	-	-	-	-	-
Deferred commissions of financial obligations	(1,680)	(53)	-	(1,733)	(1,222)	-	(2,955)
Increase in purchase price of shares	-	-	-	-	(5,296)	-	(5,296)
Pre-operating expenses	(6,126)	-	-	(6,126)	12,974	-	6,848
	(503,754)	**46,058**	**-**	**(457,696)**	**21,781**	**-**	**(435,915)**
Deferred tax liabilities, net	**(475,620)**	**52,627**	**3,173**	**(419,820)**	**24,414**	**(6,443)**	**(401,849)**

(a) In 2021 and 2020, tax expense presented in the separate statement of profit or loss is as follows:

In thousands of soles	***Note***	**2021**	**2020**
Current tax		(163,012)	(71,300)
Deferred tax		24,414	52,627
Mining royalties	*28.D*	(4,116)	(3,085)
		(142,714)	**(21,758)**

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

In thousands of soles	**2021**		**2020**	
Profit before tax	**538,245**	**100.00%**	**52,045**	**100.00%**
Income tax as per tax rate	158,782	29.50%	15,353	29.50%
Tax effects of permanent accounts	(20,184)	(3.75%)	3,320	6.38%
Effects of mining royalties	4,116	0.76%	3,085	5.93%
Tax expense	**142,714**	**26.51%**	**21,758**	**41.81%**

17. 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	
Shareholder	**Number of shares**	**Interests (%)**
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	
Shareholder	**Number of shares**	**Interests (%)**
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 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 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 Company 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 or may be capitalized, but it shall be restored in both cases. 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 of hedging instruments and the reserve on financial assets measured at fair value, net of tax effects.

F. Dividend distribution

This caption comprises the following:

2021 dividends

Date of Board of Directors' Meeting	Dividends declared PEN (000)	Date of payment	Dividends per ordinary share
February 24, 2021	23,636	March 30, 2021	0.013
April 23, 2021	23,636	May 26, 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

Date of Board of Directors' Meeting	Dividends declared PEN (000)	Date of payment	Dividends per ordinary share
January 31, 2020	23,636	March 4, 2020	0.013
	23,636		

As of December 31, 2021 and 2020, dividends payable amount to S/ 81,429,000 and S/ 4,877,000, respectively (note 13).

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 December 14, 2021, agreed to replace the dividend policy approved by the General Shareholders' Meeting, held 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 Company. They are charged to 'retained earnings.'

18. Revenue

This caption comprises the following:

In thousands of soles	**2021**	**2020**
Sale of cement	2,217,332	1,576,551
Clinker export (a)	112,520	83,395
Sale of concrete blocks, paving blocks and pavement (b)	99,335	39,012
	2,429,187	**1,698,958**
Timing of transfer of goods or services		
Goods and services transferred at a point in time	2,429,187	1,698,958
	2,429,187	**1,698,958**

(a) It corresponds to exports of raw materials to customers located in South and Central America.

(b) It corresponds to sales made to Unión de Concreteras S.A. and Concremax S.A. (note 26(a)).

19. Cost of Sales

This caption comprises the following:

In thousands of soles	***Note***	**2021**	**2020**
Beginning inventory of finished goods and work-in-progress	*8*	129,351	290,583
Production costs			
Fuel		372,516	187,811
Depreciation	*10(c)*	215,146	209,530
Personnel expenses	*22(a)*	162,671	116,635
Use of raw materials		155,313	74,522
Maintenance of property, plant and equipment		131,509	81,939
Electrical energy		136,312	70,397
Transportation of raw materials		78,237	51,253
Containers		90,670	68,732
Depreciation of stripping activity assets	*11*	7,144	3,126
Other production costs		247,049	191,508
Ending inventory of finished goods and work-in-progress	*8*	(164,106)	(129,351)
		1,561,812	**1,216,685**
Provision for inventory obsolescence	*8(d)*	3,363	18,223
		1,565,175	**1,234,908**

20. Administrative Expenses

This caption comprises the following:

In thousands of soles	*Note*	2021	2020
Personnel expenses	*22(a)*	85,302	59,246
Third-party services		36,428	25,555
Donations		21,581	13,800
Taxes		12,021	8,925
Depreciation	*10(c)*	7,208	6,681
Loss allowance for accounts receivable		139	3,614
Amortization of intangible assets	*12*	710	-
Others		12,767	13,561
		176,156	**131,382**

