Unión Andina de Cementos S.A.A.

Separate financial statements as of December 31, 2019 and 2018 together with the Independent Auditor's report

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Paredes, Burga & Asociados
Sociedad Civil de Responsabilidad Limitada

Independent Auditors' Report

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

We have audited the accompanying separate financial statements of Unión Andina de Cementos S.A.A. (a Peruvian entity), which comprise the separate statements of financial position as of December 31, 2019 and 2018, and the related separate statements of income, comprehensive income, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory notes.

Management responsibility for the Separate Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these separate financial statements based on our audits. We conducted our audit in accordance with International Auditing Standards approved in Peru by the Board of Deans of the Peruvian Charter of 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 misstatements.

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

Independent Auditors' Report (continue)

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 accompanying separated financial statements present fairly, in all material aspects, the separate financial position of Unión Andina de Cementos S.A.A. as of December 31, 2019 and 2018, and its separate financial performance and cash flows for the years then ended, in accordance with International Financial Reporting Standards issue by the International Accounting Standards Board.

Emphasis over the separate information

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

Lima, Perú,
March 13, 2020

Countersigned by: Paredes, Burga & Asociados

Ricardo del Águila
Peruvian Certified Public Accountant
Register Nº 37948

Unión Andina de Cementos S.A.A.

Separate statement of financial position

For the years ended December 31, 2019 and 2018

	Note	2019 S/(000)	2018 S/(000)
Asset			
Current assets			
Cash and cash equivalents	6	6,280	29,956
Trade and other receivables, net	7	340,843	378,300
Inventories, net	8	584,389	477,044
Prepaid taxes and expenses		4,628	10,939
Total current assets		936,140	896,239
Non-current assets			
Trade and other receivables, net	7	135,522	186,014
Investments in subsidiaries and other	9	3,544,414	3,390,222
Mining concessions, property, plant and equipment, net	10	3,979,191	3,934,319
Deferred stripping cost	11	112,798	118,100
Intangible assets, net	12	41,160	41,260
Total non-current assets		7,813,085	7,669,915
Total asset		8,749,225	8,566,154
Liability and net equity			
Current liabilities			
Other financial liabilities	14	383,762	224,163
Trade and other payables	13	300,579	314,507
Other financial liabilities	14	383,762	224,163
Deferred income		16,158	11,410
Provisions	15	27,306	21,100
Total current liabilities		727,805	571,180
Non-current liabilities			
Other financial liabilities	14	2,683,803	3,024,898
Derivative financial instruments	29.1 (i),(a) y (b)	31,264	22,720
Deferred income tax liability, net	16(a)	475,620	495,928
Provisions	15	30,811	35,124
Total non-current liabilities		3,221,498	3,578,670
Total liabilities		3,949,303	4,149,850
Net equity	17		
Issued capital		1,818,128	1,646,503
Additional capital	1(a)	(38,019)	-
Legal reserve		363,626	329,301
Unrealized net profit		(25,742)	(16,707)
Retained earnings		2,681,929	2,457,207
Total net equity		4,799,922	4,416,304
Total liabilities and net equity		8,749,225	8,566,154

The accompanying notes are an integral part of this statement.

Unión Andina de Cementos S.A.A.

Separate statement of income

For the years ended December 31, 2019 and 2018

	Note	2019 S/(000)	2018 S/(000)
Net sales	18	1,985,111	1,968,994
Cost of sales	19	(1,311,718)	(1,222,177)
Gross profit		673,393	746,817
Operating income (expenses)			
Administrative expenses	20	(157,157)	(185,618)
Selling expenses	21	(78,369)	(66,852)
Other operating income	23	206,433	163,746
Other operating expenses	23	(20,093)	(37,455)
Total operating expenses, net		(49,186)	(126,179)
Operating profit		624,207	620,638
Other income (expenses)			
Finance income	24	20,536	14,285
Finance cost	25	(197,294)	(246,900)
Exchange difference, net	29.1(ii)	18,873	(60,449)
Total other income (expenses), net		(157,885)	(293,064)
Profit before income tax		466,322	327,574
Income tax	16(b)	(117,406)	(85,358)
Net profit		348,916	242,216
Basic and diluted earnings per share (stated in thousands of Soles)	27	0.192	0.147

The accompanying notes are an integral part of this statement.

Unión Andina de Cementos S.A.A.

Separate statement of comprehensive income

For the years ended December 31, 2019 and 2018

	Note	2019 S/(000)	2018 S/(000)
Net profit		348,916	242,216
Other comprehensive income			
Other comprehensive income to be reclassified to profit or loss in subsequent periods -			
Changes in the fair value of hedging derivative financial instruments	29.1(i)(a)	(10,398)	(18,690)
Other comprehensive income to be reclassified to profit or loss in subsequent periods		(10,398)	(18,690)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods -			
Reserve on assets measured at fair value with changes in other comprehensive income	26(d)	(2,417)	(5,289)
Other comprehensive income to be reclassified to profit or loss in subsequent periods		(2,417)	(5,289)
Income tax related to components of other comprehensive income			
fair value of hedging derivative financial instruments	16(a)	3,067	5,513
Assets measured at fair value with changes in other comprehensive income	16(a)	713	1,561
Income tax related to components of other comprehensive income		3,780	7,074
Other comprehensive income net of income tax		(9,035)	(16,905)
Total comprehensive income net of income tax		339,881	225,311

The accompanying notes are an integral part of this statement.

Unión Andina de Cementos S.A.A.

Separate statement of changes in equity

For the years ended December 31, 2019 and 2018

	Issued capital S/(000)	Additional capital S/(000)	Legal reserve S/(000)	Unrealized profit S/(000)	Retained Earnings S/(000)	Total S/(000)
Balance as of January 1, 2018	1,646,503	-	329,301	198	2,300,609	4,276,611
Net profit	-	-	-	-	242,216	242,216
Other comprehensive income net of income tax	-	-	-	(16,905)	-	(16,905)
Total comprehensive income	-	-	-	(16,905)	242,216	225,311
Dividends distribution, note 18(d)	-	-	-	.	(85,618)	(85,618)
Balance as of December 31, 2018	1,646,503	-	329,301	(16,707)	2,457,207	4,416,304
Net profit					348,916	348,916
Other comprehensive income net of income tax	-	-	-	(9,035)	-	(9,035)
Total comprehensive income				(9,035)	348,916	339,881
Capital increase by merger, note 1(a)	171,625	(38,019)	-	-	-	133,606
Dividends distribution note 17 (c)	-	-	33,428	-	(33,428)	-
Dividends distribution note 17(e)	-	-	-	-	(92,312)	(92,312)
Others	-	-	897	-	1,546	2,443
Balance as of December 31, 2019	1,818,128	(38,019)	363,626	(25,742)	2,681,929	4,799,922

The accompanying notes are an integral part of this statement.

Unión Andina de Cementos S.A.A.

Separate statement of cash flows

For the years ended December 31, 2019 and 2018

	Note	2019 S/(000)	2018 S/(000)
Operating activities			
Collections from customers		2,399,364	2,323,455
Payments to suppliers		(1,447,794)	(1,243,739)
Payments to employees		(215,280)	(210,943)
Income tax paid	28.2(e)	(82,252)	(152,586)
Taxes paid		(192,455)	(131,390)
Interest paid		(195,417)	(256,317)
Dividends received	23(b)	111,783	122,930
Other collections (payments), net		48,592	54,247
Net cash flows provided by operating activities		426,541	505,657
Investing activities			
Acquisition of subsidiary		-	(99,496)
Capital contribution to subsidiaries	9(h)	(23,224)	(1,403)
Disbursements for works in progress	10(a)	(148,598)	(148,969)
Purchase of property, plant and equipment	10(a)	(13,906)	(4,620)
Purchase of intangible assets	12(a)	(3,914)	(2,824)
Net cash flows used in investing activities		(189,642)	(257,312)
Financing activities			
Obtaining short-term bank loans	31	58,095	198,800
Obtaining bonds and debt to banks long-term	31	816,660	1,717,220
Payment of short-term bank loans	31	(133,610)	(451,553)
Payment of bonds and debt to banks long-term	31	(909,726)	(1,693,604)
Dividends paid	13(c) y 17(e)	(120,818)	(85,701)
Merger Increase		26,978	-
Net cash flows used in financing activities		(262,421)	(314,838)
(Net decrease) Net increase in cash and cash equivalents of the year		(25,522)	(66,493)
Net exchange difference		1,846	(1,255)
Cash and cash equivalents at the beginning of the year		29,956	97,704
Cash and cash equivalents at the end of year		6,280	29,956
Transactions that do not represent cash flows -			
Quarry closure provision	10(a)	672	20,135
Capitalized interest	10(a) and (e)	2,340	2,510
Transfer to replacement units			-

The accompanying notes are an integral part of this statement.

1. **Identification and economic activity**

Unión Andina de Cementos S.A.A. (hereinafter "the Company") was incorporated in December 1967. As of December 31, 2019 the Company is a subsidiary of Inversiones JRPR S.A. (hereinafter "the Principal" and last parent of the economic group) which holds 42.18 percent of direct and indirect of the Company's issued capital. Inversiones JRPR S.A has control of directing the financial and operational policies of the Company.

As of December 31, 2019 the Company was a subsidiary of Sindicato de Inversiones y Administración S.A. (hereinafter "the Principal") who hold 43.38 percent of the Company's issued capital, which in turn was a subsidiary of Inversiones JRPR S.A. From January 1, 2019, the Principal, Inversiones Andino S.A, and Inmobiliaria Pronto S.A. merged with the Company.

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

The Company's main activity is the production and sale, for local and foreign market of cement and clinker. For this purpose, the Company owns two plants located at Lima and Junín, whose capacity is 6.7 million tons of clinker and 8.3 million tons of cement.

The separate financial statements as of December 31, 2018 were approved by General Shareholders' Meeting held on March 26, 2019. The separate financial statements for the year ended December 31, 2019 were approved by Management on February 20, 2019 and will be presented for the approval of the Board of Directors and the Shareholders within the terms established by law. In Management's opinion, the accompanying separate financial statements will be approved without changes.

Merger in 2019 -

(a) Merger SIA – IASA - PRONTO:

At the General Shareholders' Meeting held on December 28, 2018, the project to merge the Company as an absorbing company and Sindicato de Inversiones y Administración S.A. (SIA), Inversiones Andino S.A (IASA) and Inmobiliaria Pronto S.A. (PRONTO) as absorbed companies was approved. The merger project of the Company was previously approved at the Independent Directors Committee Session of November 29, 2018 and Director's Board of November 30, 2018.

Furthermore, with a merger public deed and in accordance to of the term of exercise of right of opposition by the creditors and without the opposition of any creditor, the Company increased its capital subscribed and paid in S/171,625,000, issuing 171,625,000, new common shares of the same nominal value as the existing ones (S/1.00 each), which were distributed among the shareholders of the three absorbed companies based on their exchange ratios. Due to the increase capital was greater than the book value, the Company recorded a negative amount of for S/38,019,000 as additional capital.

The stock exchange ratios established for this operation were 2,104.322, 8.502 and 6.678 shares of UNACEM for each share of SIA, IASA and PRONTO, respectively, and were set based on their closing price value of said shares, to the date of the transaction.

After this corporate reorganization, Inversiones JRPR S.A. and Nuevas Inversiones S.A. maintain 26.55 and 25.25 percent of the Company, respectively, and Inversiones JRPR S.A. is the Company's new parent company (as of December 31, 2018, SIA was the parent company of the Company, which in turn was an indirect subsidiary of Inversiones JRPR S.A.).

The effective date of the merger was January 1, 2019, and included: (i) the absorption of IASA, SIA and PRONTO, by the Company and (ii) the issuance of shares by the Company in favor of the shareholders of the absorbed companies.

