Unión Andina de Cementos S.A.A.

UN-AUDITED Separate Interim Financial Statements
As of September 30, 2019, and December 31, 2018

UNIÓN ANDINA DE CEMENTOS S.A.A.
Statement of Financial Position
As of September 30th, of 2019 and December 31st, 2018
(In thousands of Soles)

	Notes	As of September 30th, 2019	As of December 31, 2018
Assets			
Current Assets			
Cash and cash equivalents	3	21,366	29,956
Other Financial Assets		0	0
Trade Accounts Receivable and other accounts receivable	4	**312,206**	**366,875**
Trade Accounts Receivable , net	0	75,574	64,140
Other Accounts Receivable , net	0	18,845	36,874
Accounts Receivable from Related Companies	0	201,731	256,690
Advanced payments	0	16,056	9,171
Inventories	5	622,904	572,839
Biological Assets		0	0
Assets by Income Taxes	4	0	11,425
Other Non-Financial Assets		15,064	10,939
Total Current Assets different than assets or groups of assets for its classified as held for sale or for distribution to owners		**971,540**	**992,034**
Non-current assets or groups of assets for disposal Classified as Held for Sale		0	0
Non-current assets or groups of assets for its classified as held for distribution to owners		0	0
Non-current assets or groups of assets for disposal Classified as Held for Sale or Held for distribution to owners		**0**	**0**
Total Current Assets		**971,540**	**992,034**
Non-Current Assets			
Other Financial Assets		0	0
Investments in subsidiaries, joint ventures and associates	6	3,544,212	3,390,222
Trade Accounts Receivables and other accounts receivables	4	**217,370**	**186,014**
Trade Accounts Receivable		168,810	159,338
Other Accounts Receivable		48,560	26,676
Accounts Receivable from Related companies		0	0
Advanced payments		0	0
Biological Assets		0	0
Investment Property		0	0
Property, Plant and Equipment , net	7	3,855,791	3,838,524
Intangible Assets , net	9	30,336	31,515
Assets Deferred Income Tax		0	0
Surplus value	9	9,745	9,745
Other Assets	8	114,268	118,100
Total Non-current Assets		**7,771,722**	**7,574,120**
TOTAL ASSETS		**8,743,262**	**8,566,154**

	Notes	As of September 30th, 2019	As of December 31, 2018
Liabilities and Stockholders' Equity			
Current Liabilities			
Other Financial Liabilities	11	511,325	224,163
Trade accounts payable and other payable accounts		**355,026**	**325,917**
Trade Accounts Payable	10	230,707	166,467
Other Accounts Payable	10	82,228	53,186
Accounts payable to related companies	10	30,330	94,854
Diferred Income	12	11,761	11,410
Provision for Employee Benefits		0	0
Other provisions	13	27,134	21,100
Income Tax Liabilities		18,917	0
Other non-financial liabilities		0	0
Total Current Liabilities different of Liabilities included groups of assets for disposal Classified as Held for Sale		**912,402**	**571,180**
Liabilities included in asset groups classified as held for sale		0	0
Total Current Liabilities		**912,402**	**571,180**
Non-Current Liabilities			
Other Financial Liabilities	11	2,568,494	3,024,898
Trade accounts payable and other payable accounts	0	**0**	**0**
Trade Accounts Payable		0	0
Other Accounts Payable		0	0
Accounts payable to related companies	0	0	0
Deferred Income		0	0
Provision for Employee Benefits		0	0
Other provisions	13	27,071	35,124
Liabilities Deferred Income Taxes	14	468,145	495,928
Other non-financial liabilities	24.1(i)	37,309	22,720
Total Non-Current Liabilities		**3,101,019**	**3,578,670**
Total Liabilities		**4,013,421**	**4,149,850**
Stockholders' Equity			
Capital Issued		1,818,128	1,646,503
Issuance Premiums		-56,125	0
Investment shares		0	0
Treasury Shares in portfolio		0	0
Other Capital Reserves		357,466	329,301
Accrued Results		2,638,069	2,457,207
Other Equity Reserves		-27,697	-16,707
Total Stockholders' Equity	-	**4,729,841**	**4,416,304**
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		**8,743,262**	**8,566,154**

UNIÓN ANDINA DE CEMENTOS S.A.A.
Statement Income
For the periods ended September 30th, 2019 and 2018
(In thousands of Soles)

	Notes	For the specific quarter from July 1, to September 30th, 2019	For the specific quarter from July 1, to September 30th, 2018	For the cummulative period from January 1st to September 30th, 2019	For the cummulative period from January 1st to September 30th, 2018
Incomes from ordinary activities	16	493,913	497,885	1,471,443	1,461,177
Cost of Sales	17	-328,195	-310,764	-979,199	-888,926
Profit (Loss) Gross	**-**	**165,718**	**187,121**	**492,244**	**572,251**
Sales Expenses		-24,551	-19,529	-53,178	-42,862
Administrative expenses	18	-38,427	-45,402	-105,278	-140,474
Profit (Loss) in the write-off of financial assets carried at amortized cost		-	-	-	-
Other Operating Income	19	14,778	12,856	151,936	149,679
Other Operating Expenses	19	-2,884	-6,222	-15,233	-43,420
Other profit (loss)		-	-	-	-
Profit (Loss) from operating activities		**114,634**	**128,824**	**470,491**	**495,174**
Financial Income		3,609	4,103	20,578	11,352
Financial Expenses	20	-45,752	-47,607	-140,140	-145,548
Exchange differences, net		-26,543	-14,053	1,826	-27,764
Other income (expense) from subsidiaries, joint ventures and associates		-	-	-	-
Share of Profit (Loss) in net results from Equity-Accounted Joint Ventures and related companies		-	-	-	-
Difference between the book value of the distributed assets and the book value of the divided payable		-	-	-	-
Gains before Income tax		**45,948**	**71,267**	**352,755**	**333,214**
Income tax expenses	14(b)	-13,986	-22,290	-75,491	-80,802
Profit (Loss) Net of Continued Operations		**31,962**	**48,977**	**277,264**	**252,412**
Profit (loss) net of the tax to the profit from discontinued operations		-	-	-	-
Profit (loss) net of the year		**31,962**	**48,977**	**277,264**	**252,412**

UNIÓN ANDINA DE CEMENTOS S.A.A.
Statement of Comprehensive Income
For the periods ended September 30th, 2019 and 2018
(In thousands of Soles)

	Notas	For the specific quarter from July 1, to September 30th, 2019	For the specific quarter from July 1, to September 30th, 2018	For the cummulative period from January 1st to September 30th, 2019	For the cummulative period from January 1st to September 30th, 2018
Net Profit (Loss) of the year		**31,962**	**48,977**	**277,264**	**252,412**
Components of other comprehensive income:					
Net Change for Cash Flow Hedges		0	0	0	0
Hedges of a Net Investment in a Foreign Operation		0	0	0	0
Profit (Loss) in equity instrument investments at fair value		0	0	0	0
Exchange difference on translation of Foreign Operations		0	0	0	0
Net variation of non-current assets or groups of assets held for sale		0	0	0	0
Revaluation Surplus		0	0	0	0
Actuarial Gain (Loss) on defined benefit pension plans		0	0	0	0
Changes in the fair value of financial liabilities attributable to changes in the credit risk of the liability		0	0	0	0
Other Comprehensive Income Pre Tax		**-**	**-**	**-**	**-**
Income tax relating to components of other comprehensive income					
Net Change for Cash Flow Hedges		-2,263	-92	-10,990	-198
Hedges of a Net Investment in a Foreign Operation		0	0	0	0
Profit (Loss) in equity instrument investments at fair value		0	0	0	0
Exchange difference on translation of Foreign Operations		0	0	0	0
Net variation of non-current assets or groups of assets held for sale		0	0	0	0
Gains (Losses) for Financial Assets Measured at Fair Value with Changes in Other Comprehensive Income, net of Taxes		0	0	0	0
Actuarial Gain (Loss) on defined benefit pension plans		0	0	0	0
Changes in the fair value of financial liabilities attributable to changes in the credit risk of the liability		0	0	0	0
Sum of Income Tax-Related Components of other comprehensive income		**-2,263**	**-92**	**-10,990**	**-198**
Other Comprehensive Income		**-2,263**	**-92**	**-10,990**	**-198**
Total Comprehensive Income for the period , net of income tax		**29,699**	**48,885**	**266,274**	**252,214**

UNIÓN ANDINA DE CEMENTOS S.A.A.
Statement of Cash Flow
Direct Method
For the periods ended September 30th, 2019 and 2018
(In thousands of Soles)

	Notes	As of January 1st, 2019 to September 30th, 2019	As of January 1st, 2018 to September 30th, 2018
Operating activities cash flows			
Types of cash collections from operating activities			
Sale of Goods and Services		1,788,985	1,695,891
Royalties, fees, commissions and other income from ordinary activities		0	0
Contracts held for brokering or trading purposes		0	0
Lease and subsequent sales of such assets		0	0
Other Cash Receipts Related to Operating Activity		71,952	47,366
Types of cash collections from operating activities			
Suppliers of goods and services		-1,069,062	-903,804
Contracts held for brokering or trading purposes		0	0
cash payments to and on behalf of employees		-154,248	-153,632
Elaboration or acquisition of assets to be leased and other assets held for sale		0	0
Other Cash Payments Related to Operating Activity		-124,770	-106,621
Cash flows and cash equivalents from (used in) Operating Activities		**512,857**	**579,200**
Interests received (not included in the Investment Activities)		0	0
Interests paid (not included in the Investment Activities)		-127,187	-116,509
Dividends Received (not included in the Investment Activities)		47,815	42,061
Dividends Paid (not included in the Investment Activities)		0	0
Income tax (paid) reimbursed		-64,652	-121,256
Other cash collections (payments)		0	0
Cash flows and cash equivalents from (used in) Operating Activities		**368,833**	**383,496**
Cash flows from Investment activities			
Type of cash collections from investment activities			
Reimbursement of loan repayment and loans granted to third parties		0	0
Loss of control of subsidiaries or other businesses		0	0
Loan repayments received from related parties		0	0
Sale of Equity-related Financial Instruments or debt of other entities		0	0
Derivatives contracts (Futures, Forwards or Options)		0	0
Sales of Interest in Joint Ventures, Net of the expropriated cash		0	0
Sale of Property, Plant and Equipment		0	0
Sale of intangible assets		0	0
Sale of other long- term assets		0	0
Government Subventions		0	0
Interests received		0	0
Dividends received		0	0
Type of cash payments from investment activities			
Advances and loans granted to third parties		0	0
Controlling interest of subsidiaries and other businesses		0	0
Loans from related		0	0
Purchase of Financial Instruments of equity or debt of other entities	0	-23,021	-1,206
Derivatives contracts (Futures, Forwards or Options)		0	0
Purchase of Subsidiaries, Net of cash acquired		0	0
Purchase of Joint Venture shares, Net of the cash acquired		0	0
Purchase of Property, Plant and Equipment	0	-113,047	-61,260