21. Selling Expenses

This caption comprises the following:

In thousands of soles	*Note*	2021	2020
Advertising costs (a)		41,811	36,266
Personnel expenses	*22(a)*	8,815	6,495
Amortization of intangible assets	*12*	2,993	-
Costs to export clinker		5,817	6,906
Others		6,180	6,174
		65,616	**55,841**

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

22. Personnel Expenses

This caption comprises the following:

In thousands of soles	*Note*	2021	2020
Compensation		124,785	95,780
Employees' profit sharing	*15(a)*	57,878	22,215
Holidays		13,901	17,516
Legal bonuses		16,252	15,108
Social security contributions		13,180	11,886
Severance payment		11,365	10,307
Health care		10,760	9,919
Fees and expense allowance for Board of Directors		5,980	742
Others		2,794	889
		256,895	**184,362**

(a) Personnel expenses are allocated as follows:

In thousands of soles	*Note*	2021	2020
Cost of sales	*19*	162,671	116,635
Administrative expenses	*20*	85,302	59,246
Selling expenses	*21*	8,815	6,495
Other expenses	*23*	107	1,986
		256,895	**184,362**

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

In 2021, the average number of employees was 802 (2020: 800).

23. Other Income and Expenses

This caption comprises the following:

In thousands of soles	***Note***	**2021**	**2020**
Other income			
Revenue from use of intellectual property	*26(a)*	22,606	15,234
Service revenue		14,983	13,655
Dividend revenue	*26(a)*	101,164	8,944
Royalty revenue		6,982	5,201
Sale of goods and supplies		8,416	3,619
Rental income		4,897	3,415
Revenue from sale of property, plant and equipment		74	66
Reversal of an impairment loss on trade accounts receivable	*7(e)*	288	-
Other income		4,784	9,886
		164,194	**60,020**
Other expenses			
Derecognition of assets		-	57,737
Amortization of intangible assets	*12*	2,804	3,766
Cost of goods and supplies		8,561	3,444
Service cost		7,207	2,149
Personnel expenses	*22(a)*	107	1,986
Depreciation	*10(c)*	4,530	1,031
Impairment of investments	*9(c)*	9,676	-
Other expenses		10,818	5,693
		43,703	**75,806**
		120,491	**(15,786)**

24. Finance Income

This caption comprises the following:

In thousands of soles	**2021**	**2020**
Gain on hedging instruments, net	-	2,459
Interest on bank loans	2,205	1,006
Interest on refunds of tax claims	-	351
Interest on deposits	850	173
Others	-	88
	3,055	**4,077**

25. Borrowing Costs

This caption comprises the following:

In thousands of soles	*Note*	2021	2020
Interest on long-term bonds and debts	*14.1(e)*	115,215	130,000
Interest on bank loans and promissory notes	*14(b)*	1,266	8,909
Prepayment penalty on loans		3,938	-
Interest on tax claims		9,668	-
Others		1,627	3,912
		131,714	**142,821**
Structuring fee for other financial liabilities		9,856	4,809
		141,570	**147,630**
Interest on hedging instruments	*29.A*	15,839	14,025
Loss on remeasurement of fair value of the closure of quarries		1,862	1,762
		17,701	**15,787**
		159,271	**163,417**

26. Related Party Transactions

(a) The related party transactions are as follows:

In thousands of soles	*Note*	2021	2020
Revenue			
Revenue from sale of cement			
La Viga S.A.		474,850	366,661
Unión de Concreteras S.A.		147,871	108,570
Concremax S.A.		40,605	27,371
Prefabricados Andinos Perú S.A.C.		578	249
Asociación Unacem		140	104
Dividend revenue	*23*		
ARPL Tecnología Industrial S.A.		6,727	8,944
Inversiones Imbabura S.A.		17,272	-
Inversiones en Concreto y Afines S.A.		56,287	-
Ferrocarril Central Andino S.A.		20,878	-
Revenue from sale of concrete blocks, paving blocks and pavement			
Unión de Concreteras S.A.		94,427	36,834
Concremax S.A.		2,997	1,198
Licenses, intellectual property and trademarks – abroad	*23*		
Unacem Ecuador S.A.		22,606	15,234
Revenue from support and management services			
Unacem Ecuador S.A.		7,493	3,618
Prefabricados Andinos Perú S.A.C.		492	511
Drake Cement L.L.C.		1,160	336
Others		2,461	1,907
Royalty revenue			
Compañía Eléctrica El Platanal S.A.		6,467	4,739