In this sense, on January 1, 2019, the total net assets and liabilities of the absorbed companies that were transferred to the Company as a result of the merger are detailed:

	SIA S/(000)	IASA S/(000)	PRONTO S/(000)
Total assets	1,999,991	977,845	113,315
Total liabilities	32,037	64,607	3,442
Total equity	1,967,954	913,238	109,873

(b) Merger withCemento Portland (CEMPOR)

At the General Shareholders' Meeting held on May 28, 2019, it was approved the project to simple merge the Company as an absorbing and its subsidiary Cementos Portland S.A.C. (CEMPOR) as the absorbed company. The merger project of the Company was previously approved at the Director's Board of April 26, 2019. The effective date of this merger was June 1, 2019.

On the effective date of the merger, June 1, 2019, the total net assets and liabilities that CEMPOR transferred to the Company as a result of the merger are detailed:

	As of June,1 2019 S/(000)
Total assets	84,321
Total liabilities	2,934
Total equity	81,387

Net profit	809

In accordance with IFRS, the corporate reorganization carried out did not generate any change in the control of Inversiones JRPR S.A. on the Company and its Subsidiaries and, therefore, it is considered as a transaction between entities under common control; consequently, all amounts were recorded at their book values.

2. Summary of significant accounting policies

2.1 Basis of preparation -

The separate financial statements have been prepared in accordance to International Financial Reporting Standards (hereinafter "IFRS"), issued by the International Accounting Standards Board (the "IASB"), prevailing as of December 31, 2019 and 2018, respectively. In accordance with IFRS it is not necessary to prepare separate financial statements; but in Peru, companies are required to prepare them in compliance with the prevailing Law. For that purpose, the Company has prepared separate financial statements according to IAS 27, Consolidated and Separate Financial Statements. The financial statements are made public within the term established by the Superintendence of Securities Market (SMV for its acronym in Spanish).

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

New standards effective up to the date of the financial statements -

The accounting policies adopted in the preparation of these separate financial statements are consistent with the policies considered in the preparation of the Company's separate financial statements as of December 31, 2018, except for the adoption of the new regulations in force as of December 1 January 2019.

The Company has not adopted in advance any other standard, interpretation or modification that has been issued but has not yet entered into force.

- IFRS 16 "Leases"

  IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasured the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

The lessor's accounting under IFRS 16 remains unchanged with respect to what is required by IAS 17. Tenants continue to classify leases with the same classification principles as in IAS 17 and record two types of leases: operating leases and financial leases. IFRS 16 also requires lessees and lessors to include more extensive disclosures than those stipulated in IAS 17.

The adoption of this standard had no significant impact on the separate financial statements as of December 31, 2019 or January 1, 2019.

- Interpretation of IFRIC 23 "Uncertainty over Income Tax Treatments"

  The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 "Income Taxes". The interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

  The Interpretation specifically addresses the following:

  - Whether an entity considers uncertain tax treatments separately.
  - The assumptions an entity makes about the examination of tax treatments by taxation authorities.
  - How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates.
  - How an entity considers changes in facts and circumstances.

  An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

  Following the adoption of the Interpretation, the Company considered that they have no uncertain fiscal positions and determined, based on their tax compliance and transfer pricing study, that their tax treatments are likely to be accepted by the tax authorities. The Interpretation had no impact on the separate financial statements of the Company.

2.2 Summary of significant accounting policies -

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

(a) Cash and cash equivalents, see note 6 -

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

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

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

(i) Financial assets -

Initial recognition and measurement -

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. Except for trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are "solely payments of principal and interest" (SPPI) on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

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

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

- Financial assets at amortized cost (debt instruments).
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments).
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments).
- Financial assets at fair value through profit or loss.

The classification depends on the business model of the Company and the contractual terms of the cash flows.

Financial assets at amortized cost (debt instruments)
The Company measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling, and
- The contractual terms of the financial asset gave rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

Financial assets are not reclassified after their initial recognition, except if the Company changes its business model for its management.

The Company's financial assets held at amortized cost included cash and cash equivalents trade receivables and other receivables.

Financial assets at fair value through OCI (debt instruments) –
The Company measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling, and
- 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 does not have debt instruments classified in this category.

Financial assets at fair value through OCI (equity instruments) –
Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity and under IAS 32 "Financial Instruments: Presentation" are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in the statement of profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Company maintain dividends receivable of its subsidiaries under this category, see Note 26(d).

Financial assets at fair value through profit or loss -
Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value and net changes in such fair value are presented as financial costs (net negative changes in fair value) or financial income (net positive changes in fair value) in the separate statements of comprehensive income.

The Company has investments classified as financial assets at fair value through profit or loss.

Derecognition -
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is removed from the separate statement of financial position, when:

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

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

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

(ii) Impairment of financial assets -
The Company recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Company considers a financial asset in default when contractual payments are 365 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

(iii) Financial liabilities -

Initial recognition and measurement -

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, other financial liabilities.

Subsequent measurement -

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

Financial liabilities at fair value through profit or loss -

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

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term; gains or losses on liabilities held for trading are recognized in the statement of profit or loss. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IFRS 9 "Financial Instruments".

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 "Financial Instruments" are satisfied.

As of December 31, 2019 and 2018, the Company maintain a derivative instrument of negotiation, swap contract by interest rate, see note 29.1(i)(b).

Interest-bearing Loans and borrowings -
This is the Company's most relevant category. After their initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in the statement of profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the separated statement of profit or loss.

This category includes trade and other payables and interest-bearing loans and borrowings.

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

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

(v) Fair value of financial instruments and hedge accounting see note 29.1(i)(a) -
The Company uses derivative financial instruments, such as cross currency swaps (CCS), to hedge its foreign currency exchange rate risk. These derivative financial instruments are initially recognized at their fair values on the date on which the derivative contract is entered into and subsequently are remeasured at their fair value. Derivatives are accounted for as financial assets when their fair value is positive and as financial liabilities when their fair value is negative.

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

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

At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which the Company wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Group will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

A hedging relationship qualifies for hedge accounting if it meets all of the following 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.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Company hedges and the quantity of the hedging instrument that the Company actually uses to hedge that quantity of hedged item.

Hedges that meet all the qualifying criteria for hedge accounting are recorded as cash flow hedges:

Cash flow hedges -
The effective portion of the gain or loss on the hedging instrument is recognized directly in other comprehensive income in the caption "Unrealized gain on cash flow hedge", while any ineffective portion is recognized immediately in the separate statements of comprehensive income.

The Company designated all of the cross-currency swaps contracts as hedging instrument. Any gains or losses arising from changes in the fair value of derivatives were taken directly to profit or loss, except for the effective portion of cash flow hedges, which were recognized in OCI and later reclassified to profit or loss when the hedge item affects profit or loss.

For any other cash flow hedges, the amount accumulated in OCI is reclassified to profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect profit or loss.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in OCI must remain in accumulated OCI if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to profit or loss as a reclassification adjustment. After discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated OCI must be accounted for depending on the nature of the underlying transaction as described above.

For the purposes of hedge accounting, the Company designated the three interest rate swap contracts signed in 2018 as a cash flow hedge.

(c) Fair value of financial instruments, see 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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

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

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their 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 use valuation techniques that are appropriate in the circumstances and for which they have sufficient information available to measure fair value, maximizing the use of relevant observable inputs and minimize the use of unobservable inputs valuation techniques.

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

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

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

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

For fair value disclosure purposes, the Company and its Subsidiaries have determined classes of assets and liabilities based on the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained before.

(d) Current versus non-current classification -

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

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

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

- It is expected to be settled within a normal operating cycle;
- It is held primarily for trading purposes;
- It is due to be settled within twelvemonths after the reporting period or;
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

(d) Foreign currency transactions -

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

Transactions and balances in foreign currency -

Are considered foreign currency transactions those made in a currency other than the functional currency. Transactions in foreign currencies are initially recorded at the functional currency rates prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are converted to the functional currency using the Exchange rate ruling at the separate statement of financial position date. The differences between the closing rate at the date of each separate statement of financial position presented and the exchange rate initially used to record the transactions are recognized in the separate statements of income in the period in which they occur in the caption "Exchange difference, net".

Non-monetary assets and liabilities acquired in foreign currencies are translated at the exchange rate at the date of the initial transaction.

(f) Inventories, see note 8 -

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

- Raw materials -

  Purchase cost, using the weighted average method.

- Spare, materials and supplies –

  Purchase cost, using the weighted average method.

- Packages and packing –

  Purchase cost, using the weighted average method.

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

- Inventory in transit –
  At purchase cost, specifically.

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

Management periodically evaluates the impairment and obsolescence of these assets. The estimation, if any, is recognized with charge to the separate statement of comprehensive income.

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

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

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

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

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

Property, plant and equipment are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation. Such cost includes the cost of replacing component parts of the Property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. The present value of the estimate cost of dismantling the asset and rehabilitation the site where it is located, is included in the cost of the respective assets, see note 2.2(o). When significant parts of property, plant and equipment are required to be replaced at intervals, the Company derecognizes the replaced part, and recognizes the new part with its own associated useful life and depreciation. Likewise, when major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other maintenance and repair costs are recognized in the separate statements of income in the period on which they are incurred.

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

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

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

The work in progress include the projects in execution and are recorded to the cost. This include a cost of building, acquisition of equipment and other direct costs. The buildings in progress are not depreciated until that the relevant assets are concluded and operational.

Lands are measured at cots and has unlimited useful for those that do not depreciate.

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

(j) Mining concessions, see note 10 -

Mining concessions correspond to the exploration rights in areas of interest acquired in previous years. Mining concessions are stated at cost, net of accumulated amortization and/or accumulated impairment losses, if any, and are presented within the "Mining concessions and property, plant and equipment, net". Those mining concessions are amortized is calculated using a straight-line-basis method. In the event the Company abandons the concession, the costs associated are written-off in the separate statement of income.

(k) Intangible assets, see note 12 -

Goodwill -

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

After initial recognition, goodwill is measured at cost less any accumulated impairment losses, which are estimated at least every year in the month of December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's cash-generating units (UGE) that are expected to benefit from the combination, regardless of whether other assets or liabilities of the acquired have been distributed to these units.

If the goodwill has been distributed to a cash-generating unit and part of the assets with which the unit operates are sold or withdrawn, the goodwill and related assets are included in the carrying amount of the transaction when determining the loss or down by that provision. Under these circumstances, goodwill is measured based on the relative value of the disposed assets and the portion of the retained cash generating unit.

The impairment of goodwill is determined by evaluating the recoverable amount for each CGU (or CGU group) to which it relates. When the recoverable amount of the CGU is less than the carrying amount, an impairment loss is recognized. Impairment losses related to goodwill cannot be eliminated in future periods.

Concessions for electricity generation

The concessions for electricity generation are presented initially at cost, as well as the right of assignment of use of said concessions, for which the Company receives in return royalties. The cost and the right of assignment of use are amortized according to the term of the concession, which is 25 years.

Software and Licenses -

The software and licenses of software are stated at cost and include expenditures directly related to the acquisition or entry into use of specific software. These costs are amortized over their estimated useful life between 3 and 10 years.

(l) Deferred stripping costs, see note 11 -
The Company incurs in waste removal costs (stripping costs) during the development and production phases of its surface operations. During the production phase, stripping costs (production stripping costs) can be incurred both in relation to the production of inventory in that period and the creation of improved access and flexibility operational in relation to be mined in the future. The formers are included as part of the costs of production, while the latter are capitalized as a stripping activity asset, when certain criteria are met. Significant judgment is required to distinguish between development stripping and production stripping and to distinguish between the productions stripping that relates to the extraction of inventory and what relates to the creation of a stripping activity asset.

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

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

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

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

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

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

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

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

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

(o) Provisions, see note 15 -

General -

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

Quarry closure provision -

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

(p) Contingencies, see note 28.3 –

Contingent liabilities are disclosed when the existence of the liability is confirmed by future events or when the amount of the liability cannot be measured reasonably. Contingent assets are not recognized in the financial statements, but they are disclosed when it is probable that economic benefits flow to the Company. When the realization of the revenue is practically certain, the asset related is not contingence character, and its recognition in the separate financial statement is appropriate.

(q) Employees' benefits -

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

(r) Revenue recognition, see note 18 –

The revenue of the Company corresponds mainly to the sale of goods, whose transfer to customers occurs at a specific time which is the delivery of the good. The Company has concluded that it is Principal in its sales agreements because it controls the goods or services before transferring them to the customer.