UNIÓN ANDINA DE CEMENTOS S.A.A.
Statement of Cash Flow
Direct Method
For the periods ended September 30th, 2019 and 2018
(In thousands of Soles)

	Notes	As of January 1st, 2019 to September 30th, 2019	As of January 1st, 2018 to September 30th, 2018
Purchase of intangible assets	0	-1,756	-1,148
Purchase of other long- term assets		0	0
Income tax (paid) reimbursed		0	0
Other cash receipts (payments) relating to Investment activities			
Cash flows and cash equivalents from (used in) investing activities		**-137,824**	**-63,614**
Cash flows from Financing activities			
Type of cash collections from financing activities			
Loan securing		0	217,061
Loans from related entities		0	0
Changes to the subsidiaries ownership interest not resulting in the loss of control		0	0
Issuance of Shares		0	0
Issuance of Other Equity Instruments		0	0
Government Subventions		0	0
Type of cash payments from financing activities		0	0
Loan Amortization or payment		-175,718	-517,718
Financial leasing liabilities		0	0
Loans from related entities		0	0
Changes to the subsidiaries ownership interest not resulting in the loss of control		0	0
Redemption or repurchase of the entities' shares (Shares in the portfolio)		0	0
Acquisition of other equity interest		0	0
Interests paid		0	0
Dividends paid	0	-91,667	-64,302
Income tax (paid) reimbursed		0	0
Other cash receipts (payments) relating to financing activities		26,978	0
Cash flows and cash equivalents from (used in) financing activities		**-240,407**	**-364,959**
Increase (Decrease) in Net Cash and cash equivalents, before Changes in Foreign Exchange Rates		**-9,398**	**-45,077**
Effects of Changes in Foreign Exchange Rates on Cash and Cash Equivalents		808	-206
Increase (Decrease) in Net Cash and Cash Equivalents		**-8,590**	**-45,283**
Cash and cash equivalents at beginning of year		**29,956**	**97,704**
Cash and cash equivalents at end of year		**21,366**	**52,421**

UNIÓN ANDINA DE CEMENTOS S.A.A.
Statement of change in Stockholder's Equity
For the periods ended September 30th, 2019 and 2018
(In thousands of Soles)

	Capital Issued	Issuance Premiums	Investment shares	Treasury Shares in Portfolio	Other Capital Reserves	Accrued Results	Other Equity Reserves									Total Stockholders' Equity
							Cash Flow Hedges	Investment Hedges, net of foreign businesses	Investments in equity instruments accounted at fair value	Exchange difference on translation of Foreign Operations	Non-current assets or groups of assets for held for sale	Revaluation Surplus	Actuarial Profit (Loss) on defined benefit plans	Changes in the fair value of financial liabilities attributable to changes in the credit risk of the liability	Subtotal	
Balances as of January 1, 2018	1,646,503	-		-	329,301	2,300,609	198								198	4,276,611
1. Changes in Accounting Policies	-	-	-	-	-	-	-								-	-
2. Correction of Errors	-	-	-	-	-	-	-								-	-
3. Restated Initial Balance	1,646,503	-	-	-	329,301	2,300,609	198	-	-	-	-	-	-	-	198	4,276,611
4. Changes in Stockholders' Equity:																
5. Comprehensive Income:																
6. Gain (Loss) for the year						252,412										252,412
7. Other Comprehensive Income:						-	-198	-	-	-	-	-	-	-	-198	-198
8. Comprehensive Income - Total year						252,412	-198	-	-	-	-	-	-	-	-198	252,214
9. Cash Dividends Declared					-	-64,213										-64,213
10. Equity Issuance (reduction)	-	-	-	-	-	-										-
11. Reduction or amortization of Investment shares		-	-	-		-										-
12. Increase (decrease) in Other Contributions by Owners	-	-	-	-	-	-										-
13. Decrease (Increase) for Other Distributions to Owners	-	-	-	-	-	-										-
14. Increase (Decrease) due to changes in the subsidiaries ownership interest not resulting in the loss of control	-	-	-	-	-	-										-
15. Increase (decrease) for transactions with Treasury Shares in Portfolio	-	-	-	-	-	-										-
16. Increase (Decrease) for Transfer and other Equity Changes	-	-	-	-	-	-										-
Total Equity Increase (decrease)	-	-	-	-	-	188,199	-198	-	-	-	-	-	-	-	-198	188,001
Balance as of September 30th, 2018	1,646,503	-		-	329,301	2,488,808	-	-		-		-		-	-	4,464,612
Balance as of January 1, 2019	1,646,503	-		-	329,301	2,457,207	-12,977			-		-		-3,730	-16,707	4,416,304
1. Changes in Accounting Policies	-	-	-	-	-	-			-	-	-	-	-	-	-	-
2. Correction of Errors	-	-	-	-	-	-			-	-	-	-	-	-	-	-
3. Restated Initial Balance	1,646,503	-	-	-	329,301	2,457,207	-12,977		-		-		-	-3,730	-16,707	4,416,304
4. Changes in Stockholders' Equity:																
5. Comprehensive Income:																
6. Gain (Loss) for the year						277,264										277,264
7. Other Comprehensive Income:						-	-10,990	-	-	-	-	-	-	-	-10,990	-10,990
8. Comprehensive Income - Total year						277,264	-10,990		-		-		-	-	-10,990	266,274
9. Cash Dividends Declared					-	-68,676										-68,676
10. Equity Issuance (reduction)	-	-	-	-	-	-										-
11. Reduction or amortization of Investment shares		-	-	-		-										-
12. Increase (decrease) in Other Contributions by Owners	-	-	-	-	-	-										-
13. Decrease (Increase) for Other Distributions to Owners	-	-	-	-	-	-										-
14. Increase (Decrease) due to changes in the subsidiaries ownership interest not resulting in the loss of control	-	-	-	-	-	-										-
15. Increase (decrease) for transactions with Treasury Shares in Portfolio	-	-	-	-	-	-										-
16. Increase (Decrease) for Transfer and other Equity Changes	171,625	-56,125	-	-	28,165	-27,726										115,939
Total Equity Increase (decrease)	171,625	-56,125	-	-	28,165	180,862	-10,990	-	-	-	-	-	-	-	-10,990	313,537
Balance as of September 30th, 2019	1,818,128	-56,125	-	-	357,466	2,638,069	-23,967	-	-	-	-	-	-	-3,730	-27,697	4,729,841

1. Identification and economic activity

Unión Andina de Cementos S.A.A. (hereinafter “the Company”) was incorporated in December 1967. On July 24, 2012, the General Shareholders’ Meeting approved to change the Company’s name from Cementos Lima S.A.A. to Unión Andina de Cementos S.A.A. Up to December 31, 2018, The Company was a subsidiary of Sindicato de Inversiones y Administración S.A. which holds 43.38 percent of the Company’s issued capital, which in turn was a subsidiary of Inversiones JRPR S.A., ultimate parent of the consolidated economic Group.

At the General Shareholders' Meeting held on December 28, 2018, was approved 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.

After the corporate reorganization and the registration of the public deed of capital increase, Inversiones JRPR S.A. and Nuevas Inversiones S.A. have 26.55 and 25.25 percent of the Company's shares, respectively. Investments JRPR S.A. is the Company's new parent company, and continues to be the ultimate parent of the Consolidated Economic Group.

The effective date of the merger was January 1, 2019, and included: (i) the absorption of Sindicato de Inversiones y Administración S.A. (SIA), Inversiones Andino S.A (IASA) and Inmobiliaria Pronto S.A. (PRONTO) by the Company, and (ii) the issuance of shares by the Company in favor of the shareholders of the absorbed companies. On April 30, 2019, the public deed of merger by absorption, capital increase due to merger and partial modification of the bylaws was registered, see note 15 (a).

At the General Shareholders' Meeting held on May 28, 2019, the simple merger of the Company as an acquiring Company and Cementos Portland S.A.C. as an absorbed company was approved unanimously, without an increase in share capital. The effective date of the merger was June 1, 2019. On September 5, 2019, the public deed of simple merger was registered.

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

The Company’s main activity is the production and sale, for local and foreign market, of all types 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 the third quarter, 2019 have been issued with Management authorization and on October 23, 2019 will be presented for the approval of the Board of Directors. The Separate financial statements of 2018 were approved on March 22, 2019 by the Annual Shareholders Meeting within the terms established by law.

2. Summary of significant accounting policies

The accounting policies adopted to prepare the separate financial statement are consistent with those applied on December 31, 2018, except when otherwise indicated.

2.1 Basis of preparation -

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

The 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.

The interim financial statements provide comparative information for earlier periods, however, does not include all information and disclosures required in the annual financial statements and should therefore be read in conjunction with the audited report as of and for the year ended on December 31, 2018.

2.2 New accounting standards -

The relevant standards and interpretations applicable to the Company are described below.