In thousands of soles	***Note***	**2021**	**2020**
Rental income – property, plant and equipment			
Unión de Concreteras S.A.		2,046	1,238
Compañía Eléctrica El Platanal S.A.		601	539
Depósito Aduanero Conchán S.A.		307	289
ARPL Tecnología Industrial S.A.		305	285
Prefabricados Andinos Perú S.A.C.		187	187
Others		316	290
Revenue from sale of clinker			
Unacem Chile S.A.		21,488	-
Unicon Chile S.A.		16,043	12,814
Drake Cement L.L.C.		1,904	971
Other income			
Unacem Ecuador S.A.		2,826	1,904
Unicon Chile S.A.		-	652
Others		172	297
Acquisitions and expenses			
Acquisition of shares			
Inversiones en Concreto y Afines S.A.		66,868	-
Transportes Lurín S.A.		34,120	-
ARPL Tecnología Industrial S.A.		23,230	-
Purchase of energy			
Compañía Eléctrica El Platanal S.A.		127,303	64,975
Packaging services			
Unión de Concreteras S.A.		49,664	17,238
Concremax S.A.		1,796	815
Fees and import duties for sale of cement			
La Viga S.A.		29,793	22,734
Concremax S.A.		-	194
Surveillance services			
Vigilancia Andina S.A.		23,519	22,470
Technical support services			
ARPL Tecnología Industrial S.A.		22,491	15,314
Purchase of auxiliary materials			
Unión de Concreteras S.A.		4,797	2,205
Concremax S.A.		-	334
Engineering and project management services			
ARPL Tecnología Industrial S.A.		12,938	10,555
Warehouse management services			
Depósito Aduanero Conchán S.A.		3,133	1,643
Refund of expenses			
Unión de Concreteras S.A.		5,574	3,755
ARPL Tecnología Industrial S.A.		1,025	991
Others			
Generación Eléctrica Atocongo S.A.		3,159	2,884
Prefabricados Andinos Perú S.A.C.		1,789	496
Unacem Chile S.A.		726	-
Unión de Concreteras S.A.		460	308
Drake Cement L.L.C.		154	210
Unicon Chile S.A.		140	-
Inversiones Nacionales y Multinacionales Andinas S.A.		122	122
Master Builders Solutions Perú S.A.		-	59
Compañía de Inversiones Santa Cruz S.A.		19	19

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

In thousands of soles	***Note***	**2021**	**2020**
Accounts receivable			
Unión de Concreteras S.A.		28,213	56,247
La Viga S.A.		30,252	29,428
Unacem Chile S.A.		19,452	-
Concremax S.A.		748	9,254
Unicon Chile S.A.		3,612	8,936
Compañía Eléctrica El Platanal S.A.		6,799	5,172
Unacem Ecuador S.A.		7,574	4,245
Prefabricados Andinos Perú S.A.C.		3,790	1,509
Drake Cement L.L.C.		456	1,430
Others		229	793
		101,125	**117,014**
Dividends receivable (c)			
Inversiones Imbabura S.A.		5,653	60,176
Compañía Eléctrica El Platanal S.A.		37,771	36,476
Inversiones en Concreto y Afines S.A.		30,724	27,909
ARPL Tecnología Industrial S.A.		-	8,273
		74,148	**132,834**
Loans receivable			
Prefabricados Andinos Perú S.A.C.		22,808	17,771
Inversiones en Concreto y Afines S.A.		272	191
		23,080	**17,962**
Total accounts receivable	***7***	**198,353**	**267,810**
Term			
Current portion		175,545	183,881
Non-current portion		22,808	83,929
		198,353	**267,810**
Accounts payable			
Unión de Concreteras S.A.		31,364	9,124
Compañía Eléctrica El Platanal S.A.		11,299	18,115
ARPL Tecnología Industrial S.A.		10,080	8,122
Concremax S.A.		8,226	595
Inversiones en Concreto y Afines S.A.		7,298	-
La Viga S.A.		3,415	3,849
Vigilancia Andina S.A.		2,052	1,984
Prefabricados Andinos Perú S.A.C.		1,378	158
Transportes Lurín S.A.		623	623
Drake Cement L.L.C.		22	272
Generación Eléctrica Atocongo S.A.		-	533
Depósito Aduanero Conchán S.A.		-	142
Others		99	140
Total accounts payable	***13***	**75,856**	**43,657**

The Company 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.