Sales of goods -

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

IFRS 15 establishes a five-step model that will be applied to revenues from ordinary activities from contracts with customers and that include:

- Identification of the contract with the client
- Identification of performance obligations in the contract
- Determination of the transaction price
- Assignment of the transaction price to the performance obligations of the contract
- Recognition of revenue from ordinary activities when (or as) the entity satisfies performance obligations

The accounting principles established in IFRS 15 provide a more structured approach to measure and recognize income.

Variable considerations -

Some contracts with customers provide return rights and commercial or volume discounts that, in accordance with IFRS 15, must be reduced from sales revenue. The Company estimates these amounts at the date of each separate statement of financial position, estimating the weighted probability of these amounts to recognize them. These amounts are recognized as a decrease in trade accounts receivable in the separate statement of financial position and as a decrease in revenue from ordinary activities in the separate statement of income. Likewise, commissions on sales granted to the main distributors are included.

(s) Taxes -

Current income tax -

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

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

Deferred income tax -
Deferred income tax reflects the effects of temporary differences between the carrying amounts of assets and liabilities for accounting purposes and the amounts determined for tax purposes. Deferred assets and liabilities are measured using the tax rates expected to be applied to taxable income in the years in which temporary differences are expected to be recovered or eliminated. The measurement of deferred assets and deferred liabilities reflects the tax consequences that arise from the manner in which the Company expect, at the date of the consolidated statements of financial position, to recover or settle the carrying amount of their 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. In this case, the resulting deferred tax shall be recognized in profit or loss, except to the extent that it relates to items previously recognized outside profit or loss.

Deferred tax assets and liabilities are recognized regardless of when the timing differences are likely to reverse. Deferred tax assets are recognized when it is more likely than not, that future taxable profit will be available against which the temporary difference can be utilized. At the date of the consolidated statements of financial position, the Company assess unrecognized deferred assets and the carrying amount of recognized deferred assets. The Company determine the deferred income tax considering the tax rate applicable to its retained earnings; any additional tax on dividends distribution is recorded on the date a liability is recognized.

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

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

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

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

(t) Earnings per share, see note 27 -
Basic and diluted earnings per share have been calculated based on weighted average of common shares at the date of the separate statement of financial position. As of December 31, 2019 and 2018, the Company has no dilutive financial instruments; therefore, the basic and diluted earnings per share are the same.

(u) Reclassifications -
There are some transactions of the separate statement of financial position and the separate statement of income have been reclassified to make them comparable with the balances of the year 2019. Reclassifications had no significant effect on the separate financial statements as of December 31, 2018.

(v) Segments -
The body responsible for making operational decisions, which is responsible for allocating resources and evaluating the performance of the operating segments, has been identified as the Board of Directors, responsible for strategic decision making. Management has determined the operating segments based on the reports reviewed by the Board of Directors.

The Board considers the business from a perspective by product line: cement, clinker export and sale of blocks, pavers and concrete pavement, the main segment being cement, which represents 91.18 percent of revenues in 2019 (91.07 percent in 2018) and resulting from a single production process; the rest does not exceed, individually, 5 percent (6 percent in 2018) of total revenues, so they do not constitute reportable segments and, consequently, such information is not required for an adequate understanding of operations and performance of the Company.

3. Significant accounting judgments, estimates and assumptions

The preparation of the separate financial statements requires management to make judgments, estimates and assumptions to determine the reportable figures of assets and liabilities, the disclosure of contingent assets and liabilities as of the separate financial statements date, and also the income and expenses balances for the years ended as of December 31, 2019 and 2018.

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

- Estimation of the useful life of assets and impairment - note 2.2(i) y 2.2(n)
- Deferred stripping assets– note 2.2(l)
- Estimates of resources and reserves – note 2.2(m)
- Income tax– note 2.2(s)

Management considers that estimates included in the separate financial statements were made based on their better knowledge of the relevant facts and circumstances at the date of preparations of separate financial statements; however, final results may differ from the estimates included in the separate financial statements.

4. Standards issued but not yet effective

There are no relevant norms and interpretations applicable to the Company that have been published and that were not yet in force at the date of issuance of these financial statements.

5. Foreign currency transactions

Foreign currency transactions are made at free market exchange rates published by the Superintendence of Banks, Insurance and Private Funds. As of December 31, 2019, the weighted average market exchange rate for transactions in Soles published by the Superintendence of Banks, Insurance and Private Pension Funds was S/3.311 for buying and S/3.317 for selling (S/3.369 for buying and S/3.379 for selling as of December 31, 2018), respectively.

As of December 31, 2019 and 2018, the Company had the following assets and liabilities in U.S. Dollars:

	2019 US$(000)	2018 US$(000)
Asset		
Cash and cash equivalents	-	345
Trade and other receivables, net	65,786	91,393
	65,786	91,738
Liabilities		
Trade and other payables	(31,614)	(14,907)
Other financial payables	(160,000)	(406,000)
	(191,614)	(420,907)
Derivative financial instruments of exchange rate	(9,425)	(6,724)
Net liability position	(135,253)	(335,893)

6. Cash and cash equivalents

(a) This item is made up as follows:

	2019 S/(000)	2018 S/(000)
Petty cash	828	815
Current accounts (b)	5,452	25,341
Time deposits (c)	-	3,800
	6,280	29,956

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

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

7. Trade and other receivable, net

(a) This item is made up as follows:

	Current		Non-current	
	2019	2018	2019	2018
	S/(000)	S/(000)	S/(000)	S/(000)
Trade;				
Trade accounts receivable (b)	69,918	64,140	-	-
Related parties:				
Accounts receivable from related parties, note 26(c)	236,470	256,690	102,934	159,338
Others:				
Claims to Tax Authority (d)	9,551	23,735	24,250	19,638
Claims to third parties	3,271	9,768	2,922	2,922
Value Added Tax	2,473	1,540	-	-
Advances to suppliers (c)	14,667	9,171	5,416	3,958
Works for taxes	2,558	606	-	-
Loans to employees	2,440	4,577	-	158
Other accounts receivable	7,871	3,823	-	-
	42,831	53,220	32,588	26,676
Taxes:				
Advance payments of income tax, note 28.2 (e)	-	11,425	-	-
	349,219	385,475	135,522	186,014
Less – Allowance for doubtful accounts (f)	(8,376)	(7,175)	-	-
	340,843	378,300	135,522	186,014

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

(c) As of December 31, 2019 and 2018 correspond to advance payments made to suppliers for the acquisition of machinery and equipment as well as the provision of various services. These advances will be applied in the short and long term.

(d) As of December 31, 2019 and 2018 corresponds mainly to claims submitted to the Tax Authority for the return of overpayments of income tax and selective excise of previous year, see note 28.3.

In Management´s opinion and its legal counsel, there are sufficient legal arguments to estimate that these claims will be recovered in short and long term.

(e) The aging analysis of trade receivables and other as of December 31, 2019 and 2018 is as follows:

			Neither defeated nor deteriorated				
	Total S/(000)	Neither defeated nor deteriorated S/(000)	< 30 days S/(000)	30-90 days S/(000)	91-180 days S/(000)	> 180 days S/(000)	Deteriorated S/(000)
2019	484,741	446,358	27,242	176	686	1,903	8,376
2018	571,489	526,216	17,112	3,718	359	16,909	7,175

As of December 31, 2019 and 2018, the Company evaluated the exposure to credit risk in trade accounts receivable, see note 29.2.

(f) The movement of the allowance for doubtful trade and other receivable for the years ended December 31, 2019 and 2018 was as follows:

	2019 S/(000)	2018 S/(000)
Opening balance	7,175	3,375
Provision, note 20 and 23	1,830	3,741
Recovery, note 23(a)	(524)	-
Exchange difference	(105)	59
Ending balance	8,376	7,175

In Management's opinion, the allowance for doubtful accounts adequately covers the credit risk as of December 31, 2019 and 2018.

8. Inventories, net

(a) This item is made up as follows:

	2019 S/(000)	2018 S/(000)
Finished goods	18,787	16,306
Work in progress (b)	271,796	200,529
Raw and auxiliary materials (c)	107,742	100,031
Packages and packing	43,298	26,621
Spare parts and supplies (d)	165,462	137,340
Inventory in transit	1,428	18,580
	608,513	499,407
Allowance for inventory obsolescence (e)	(24,124)	(22,363)
	584,389	477,044

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

(c) Raw and auxiliary materials mainly include imported and domestic coal. As of December 31, 2019, the Company has in stock coal for approximately S/55,851,000 (S/50,738,000 as of December 31, 2018).

(d) Corresponds to the spare parts that will be used by the Company in the short term. The spare parts that the Company expects to use in a period of more than one year are presented within the balance of machinery and equipment and strategic spare parts under the heading "Mining concessions and plant and equipment, net", see note 10 (a).

(e) Movement in the provision for inventory obsolescence as of December 31, 2019 and 2018 was the following:

	2019 S/(000)	2018 S/(000)
Opening balance	22,363	15,320
Charge for the year, note 19	1,761	7,043
Ending balance	24,124	22,363

In opinion of Company's Management, the allowance for obsolescence of inventories covers appropriately its obsolescence risk as of December 31, 2019 and 2018.

9. **Investments in subsidiaries and other**

(a) This item is made up as follows:

	Economic activity	Country	Share participation		Carrying book value	
			2019	2018	2019	2018
			%	%	S/(000)	S/(000)
Investments in subsidiaries:						
Inversiones Imbabura S.A.	Holding	Peru (subsidiary in Ecuador)	99.99	99.99	1,516,724	1,516,724
Skanon Investments Inc. (b)	Production and sale of Cement and Concrete	Unites States	86.55	85.06	1,219,607	1,026,345
Compañía Eléctrica El Platanal S.A.	Electrical Energy	Peru	90.00	90.00	567,829	567,829
Cementos Portland S.A.C. (c)	Production of Cement	Peru	-	100.00	-	99,496
Inversiones en Concreto y Afines S.A.	Holding	Peru	93.38	93.38	67,036	67,036
Transportes Lurín S.A.	Investments in securities	Peru	99.99	99.99	64,250	64,250
Staten Island Co. LLC (d)	Holding	United States	100.00	100.00	47,130	25,992
ARPL Tecnologia Industrial S.A. (e)	Consulting and technological assistance services	Perú	100.00	-	32,071	-
Prefabricados Andinos S.A.	Precast production and sale	Chile	51.00	51.00	20,021	20,021
Prefabricados Andinos Perú S.A.C.	Precast production and sale	Peru (subsidiary in Colombia)	50.02	50.02	17,537	17,537
Minera Adelaida S.A.	Holding	Peru	99.99	99.99	3,210	3,010
Vigilancia Andina S.A. (g)	Services of vigilance	Peru	55.50	-	2,308	-
Inversiones Nacionales y Multinacionales Andinas S.A. (g)	Real estate business	Peru	90.90	-	1,165	-
Depósito Aduanero Conchán S.A. (f)	Storage services	Peru	99.99	99.99	3,383	2,783
Generación Eléctrica de Atocongo S.A.	Thermal plant operation services	Peru	99.85	99.85	125	125
Other investments:						
Ferrocarril Central Andino S.A.	Transport services	Peru	16.49	16.49	7,567	7,567
Ferrovías Central Andino S.A. (g)	Transport services	Peru	15.00	-	2,762	-
Compañía de Inversiones Santa Cruz S.A (g)	Real estate business	Peru	8.85	-	180	-
Others					234	232
					3,573,139	3,418,947
Allowance for impairment of investments (j)					(28,725)	(28,725)
					3,544,414	3,390,222

(b) In September 2019, the debt capitalization approved by Skanon Investments Inc. was approved. maintained with the Company for a total of US $ 52,761,000 (equivalent to S/178,439,000), increasing the Company's participation in said subsidiary and a cash contribution of US$384,000 equivalent to S/1,284,000

(c) Through a Board Meeting held on September 21, 2018, the acquisition of 100 percent of CEMPOR's shares was approved for approximately US$29,933,000 (equivalent to approximately S/99,496,000), which was fully paid by the Company. On October 10, 2018, the Company took control of CEMPOR.