- *IFRS 16 "Leases"*

IFRS 16 was issued in January 2016 and replaces IAS 17 Leases, IFRIC 4 Determination of whether an agreement contains a lease, SIG 15 Operating Leases-Incentives and SIC-27 Evaluation of the transactions essence that take the legal form of a lease. IFRS 16 sets out the principles for the recognition, valuation presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the current accounting for finance leases under IAS 17. The standard includes two recognition exceptions for lessees - leases of "low cost" assets (for example, personal computers) and short-term leases (for example, leases with a term of 12 months or less). On the start date of the lease, the lessee will recognize a liability for payments to be made for the lease (the liability for the lease) and an asset that represents the right to use the underlying asset during the term of the lease (that is, the asset for the right of use). The lessees will need to separately recognize the interest expense on the lease liability and the depreciation expense related to the asset for right of use.

The lessees must also re-measure the lease liability when certain events occur (for example, a change in the term of the lease, 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 reassessment of the liability for the lease as an adjustment to the asset for the right of use.

The accounting of the lessor according to IFRS 16 is not substantially modified with respect to the current requirements of IAS 17. The lessors will continue to classify all leases using the same principles classification as in IAS 17 and distinguishing between two types of leases: operating and financial.

IFRS 16 is effective for annual periods beginning on or after January 1, 2019, and requires lessees and lessors to disclose more detailed disclosures than those required by IAS 17.

In general, the Company has not determined significant effects in the application of this rule.

- *IFRIC 23– Uncertainty over income tax treatments*

  The Interpretation addresses the income tax accounting when tax treatments involve an uncertainty that affects the application of IAS 12 and does not apply to taxes or charges outside the scope of IAS 12, nor does it specifically include the requirements related to interest and penalties that could be derived. The Interpretation specifically addresses the following aspects:

  - If an entity has to consider fiscal uncertainties separately.
  - The hypothesis that an entity must make about whether the tax treatment will be reviewed by the tax authorities.
  - How an entity determines the fiscal result, the tax bases, the unpaid losses to be compensated, the tax deductions and the tax rates
  - How an entity considers changes in facts and circumstances.

  An entity must determine whether it considers each fiscal uncertainty separately or together with one or more fiscal uncertainties. The approach that best estimates the resolution of uncertainty should be followed. The interpretation is effective for fiscal years beginning on or after January 1, 2019, but certain exemptions are allowed in the transition.

- *Annual Modifications Cycle 2015-2017 (Issued in December 2017)*

  IAS 23 Financing - costs

  The amendments clarify that an entity treats as a part of the generic loans any loan originally made to develop a qualified asset when it has substantially completed all the activities necessary to prepare that asset for its intended use or sale.

  An entity applies those modifications to financing costs incurred on or after the beginning of the annual reporting period in which the entity applies those modifications. An entity applies those modifications for annual reporting periods beginning on or after January 1, 2019, and early adoption is permitted. The Company does not expect any effect on its separated financial statements.

3. Cash and cash equivalents

(a) This item is made up as follows:

	As of September 30, 2019 S/ (000)	As of December 31, 2018 S/ (000)
Petty cash	815	815
Current accounts (b)	18,451	25,341
Term deposits (c)	2,100	3,800
	21,366	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, earn interest at market rates and have original maturities shorter than 3 months.

4. Trade and other receivable, net

(a) This item is made up as follows:

	Current		Non-current	
	As of September 30, 2019	As of December 31, 2018	As of September 30, 2019	As of December 31, 2018
	S/ (000)	S/ (000)	S/ (000)	S/ (000)
Trade accounts receivable, (b)	76,585	64,140	-	-
Accounts receivable from related parties, note 21 (c)	201,731	256,690	168,810	159,338
Claims to third parties	3,714	9,768	2,922	2,922
Loans to employees (c)	3,173	4,577	159	158
Advances to suppliers	16,056	9,171	6,042	3,958
Other accounts receivable	8,462	5,969	-	-
	309,721	350,315	177,933	166,376
Claims to Tax authority (d)	9,587	23,735	39,437	19,638
Advance payments of income tax	-	11,425	-	-
	9,587	35,160	39,437	19,638
Less – Allowance for doubtful accounts	(7,102)	(7,175)	-	-
	312,206	378,300	217,370	186,014

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

(c) As of September 30, 2019, and December 31, 2018 corresponds mainly to loans to employees, which will be collected within two years according to the agreements signed by the Company, respectively.

(d) As of September 30, 2019, and December 31, 2018 corresponds mainly to claims submitted to the Tax Authority for the return of overpayment of income tax and selective excise of previous year, see note 23.4.

According with the Company's Management and its legal advisors, there are sufficient legal arguments to estimate that it is probable to recover such claims in the long term.

(e) The aging analysis of trade receivables and other as of September 30, 2019 and December 31, 2018 is as follows:

			Expired but not deteriorated			
	Total	No expired, no Impaired	<30 days	30 - 90 days	91 - 180 days	>180 days
	S/ (000)	S/ (000)	S/ (000)	S/ (000)	S/ (000)	S/ (000)
2019	529,576	512,339	9,758	1,838	1,507	4,134
2018	564,314	526,216	17,112	3,718	359	16,909

As of September 30, 2019, and December 31, 2018, the Company performed the evaluation of credit risk exposure in trade accounts receivable, see note 24.2.

In Management's opinion, the allowance for doubtful accounts adequately covers the credit risk as of September 30, 2019 and December 31, 2018.

5. Inventories, net

(a) This item is made up as follows:

	As of September 30, 2019 S/ (000)	As of December 31, 2018 S/ (000)
Finished goods	19,015	16,306
Work in progress (b)	222,393	200,529
Raw and auxiliary materials (c)	111,468	118,611
Packages and packing	43,153	26,621
Spare parts and supplies	250,999	233,135
	647,028	595,202
Allowance for inventory obsolescence	(24,124)	(22,363)
	622,904	572,839

(b) Work in progress includes coal, pozzolan, gypsum, clay, clinker in production and limestone extracted from the Company's quarries, 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 September 30, 2018, the Company has in stock coal for approximately S/50,502,000 (S/50,738,000 as of December 31, 2018).

In opinion of Company's Management, the allowance for obsolescence of inventories covers appropriately its obsolescence risk as of September 30, 2019 and December 31,2018.

6. Investments in subsidiaries and other

(a) This item is made up as follows:

	Economic activity	Country	Percentage of share Share participation		Value Books	
			As of September 30, 2019	As of December 31, 2018	As of September 30, 2019	As of December 31, 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.	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.	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.	Services	Peru	99.99	99.99	64,250	64,250
Staten Island Co. LLC	Holding	Unites States	100.00	100.00	47,130	25,992
ARPL tecnología Industrial S.A.	Services	Peru	100.00	-	32,071	-
Prefabricados Andinos S.A.	Precast	Chile	51.00	51.00	20,021	20,021
Prefabricados Andinos Perú S.A.C.	Precast	Peru (subsidiary in Colombia)	50.02	50.02	17,537	17,537
Minera Adelaida S.A.	Holding	Peru	99.99	99.99	3,010	3,010
Vigilancia Andina S.A.A.	Services	Peru	55.50	-	2,308	-
Inv. Nacionales y Multinacionales Andinas S.A.	Services	Peru	90.90	-	1,165	-
Depósito Aduanero Conchán S.A.	Services	Peru	99.99	99.99	3,383	2,783
Generación Eléctrica de Atocongo S.A.	Services	Peru	99.85	99.85	125	125
Other:						
Ferrocarril Central Andino S.A.	Services	Peru	16.49	16.49	7,567	7,567
Ferrovias Central Andina S.A.	Services	Peru	15.00	-	2,762	-
Cia de Inversiones Santa Cruz S.A.	Services	Peru	8.85	-	180	-
Others					232	232
					3,572,937	3,418,947
Allowance for impairment of investments (b)					(28,725)	(28,725)
					3,544,212	3,390,222

The Company records its investments in subsidiaries at cost.

(b) As a result of the merger in force on 01.01.2019 (see note 1), the Company received shares for the amount of S/ 52,025 which are detailed below:

- Skanon Investments INC S/13,539 (1.20% equity participation)
- ARPL Tecnologia Industrial S.A. S/32,071 (100.00% equity participation)
- Inversiones Nacional y Multinacionales Andinas S.A. S/1,165 (90.90% equity participation)
- Ferrovias Central Andina S.A. S/2,762 (15% equity participation)
- Cia. De Inversiones Santa Cruz S/180 (8.85% equity participation)
- Vigilancia Andina S.A. S/2,308 (55.50% equity participation)

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

- Inversiones Imbabura S.A. - IMBABURA

  It is a company incorporated on July 2014. IMBABURA's main activity is the investment in securities in companies domiciled in Ecuador, mainly, dedicated to related activities with the cement industry, the supply of ready mixed, building materials and related activities. As of September 30, 2019, IMBABURA acquired 98.89 percent of the shares representing capital of UNACEM Ecuador S.A. ("UNACEM Ecuador") and Subsidiaries; whose economic activity is the production and sale of cement in Ecuador.

- Skanon Investments Inc. – SKANON

  It is a non-resident company incorporated in February 2007 under the laws of the State of Arizona in the United States of America. SKANON owns 94.04 percent of Drake Cement LLC, a company domiciled in the United States of America, which built cement plant in Yavapai County, in northern Arizona.

  As of September 30, 2019, the SKANON accounts receivable for a total of US$53,145,000 (equivalent to S/179,722,000) were capitalized as approved in the Company's Board's meeting, increasing the Company's participation in SKANON.

- Compañía Eléctrica El Platanal S.A. - CELEPSA

  It is a company incorporated in Lima in December 2005. It is dedicated to the generation and sale of electricity, using water resources, geothermal and thermal, as well as to the operation of its property and facilities in general. CELEPSA directly and indirectly owns 100 percent of the share's capital of Celepsa Renovables SRL, the company that owns Marañón hydroelectric generation project, located on the river of the same name near the town of Nuevas Flores, in Huánuco. The project started its commercial operations on the second quarter 2017.

- Cementos Portland S.A. - CEMPOR

  It is a company incorporated in Lima in July 2007. Its main activity is the exploitation and selling of limestone of the mining concession "El Silencio 8", located in the districts of Pachacamac and Cieneguilla, in the province and department of Lima.