(c) Such dividends were classified as financial assets measured at FVOCI under IFRS 9. In 2021, effects in the separate statement of comprehensive income correspond to revenue for S/ 3,938,000 (S/ 2,777,000 net of tax effects). In 2020, effects in the separate statement of comprehensive income correspond to revenue for S/ 3,770,000 (S/ 2,657,000 net of tax effects).

(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.

27. 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.

	2021	2020
Numerator		
Profit or loss attributable to ordinary equity holders (in thousands)	395,531	30,287
Denominator		
Weighted average number of outstanding shares (ordinary shares) (in thousands)	1,818,128	1,818,128
Net basic and diluted earnings per share (in *soles*)	0.218	0.017

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.

28. Contingencies and Commitments

A. Financial commitments

As of December 31, 2021, the Company has the following financial commitments:

- 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 MINEM 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).

B. Tax Matters

Tax rates

(a) The Company is subject to the Peruvian tax law. As of December 31, 2021 and 2020, the corporate income tax is calculated on the basis of the net taxable profits determined by the Company at a rate of 29.5%.

Through Legislative Decree 1261, published December 10, 2016 and effective January 1, 2017, the corporate income rate was amended to 29.5%.

The aforementioned Decree also established the amendment to the income tax rate applicable to dividend distribution and any other form of profit distribution to 5% for profits generated and distributed from January 1, 2017.

It shall be presumed, without otherwise evidence, that the dividend distribution or any other form of profit distribution corresponds to retained earnings or other items that may generate older taxable dividends.

(b) In accordance with applicable Peruvian tax law, non-domiciled individuals only pay taxes for their Peruvian source income. Thus, in general terms, income obtained by non-domiciled individuals from the services rendered in Peru shall be subject to a 30% income tax rate on gross income. On this concern, Peru has currently entered into double tax treaties with the Andean Community, Chile, Canada, Brazil, Portugal, Switzerland, Mexico and South Korea.

Concerning the technical support or digital services rendered by non-domiciled individuals to domiciled individuals, regardless of the place where the service is rendered, they shall be subject to a 15% and 30% income tax rate on gross income, respectively. Technical support shall be subject to a 15% applicable rate, provided that Income Tax Law requirements are met.

(c) The Tax Authorities are entitled to audit and, if applicable, to correct the income tax calculated by the Company within the four years following the year of the tax return filing. The Company's income tax returns for the years from 2016 to 2021 and monthly sales tax returns for the periods from December 2016 to December 2021 are open for review by the Tax Authorities.

(d) 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 Company. 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 will not be significant for the separate financial statements as of December 31, 2021 and 2020.

(e) In 2021, the Company recognized a provision for income tax for S/ 153,666,000 and made down payments for S/ 82,003,000 (2020: S/ 58,320,000 and S/ 57,679,000, respectively). As of December 31, 2021 and 2020, accounts payable for S/ 71,663,000 and S/ 641,000, respectively, are presented in 'trade and other accounts payable' in the separate statement of financial position.

C. Contingencies

In the normal course of business, the Company had various tax, legal (labor and administrative) and regulatory claims, which are recognized and disclosed in accordance with IFRSs (note 2.B.(p)).

(a) Tax proceedings:

As a result of the tax assessments, the Company received various resolutions related to alleged failure to meet tax payments from the Tax Authorities. In some cases, the Company 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:

- 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 7(c)). It is the opinion of management and its legal advisors that the Company will obtain a favorable outcome.

D. Mining royalties

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 Company 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 Company's separate 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 (note 16 (a)).

E. Environmental commitments

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

(a) Industrial sector

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).

(b) Mining and port sectors

The Company prepared environmental impact assessments (note 28.E) 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, the provision for closure of quarries amounts to S/ 29,756,000 (2020: S/ 32,811,000). It is presented in 'provisions' in the separate statement of financial position (note 15(b)). In management's opinion, this liability is sufficient to meet the applicable environmental laws approved by MINEM. The Company submitted its updated closure plan to the Ministry of Production. To date, only the Atocongo Quarry Closure Plan has been approved, the others are under evaluation in accordance with the laws.

(c) Hydrocarbons sector

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, the investment related to the PAMA amounts to US$ 124,000 (2020: 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 (a)).