On November 26, 2018, the change of name of Cementos Portland S.A. was approved. to Cementos Portland S.A.C.

At the General Shareholders' Meeting dated May 28, 2019, the simple merger of the Company as an absorbing company and CEMPOR as an absorbed company was approved unanimously, without an increase in share capital, CEMPOR was dissolved without liquidation. The effective date of the merger was June 1, 2019, see note 1(b).

(d) During the year 2019, the Company has made cash contributions to its subsidiary Staten Island Co. LLC. for a total of US$6,400,000 (equivalent to approximately S/21,138,000).

(e) ARPL Tecnología Industrial S.A. was a subsidiary of Inmobiliaria Pronto S.A. (PRONTO), who had 100 percent of its share capital. As a result of the merger of PRONTO with the Company, see note 1 (a), ARPL Tecnología Industrial S.A. It is a subsidiary of the Company since the date of said merger.

(f) During the year 2019, the Company made a capital contribution in cash to Depósito Aduanero Conchán S.A. for S/600,000.

(g) Vigilancia Andina S.A, Inversiones Nacionales y Multinacionales S.A. Andino S.A. were subsidiaries of Inversiones Andino S.A. (IASA) and Ferrovías Central were associates, who had 55.50, 90.90 and 15.00 percent of its social capital, respectively. As a result of the merger of IASA with the Company, see note 1(a), Vigilancia Andina S.A. e Inversiones Nacionales y Multinacionales S.A. they are subsidiaries of the Company since the date of said merger.

Likewise, Ferrovías Central Andino S.A. and Compañía de Inversiones Santa Cruz S.A. They were associates of Inversiones Andino S.A. (IASA), who had 15 and 8.85 percent of its capital stock, respectively, so they were recorded as investments of the Company on the date of the merger.

(h) Below is the movement of the item:

	2019 S/(000)	2018 S/(000)
Opening balance	3,390,222	3,289,323
Cash capital contributions	23,224	1,403
Debt Capitalization	178,439	-
Acquisition of subsidiary	-	99,496
Merger by absorption of subsidiaries	(99,496)	-
New investments for mergers made	52,025	-
Closing balance	3,544,414	3,390,222

(i) During the years 2019 and 2018, the Company received dividends from its subsidiaries for S/159,248,000 and S/98,238,000, respectively, see note 23(a).

(j) As of December 31, 2019 and 2018, the Company's Management estimates that the devaluation of investments in subsidiaries amounts to S/28,725,000, which is mainly related to Transportes Lurín S.A.

10. **Mining concessions and property, plant and equipment, net**

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

	Mining concessions (b) S/(000)	Land S/(000)	Quarry closure S/(000)	Buildings and constructions S/(000)	Other installations S/(000)	Machinery and equipment S/(000)	Transportation units S/(000)	Furniture and fixtures S/(000)	Other equipment S/(000)	Work in progress (f) S/(000)	Total S/(000)
Cost -											
As of January 1, 2018	43,631	611,366	13,556	1,067,015	100,176	3,059,640	24,996	17,380	64,475	229,243	5,231,478
Additions (c)	714	20	20,135	485	651	1,855	790	21	84	151,479	176,234
Reclassification	-	225	-	60,951	5,836	110,046	-	195	4,032	(181,285)	-
Transfers	-	-	(5)	(656)	(1,778)	(8,708)	-	-	-	-	(11,147)
As of December 31, 2018	44,345	611,611	33,686	1,127,795	104,885	3,162,833	25,786	17,596	68,591	199,437	5,396,565
Merger (g)	54,585	53,277	-	11,352	2,438	-	346	313	524	1,578	124,413
Additions (c)	332	1,535	672	3,017	813	3,890	2,169	158	1,992	150,938	165,516
Transfers		4,898		17,934	674	104,607	2,272	201	1,884	(132,470)	-
Withdrawals and sales		-	(4)	(1,066)	-	(6,507)	(1,512)	-	-	-	(9,089)
Settings			(8,325)	-	-	-	-	-	-	(1,778)	(10,103)
As of December 31, 2019	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
Accumulated depreciation -											
As of January 1, 2018	18,684	-	5,798	216,510	56,014	858,340	21,140	15,910	48,665	-	1,241,061
Period depreciation (d)	312	-	458	46,614	5,569	163,849	717	366	3,354	-	221,239
Withdrawals	-	-	(37)	-	-	(17)	-	-	-	-	(54)
As of December 31, 2018	18,996	-	6,219	263,124	61,583	1,022,172	21,857	16,276	52,019	-	1,462,246
Fusion (g)	386	-	-	3,396	66	-	192	282	367	-	4,689
Period depreciation (d)	92	-	1,046	48,913	5,752	166,589	1,323	366	3,452	-	227,533
Withdrawals and sales	-	-	-	(251)	-	(3,099)	(1,229)	-	-	-	(4,579)
Settings	-	-	-	-	(1,778)	-	-	-	-	-	(1,778)
As of December 31, 2019	19,474	-	7,265	315,182	65,623	1,185,662	22,143	16,924	55,838	-	1,688,111
Net book value											
As of December 31, 2019	79,788	671,321	18,764	843,850	43,187	2,079,161	6,918	1,344	17,153	217,705	3,979,191
As of December 31, 2018	25,349	611,611	27,467	864,671	43,302	2,140,661	3,929	1,320	16,572	199,437	3,934,319

(b) As of December 31, 2019 and 2018, corresponds mainly to the concessions of the quarries of Atocongo, Atocongo Norte, Pucará and Oyón.

(c) The main additions during the year 2019 correspond to the projects of the kiln 2 cooler dust removal system, change of roller presses 5 and migration of kiln control system 2 corresponding to the Condorcocha plant; as well as, the integral plan of the Cristina concession, roof of the clinker yard court, fire system, pavers and the project of the thermal plant corresponding to the Atocongo plant for approximately S/74,011,000.

During the year 2019, the Company completed the work related to the modification projects of the central chamber of the multisilo, new plaster metal silo and aggregates as well as the modernization of scales, implementation of the big bag bagging system with respective warehouse, system against fires, and pavers of the Atocongo plant; change of rollers presses and 5 of the Condorcocha plant; reconstruction of the perimeter fence of the Cajamarquilla plant and concrete plant of Iquitos, among others for approximately S/39,682,000. These projects were transferred from work in progress to their corresponding classification under "Mining concessions and property, plant and equipment, net".

The main additions during 2018 correspond to the Atocongo Thermal Plant Project, the Condorcocha kiln 2 and 3 cooler system, and the Carpapata III Hydroelectric Power Plant's complementary works for approximately S/69,719,000.

(d) The depreciation for the years 2019 and 2018 was distributed as follows:

	2019 S/(000)	2018 S/(000)
Cost of sales, note 19	217,930	213,929
Administrative expenses, note 20	6,967	5,934
Other expenses, note 23	2,044	770
Work-in-process	592	606
	227,533	221,239

(e) During the year 2019, borrowing costs were capitalized for approximately S/2,340,000 (S/2,510,000 during the year 2018). The amount of the capitalizable financing costs is determined by applying the capitalization rate to the capital expenditures incurred in the rated assets. The rate used to determine the amount of financing costs susceptible to capitalization was approximately 4.6 percent.

(f) The composition of the works in progress is presented below:

	2019 S/(000)	2018 S/(000)
Buildings and constructions	29,719	30,626
Machinery and equipment	187,986	168,811
	217,705	199,437

(g) Corresponds to fixed assets transferred to the Company as a result of the mergers made in 2019, see note 1, for a net cost of S/119,724,000.

(h) Management considers that there are no situations that may affect the projections of the expected results in the remaining years of useful life of fixed assets and, in its opinion, as of December 31, 2019 and 2018, there are no indications of impairment nor is it necessary to establish a provision for impairment at such dates.

(i) The Company maintains current insurance on its main assets, in accordance with the policies established by Management. In Management's opinion, its insurance policies are consistent with international industry practice.

11. Deferred stripping cost

This item is made up as follows:

	2019 S/(000)	2018 S/(000)
Cost -		
As of January 1, 2018	164,912	164,912
Additions	-	-
As of December 31, 2018	164,912	164,912
Accumulated depreciation -		
As of January 1, 2019	(46,812)	(41,935)
Additions, note 19	(5,302)	(4,877)
As of December 31, 2019	(52,114)	(46,812)
Net book value -		
As of December 31, 2019	112,798	118,100

As of December 31, 2019 and 2018, the Company has three identifiable components that allow a specific volume of limestone quarry and waste. Atocongo; North Atocongo and Pucará quarry.

12. Intangible assets, net

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

	Concession for electricity generation (b) S/(000)	Goodwill (c) S/(000)	Software S/(000)	Environmental protection program S/(000)	Others S/(000)	Total S/(000)
Cost -						
As of January 1, 2018	61,330	9,745	19,779	17,071	11,113	119,038
Additions	-	-	914	-	1,910	2,824
As of December 31, 2018	61,330	9,745	20,693	17,071	13,023	121,862
Additions	1,270	-	283	-	2,361	3,914
As of December 31, 2019	62,600	9,745	20,976	17,071	15,384	125,776
Accumulated amortization -						
As of January 1, 2018	28,544	-	11,584	17,071	7,741	64,940
Amortization of the year, note 23(a)	8,725	-	3,300	-	3,637	15,662
As of December 31, 2018	37,269	-	14,884	17,071	11,378	80,602
Amortization of the year, note 23(a)	2,754	-	797	-	463	4,014
As of December 31, 2019	40,023	-	15,681	17,071	11,841	84,616
Net book value -						
As of December 31, 2019	22,577	9,745	5,295	-	3,543	41,160
As of December 31, 2018	24,061	9,745	5,809	-	1,645	41,260

(b) This amount corresponds to the expenditures to develop the overall project "El Platanal" consisting of the construction of two hydroelectric reservoirs and a system for the irrigation of uncultivated lands, and also to obtain the final concession to develop the activity of electricity generation, which was obtained by the Company, through Supreme Resolution N°130-2001-EM, dated July 25, 2001. On October 2, 2003 was approved through Supreme Resolution N°036-2003-EM the division of the definite concession of electric generation in two concessions of independent electric generation: G-1 "El Platanal" with an installed capacity 220 megawatts and G-2 "Morro Arica" with installed capacity of 50 megawatts. On September 12, 2006, the transfer of the concession and the assignment of use of the "El Platanal" project to its subsidiary Compañía Eléctrica El Platanal S.A. (CELEPSA) was approved by Supreme Resolution N°053-2006-EM for a period of 25 years from March 30, 2011, whereby the Company receives royalties in exchange equivalent to 3.55 percent of net monthly income obtained by CELEPSA, on sales of energy and power to third parties. As of December 31, 2017, the Company decided to prioritize its investments in the development of alternative electricity generation, for which it approved the disposal of investments that are not in line with the strategic plan, such as the G-2 power generation project "Morro of Arica."

(c) Effective 2003, the Company acquired 100 percent of the capital stock of Lar Carbón S.A. The acquisition was recorded following the purchase method, so adjustments were incorporated in the Company's separate financial statements to reflect the assets and liabilities acquired at their fair values at the acquisition date. As a result of this acquisition, the Company recognized a goodwill of S/9,745,000.

The recoverable amount of coal grinding plant (generating unit) is established on the basis of calculation of value in use, which uses projections of cash flows on preliminary financial budgets prepared by Management covering a 5-year period, calculated on the resource base. As a result of this analysis, no impairment loss on this unit was found. Management believes that there will not be significant changes in estimated production volumes, which would produce that the book value of these assets exceeds its recoverable value.

13. Trade and other payable

(a) This item is made up as follows:

	2019 S/(000)	2018 S/(000)
Trade accounts payable (b)	167,485	166,467
Accounts payable from related parties, note 26(c)	49,614	94,854
Income tax payable, note 28.2(e)	23,928	-
Interest payable, note 14 (b) and 14.1 (e)	23,877	25,118
Salaries and vacation payable	19,218.	17,846
Board compensation payable	2,583	1,370
Dividends payable (c)	6,594	178
Other accounts payable	7,280	8,674
	300,579	314,507

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

(c) Corresponds to the balance of the amount payable of dividends from the absorbed companies, of which S/28,506,000 have been paid to date.