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

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

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

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

  It is a company incorporated in Lima in April 1996 It is dedicated to invest in companies principally engaged in supplying ready-mix, building materials and related activities, through its subsidiary Unión Concreteras S.A.- UNICON, on which holds a participation of 99.90 percent, which is also the owner in 99.90 percent of Concremax

S.A.-CONCREMAX, and also owns 100 percent of UCUE Cia. Ltda. (UNICON Ecuador), a subsidiary acquired on July 18, 2017, both companies are engaged in the same economic activity.

Also, on March 26, 2018, UNICON acquired 100 percent of the shares of UNICON Chile S.A. for an approximate amount of US$22,200,000 (equivalent to S/72,006,000), which is subject to adjustments at the closing date (April 2021).

- Transportes Lurín S.A. - LURIN

  It is an entity incorporated in June 1990, Company´s direct subsidiary, which holds 99.99 percent share of the capital stock. LURIN's main activity is the investment in securities, mainly in Skanon Investment Inc. (it's an entity constituted in the United States).

- Staten Island Co. LLC - SIC

  During the year 2017, the Company acquired Staten Island Company for US$8,027,000 (equivalent to approximately S/25,992,000), this company is engaged in real estate investments, and it has land in Las Vegas and Staten Island, New York. The Company is domiciled in the state of Arizona, United States and was created on July 1, 2017

  During the period from January to September of 2019, the Company has made cash contributions to its subsidiary, for a total of US$6,400,000 (equivalent to approximately S/21,138,000).

- Prefabricados Andinos S.A. – PREANSA Chile

  It is a company constituted in November 1996. The main activity of PREANSA Chile is the manufacture, sale and rental of all types of products especially concrete for industrial construction.

  On January 2014, the Company acquired 51 percent of the equity shares of PREANSA Chile for a total amount of US$7,140,000 (equivalent to approximately S/20,021,000).

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

  It is a company founded in Lima in October 2007. PREANSA Peru's main activity is the manufactures of prestressed concrete structures and precast concrete, as well as their commercialization, both in Peru and abroad. PREANSA Peru holds 100 percent shares of the capital stock in Prefabricados Andinos Colombia S.A.S. (hereinafter "PREANSA Colombia"), which operate from November 1, 2016.

- ARPL Tecnología Industrial S.A.- ARPL

  The Company receives advisory services and technical assistance, development and management of engineering projects from ARPL. Until December 31, 2018 ARPL was a direct subsidiary of Inmobiliaria Pronto S.A. with a 100 percent share. As of January 1, 2019, as a result of the merger of the Company with Inmobiliaria Pronto S.A., ARPL became a direct subsidiary of the Company.

(d) As of September 30, 2019, and December 31, 2018 Company´s Management expect than the allowance for impairment of investments to S/28,725,000 mainly related to Transportes Lurín S.A.

7. 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)	Land	Mine closure	Buildings and constructions	Facilities diverse	Machinery and Equipment	Work transportations	Furniture and fixtures	Other equipment	Units in Course (c)	Total
	S/ (000)	S/ (000)	S/ (000)	S/ (000)	S/ (000)	S/ (000)	S/ (000)	S/ (000)	S/ (000)	S/ (000)	S/(000)
Cost -											
As of January 1, 2018	43,631	611,366	13,556	1,067,015	100,176	2,963,845	24,996	17,380	64,475	229,243	5,135,683
Additions (c)	714	20	20,135	485	651	1,855	790	21	84	151,479	176,234
Reclassification	-	-	-	-	-	-	-	-	-	-	-
Transfers	-	225	-	60,951	5,836	110,046	-	195	4,032	(181,285)	-
Withdrawals	-	-	(5)	(656)	(1,778)	(8,708)	-	-	-	-	(11,147)
As of December 31, 2018	44,345	611,611	33,686	1,127,795	104,885	3,067,038	25,786	17,596	68,591	199,437	5,300,770
Increased by fusion	49,947	25,288	-	11,352	2,438	-	346	313	524	1,578	91,786
Additions (c)	-	242	-	530	-	5,800	1,727	120	332	104,296	113,047
Transfers	-	261	-	15,402	811	63,793	-	175	704	(81,146)	-
Retirements and sells	-	-	-	(1,066)	-	(6,507)	(540)	-	-	-	(8,113)
Adjustments	-	-	(8,941)	-	-	-	-	-	-	(1,772)	(10,713)
As of September 30, 2019	94,292	637,402	24,745	1,154,013	108,134	3,130,124	27,319	18,204	70,151	222,393	5,486,777
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
Depreciation of the period (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
Increased by fusion	386	-	-	3,396	66	-	192	282	367	-	4,689
Depreciation of the period (d)	69	-	760	36,542	4,325	124,474	633	277	2,508	-	169,588
Retirements and sells	-	-	-	(251)	-	(3,099)	(415)	-	-	-	(3,765)
Adjustments	-	-	-	-	(1,772)	-	-	-	-	-	(1,772)
As of September 30, 2019	19,451	-	6,979	302,811	64,202	1,143,547	22,267	16,835	54,894	-	1,630,986
Net book value -											
As of September 30, 2019	74,841	637,402	17,766	851,202	43,932	1,986,577	5,052	1,369	15,257	222,393	3,855,791
As of December 31, 2018	25,349	611,611	27,467	864,671	43,302	2,044,866	3,929	1,320	16,572	199,437	3,838,524

(b) As of September 30, 2019, and December 31, 2018, it corresponds mainly to the concessions of the quarries of Atocongo, Atocongo Norte, Pucará, Oyón and El Silencio 8 (acquired in the merger with CEMPOR).

(c) During 2018, the financial lease liabilities were canceled and the guarantees on the leased assets were raised.

(d) The main additions during the year 2019 correspond to the Project of the Atocongo Thermal Plant, the Condorcocha Kiln 2 and 3 cooler dedusting system, and the Cement Mill Press 6 Change in the Condorcocha Plant and the migration of the control system of the kiln 2 of Condorcocha plant, Atocongo plant pavers and Cristina integral plan for approximately S/49,780,000.

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

As of September 30, 2018, the Company completed the construction related to the projects i) complementary works of the Carpapata III Hydroelectric Power Plant, ii) the firefighting network of the Atocongo - Conchán belt, and iii) interconnection between the hydroelectric power plants of Carpapata I and Huasahuasi, for approximately S/43,010,000, S/9,591,0000 and S/8,839,000, respectively. These projects were transferred from work in progress to their corresponding classification in the caption "Mining concessions and property, plant and equipment, net".

(e) The depreciation was distributed as follows:

	As of September 30, 2019 S/ (000)	As of September 30, 2018 S/ (000)
Cost of sales, note 17	162,960	161,116
Administrative expenses, note 18.	5,111	4,575
Other expenses	829	11,812
Inventories in process	688	471
	169,588	177,974

(f) As of September 30, 2019, no interest was capitalized (S/2,510,000 were capitalized as of December 31, 2018). The amount of the capitalizable financing costs is determined by applying the capitalization rate to the capital expenses incurred in the rated assets. The rate used to determine the amount of financing costs susceptible to capitalization was approximately 4.7 percent in 2018.

8. Deferred Stripping assets, net

(a) This item is made up as follows:

	S/(000)
Cost -	
As of January 1, 2018	164,912
Additions	-
As of December 31, 2018	164,912
Additions	-
As of September 30, 2019	164,912
Accumulated depreciation -	
As of January 1, 2018	(41,935)
Additions	(4,877)
As of December 31, 2018	(46,812)
Additions, note 17	(3,832)
As of September 30, 2019	(50,644)
Net book value -	
As of September 30, 2019	114,268
As of December 31, 2018	118,100

As of September 30, 2019, and December 31, 2018, the Company has three identifiable components: the quarry of Atocongo, Atocongo Norte and the Pucará quarry, which maintain a specific volume of limestone and residues in the quarries.

9. Intangible assets, net

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

	Concession for generation of Electrical Energy (b)	Goodwill Goodwill	Software	Environmental protection program	Others	Total
	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	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	-	21	-	465	1,756
As of September 30, 2019	62,600	9,745	20,714	17,071	13,488	123,618
Accumulated amortization -						
As of January 1, 2018	28,544	-	11,584	17,071	7,741	64,940
Amortization of the year	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	2,066	-	598	-	271	2,935
As of September 30, 2019	39,335	-	15,482	17,071	11,649	83,537
Net book value -						
As of September 30, 2019	23,265	9,745	5,232	-	1,839	40,081
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, the resolution of the definitive generation concession in two independent power generation concessions was approved by Supreme Resolution No. 036-2003-EM: G-1 "El Platanal" with an installed capacity of 220 megawatts and G-2 "Morro de Arica" with an 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. In 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 electricity generation project "Morro de Arica".

(c) Effective 2003, the Company acquired 100 percent of the shares representing the capital stock of Lar Carbón S.A. The acquisition was recorded using the purchase method, by means of which the Company recorded adjustments to its separate financial statements to reflect the assets and liabilities acquired at their fair values at the acquisition date. As a result of this acquisition, the Company recognized 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 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. In relation to the assessment of value in use of the cash-generating unit, Management believes that no reasonable change in assumptions would cause the carrying amount of the unit exceeds its recoverable amount significantly.

10. Trade and other payables

(a) This item is made up as follows:

	As of September 30, 2019	As of December 31, 2018
	S/ (000)	S/ (000)
Trade payable (b)	230,707	166,467
Accounts payable from related parties, note 21(c)	30,330	94,854
Interest payable, note 11 (c) and (o)	33,435	25,118
Salaries, bonuses and vacation payable	24,502	17,846
Value Added to Tax payable	2,292	-
Board compensation payable	1,721	1,370
Dividends payable (c)	10,739	178
Other accounts payable	9,539	8,674
	343,265	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 yield interest and have no specific guarantees.

(c) The Company received dividends payable from the absorbed companies for S/35,819,000, of which S/25,308,000 has been paid to date, leaving a balance payable as of September 30, 2019 of S/10,511,000.