29. Financial Risk Management

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

The Company 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 Company'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 Company's preferences at the time of taking risks.

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, bank loans, other financial liabilities and hedging instruments.

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

The Company 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 Company's exposure to interest rate risk mainly arises from long-term variable-rate debt instruments.

- ***Hedging instruments***

As of December 31, 2021 and 2020, the Company has three interest rate swaps designated as cash flow hedges and measured at fair value. Hedging instruments are as follows:

In thousands of soles	Benchmark amount USD (000)	Maturity date	Variable-rate	Fixed-rate	Fair value 2021	Fair value 2020
Borrower						
Liabilities						
Citibank N.A.	50,000	October 2025	3-month LIBOR + 1.75%	5.700%	13,210	21,488
Banco Santander S.A.	45,000	November 2023	3-month LIBOR + 1.85%	5.030%	8,499	14,575
Bank of Nova Scotia S.A.	30,000	September 2025	3-month LIBOR + 2.60%	5.660%	3,719	7,272
					25,428	**43,335**

The Company has financial instruments to minimize its exposure to the risk of changes in the interest rates of bank loans indicated in note 14.1(c.1).

The Company pays or receives in a 3-month period (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 Company are recognized as an adjustment to borrowing costs of the period for hedged loans.

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

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 equity. In 2021 and 2020, the effects recognized in the ‘unrealized gains and losses’ in the separate statement of comprehensive income amount to S/ 12,625,000 and S/ 10,244,000, net of tax effects.

In 2021, the Company recognized borrowing costs for these hedging instruments amounting to S/ 15,839,000 (2020: S/ 14,025,000 out of which an amount of S/ 11,316,000 for hedging instruments and an amount of S/ 2,709,000 for financial instruments held for trading paid in October 2020). They are recognized in ‘borrowing costs’ in the separate statement of profit or loss (note 25).

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 Company'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%	(74)	(103)
+10%	74	103

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 Company 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 foreign currency balances resulted in a net loss for S/ 48,270,000 (loss for S/ 227,645,000 and gain for S/ 179,375,000), and a net loss for S/ 49,656,000 (loss for S/ 129,676,000 and gain for S/ 80,020,000). They are presented in 'exchange difference, net' in the separate statement of profit or loss.

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

	Profit or loss	
In thousands of soles	**Revaluation**	**Devaluation**
December 31, 2021		
US$ (5% movement)	26,801	(26,801)
US$ (10% movement)	53,602	(53,602)
December 31, 2020		
US$ (5% movement)	30,475	(30,475)
US$ (10% movement)	60,951	(60,951)

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 Company 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 separate 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 Company'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 Company's policies, procedures and control related to credit risk management. The Company assesses the credit rating of a customer based on a credit scores and individual credit limits.

The Company's sales are made mainly to local customers. As of December 31, 2021, it has a portfolio of 41 customers (2020: 48 customers). As of December 31, 2021, the Company's four major customers represent approximately 52% of sales (2020: approximately 52% of sales).

At the end of each reporting period, the Company uses a provision matrix to measure ECLs. The Company 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 Company 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 7 to the separate statement of financial position.

The Company 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 Company's trade accounts receivable are covered by letters of guarantee and others (2020: 14%). As of December 31, 2021 and 2020, the credit history obtained by the Company resulted in an increase in ECLs for S/ 585,000 and S/ 626,000, respectively. Due to the political environment and the corruption prosecutions to construction companies through concessions with the Peruvian government, the construction sector is exposed to risk.

The Company 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 2’21, sales to construction companies represent 0.4% of sales (2020: 0.4%).

Other accounts receivable from related parties
This caption comprises dividends. Dividends receivable are classified as financial assets measured at FVOC, and are not subject to impairment requirements.

Other accounts receivable
Other accounts receivable corresponds to outstanding balances for items not related to the Company's main operating activities. As of December 31, 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 Company monitors liquidity risk using a liquidity-planning tool.