14. Other financial liabilities

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

	2019			2018		
	Short-term S/(000)	Long-term S/(000)	Total S/(000)	Short-term S/(000)	Long-term S/(000)	Total S/(000)
Bank overdrafts	58,095	-	58,095	-	-	-
Bank notes (b)	116,095	-	116,095	89,709	118,265	207,974
Bonds and long-term debt (14.1)	209,572	2,683,803	2,893,375	134,454	2,906,633	3,041,087
	383,762	2,683,803	3,067,565	224,163	3,024,898	3,249,061

(b) Bank notes mainly correspond to financing for working capital, do not have specific guarantees and are renewed depending on the working capital needs of the Company.

As of December 31, 2019 and 2018, the balance per bank consists of:

	Currency	Maturity	2019 S/(000)	2018 S/(000)
Creditor -				
Citibank N.A. New York	American dollar	October, 2020	116,095	189,224
Scotiabank Perú S.A.	American dollar	April, 2020	-	18,750
			116,095	207,974

(c) As of December 31, 2019 and 2018, the interest payable amounts to approximately S/603,000 and S/3,081,000, respectively, and are recorded in the caption "Trade and other payable" of the separate statement of financial position, see note 13(a). As of December 31, 2019 and 2018, the interest expenses amounted to approximately S/13,972,000 and S/18,962,000, respectively, and are included in the caption "Financial costs" of the separate statement of income, see note 25.

14.1 Bonds and debt to banks

(a) The table below presents the components of the long-term bonds and debt to banks, which have no associated requirements:

	2019 S/(000)	2018 S/(000)
Corporative Bonds (d)	120,000	873,833
Bank debt (c)	2,773,375	2,167,254
Total	2,893,375	3,041,087
Less - Current portion	209,572	134,454
Non-current portion	2,683,803	2,906,633

(b) As of December 31, 2019 and 2018, the balance of corporate bonds is detailed below:

	Annual interest rate %	Maturity	2019 S/(000)	2018 S/(000)
Corporative Bonds -				
International bonds (b.1)	5.875	October 2019	-	760,275
First and third issuance of the second program (b.2)	Between 4.93 and 5.16	March 2020 and 2023	120,000	120,000
			120,000	880,275
Amortized cost			-	(6,442)
Total			120,000	873,833

(b.1) On October 31, 2014, the Company made an international bond issue for US$625,000,000 (equivalent to approximately S/1,868,125,000) obtaining a net collection of US$615,073,000 (equivalent to approximately S/1,839,342,000), with a nominal interest rate of 5,875 percent and maturity in October 2021, which had no guarantees specific.

On September 21, 2018, the Board of Directors approved that the Company be financed up to US$490,000,000 for the refinancing of existing liabilities for US$400,000,000 and other corporate uses. On October 30, 2018, the Company made a partial redemption of said bonds for a total of US$400,000,000 (equivalent to approximately S/1,336,400,000) according the provisions of section 3.01 of the Offering Memorandum issued on October 2014. The partial redemption was made on the date of the first Call Option ("Purchase option") of the bonds, at a price equal to 102.93750 percent of the principal. Additionally, on the same date, all interest was paid accrued for approximately S/61,337,000. Also, product of the payment advance of the bonds, the Company paid redemption-related costs partial of international bonds for approximately S/39,257,000, see note 25.

On August 23, 2019, the Board of Directors approved that the Company be financed until for US$230,000,000 for the refinancing of existing liabilities. Dated 30 October 2019, the Company redeemed the total balance of said bonds for a total of US $ 225,000,000 as established in section 3.01 of the Offering Memorandum issued on October 30, 2014. Full redemption is realized at a price equal to 101.46875 percent of the principal. Additionally, in on the same date, all accrued interest for approximately S/22,147,000. Likewise, as a result of the advance payment of the bonds, the Company paid costs related to the total redemption of international bonds for approximately S/11,071,000, see note 25.

(b.2) On April 7, 2010, the General Shareholders Meeting approved the proposal of "Second Debt Instrument Issuance Program for up to an amount maximum in circulation of US$150,000,000, or its equivalent in soles". In the months of March and December 2013, the Company placed the first, second and third issue of the Second Corporate Bond Program for an amount of S/60,000,000 each. As of December 31, 2019 and 2018, the Company maintains payable the amount of the first and second issue for a total of S/120,000,000.

(c) As of December 31, 2019 and 2018, the balance of bank loans does not present guarantees and are detailed below:

	Maturity	Initial amount	Currency	Use of funds	As of December 31, 2019 S/(000)	As of December 31, 2018 S/(000)
Bank debt **(d) y (f)-**						
Banco Internacional del Perú S.A.A.	September 2022, October 2024 and March 2025	654,160	Soles	Refinancing of financial liabilities and redemption of foreign bonds	654,160	528,727
Banco de Crédito del Perú	February 2020, November 2025 and October 2026	983,500	Soles	Redemption of the international bonds	838,640	414,818
BBVA Banco Continental	November 2021 and November 2024	400,500	Soles	Refinancing of financial liabilities	349,071	383,357
Scotiabank Perú S.A.	December 2021, October 2024 and October 2025	585,200	Soles	Refinancing of short-term financial liabilities and redemption of the international bonds	533,771	433,057
Citibank (c.1)	October 2025	50,000	U.S. Dollars	Refinancing of financial liabilities	165,850	168,950
Bank of Nova Scotia (c.1)	September 2025	30,000	U.S. Dollars	Partial redemption of the international bonds	99,510	101,370
Santander S.A. (c.1)	November 2023	45,000	U.S. Dollars	Refinancing of financial liabilities	149,266	152,055
					2,790,268	2,182,334
Amortized cost					(16,893)	(15,080)
Total					2,773,375	2,167,254

(c.1) The Company signed swap contracts to reduce the risk of the variable rate related to these loans, see note 29 (i) (a).

(d) The applicable financial covenants to other local financial liabilities are of quarterly follow-up and it must be calculated on the bases of the separate financial information and the calculation methodologies by each financial entity.

As of December 31, 2018, the main financial covenants that the Company maintains with each financial entity fluctuate between the following rates and indexes:

- Maintain an index debt minor or equal to 1.5 times.
- Maintain a debt service coverage ratio major o equal between 1.2 to 1.25 times.
- Maintain an interest coverage ratio major o equal between 3.0 to 4.0 times.
- Maintain a debt coverage ratio that equals to financial debt/EBITDA minor or equal to 3.75.
- Maintain a liquidity ratio greater than or equal to 1.00 times

In Management's opinion, the Company has complied with financial covenants requested for financial entities related to these obligations as of December 31, 2019 and 2018.

(e) As of December 31, 2019 and 2018, interests payable related to bonds and long-term debt are amounted to approximately S/23,274,000 and S/22,037,000, respectively and are recorded in the caption "Trade and other payable", of the separate statement of financial position, note 13(a).

Interests generated by Bonds and long-term loans as of December 31, 2019 and 2018, amounting approximately S/146,088,000 and S/158,708,000, respectively are included in the caption "Financial costs" in the separate statement of comprehensive income, note 25.

(f) As of December 31, 2019, the Company maintains bank loans in soles with effective annual interest rates in soles that range from 3.85 to 5.90 percent. Bank loans in dollars are a variable rate plus An applicable margin (3-month Libor rate plus an applicable margin that fluctuates between 1.75 to 2.60 percent).

As of December 31, 2018, the Company approved bank loans in soles with effective annual interest rates ranging from 4.35 to 6.60 percent. Bank loans in dollars are a variable rate plus an applicable margin (3-month Libor rate plus an applicable margin that fluctuates between 1.75 to 2.60 percent).

15. Provisions

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

	Current		Non-Current	
	2019	2018	2019	2018
	S/(000)	S/(000)	S/(000)	S/(000)
Workers' profit sharing (b)	24,248	16,453	-	-
Quarry closure provision (c)	1,255	2,953	30,811	35,124
Severance indemnities	1,803	1,694	-	-
	27,306	21,100	30,811	35,124

(b) Workers' profit sharing –

Below is the movement of worker participation for the years 2019 and 2018:

	2019	2018
	S/(000)	S/(000)
Opening balances	16,453	23,768
Worker's profit sharing, note 22(a)	47,895	38,153
Payments and advance of profits made in the year	(40,100)	(45,468)
Final balances	24,248	16,453

(c) Quarry closure provision -

As of December 31, 2019 and 2018, the Company maintains a provision for future closure costs of its mines to be occur between 10 and 33 years. The provision was created on the basis of studies conducted by internal specialists using a discount rate. Based on the current economic environment, Management adopted certain assumptions which are considered reasonable to make an estimation of future liabilities. These estimates are reviewed annually to take into account any significant change in the assumptions. However, the actual costs of quarry closure finally depend on future market prices for the necessary works of abandonment that will reflect market conditions at the relevant time. In addition, the actual closing time depends on when the mines cease to produce economically viable products. During the year 2019, the Company changed certain projections of quarry closures before the Ministry of Energy and Mines and others are in the process of approval. As of December 31, 2019, the budgets of Atocongo and Hienas have been approved.

As of December 31, 2018, the future value of the quarry closure provision ascends to approximately S/46,678,000 (S/46,552,000 in December 2018). The range of the risk-free discount rate used in calculating the provision ranges from 0.86 to 2.84 percent, resulting in an updated liability of S/32,066,000 (S/38,077,000 as of December 31, 2018). The Company's Management considers that this liability is sufficient to comply with the current environmental protection laws approved by the Ministry of Energy and Mines.

16. Deferred income tax liability, net

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

	As of January 1, 2018 S/(000)	Statement of income S/(000)	Charge to equity S/(000)	As of December 31, 2018 S/(000)	Statement of income S/(000)	Charge to equity S/(000)	As of December 31, 2019 S/(000)
Deferred asset -							
Derivative financial instruments	2,819	(1,630)	5,513	6,702	(547)	3,067	9,222
Allowance for inventory obsolescence	4,519	2,078	-	6,597	520	-	7,117
Provision for vacation	3,407	505	-	3,912	340	-	4,252
Quarry closure provision	2,353	274	-	2,627	819	-	3,446
Fair value with changes in other comprehensive income	-	-	1,561	1,561	-	713	2,274
Amortization of software	(48)	1,965	-	1,917	(656)	-	1,261
Other provisions	4,463	354	-	4,817	(4,255)	-	562
	17,513	3,546	7,074	28,133	(3,779)	3,780	28,134
Deferred liability -							
Differences on fixed assets tax bases	(473,083)	15,862	-	(457,221)	26,553	-	(430,668)
Stripping cost	(36,278)	1,439	-	(34,839)	1,564	-	(33,275)
Capitalized interests	(34,830)	1,408	-	(33,422)	1,459	-	(31,963)
Deferred income (net)	1,944	(523)	-	1,421	(1,463)	-	(42)
Deferred commissions of financial obligations	-	-	-	-	(1,680)	-	(1,680)
Pre-operational expenses	-	-	-	-	(6,126)	-	(6,126)
	(542,247)	18,186	-	(524,061)	20,307	-	(503,754)
Deferred income tax liability, net	(524,734)	21,732	7,074	(495,928)	16,528	3,780	(475,620)

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

(b) The current and deferred portions of income tax for the years ended 2019 and 2018 are comprised as follows:

	2019 S/(000)	2018 S/(000)
Current	(129,758)	(103,216)
Deferred	16,528	21,732
Expenditure on mining royalties, note 28.4	(4,176)	(3,874)
	(117,406)	(85,358)

(c) The table below presents the conciliation of the effective tax rate and the legal tax rate for the years 2019 and 2018:

	2019		2018	
	S/(000)	%	S/(000)	%
Profit before income tax	466,322	100.00	327,574	100.00
Income tax according tax rate	137,565	29.50	96,634	29.50
Tax effect on permanent items	(21,391)	(4.59)	(14,419)	(4.40)
Effect of mining royalties	1,232	0.27	1,143	0.35
Expense for income tax	117,406	25.18	85,358	26.06

17. Equity

(a) Capital issued-

As of December 31, 2019, the capital stock is represented by 1,818,127,611 common shares (1,646,503,408 common shares as of December 31,2018) totally subscribed and paid at a nominal value of S/1 per share. The common shares representing the Company's capital stock are traded on the Lima Stock Exchange.