11. Other financial liabilities

(a) This item is made up as follows:

	As of September 30, 2019			As of December 31, 2018		
	Portion Current	Portion Non- Current	Total	Portion Current	Portion Non- Current	Total
	S/ (000)	S/ (000)	S/ (000)	S/ (000)	S/ (000)	S/ (000)
Bank loans (b) and (c)	94,780	71,084	165,864	89,709	118,265	207,974
Bonds and long-term debt (d)	416,545	2,497,410	2,913,955	134,454	2,906,633	3,041,087
	511,325	2,568,494	3,079,819	224,163	3,024,898	3,249,061

The Company records its financial liabilities at amortized cost.

(b) As of September 30, 2019, the bank promissory note corresponds mainly to financing for working capital with a fixed interest rate of 5.20 percent per year, has no specific guarantees and is renewed depending on the working capital needs of the Company.

As of September 30, 2019, and December 31, 2018, the balance per bank consists of:

	2019	2018
	S/ (000)	S/ (000)
Creditor -		
Citibank N.A. New York	165,864	189,224
Scotiabank Perú S.A.	-	18,750
	165,864	207,974

(c) As of September 30, 2019, and December 31, 2018, the interest payable amounts to approximately S/956,000 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 10(a). As of September 30, 2019, and 2018, the interest expenses amounted to approximately S/11,323,000 and S/14,508,000, respectively.

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

	Maturity Annual interest %	Maturity Rate	Guarantee	As of September 30, 2019 S/ (000)	As of December 31, 2018 S/ (000)
Bonds -					
International bonds (e) and (n)	5.875	October 2021	No guarantees	761,625	760,275
First and third issuance of the second program (f) and (m)	Between 4.93 and 5.16	March 2020 and 2023	No guarantees	120,000	120,000
				881,625	880,275
Amortized cost				(4,899)	(6,442)
				876,726	873,833
Bank loans (m)-					
Banco de Crédito del Perú (i)	4.35	March 2020	No guarantees	260,000	268,727
Banco de Crédito del Perú (g)	Between 5.90 and 6.60	April 2019 and February 2020	No guarantees	25,000	83,818
BBVA Banco Continental(h)	5.2	November 2021	No guarantees	77,143	102,857
Scotiabank Perú S.A.(h)	5.8	December 2021	No guarantees	77,143	102,857
Banco de Crédito del Perú (i)	4.6	September 2022,	No guarantees	260,000	260,000
Scotiabank Perú S.A.(h)	5.3	October 2025	No guarantees	330,200	330,200
Banco de Crédito del Perú (g)	5.8	November, 2025	No guarantees	316,105	331,000
BBVA Banco Continental(h)	5.68	November, 2024	No guarantees	280,500	280,500
Citibank (j)	Libor to 3 months + 1.75	October 2025	No guarantees	169,250	168,950
Bank of Nova Scotia(l)	Libor to 3 months + 2.60	September 2025,	No guarantees	101,550	101,370
Santander S.A.	Libor to 3 months + 1.85	November, 2023	No guarantees	152,325	152,055
				2,049,216	2,182,334
Amortized cost				(11,987)	(15,080)
				2,037,229	2,167,254
Total				2,913,955	3,041,087
Less - Current portion				416,545	134,454
Non- Current Portion				2,497,410	2,906,633

(e) On October 31, 2014, the Company issued bonds by US$625,000,000 (approximately equivalent to S/1,868,125,000) yielding gross proceeds of US$615,073,000 (approximately equivalent to S/1,839,342,000) with a nominal interest rate of 5.875 percent and maturity on October 2021, which does not present specific guarantees.

On September 21, 2018, the Board of Directors approved that the Company will finance 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) as established in section 3.01of the Indenture of the issue made on October 30, 2014. The partial redemption was made on the date of the first Call Option ("Option to Purchase ") of the bonds, at a price equal to 102.93750 percent of the principal. Additionally, on the same date, all accrued interest was paid for approximately S/61,337,000. Also, as a result of the advance payment of the bonds, the Company paid costs related to the partial redemption of the international bonds for approximately S/39,257,000.

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

On March and December 2013, the Company placed the First, Second and Third Issuance of the Second Program of Corporate Bonds for a total amount of S/60,000,000 each. As of December 31, 2018, the Company keeps the amount of the first and second issuance payable.

(g) In 2015, the Company entered into three medium-term loan agreements with the BCP for S/13,432,000, S/27,899,000 and S/150,000,000, for the construction, equipment, assembly and commissioning of the Hydroelectric Plant Carpapata III. The term of the loan is four and a half years and accrues interest at an effective annual interest rate between 5.90 percent and 6.60 percent. As of September 30, 2019, the balance payable amounts to S/25,000,000.

In October 2018, the Company entered into a long-term financing agreement with the BCP for S/331,000,000 with an interest rate of 5.80 percent and a term of seven years. The funds were used for the partial redemption of foreign bonds.

(h) On November 30, 2016, the Company signed two financing contracts, each by S/120,000,000, with Scotiabank Perú and BBVA Continental, both for a term of five years with a grace period of eighteen months and fourteen write-offs quarterly, with the purpose of refinancing short-term financial debt. On December 6, 2017 addendum were made to the contracts modifying the rate at 5.80% Annual Effective Rate and 5.20% annual nominal, respectively. As of September 30, 2019, the balance payable amounts to approximately S/77,143,000 for each loan.

In October 2018, the Company entered into two long-term financing agreements with Scotiabank Perú and BBVA Continental. The first for S/330,200,000 with a term of seven years and an annual interest rate of 5.30 percent and the second for S/280,500,000 with a term of six years and an annual interest rate of 5.68 percent. The funds obtained were used to refinance financial liabilities.

(i) On March 30, 2017, the Company signed a short-term financing agreement with Interbank for S/260,000,000 with an interest rate of 4.35 percent. The funds were used to refinance short-term financial debt.

In October 2018, the Company entered into a medium-term financing agreement with the Interbank for S/260,000,000 with an annual interest rate of 4.60 percent and a four-year maturity. The funds were used for the partial redemption of foreign bonds.

(j) On October 2, 2018, the Company entered into a long-term financing agreement with Citibank N.A. for US$50,000,000 (equivalent to approximately S/168,950,000). The interest rate corresponds to LIBOR plus 1.75 percent, with a term of seven years. The funds were used to refinance financial liabilities. In addition, the Company signed a swap contract to reduce the risk of the variable rate, note 24.1 (i) (a).

(k) On November 27, 2018, the Company entered into a medium-term financing agreement with Banco Santander S.A. for US$45,000,000 (equivalent to approximately S/152,055,000). The interest rate corresponds to LIBOR plus 1.85 percent, with a term of five years. The funds were used to refinance financial liabilities. In addition, the Company signed a swap contract to reduce the risk of the variable rate, see note 24.1 (i) (a).

(l) On October 31, 2018, the Company entered into a long-term financing agreement with the Bank of Nova Scotia for US$30,000,000 (equivalent to approximately S/101,370,000). The interest rate corresponds to LIBOR plus 2.60 percent, with a term of seven years. The funds were used for the partial redemption of foreign bonds and other corporate uses. In addition, the Company signed a swap contract to reduce the risk of the variable rate, see note 24.1 (i) (a).

(m) The applicable financial safeguards 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 September 30, 2019, the main financial safeguards that the Company maintains with each financial entity fluctuate between the following rates and indexes:

- To maintain an index debt minor or equal to 1.5 times.
- To maintain a debt service coverage ratio greater or equal to 1.2 times.
- To maintain an interest coverage ratio major o equal between 3.0times.
- To maintain debt coverage ratio of financial debt/EBITDA minor or equal to 3.75.

In Management's opinion, the Company has complied with financial covenants requested for financial entities related to these obligations as of September 30, 2019 and December 31, 2018.

(n) Clauses of incurrences in issuance contracts of foreign bonds, note 11(d)

The contract contains certain clauses that restrict the capacity of the Company and of its subsidiaries, among other:

- To consolidate, merge or transfer substantially all the assets.
- To pay dividends or perform any other type of payment or restricted distribution.
- To sell assets, including share capital of its subsidiaries.
- To perform transactions with related parties that are not restricted subsidiaries.
- To create constraints on the ability of its restricted subsidiaries to pay dividends, perform loans.
- To transfer the holding of the Company.
- To Incur in burdens.
- To participate in any business other than the permitted ones.
- To obtain additional debt, for which should:

(i) To keep a Consolidated Interest Coverage Ratio equal or greater than 2.5 to 1.0.

(ii) To maintain a Consolidated Leverage Ratio (net Financial Debt/EBITDA) equal o minor of 4 up to 1, in the case of the incurred debt before of December 2015, and 3.5 up to1 from that date onwards.

In Management's opinion, the Company has been fulfilling with the restricted includes in the contract of issuance of foreign bonds as of September 30, 2019 and December 31, 2018.

(o) As of September 30, 2019, and December 31, 2018, interests payable related to bonds and long-term debt are amounted to approximately S/32,479,000 and S/22,037,000, respectively and are recorded in the caption "Trade and other payable", of the separate statement of financial position, note 10(a).

(p) Interest generated by bonds and debt with medium and long-term banking entities maintained for the years ended on September 30, 2019 and 2018, amounted to approximately S/111,912,000 and S/116,919,000.

12. Deferred income

As of September 30, 2019, mainly correspond to sales of cement and clinker invoiced and not delivered, amounting to approximately S/11,761,000 which will be conducted in the fourth quarter of year 2019 (S/11,410,000 as of December 31, 2018 sales of cement delivered during first quarter of the 2019).

13. Provisions

(a) This item is made up as follows:

	Current		Non-current	
	As of September 30, 2019 S/ (000)	As of December 31, 2018 S/ (000)	As of September 30, 2019 S/ (000)	As of December 31, 2018 S/ (000)
Workers' profit sharing (b)	20,402	16,453	-	-
Mine closure provision quarries (c)	3,362	2,953	27,071	35,124
Severance compensation	3,370	1,694	-	-
	27,134	21,100	27,071	35,124

(b) Workers' profit sharing –

In accordance with Peruvian legislation, the Company maintains an employee profit sharing plan of 10 percent of annual taxable income. Distributions to employees under the plan are based 50 percent on the number of days that each employee worked during the preceding year and 50 percent on proportionate annual salary levels. As of September 30, 2019, and December 31, 2018, the Company recognized an expense that amounts to S/33,933,000 and S/38,153,000.