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

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

			Balance as of December 31, 2021			
In thousands of soles	***Note***	**Carrying amount**	**Less than 12 months**	**2-3 years**	**4-8 years**	**Total**
Trade and other accounts payable	*13*	427,127	427,127	-	-	427,127
Other financial liabilities						
Amortization of principal	*14*	2,663,907	383,635	1,752,487	527,785	2,663,907
Cash flows from cash payments from interest		-	113,814	208,551	17,695	340,060
Total liabilities		**3,091,034**	**924,576**	**1,961,038**	**545,480**	**3,431,094**

			Balance as of December 31, 2020			
In thousands of soles	***Note***	**Carrying amount**	**Less than 12 months**	**2-3 years**	**4-8 years**	**Total**
Trade and other accounts payable	*13*	255,075	255,075	-	-	255,075
Other financial liabilities						
Amortization of principal	*14*	3,170,942	793,526	1,886,985	490,431	3,170,942
Cash flows from cash payments from interest		-	140,178	228,382	18,455	387,015
Total liabilities		**3,426,017**	**1,188,779**	**2,115,367**	**508,886**	**3,813,032**

D. Capital management

The Company'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 Company 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 Company 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 equity, as shown in the separate statement of financial position, plus net debt.

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

30. Fair Value

A. Financial instruments measured at fair value and 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. The amounts are based on balances presented in the separate statement of financial position:

In thousands of soles	**Level 2**	**Total**
December 31, 2021		
Financial assets		
Dividends receivable	74,148	74,148
Total financial assets	**74,148**	**74,148**
Financial liabilities		
Hedging instruments	25,428	25,428
Total financial liabilities	**25,428**	**25,428**

In thousands of soles	**Level 2**	**Total**
December 31, 2020		
Financial assets		
Dividends receivable	132,834	132,834
Total financial assets	**132,834**	**132,834**
Financial liabilities		
Hedging instruments	43,335	43,335
Total financial liabilities	**43,335**	**43,335**

B. Financial liabilities not measured at fair value

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 maturities of less than one year. 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 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**
Promissory notes	170,000	166,847	367,440	362,295
Other financial liabilities	2,493,907	2,263,217	2,803,502	2,644,876

31. Changes in Liabilities from Financing Activities

The reconciliation of changes in the financial liabilities and financing activities in the separate statement of cash flows:

		Equity and liabilities						
In thousands of soles	January 1, 2021	Cash flows	New bank loans	Dividends declared	Effects of exchange difference	Others	Treasury shares	December 31, 2021
Overdrafts and promissory notes	367,440	(735,248)	531,316	-	6,492	-	-	170,000
Bank loans and corporate bonds	2,803,502	(1,534,435)	1,168,289	-	53,362	3,189	-	2,493,907
Dividends payable	4,877	(115,886)	-	192,444	-	(6)	-	81,429
Acquisition of treasury shares	-	-	-	-	-	-	11,610	11,610
Total liabilities from financing activities	**3,175,819**	**(2,385,569)**	**1,699,605**	**192,444**	**59,854**	**3,183**	**11,610**	**2,756,946**

		Equity and liabilities						
In thousands of soles	January 1, 2020	Cash flows	New bank loans	Dividends declared	Effects of exchange difference	Others	Treasury shares	December 31, 2020
Overdrafts and promissory notes	174,190	(277,708)	447,486	-	23,472	-	-	367,440
Bank loans and corporate bonds	2,893,375	(474,004)	340,580	-	40,269	3,282	-	2,803,502
Dividends payable	6,594	(23,636)	-	23,636	-	(1,717)	-	4,877
Total liabilities from financing activities	**3,074,159**	**(775,348)**	**788,066**	**23,636**	**63,741**	**1,565**	**-**	**3,175,819**

32. COVID-19

On March 11, 2020, the World Health Organization (WHO) declared the COVID-19 outbreak a global pandemic. The measures to prevent the spread of COVID-19 had a significant impact on the global economy.

On March 15, 2020, the Peruvian government declared a national state of emergency and ordered the closure of non-essential businesses. Only businesses providing essential services (such as food-related services, health and health care services and financial services) were permitted to stay open. Consequently, the Company temporarily closed its business. The Peruvian government subsequently allowed the early resumption of the economic activities of certain industries. On May 19, 2020, the Company resumed its economic activities.

The Company implemented various measures to protect the health of employees and to prevent the spread of COVID-19 in its administrative and operational areas. They included remote work, rigorous cleaning of work environments, distribution of personal protective equipment, testing of suspected cases and temperature screening, among others.

33. Subsequent Events

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

34. Explanation Added for English Translation

The accompanying separate financial statements were originally issued in Spanish and are presented on the basis of International Financial Reporting Standards, as described in Note 3. 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.