After the effects of the merger carried out by the Company with Sindicato de Inversiones y Administracion S.A., Inversiones Andino S.A. e Inmobiliaria Pronto S.A., see note 1 (a), the shareholder composition of the Company as of December 31, 2019 is as follows:

Shareholders	Number of shares	Percent of participation %
Inversiones JRPR S.A.	455,919,897	25.08
Nuevas Inversiones S.A.	459,129,497	25.25
AFPs	419,008,213	23.05
Others	484,070,004	26.62
	1,818,127,611	100.00

The shareholding composition of the Company as of December 31, 2018 is presented below:

Shareholders	Number of shares	Percent of participation %
Sindicato de Inversiones y Administración S.A.	714,311,308	43.38
Inversiones Andino S.A.	399,979,008	24.29
AFPs	336,819,847	20.46
Others	195,393,245	11.87
	1,646,503,408	100.00

As of December 31, 2019, the share price of each share has been S/2.00 (S/2.60 as of December 31, 2018).

(b) Additional capital –
Corresponds to the variation between the capital increase made by the merger of the Company with SIA, IASA and PRONTO and the registered equity, see note 1(a).

(c) Legal reserve -
Under the terms of the General Corporation Law, it is required that at least 10 percent of the distributable profit for each year, less income tax, has to be transferred to a legal reserve until such reserve equals to 20 percent of the share capital. The legal reserve may offset any losses or may be capitalized, existing in both cases the obligation to replenish it. As of December 31, 2019 and 2018, the Company has reached the required limit according to law.

During the year 2019, the Company has transferred the amount of S/33,428,000 of accumulated results to the legal reserve.

(d) Unrealized net profit -
Corresponds to the fair value changes on hedging financial instruments and reserve on financial assets measured at fair value, net of its corresponding tax effect.

(e) Dividend distributions –
Below is the information of the dividends distributed in the years 2019 and 2018:

Dividend 2019:

Date of Board Directors meetings	Dividends declared and paid S/(000)	Payment date	Dividends per common share
January 25, 2019	21,405	28.02.2019	0.051
May 2, 2019	23,636	04.06.2019	0.051
July 26, 2019	23,636	29.08.2019	0.051
October 23, 2019	23,635	27.11.2019	0.051
	92,312		

Dividend 2018:

Date of Board Directors meetings	Dividends declared and paid S/(000)	Payment date	Dividends per common share
January 26, 2018	21,405	28.02.2018	0.052
April 27, 2018	21,405	31.05.2018	0.052
July 26, 2018	21,405	29.08.2018	0.052
October 26, 2018	21,403	30.11.2018	0.052
	85,618		

Also, during 2018, the Company paid S/83,000 for distribution of dividends approved in previous years.

18. Net sales

(a) This item is made up as follows:

	2019 S/(000)	2018 S/(000)
Sale of cement	1,810,069	1,793,084
Clinker export (b)	88,434	105,234
Sale of concrete blocks, bricks and pavers (c)	86,608	70,676
	1,985,111	1,968,994
Revenue recognition		
Goods transferred at a point in time	1,985,111	1,968,994
	1,985,111	1,968,994

(b) The sales of clinker correspond mainly to the exportations of the raw materials to clients located in South America and Central America.

(c) Corresponds mainly to sales to Unicon and Concremax, related companies, see note 26(b).

19. Cost of sales

This item is made up as follows:

	2019 S/(000)	2018 S/(000)
Beginning balance of finished goods and work in process, note 8(a)	216,835	199,650
Cost of production:		
Fuel	304,777	265,405
Depreciation, note 10(d)	217,930	213,929
Personnel expenses, note 22(b)	145,513	129,728
Consumption of raw material	125,370	111,191
Maintenance of kiln, machinery and equipment	116,839	103,382
Energy	109,045	91,638
Transport of raw material	89,153	65,099
Packaging	76,342	66,616
Depreciation for stripping cost, note 11	5,302	4,877
Other production cost	193,434	180,454
Ending balance of finished goods and work in process, note 8(a)	(290,583)	(216,835)
	1,309,957	1,215,134
Provision for inventory obsolescence- note 8(e)	1,761	7,043
	1,311,718	1,222,177

20. Administrative expenses

This item is made up as follows:

	2019 S/(000)	2018 S/(000)
Personnel expense, note 22(b)	74,153	67,400
Management services, note 26(a)	-	43,200
Services rendered by third parties	31,731	36,519
Grants	15,771	17,983
Taxes	10,779	4,280
Depreciation, note 10(d)	6,967	5,934
Allowance for doubtful accounts, nota 7(f)	1,830	137
Others	15,926	10,165
	157,157	185,618

21. Selling expenses

(a) This item is made up as follows:

	2019 S/(000)	2018 S/(000)
Advertising and marketing (b)	56,554	47,441
Personnel expenses, note 22(b)	8,156	6,460
Warehouse managing services	1,146	2,004
Other	12,513	10,947
	78,369	66,852

(b) Correspond mainly to the services of advertising in radio, television and other media in order to improve sales.

22. Personnel expenses

(a) This item is made up as follows:

	2019 S/(000)	2018 S/(000)
Remunerations	114,725	107,124
Workers' profit sharing, note 15(b)	47,895	38,153
Vacations	13,925	13,580
Bonuses	14,451	13,495
Social contributions	12,229	11,433
Severance compensation	10,461	9,777
Medical aid	7,769	7,133
Fees and remunerations of the Board	5,116	4,059
Other	1,852	1,077
	228,423	205,831

(b) Personnel expenses are allocated as follows:

	2019 S/(000)	2018 S/(000)
Cost of sales, note 19	145,513	129,728
Administrative expenses, note 20	74,153	67,400
Selling expenses, note 21(a)	8,156	6,460
Other operating income (expenses), net, note 23(a)	601	2,243
	228,423	205,831

(c) The average number of employees during 2019 was 794 (780 in the year 2018).

23. Other operating income (expenses), net

(a) This item is made up as follows:

	2019 S/(000)	2018 S/(000)
Other income -		
Income of dividends, note 26(a)	159,248	98,238
Income from use of intellectual property, note 26(a)	16,720	18,430
Sale of goods and supplies	3,805	12,046
Income from services	8,459	11,689
Income from royalties, note 26(a)	5,502	4,868
Rental income	3,755	2,368
Recovery of doubtful collection provision, note 7(f)	524	-
Sale of property, machinery and equipment	295	88
Others	8,125	16,019
	206,433	163,746
Other expenses -		
Fines expenses, note 28.3	6,250	-
Amortization of intangibles, note 12(a)	4,014	15,662
Cost of goods and supplies	3,641	11,797
Allowance for doubtful accounts, note 7(f)	-	3,604
Personnel expenses, note 22(b)	601	2,243
Cost from services	1,167	2,237
Depreciation, note 10(d)	2,044	770
Others	2,376	1,142
	20,093	37,455
	186,340	126,291

(b) The income declared from dividends in the 2018 correspond mainly to the declared dividends by Inversiones Imbabura S.A. Inversiones en Concreto y Afines and Ferrocarril Central Andino S.A., Vigilancia Andina S.A. and Compañía de Inversiones Santa Cruz for approximately S/159,248,000 (declared dividends by Inversiones Imbabura S.A. and Ferrocarril Central Andino S.A. for approximately S/98,238,000 for the year 2018) see note 26(a). During 2019, the Company has collected an amount approximately of S/111,783,000 for dividends concept (S/122,930,000 in the year 2018).

24. Finance income

(a) This item is made up as follows:

	2019 S/(000)	2018 S/(000)
Interest on returns of tax claims (b)	12,182	-
Gain on derivative financial instrument, net, note 29.1(i)(b)	1,854	5,547
Interest on deposits	1,022	3,435
Others	5,478	5,303
	20,536	14,285

(b) Corresponds to the returns made by the Tax Administration during the year 2019, related to claims of income tax and selective consumption tax of previous years

25. Finance cost

(a) This item is made up as follows:

	2019 S/(000)	2018 S/(000)
Interest on bonds and long-term debt, note 14.1(e)	146,088	158,708
Interests on bank loans, note 14(b)	13,972	18,962
Partial redemption of bonds, note 14(b.1)	11,071	39,257
Other	6,783	11,137
	177,914	228,064
Commissions for structuring other financial liabilities (b)	10,496	13,985
	188,410	242,049
Interest on hedging derivative instruments, note 29.1(i)(a) y 29.1(i)(b)	7,150	4,373
Loss by update of the fair value of the liabilities	1,734	478
	8,884	4,851
	197,294	246,900

(b) Corresponds mainly to structured commissions related to partial redemption of bonds amounting to S/4,848,000 (S/7,513,000 in the year 2018).

26. Related parties' transactions

(a) The main transactions with related during the years 2019 and 2018 were the following:

	2019 S/(000)	2018 S/(000)
Revenues:		
Cement sales –		
La Viga S.A.	415,622	418,595
Unión de Concreteras S.A.	170,218	209,891
Concremax S.A.	49,754	63,513
Prefabricados Andinos Perú S.A.C.	301	1,263
Asociación UNACEM	293	649
Dividends income, note 23(a) –		
Inversiones Imbabura S.A.	110,207	94,298
Inversiones en Concreto y Afines S.A.	29,882	-
Ferrocarril Central Andino S.A.	18,492	3,940
Vigilancia Andina S.A.	633	-
Compañía de Inversiones Santa Cruz S.A.	34	-
Blocks, bricks and paving sales –		
Unión de Concreteras S.A.	82,302	50,252
Concremax S.A.	4,306	20,401
Licenses - Intellectual property and trademarks – Abroad, note 23(a)		
UNACEM Ecuador S.A.	16,720	18,430
Administrative, technology and management support –		
Unacem Ecuador S.A.	3,400	8,961
Prefabricados Andinos Perú S.A.C.	523	544
Drake Cement LLC.	350	320
Depósito Aduanero Conchán S.A.	716	629
Income from royalties –		
Compañía Eléctrica el Platanal S.A., note 23(a)	5,084	4,868
Leases of plant, equipment and facility		
Unión de Concreteras S.A.	1,250	736
Compañía Eléctrica El Platanal S.A.	516	-
ARPL Tecnología Industrial S.A.	232	-
Depósito Aduanero Conchán S.A.	323	319
Prefabricados Andinos Perú S.A.C.	187	187
Others	280	231

	2019 S/(000)	2018 S/(000)
Other income –		
UNACEM Ecuador S.A.	2,090	2,304
Compañía Eléctrica el Platanal S.A.	557	655
Sunshine Concrete & Materials Inc	-	238
Others	387	306
Purchase and costs:		
Purchase of electric energy –		
Compañía Eléctrica el Platanal S.A.	96,817	81,173
Management services, note 20 –		
Sindicato de Inversiones y Administración S.A.	-	31,100
Inversiones Andino S.A.A.	-	12,100
Tolling agreement Service –		
Unión de Concreteras S.A.	37,257	18,455
Concremax S.A.	2,575	11,676
Commissions and freight costs of cement sales -		
La Viga S.A.	25,625	23,229
Concremax S.A.	256	792
Security service -		
Vigilancia Andina S.A.	23,400	22,268
Technical assistance and engineering services –		
ARPL Tecnología Industrial S.A.	18,741	18,467
Purchase of additional material -		
Unión de Concreteras S.A.	3,092	2,353
Concremax S.A.	1,524	2,689
Purchase and costs		
Management Project services		
ARPL Tecnología Industrial S.A.	7,365	5,598
Deposit management service –		
Depósito Aduanero Conchán S.A.	2,344	3,730
Expense reimbursements –		
Unión de Concreteras S.A.	5,823	5,595
ARPL Tecnología Industrial S.A.	306	403