(c) Provision for mine closure -

As of September 30, 2019, and December 31, 2018, the Company maintains a provision for the future cost of closing its quarries operated by the Company. 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 mine 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 closure time depends on when the mines cease to produce economically viable products. During 2018, the Company changed certain quarry closure projections before the Ministry of Energy and Mines and others are in the process of being approved. As of September 30, 2019, the budgets of Atocongo and Las Hienas have been approved.

The Company Management considers that this liability is sufficient to comply with the current environmental protection laws approved by the Ministry of Energy and Mines.

14. Deferred income tax liability, net

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

	As of September 30, 2019	As of December 31, 2018
	S/ (000)	S/ (000)
Deferred liability		
Differences on fixed assets tax bases	438,657	457,221
Deferred Stripping assets	33,709	34,839
Capitalized interests	31,812	33,422
	504,178	525,482
Deferred asset		
Allowance for inventory obsolescence	(7,117)	(6,597)
Deferred income (net)	42	(1,421)
Provision for vacation	(4,029)	(3,912)
Derivative financial instruments	(11,006)	(6,702)
Provision for mine closure	(3,234)	(2,627)
Fair value with changes in other comprehensive income	(1,561)	(1,561)
Amortization of intangible assets	(1,445)	(1,937)
Pre operational expenses	(6,848)	-
Other provisions	(835)	(4,797)
	(36,033)	(29,554)
Deferred income tax liability, net	468,145	495,928

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 related to income taxes levied by the same Tax Authority.

(b) The current and deferred portions of income tax as of September 30, 2019 and 2018 are comprised as follows:

	As of September 30, 2019	As of September 30, 2018
	S/ (000)	S/ (000)
Current	(96,885)	(95,817)
Deferred	23,184	15,015
Royalty Expenses	(1,790)	-
Total	(75,491)	(80,802)

15. Net Equity

(a) Capital-

As of September 30, 2019, the issued capital is represented by 1,818,127,611 common shares fully subscribed and paid (1,646,503,408 as of December 31, 2018), with a nominal value of S/1 per share. The common shares representing the Company's capital stock are traded on the Lima Stock Exchange.

Shareholders	Number of shares	Percentage of participation %
Nuevas Inversiones S.A.	459,129,497	25.25
Inversiones JRPR S.A.	455,919,897	25.08
AFPs	393,254,103	21.63
Others	509,824,114	28.04
	1,818,127,611	100.00

At the General Shareholders' Meeting held on December 28, 2018, was approved 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. The Company's merger project was previously approved at the Independent Directors Committee Session of November 29, 2018 and at the Board meeting of November 30, 2018.

On April 30, 2019, the public deed of merger by absorption, capital increase due to merger and partial modification of the bylaws was registered. This registration includes the registration of the capital increase subscribed and paid in S/171,624,203, that is, the share capital went from S/1,646,503,408 to S/1,818,127,611, 171,624,203 new common shares of the same nominal value being issued (S/1.00 each) a), which were distributed among the shareholders of the three companies absorbed according to their exchange ratios.

As of September 30, 2019, the stock price for 1,818,127,611 common shares has been S/2.13 (S/2.60 as of December 31, 2018).

(b) Legal reserve -

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

(c) Unrealized results-

Corresponds to changes in the fair value of hedging financial instruments and the reserve on financial assets measured at fair value, both net of their tax effect.

(d) Dividend distributions –

At the Board meeting held on January 25, May 2 and July 26, 2019, it was agreed to distribute dividends charged to freely available profits for approximately S/68,676,000 (S/0.038 per common share), whose payment was made on February 28, June 4, 2019 and August 29, respectively, which have been fully paid.

At the Board of Directors meetings held on January 26, April 17, July 17 and October 26, 2018, the Company agreed to distribute dividends with charge to retained earnings for approximately S/85,618,000 (S/0.052 per share), such payments were made on February 28, May 31, August 28 and November 30, 2018 respectively which have been paid in full.

16. Net sales

(a) This item is made up as follows as of September 30:

	2019	2018
	S/ (000)	S/ (000)
Cement	1,389,062	1,361,927
(-) Sales commission	(52,121)	(36,379)
Cement Net sales	1,336,941	1,325,548
Concrete blocks, bricks and pavers(c)	60,834	46,699
Exports of Clinker (b)	73,668	88,930
	1,471,443	1,461,177

(b) The sale of clinker corresponds to the export of the raw material to customers located in South and Central America.

(c) Corresponds mainly to sales made to UNICON and CONCREMAX, related companies, see note 21 (b).

17. Cost of sales

This item is made up as follows as of September 30:

	2019	2018
	S/ (000)	S/ (000)
Beginning balance of finished goods and work in process, note 5(a)	216,835	199,650
Cost of production:		
Fuel	223,087	185,172
Depreciation, note 7(e)	162,960	161,116
Personnel expenses	106,805	97,438
Electrical Energy	77,408	63,517
Consumption of raw material	85,102	79,644
Kiln, machinery and equipment maintenance	88,384	76,236
Packaging	55,892	48,015
Transport of raw material	63,706	47,932
Stripping costs (clearing)	5,996	4,304
Depreciation for stripping cost, note 8	3,832	3,445
Other manufacturing expenses	130,600	124,931
Ending balance of finished goods and work in process, note 5(a)	(241,408)	(202,474)
	979,199	888,926

18. Administrative expenses

This item is made up as follows as of September 30:

	2019	2018
	S/ (000)	S/ (000)
Management services, note 21(b)	-	40,796
Personnel expenses	51,422	50,525
Services rendered by third parties	21,762	17,879
Donations	10,868	11,191
Taxes	7,393	5,392
Depreciation, note 7(e)	5,111	4,575
Mining royalties	-	1,007
Others	8,722	9,109
	105,278	140,474

19. Other operating income (expenses), net

As of September 30, 2019, and 2018 this category is mainly composed of dividends received from subsidiaries (see note 21 (b)):

- Inversiones Imbabura S.A., which in turn received dividends from its subsidiary UNACEM Ecuador S.A., for approximately US$33,205,000 (equivalent to S/110,207,000) and US$29,248,000 (equivalent to S/94,248,000), respectively.
- Ferrocarril Central Andino S.A. for S/6,035,000 and S/2,572,000, respectively.

20. Finance cost

As of September 30, 2019, and 2018, this item is mainly composed of interest on bonds and debt with banks by S/123,235,000 and S/131,427,000, respectively.

21. Related parties' transactions

(a) Nature of the relationship -

As of January 1, 2019, as indicated in note 1, Trade Union and Administration S.A (SIA), Inversiones Andino S.A (IASA) and Inmobiliaria Pronto S.A. (Pronto) merged with the Company.

As of September 30, 2019, and 2018, the Company has made transactions with the following related entities:

- Unión de Concreteras S.A. – UNICON

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

- Concremax S.A. -

  In November 2015, Firth industries Perú S.A. changed its name to Concremax S.A., which is an indirect subsidiary of the Company, through Unión de Concreteras S.A., Concremax S.A. is dedicated to the sale of concrete.

- Compañía Eléctrica el Platanal S.A. – CELEPSA, see note 6 y 9(b).

- Prefabricados Andinos Perú S.A.C. – PREANSA, see note 6.

- Depósito Aduanero Conchán S.A. – DAC

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

- Generación Eléctrica de Atocongo S.A. – GEA

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

- ARPL Tecnología Industrial S.A. – ARPL, see note 6

- La Viga S.A.

  It’s the main supplier of cement of the Company in the city of Lima, representing approximately 22.4 and 22.1 percent of total cement sales of the Company as of September 30,2019 and December 31, 2018, respectively.
- Inversiones Imbabura– IMBABURA, see note 6

- UNACEM Ecuador S.A.

  It´s a subsidiary of IMBABURA. and an indirect subsidiary of the Company. In 2015 the Company signed a trademark license and intellectual property agreement through which this subsidiary is obligated to pay royalties of 1.5 percent and 2.5 percent, respectively, of sales.

(b) The main transactions with related entities as of September 30 were as follows:

	2019	2018
	S/ (000)	S/ (000)
Cement sales –		
La Viga S.A.	333,602	313,382
Unión de Concreteras S.A.	133,594	155,577
Concremax S.A.	36,722	47,095
Prefabricados Andinos Perú S.A.C.	301	875
Asociación UNACEM	208	457
Blocks, bricks, pavers and HCR sales –		
Concremax S.A.	4,056	19,822
Unión de Concreteras S.A.	55,908	26,853
Dividends income, note 19 -		
Inversiones Imbabura S.A.	110,207	94,298
Ferrocarril central Andino S.A.	6,035	2,572
Income from royalties –		
Compañía Eléctrica El Platanal S.A.	3,954	3,983
Licenses - Intellectual property and trademarks – Abroad		
UNACEM Ecuador S.A.	12,725	13,593
Leases of plant, equipment and facility –		
Unión de Concreteras S.A.	635	548
Cia. Eléctrica El Platanal S.A.	386	-
ARPL tecnología Industrial S.A.	167	-
Depósito Aduanero Conchán S.A.	243	238
Prefabricados Andinos Perú S.A.C.	140	140
La Viga S.A.	133	132
Others	66	30