	2019 S/(000)	2018 S/(000)
Others –		
Generación Eléctrica Atocongo S.A.	2,890	2,530
Unión de Concreteras S.A.	907	910
Depósito Aduanero Conchán S.A.	660	720
Drake Cement LLC	201	197
Basf Construction Chemicals Perú S.A.	184	-
Prefabricados Andinos Perú S.A.C	159	378
Inversiones Andino S.A.	-	985
Others	202	197

(b) As a result of these and other minor transactions, as of December 31, 2019 and 2018, the Company had the following balances with its related entities:

	2019 S/(000)	2018 S/(000)
Trade receivable		
Unión de Concreteras S.A.	44,015	54,933
La Viga S.A.	24,227	23,951
Concremax S.A.	13,689	11,649
Compañía Eléctrica El Platanal S.A.	5,443	4,929
UNACEM Ecuador S.A.	4,349	5,284
Drake Cement LLC	75	15,889
Others	434	1,747
	92,232	118,382
Dividends receivable, (d)		
Inversiones Imbabura S.A.	182,780	154,794
Compañía Eléctrica El Platanal S.A.	34,938	38,538
Inversiones en Concreto y Afines S.A.	29,454	7,816
	247,172	201,148
Loans receivable		
Drake Cement LLC	-	70,970
Drake Aggregates LLC	-	13,576
Skanon Investments Inc	-	6,402
Prefabricados Andinos Perú S.A.C.	-	5,550
	-	96,498
Total trade receivable, note 7(a)	339,404	416,028

	2019 S/(000)	2018 S/(000)
By term –		
Current portion	**236,470**	256,690
Non-current portion	**102,934**	159,338
	339,404	416,028
Trade payable, note 13(a) –		
Compañía Eléctrica El Platanal S.A.	18,975	9,365
Unión de Concreteras S.A.	15,180	41,103
ARPL Tecnología Industrial S.A.	7,728	6,482
La Viga S.A.	2,569	4,200
Vigilancia Andina S.A.	2,425	2,131
Concremax S.A.	810	6,023
Transporte Lurin S.A.	623	650
Depósito Aduanero Conchán S.A.C.	602	664
Generación Eléctrica Atocongo S.A.	524	685
Sindicato de Inversiones y Administración S.A.	-	16,481
Inversiones Andino S.A.	-	6,666
Inversiones en Concreto y Afines S.A.	-	308
Others	178	96
Total trade payable, note 13(a)	49,614	94,854

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

(c) In September 2019, accounts receivable from Drake Cement LLC, Drake Aggregates LLC and Sunshine Concrete & Materials Inc. were transferred to Skanon Investments Inc. (Skanon) and subsequently were capitalized for a total of US$52,761,000 (equivalent to S/178,439,000) as approved in the Board of Directors of the Company, see note 9(b)

(d) These dividends have been classified as financial assets measured at fair value with changes in other comprehensive income, in accordance with IFRS 9, and as a result of the impairment assessment during the years 2019 and 2018, a provision for loss of value of money over time of S/2,417,000 and S/5,289,000, respectively (S/1,704,000 and S/3,728,000 net of its income tax effect, respectively).

(e) The total remuneration paid to directors and key members of management as of December 31, 2019 is amounting to approximately S/24,374,000 (approximately S/23,730,000 in 2018), which include short-term benefits and compensation for time served.

27. Earnings per share

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

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

	2019 S/(000)	2018 S/(000)
Numerator		
Net income attributable to common shares	348,916	242,216
	Thousand	**Thousand**
Denominator		
Weighted average number of common shares	1,818,128	1,646,503
Basic and diluted earnings for common shares	0.192	0.147

28. Commitments and contingencies

28.1 Financial commitments -

As of December 31, 2019, the Company has the following commitments:

- Guarantee letter to the Ministry of Energy and Mines (MEM), issued by Banco de Crédito del Perú, by a total approximate of US$4,334,000 (equivalent to S/14,350,000) with maturity January 2019, in order to ensure compliance of the Mine Closure.

- Guarantee letter to the Ministry of Production, issued by Banco de Crédito del Perú, by a total approximate of US$429,000 (equivalent to S/1,420,000) with maturity December 2020, in order to ensure compliance of the Mine Closure.

28.2 Tax situation -

(a) The Company is subject to the Peruvian tax system. An income tax rate of 29.5% is set.

Legal persons not domiciled in Peru and natural persons are subject to the withholding of an additional tax on dividends received. In this regard, in accordance with Legislative Decree No. 1261, the withholding of the additional tax on dividends received will be 5 percent for profits generated from 2017 whose distribution is made from that date.

(b) For purposes of determining the Income Tax, the transfer prices for transactions with related entities and entities domiciled in territories with little or no taxation must be supported by documentation and information on the valuation methods used and the criteria considered for their determination. Based on an analysis of the Company's operations, management and its legal advisors believe that the application of this rule would not result in material contingencies for the Company as of December 31, 2019 and 2018.

(c) The Tax Authority has the power to review and adjust the income tax calculated by the Company in the four years following the year the tax returns presentation. The tax returns of the Income Tax for the years 2011 to 2013, 2016 to 2018 and the one that will be presented for the year 2019, as well as the value added tax ("IGV" for its acronym in Spanish) for the periods December 2014 to December 2019 are open to review by Tax Authority.

(d) Due to the interpretations likely to be given by the Tax Authority on current legal regulations, it is not possible to determine, as of this date, whether the reviews to be conducted will result or not in liabilities for the Company, therefore, any increased tax or surcharge that could arise from possible tax reviews will be applied to the results of the year in which it is determined. In the Management's and its legal advisors' opinion, any additional tax settlement would not be significant for the separate financial statements as of December 31, 2019 and 2018.

(e) As of December 31, 2019, the Company registered a provision of income tax by S/117,712,000, and credit to advance payments by S/82,252,000 (S/92,842,000 and S/100,618,000, respectively as of December 31, 2018). As of December 31, 2019, the net balance payable for S/23,928,000 is presented under the heading "Trade and other accounts payable", see note 13. As of December 31, 2018, the credit to advance payment amounting to S/7,776,000 and other credits amounting to S/3,649,000 are presented of the separate financial statement as "Trade receivables and others", see note 7.

28.3 Contingencies –

In the normal course of business, the Company has received several complaints of such tax, legal (labor and management) and regulatory, which are recorded and disclosed in accordance with International Financial Reporting Standards as set out in note 2.2(p).

(a) *Income tax -*

As a result of the inspections of previous years, the Company has been notified by the Superintendence of Tax Administration (SUNAT) with various resolutions for alleged omissions of income tax. In some cases, the Company has filed claims against higher instances for not finding that said resolutions are in accordance with the law and in others it proceeded to pay the payments received under protest. As of December 31, 2019 and 2018, the Company maintains balances receivable related to certain tax processes, see note 7(d), because in the opinion of the Company's Management and its legal advisors, there are reasonable arguments to obtain a result favorable to the interests of the Company.

Below is a brief description of the main tax processes of the Company:

- Income tax for the years 2000 and 2001 –
  On May 22, 2018, the Chamber of Constitutional and Social Permanent Law of the Supreme Court of Justice of the Republic notified the writ of appeal of cassation No. 12464-2017, through which the appeal filed by the Company was declared inadmissible. In June 2018, the Company filed a writ of amparo requesting the annulment of the qualifying. On August 13, 2019, the Eleventh Constitutional Court with Subspecialty in Tax and Customs Issues, issued Resolution No. 5 by which it was decided to declare the demand for amparo unfounded. On September 2, 2019, the Company filed an appeal against Resolution No. 5.

  To date, the appeal filed by the Company is pending resolution.

- Income tax for 2004 and 2005 -
  On November 5, 2018, the Company was notified with the Resolution of Intendance No. 0150150001764, through which the Tax Administration proceeded to comply with the provisions of Resolution No. 05598-1-2018, and proceeded to reconcile the debt corresponding to the taxable years 2004 and 2005.On November 21, of 2018, the Company filed an appeal to said resolution of mayor, considering that the re-liquidation carried out was not In accordance with law and on November 30, 2018, the Company filed a lawsuit against the Resolution of the Tax Court No. 05598-1-2018, in the aspects linked to certain tax breaks. On July 24, 2019, it aired Resolution No. 11 declaring the filed complaint unfounded by the Company against Resolution of the Tax Court No. 05598-1-2018.

  On August 16, 2019, the Tax Administration issued Coercive Execution Resolution No. 011-006-0058752, through which it arranged the coactive collection of tax debt corresponding to the Determination and Fine Resolutions corresponding to the periods January to December 2004 and 2005, as well as the Determination Resolution corresponding to 2004, for a total amount of S/8,143,000.

  On November 29, 2019, Resolution No. 17 was issued confirming Resolution No. 11 that declared the claim unfounded. On December 17, 2019, the Company filed the appeal against Resolution No. 17. To date, this appeal is pending resolution by the Supreme Court.

- Income tax for the year 2010 -
  The Company was notified with been notified by SUNAT with Determination Resolution No. 012-003-0075352 for alleged omissions to the Income Tax. In some cases, the Company has filed appeals for not finding the corresponding resolutions in accordance with the regulations in force in Peru and in others it has made the payment of the received assessments. To dates the appeal filed by the Company is pending.

- Income tax for the year 2013 -
  On March 2, 2018, the Company was notified with Resolution No. 1300-3-2019, whereby the Tax Court resolved to confirm Resolution of Intendance No. 0150140013936 that is related to the Resolution of Fine No. 011 -002-00218000 issued by the Tax Administration in 2017. The Company made the payment of the fine resolution indicated above for S/7,129,000. On May 22, 2019, the Company filed a contentious-administrative lawsuit against the Tax Court Resolution No. 1300-3-2019. To date, the judgment of first instance is pending.

- Excise tax –
  As of December 31, 2018, the Company maintained claims for selective consumption tax, which have been fully collected in the fourth quarter of 2019.

(b) *Administrative -*
On April 30, 2019, the appeal filed by the Company related to Resolution No. 004-2010 / ST-CLC-INDECOPI of March 25, 2010 was declared inadmissible and therefore the Company proceeded to pay the full amount of administrative debt amounting to S/6,250,000, see note 23 (a).

28.4 Mining royalties –
According to the law and regulation of royalties for the metallic and non-metallic mining activity in effect from October 1, 2011, the mining royalty for the metallic and non-metallic mining activities of the holders or assignees of mining concessions, must be liquidated quarterly and for its determination, the highest amount will be used between: (i) the amount obtained by applying a staggered table of marginal rates to be applied to the quarterly operating profit adjusted for certain items; and, (ii) 1% of net sales for the quarter. These amounts should be determined based on the separate financial statements prepared under IFRS of the Company whose operations are within the scope of this standard. Payments for this mining royalty are deductible for purposes of determining the income tax for the year in which the payments are made.

Mining royalty expense paid to the Peruvian Government for the years 2019 and 2018 amounted to S/4,176,000 and S/3,874,000, respectively, see note 16(b).

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

(a) Industrial activities -
The Law N° 28611 General Environment Law and the Law N° 27446 National System of the Evaluation of Environment, regulates the environmental responsibilities of all the activities from their identification, prevention, supervision, control and anticipated correction of the negative environmental impacts derived from the human actions expressed through the investment project.

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

Currently, the Company has an EIA for the modernization of its industrial plant facility approved by the Ministry of Production in May 2011, and has been executing environmental protection activities with an accumulated investment as of December 31, 2019 of US$58,674,000(US$57,514,000 as of December 31, 2018) for implementation of the environmental management plan in the cement manufacturing process.

(b) Mining and port activities –
In relation to its mining and port activities, the Company in the environmental impact studies (EIA by its acronym in Spanish) mentioned in note 28.5(a), which are in compliance with the terms and amounts determined in such studies, and the accumulated investment in mining and port activities as of December 31, 2019 amounts to approximately US$22,632,000 (approximately US$21,966,000 as of December 31, 2018).

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

As of December 31, 2019 and 2018, the provision for mine closure amounts to approximately S/32,066,000 (S/38,077,000 as of December 31,2018), and it is included in the "Provisions" caption in the separate statement of financial position, see note 15(c). The Company believes that this liability is sufficient to meet environmental protection laws in force approved by the Ministry of Energy and Mines. The Company presented updates of the quarry closure plan of its main units to the Ministry of Production, of which, to date, only the Atocongo Quarry Closure Plan has been approved, the other units are under evaluation, of according to what is established by law.

(c) Use of hydrocarbons –
Supreme Decree Nº 039-14-EM Regulation for the Protection of Hydrocarbon Activities updated on November 5, 2014 regulates the activities performed by the Company related to use of hydrocarbons as final user. In compliance with this regulation, the Company has a PAMA that was approved by the Ministry of Energy and Mines in 1996. As of December 31, 2019, the Company has made an accumulated investment of approximately US$122,000 (US$114,000 as of December 31, 2018).

29. Financial risk management, objectives and policies

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

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

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

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

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

The sensitivity analyses shown in the following sections relate to the position as of December 31, 2019 and 2018.

The sensitivity analyses have been prepared on the basis that the amount of net debts, the ratio of fixed to floating interest rate of the debt and the proportion of financial instruments in foreign currencies are all constant as of December 31, 2019 and 2018.

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

(a) Derivative Financial instruments from hedge -

As of December 31 2019 and 2018, The Company has three contracts interest rate swap designated as cash flow hedges and are recorded at their fair value. The details of these operations are as follows:

Counterparty	Reference value	Maturity	Receives variable rate at	Fix rate pay at:	Fair value	
					2019	2018
	US$(000)				S/(000)	S/(000)
Liability -						
Citibank N.A.	50,000	October de 2025	Libor 3 month + 1.75%	5.700%	15,369	11,806
Santander S.A.	45,000	November 2023	Libor 3 month + 1.85%	5.030%	8,892	4,440
Bank of Nova Scotia	30,000	September 2025	Libor 3 month + 2.60%	5.660%	4,544	2,161
					28,805	18,407

Financial instruments are intended to reduce exposure to interest rate risk variable associated with the financial obligations set out in note 14.1 (c.1).

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

The Company has designated it as a hedge, given that it has determined that there is an economic relationship between the hedged item and the hedging instrument.

In October 2018, a hedge contract was signed with Citibank N.A., and in November 2018 two hedge contracts were signed with Banco Santander S.A. and Bank of Nova Scotia; with the purpose of reducing the risk of the variable interest rate associated with the loan obtained on October 2, November 27 and October 31, 2018, respectively, see note 14.1(c.1).

The effective portion of the variations in the fair value of derivative financial instruments that qualify as hedging are recognized as assets or liabilities, having as equity the equity. The effect recognized in the "Unrealized results" heading of the separate statement of comprehensive income in the years 2019 and 2018 corresponds to approximately S/7,331,000 and S/13,177,000, respectively, which are presented net of the effect on income tax, respectively.

In addition, the Company recognized a financial expense for these derivative financial instruments of approximately S/4,316,000 (S/836,000 during the year 2018), the amounts of which have been effectively paid during the year and are presented as part of the caption "Financial Costs" of the separate statement of comprehensive income, see note 25.

(b) Derivative Financial instruments from trading -

Counterparty	Reference value		Maturity	Receives variable rate at:	Pays fix rate at:	Fair value 2019	Fair value 2018
	2019	2018					
	US$(000)	US$(000)				S/(000)	S/(000)
Liabilities -							
Citibank N.A. New York	35,000	56,000	October 2020	Libor to 3 months + 1.08%	5.200%	2,459	4,313
						2,459	4,313

As of December 31, 2019 and 2018, the variation in the fair value of the derivate financial instruments that qualify as negotiation is recognized as expense or income and the effect in the year. As of December 31, 2019, the effect amounts to approximately S/1,854,000 (S/5,547,000 as of December 31, 2018) and is presented as part of the line caption "Financial income" and "Financial costs" of the separate statement of comprehensive income, see note 24.

Also, during the year 2019 the Company recognized a financial expense for these derivative financial instruments amounting to approximately S/2,834,000 (S/3,537,000 during the year 2018), whose amounts have been effectively paid during the year and are presented as part of the "Financial expenses "of the separate statement of income, see note 25.

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

Increase / decrease in basis points	Impact on income before income taxes	
	2019	2018
%	S/(000)	S/(000)
+10	(1,051)	(1,543)
-10	1,051	1,543

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

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

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

The result of holding balances in foreign currency for the Company in years 2019 and 2018 was a loss in exchange difference amounting approximately S/18,873,000 (a loss of approximately S/45,731,000 and earn approximately S/64,604,000) and a loss net of approximately S/60,449,000 (loss of approximately S/129,128,000 and earn of approximately S/68,679,000), respectively, which are presented in the caption "Exchange difference, net" in the separate statement of income.

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

Change in US Dollars exchange rate	**Effect on profit before tax**	
	2019	**2018**
%	S/(000)	S/(000)
+5	(20,888)	(56,795)
+10	(41,777)	(113,590)
-5	20,888	56,795
-10	41,777	113,590

29.2 Credit risk –
Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to a credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks and financial institutions, and trade and other receivables. The maximum credit risk of the components of the financial statements as of December 31, 2019 and 2018 is represented by the amount of the captions cash and cash equivalents, trade and other accounts receivable.

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

Trade accounts receivable –
Customer credit risk is managed by management, subject to the Company's established policies, procedures and controls. Outstanding customer receivables are regularly monitored to assure the collection. The credit quality of a client is evaluated based on an extensive scorecard of credit rating and individual credit limits that are defined with this evaluation.

Outstanding assets from customers' accounts receivable and contracts are regularly monitored and any shipments to major customers are generally covered by letters of credit or other forms of credit insurance obtained from accredited companies.

The Company's sales are mainly made to domestic customers and it has a portfolio of 50 clients as of December 31, 2019 (47 to December 31, 2018). The Company's 4 largest clients account for approximately 51 percent of sales (approximately 47 percent of its sales as of December 31, 2018).

An impairment analysis is performed on each reporting date using a provision matrix to measure the expected credit of losses. Provision rates are based on days due for groupings of different customer segments with a similar pattern of loss (i.e., by geographic region, type of product, type and rating of the customer, and coverage by letters of credit or other forms of insurance of credit). The calculation reflects the weighted probability result, the value of money over time and the reasonable and valid information that is available on the date of reporting on past events, current conditions and forecasts of future economic conditions. In general, trade accounts receivables are written off if they are due for more than one year and are not subject to compliance activities. The maximum exposure to credit risk at the reporting date is the carrying amount of each class of financial assets disclosed in note 7(a) of the separate statement of financial position.

The Company has no collateral guarantees (letters of credit). Customer bond letters are considered an integral part of the sales and are considered in the calculation.

As of December 31, 2019, 17 percent (18 percent as of December 31, 2018) of the Company's trade accounts receivable are covered by letters of guarantee and other forms of credit insurance. The credit behavior obtained by the Company resulted in an increase in the PCE (expected credit loss) of S/1,987,000 and of S/2,114,000 as of December 31, 2019 and 2018, respectively. Due to the political environment and the investigation processes for alleged corruption in public works construction companies Through Concessions with the Peruvian State, the construction sector has more risk.

The Company evaluates the concentration of risk with respect to commercial accounts receivable as a low risk; since, its clients belong mainly to the private sector and it is managed in an independent market to the contracting with the Peruvian State. Additionally, sales to construction companies represent 0.9 percent of sales in 2019 (0.5 percent of sales in 2018).

Accounts receivable related various -
Accounts receivable from various related companies mainly correspond to dividends and loans granted, such loans accrue interest at a market rate. Dividends receivable are classified as Financial Assets at fair value with changes in other comprehensive income, and are not subject to impairment.

Other accounts receivable –
Accounts receivable correspond to balances pending of collection due to concepts not related to the main operation activities of the Company. As of December 31, 2019 and 2018, other accounts receivable corresponds mainly to: advances to suppliers, claims to Tax Authority and claims to third parties. Company’s Management made a continuous monitoring of the credit risk

to such items and periodically, it assesses the balances that evidence an impairment to determine the required allowance for no recoverability.

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

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

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

	As of December 31, 2019			
	From 3 to 12 months S/(000)	**From 1 to 3 years** S/(000)	**From 4 to 8 years** S/(000)	**Total** S/(000)
Trade and other payable	300,579	-	-	300,579
Other financial liabilities				
Amortization of capital	383,762	1,654,284	1,029,519	3,067,565
Flow of interest payments	154,751	323,023	60,713	538,487
Total liabilities	839,092	1,977,307	1,090,232	3,906,631

	As of December 31, 2018			
	From 3 to 12 months S/(000)	**From 1 to 3 years** S/(000)	**From 4 to 8 years** S/(000)	**Total** S/(000)
Trade and other payable	314,507	-	-	314,507
Other financial liabilities				
Amortization of capital	224,163	2,174,329	850,569	3,249,061
Flow of interest payments	177,040	339,777	58,224	575,041
Total liabilities	715,710	2,514,106	908,793	4,138,609

29.4 Capital management-

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

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

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

No changes were made in the objectives, policies or processes for managing capital during the years ended December 31, 2019 and 2018.

30. Fair values

Instruments recorded at fair value according to hierarchy –

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

	Level 2 S/(000)	Total S/(000)
As of December 31, 2019		
Assets financial		
Dividends receivable	247,172	247,172
Total financial assets	247,172	247,172
Liability financial		
Derivative financial instruments	31,264	31,264
Total financial liabilities	31,264	31,264

	Level 2 S/(000)	Total S/(000)
As of December 31, 2018		
Assets financial		
Dividends receivable	201,148	201,148
Total financial assets	201,148	201,148
Liability financial		
Derivative financial instruments	22,720	22,720
Total financial liabilities	22,720	22,720

(b) Financial instruments not measured at fair value -

Below are the other financial instruments that are carried at amortized cost and whose estimated fair value is disclosed in this note, as well as the level in the hierarchy of said fair value.

Level 1 –

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

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

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

Level 2 –

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

	2019		2018	
	Carrying value S/(000)	Fair value S/(000)	Carrying value S/(000)	Fair value S/(000)
Bank notes	116,095	113,087	207,974	195,107
Other financial liabilities (*)	2,893,375	2,598,202	3,041,087	2,621,342

(*) As of December 31, 2019 and 2018, the balance does not include bank notes, see note 14.

31. Change in liabilities arising from financing activities continued

The reconciliation of the movements in the financial obligations and the financing activities of the separate cash flow statement is presented below:

	As of January 1, 2019 S/(000)	Cash flows S/(000)	New bank loans S/(000)	Declared dividends S/(000)	Dividends Merger S/(000)	Exchange difference effect S/(000)	Other S/(000)	As of December 31, 2019 S/(000)
Overdrafts and bank notes	207,974	(133,610)	45,000	-	-	(3,269)	58,095	174,190
Obligations for debt contracts, financial lease contracts and bond contracts	3,041,087	(909,726)	771,660	-	-	(14,275)	4,629	2,893,375
Dividends payables	178	(120,818)	-	92,312	35,819	-	(897)	6,594
Derivatives financial instruments								
Total liabilities from financing activities	3,249,239	(1,164,154)	816,660	92,312	35,819	(17,544)	61,827	3,074,159

	As of January 1, 2018 S/(000)	Cash flows S/(000)	New bank loans S/(000)	Declared dividends S/(000)	Dividends Merger S/(000)	Exchange difference effect S/(000)	Other S/(000)	As of December 31, 2018 S/(000)
Confirming and bank loans	452,778	(451,553)	198,800	-	-	7,949	-	207,974
Obligations for debt contracts, financial lease contracts and bond contracts	2,940,140	(1,693,604)	1,717,220	-	-	77,495	(164)	3,041,087
Dividends payables	261	(85,701)	-	85,618	-	-	-	178
Total liabilities from financing activities	3,393,179	(2,230,858)	1,916,020	85,618	-	85,444	(164)	3,249,239

32. Subsequent events

At a Board meeting dated January 31, 2020, it was approved to distribute dividends against unrestricted earnings of approximately S/23,636,000 (S/0.013 per share).

Between January 1, 2020 and the date of issuance of these separate financial statements (February 25, 2020), no other significant events of a financial-accounting nature have occurred that may affect the interpretation of these separate financial statements.

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