Administrative, technology and management support –		
Unacem Ecuador S.A.	5,311	9,735
Prefabricados Andinos Perú S.A.C.	395	399
Drake Cement LLC.	275	251
Generación Eléctrica Atocongo S.A.	124	79
Depósito Aduanero Conchán S.A.	99	144
Compañía Eléctrica El Platanal S.A.	418	113
Transportes Lurín S.A.	34	79
Vigilancia Andina S.A.A.	83	81
Other income –		
Compañía Eléctrica El Platanal S.A.	4	828
Unión de Concreteras S.A.	219	141
Others	59	40
Purchases of electric energy –		
Compañía Eléctrica El Platanal S.A.	69,337	56,802
Management services, note 18 and note 1 –		
Sindicato de Inversiones y Administración S.A.	-	29,373
Inversiones Andino S.A.	-	11,423
Commissions and freight costs of cement sales -		
La Viga S.A.	16,517	14,681
Surveillance services		
Vigilancia Andina S.A.A.	17,511	16,576
Technical assistance and engineering services –		
ARPL tecnología Industrial S.A.	14,086	13,574
Maquila Service –		
Unión de Concreteras S.A.	24,592	8,619
Concremax S.A.	2,420	11,319
Warehouse management services–		
Depósito Aduanero Conchán S.A.	1,521	3,533
Purchases of additional material –		
Unión de Concreteras S.A.	2,474	1,563
Concremax S.A.	1,232	2,118

Engineering services and project management –		
ARPL tecnología Industrial S.A.	2,296	2,239
Expense reimbursements –		
Unión de Concreteras S.A.	4,734	3,093
ARPL tecnología Industrial S.A.	-	202
Others –		
Generación Eléctrica Atocongo S.A.	2,168	1,897
Depósito Aduanero Conchán S.A.	480	-
Unión de Concreteras S.A.	380	851
BASF Construction Chemicals Perú S.A.	177	-
Prefabricados Andinos Perú S.A.C	141	378
Inversiones Andino S.A.	-	735
Others	317	130

(c) As a result of these and other minor transactions, as of September 30, 2019 and December 31, 2018, the Company maintained the following balances with its related parties:

	2019	2018
	S/ (000)	S/ (000)
Trade receivable, note 4(a) –		
Inversiones Imbabura S.A.	232,377	154,794
Drake Cement LLC. (d)	-	86,859
Compañía Eléctrica El Platanal S.A.	42,912	43,467
Unión de Concreteras S.A.	30,643	54,933
La Viga S.A.	29,401	23,951
Inversiones en Concreto y Afines S.A.	2	7,816
Concremax S.A.	13,315	11,649
UNACEM Ecuador S.A.	6,907	5,284
Skanon Investments INC(d)	-	6,402
Drake Cement LLC. (d)	-	13,620
Sunshine Concrete & Materials INC	-	807
Others	14,984	6,446
	370,541	416,028
By term -		
Current Portion	201,731	256,690
Non- Current Portion	168,810	159,338
	370,541	416,028

Account payables, note 10(a)–		
Compañía Eléctrica El Platanal S.A.	10,025	9,365
Unión de Concreteras S.A.	7,170	41,103
ARPL tecnología Industrial S.A.	4,621	6,482
Vigilancia Andina S.A.A.	4,142	2,131
La Viga S.A.	1,146	4,200
Concremax S.A.	1,141	6,023
Generación Eléctrica Atocongo S.A.	741	685
Transporte Lurin S.A.	648	650
Depósito Aduanero Conchán S.A.	264	664
BASF Construction Chemicals Perú S.A.	209	-
Inversiones en Concreto y Afines S.A.	-	308
Sindicato de Inversiones y Administración S.A.	-	16,481
Inversiones Andino S.A.	-	6,666
Others	223	96
	30,330	94,854
By Term -		
Non-current portion, note 10(a)	30,330	94,854
	30,330	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.

(d) As of September 30, 2019, the SKANON accounts receivable for a total of US$53,145,000 (equivalent to S/179,722,000) were capitalized as approved in the Company's board meeting, increasing the Company's participation in SKANON.

(e) As of September 30, 2019, the balance receivable from related companies includes dividends receivable from IMBABURA, CELEPSA, ARPL and Ferrocarril Central Andino for S/235,379,000, S/40,825,000, S/2,911,000 and S/1,255,000, respectively. These dividends have been classified as financial assets measured at fair value with changes in other comprehensive income, in accordance with IFRS 9.

(f) The total remuneration paid to directors and key members of management as of September 30, 2018 is amounting to approximately S/18,204,000 (as of September 30, 2018 approximately S/19,382,000), which include short-term benefits and compensation for time served.

22. 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:

	As of September 30, 2019	As of September 30, 2018
	S/ (000)	S/ (000)
Numerator		
Net income attributable to common shares	277,264	252,412
	In thousands	In thousands
Denominator		
Weighted average number of common shares	1,818,128	1,646,503
Basic and diluted earnings per share (stated in thousands of Soles)	0.152	0.153

23. Commitments and contingencies

23.1 Financial commitments -

As of September 30, 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/14,671,000) with a maturity on January 2020, in order to ensure compliance of the Mine Closure.

23.2 Finance leases -

During the year 2018, the Company canceled financial leases.

23.3 Tax situation-

(a) The Company is subject to the Peruvian tax system

By Legislative Decree No. 1261 published on December 10, 2016, the Peruvian Government incorporated certain amendments to the Income Tax Law, effective as of January 1, 2017. The most relevant are presented below:

- An income tax rate of 29.5% is set.

- A tax of 5% of income tax is established on dividends or any other form of distribution of profits. The rate applicable to dividends will be considered taking into account the year in which the results or profits that form part of the distribution have been obtained, in accordance with the following: 4.1% with respect to the results obtained until December 31, 2014; 6.8% on results obtained during the years 2015 and 2016; and 5% with respect to the results obtained from January 1, 2017. It is important to note that it is assumed, without admitting evidence to the contrary, that the distributed dividends correspond to the oldest accumulated results.

(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 September 30, 2019 and December 31, 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 2014 and 2016 to 2018 and value added tax ("IGV" for its acronym in Spanish) for the periods December 2013 to September 2019 are open to review by Tax Authority.

Up to date, the Tax Authority has been inspecting the Income Tax for the year 2014.

(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 September 30, 2019 and December 31, 2018.

(e) As of September 30, 2019, the Company recorded a provision of income tax for S/89,489,000 and credits for payments on account for S/70,572,000, leaving a balance payable of S/18,917,000, which is shown directly in the separate statement of financial position. As of December 31, 2018, the Company recorded a provision for income tax for S/92,842,000 and credits for payments on account for S/100,618,000, leaving a balance in favor of S/7,776,000 and other tax credits for S/3,649,000, the same as those presented under "Trade receivables and miscellaneous accounts" of the separate statement of financial position (note 4a).

(f) The main tax regulations in force as of January 1, 2019 are the following:

(i) The treatment applicable to royalties and remuneration for services rendered by non-domiciled persons was modified, as of January 1, 2019, eliminating the obligation to pay the amount equivalent to the withholding due to the accounting record of the cost or expense, and must now withholding the income tax due to the payment or accreditation of the remuneration. In order to deduct a cost or expense, the retribution must have been paid or credited up to the filing date of the annual tax return for the income tax (Legislative Decree N°1369)

(ii) Standards that regulate the obligation of legal persons and/or legal entities to inform the identification of their final beneficiaries (Legislative Decree No. 1372) were established. These rules are applicable to legal entities domiciled in the country, in accordance with the provisions of Article 7 of the Income Tax Law, and legal entities established in the country. The obligation covers non-domiciled legal persons and legal entities established abroad, as long as: a) they have a branch, agency or other permanent establishment in the country; b) the individual or legal entity that manages the autonomous assets or the investment funds from abroad, or the natural or juridical person that has the status of protector or administrator, is domiciled in the country and c) any of the parties of a consortium is domiciled in the country. This obligation will be fulfilled by submitting an informative Sworn Statement to the Tax Authority, which must contain the information of the final beneficiary and be presented, in accordance with the regulations and within the terms established by resolution of SUNAT.

(iii) The Tax Code was modified in the application of general anti-avoidance rule (Rule XVI) of the Preliminary Title of the Tax Code (Legislative Decree No. 1422).

As part of this modification, a new assumption of joint and several liability is envisaged, when the tax debtor is subject to the application of the measures provided by Rule XVI in the event that tax evasion cases are detected; in such case, the joint and several liability shall be attributed to the legal representatives provided that they have collaborated with the design or approval or execution of acts or situations or economic relations foreseen as elusive in Rule XVI. In the case of companies that have a Board of Directors, it is up to this corporate body to define the tax strategy of the entity, having to decide on the approval or not of acts, situations or economic relations to be carried out within the framework of tax planning, this power being non-delegable. The acts, situations and economic relations carried out within the framework of fiscal planning and implemented on the date of entry into force of Legislative Decree No. 1422 (September 14, 2018) and which continue to have effect, must be evaluated by the Board of Directors of the legal entity for the purpose of ratification or modification until March 29, 2019, without prejudice to the fact that the management or other administrators of the company have approved the aforementioned acts, situations and economic relations.

Likewise, it has been established that the application of Rule XVI, as regards the re-characterization of tax evasion cases, will take place in the final inspection procedures in which acts, events or situations produced since 19 are reviewed. July 2012.

(iv) Amendments to the income Tax Law were included, effective as of January 1, 2019, to improve the tax treatment applicable to Legislative Decree No. 1424:

- The system of credits against Income Tax for taxes paid abroad, including the indirect credit (corporate tax paid by foreign subsidiaries) as credit applicable against the Income Tax of domiciled legal entities, in order to avoid double economic.

- The deduction of interest expenses for the determination of corporate income tax. In the years 2019 and 2020, the debt limit set at three times the net equity as of December 31 of the previous year will be applicable, both to loans with related parties, and to loans with third parties contracted as of September 14, 2018. As of 2021, the limit for the deduction of financial expenses will be equivalent to 30 percent of the EBITDA of the entity.

- Standards have been established for the accrual of income and expenses for tax purposes as of January 1, 2019 (Legislative Decree No. 1425). Until 2018 there was not normative definition of this concept, so in many cases accounting rules were used for its interpretation. In general terms, with the new criteria, for purposes of the determination of Income Tax, it will now be considered if the substantial facts for the generation of income or expense agreed by the parties have occurred, which are not subject to a condition precedent, in which case the recognition will be given when it is fulfilled; the opportunity for collection or payment established will not be taken into account; and, if the determination of the consideration depends on a future event or event, the total or part of the corresponding income or expense will be deferred until that fact or event takes place.

23.4 Contingencies –

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

Income tax

As a result of audits for the years 2004 to 2006, the Company has been notified by the Superintendence of Tax Authority (SUNAT) with different resolutions for alleged omissions in income tax. In 2018, the Fiscal Court issued judgments for these periods, requesting SUNAT to re-settle the securities. Up to date, the Company has not been notified of such tax repayment.

In the same way, the Company maintains claims filed with SUNAT before the Superior Court of Justice for the return of the payment made up to approximately S/33,233,000 and other claims for approximately S/3,366,000.

For the years 2000 and 2001, up to date is pending to be resolved, by the Eleventh Constitutional Court with Subspecialty in Tax and Customs, the application for a writ of amparo requesting that the annulment of the qualifying order of the appeal filed by the court to be declared null and void by the company.

For the claims of the years 2004 and 2005, the Company filed a lawsuit against the Tax Court Resolution. To date, the aforementioned lawsuit is pending to resolve by the “Poder Judicial”.

In the case of the claim for the year 2006, dated October 31, 2018, the Company filed a lawsuit against the Tax Court Resolution. To date, the lawsuit filed by the Company is pending resolution by the Judicial Branch.

As a result of the fiscal year 2010, the Company has been notified by SUNAT with various resolutions for alleged omissions to the Income Tax, the Company has filed the respective resources.
As of September 30, 2019, and December 31, 2018, the Company has registered the necessary provisions, according to Management and its legal advisors.

Excise tax -

As of December 31, 2018, the Company maintained claims for selective consumption tax, which have been fully charged as of the third quarter of 2019.

Administrative:

On the other hand, by Resolution N ° 004-2010 / ST-CLC-INDECOPI of March 25, 2010, the Technical Secretariat of the Commission for the Defense of Free Competition admits the complaint made by Ferretería Malva SA, against the Company and others, for the commission of anticompetitive conduct. On April 30, 2019, the appeal filed by the

Company was declared inadmissible, so the Company proceeded to pay the full amount of the administrative debt amounting to S/6,250,000.

23.5 Environmental commitments -

The activities of the Company are subject to environmental protection standards. This tax rules are the same as those described in the notes to the annual separate financial statements as of December 31, 2018.

24. Financial risk management, objectives and policies

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

The Company's Senior Management oversees the management of these risks. The Company's Senior Management is supported by the Financial Management that advises on financial risks and the appropriate financial risk governance framework for the Company. The Board of Directors reviews and agrees policies for managing each of these risks which are summarized below:

24.1 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 financial situation as of September 30, 2019 and December 31, 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 September 30, 2019 and December 31,2018.

(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 September 30, 2019, 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 rate	Receive variable to:	Pays fix rate at:	Fair value	
					As of September 30, 2019	As of December 31, 2018
	US$(000)				S/ (000)	S/ (000)
Assets-						
Citibank	50,000	October 2025	Libor to 3 months + 1.75%	5.700%	17,843	11,806
Bank of Nova Scotia	30,000	September 2025,	Libor to 3 months + 2.60%	5.660%	5,568	2,161
Santander S.A.	45,000	November, 2023	Libor to 3 months + 1.85%	5.030%	10,585	4,440
					33,996	18,407

Financial instruments are intended to reduce exposure to interest rate risk variable associated with the financial obligations set out in note 11. These financings bear interest at a variable rate equal to the 3-month Libor.

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

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 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 11 (j) (k) (l).

The effective portion of changes in the fair value of financial instruments that qualify as hedges is recognized as assets or liabilities and with impact on equity. As of September 30, 2019 and December 31, 2018, the Company has recognized under "Unrealized net profit (loss) on hedging financial derivative instruments" in the statement of changes in equity, a positive and negative change in fair value of approximately S/23,961,000 and S/12,977,000, which is presented net of the effect on the income tax, respectively.

As of September 30, 2019, the Company recognized an expense on these derivative financial instruments amounting to approximately S/4,967,000 (S/2,845,000 as of September 30, 2018), whose amounts were actually paid during the year and are presented as "Finance costs" in the separate statement of income.

(b) Derivative Financial instruments from trading –

Counterparty	Reference value	Maturity rate	Receives variable rate at:	Pays fix rate at:	Fair value	
					As of September 30, 2019	As of December 31, 2018
Liabilities -	US$(000)				S/ (000)	S/ (000)
Citibank N.A. New York	49,000	October 2020	Libor to 3 months + 1.08%	5.200%	3,313	4,313
					3,313	4,313

As of September 30, 2019, the effective portion of changes in the fair value of financial instruments that qualify as hedges is recognized as assets or liabilities. As of September 30, 2019, and 2018, the effect amounts to approximately S/1,000,000 and S/5,532,000, and is presented as part of the "Financial income" item of the separate statement of income.

Sensitivity to interest rate -

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

Increase / decrease in basis points	Impact on income before Income tax	
	As of September 30, 2019	As of December 31, 2018
%	S/ (000)	S/ (000)
-10	(1,332)	(1,543)
10	1,332	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 maintaining balances in foreign currency for the Company as of September 30, 2019 and 2018 was a net gain of approximately S/1,826,000 (gain of approximately S/3,666,000 and loss of approximately

S/1,840,000) and a net loss of approximately S/27,764,000 (loss of approximately S/63,290,000 and gain of approximately S/35,526,000), respectively, which are presented under the heading "Difference in exchange, net" of the separate statement of income.

As of September 30, 2019, and December 31, 2018, the Company had the following assets and liabilities in U.S. Dollars:

	2019		2018	
	US$(000)	Equivalent S/(000)	US$(000)	Equivalent S/(000)
Asset				
Cash and cash equivalents	819	2,770	345	1,163
Trade and other receivable, net	133,015	449,857	91,393	307,905
	133,834	452,627	91,738	309,068
Liabilities				
Trade and other payables	(24,160)	(81,782)	(14,907)	(50,372)
Other financial liabilities	(399,000)	(1,350,614)	(406,000)	(1,371,874)
	(423,160)	(1,432,396)	(420,907)	(1,422,246)
Derivative financial instruments of exchange rate	(11,022)	(37,309)	(1,276)	(4,313)
Net liability position	(300,348)	(1,017,078)	(330,445)	(1,117,491)

Foreign currency sensitivity -

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

Change in US Dollars rate In American Dollars	Impact on income before Income tax	
	As of September 30, 2019	As of December 31, 2018
%	S/ (000)	S/ (000)
+5	(50,854)	(56,795)
+10	(101,708)	(113,590)
-5	50,854	56,795
-10	101,708	113,590

24.2 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 September 30, 2019 and December 31, 2018 is represented by the amount of the captions cash and cash equivalents, trade and other accounts receivable.

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.

24.3 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:

24.4 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.

	As of September 30, 2019			
	From 3 to 12 months	From 1 to 3 years	From 4 to 8 years	Total
	S/ (000)	S/ (000)	S/ (000)	S/ (000)
Trade and other payables	343,265	-	-	343,265
Other financial liabilities				
Amortization of capital	511,325	1,996,139	572,355	3,079,819
Flow of interest payments	158,385	254,408	28,549	441,342
Total liabilities	1,012,975	2,250,547	600,904	3,864,426

	As of December 31, 2018			
	From 3 to 12 months	From 1 to 3 years	From 4 to 8 years	Total
	S/ (000)	S/ (000)	S/ (000)	S/ (000)
Trade and other payables	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

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 by dividing the net debt by the total capital. Net debt corresponds to the total indebtedness (including current and non-current indebtedness) 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 on September 30, 2019 and December 31, 2018.

25. Fair values

Instruments recorded at their fair value according to their hierarchy.

The following table shows an analysis of the financial instruments that are recorded at fair value according to the level of the hierarchy of their fair value:

	As of September 30, 2019 S/(000)	As of December 31, 2018 S/(000)
Assets for derivative financial instruments:		
Level 2	-	-
Total	-	-
Liability for derivative financial instruments:		
Level 2	3,313	4,313
Total	3,313	4,313

Level 1 -

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

Level 2 -

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

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

Level 3 -

As of September 30, 2019, and December 31, 2018, the Group does not maintain financial instruments in this category.

The Company only carries derivative financial instrument at fair value, as indicated in paragraph 24.1 (a) and (b); therefore, they are considered in Level 2 of the fair value hierarchy.
Other financial instruments are carried at amortized cost and their estimated fair value. The level of the fair value hierarchy is described as follows:

Level 1 –

- Cash and cash equivalents do not represent a credit risk or a significant interest rate; therefore, their carrying amounts are close to their fair value.
- Accounts receivable, as they are net of provision for loan losses and most have maturities of less than three months; Management deems their fair value is not materially different from 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 –

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

	As of September 30, 2019		As of December 31, 2018	
	Value Books	Fair value	Value Books	Fair value
	S/ (000)	S/ (000)	S/ (000)	S/ (000)
Other financial liabilities (*)	2,913,955	2,599,951	3,041,087	2,621,342

(*) As of September 30, 2019, and December 31, 2018, the balance does not include bank notes, see note 11.

26. Subsequent events

On October 16, 2019, The Bank of New York Mellon (the “Trustee”) has been instructed on the redemption of the total balance of US$225,000,000 (Two Hundred and Twenty Five Million Dollars of the United States of America) of the”5.875% Senior Unsecured Notes due 2021” (the “Bonds”) in accordance with the provisions of section 3.01 of the Indenture of the issuance made on October 30, 2014 for a total of US$625,000,000 (Six hundred and twenty-five million dollars of the United of North America). The redemption of the balance of the Bonds will take place on October 30, 2019, date of the Call Option (“Purchase Option”) of the bonds at a price equal to 101.46875% of the principal. Additionally, on the same date, all interest accrued as of the date will be paid.

This transaction is in line with the Board of Directors approval on August 23, 2019, to finance up to US$230,000,000 (Two hundred and thirty million dollars of the United States of America), for the refinancing of existing liabilities in US dollars.