Translation of the independent auditors' report and the consolidated financial statements originally issued in Spanish – Note 28

Ferreycorp S.A.A. and Subsidiaries

Consolidated financial statements as of December 31, 2014 and 2013 together with the independent auditors' report

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Translation of the independent auditors' report and the consolidated financial statements originally issued in Spanish – Note 28

Ferreycorp S.A.A. and Subsidiaries

Consolidated financial statements as of December 31, 2014 and 2013 together with the independent auditors' report

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Independent Auditors' Report

To the Shareholders and Board of Directors of Ferreycorp S.A.A. and Subsidiaries

We have audited the accompanying consolidated financial statements of Ferreycorp S.A.A. and Subsidiaries (collectively the "Group"), which comprise the consolidated statements of financial position as of December 31, 2014 and 2013, and the related statements of income, comprehensive income, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the consolidated financial statements

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

Auditors' responsibility

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

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

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

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Translation of the independent auditors' report and the consolidated financial statements originally issued in Spanish – Note 28

Independent Auditors' Report (continued)

Opinion

In our opinion, the accompanying consolidated financial statements, present fairly in all material respects, the consolidated financial position of Ferreycorp S.A.A. and Subsidiaries as of December 31, 2014 and 2013, and its consolidated financial performance and its consolidated cash flows for the years then ended, in accordance with International Financial Reporting Standards.

Lima, Peru
February 24, 2015

Countersigned by: Paredes, Zaldívar, Burga & Asociados

Wilfredo Rubiños Valiente
C.P.C.C. Register No. 9943

Ferreycorp S.A.A. and Subsidiaries

Consolidated statement of financial position

As of December 31, 2014 and 2013

	Note	2014 S/.(000)	2013 S/.(000)
Assets			
Current assets			
Cash and cash equivalent	4	89,949	119,413
Trade accounts receivable, net	5	889,351	826,055
Other accounts receivable, net	6	132,480	119,374
Inventories, net	7	1,561,763	1,580,128
Prepaid expenses		17,160	15,868
		2,690,703	2,660,838
Trade accounts receivable long term, net	5	31,311	36,042
Other accounts receivable long term, net	6	4,656	5,874
Investments in associates and joint venture	8	78,045	74,936
Property, machinery and equipment, net	9	1,328,247	1,291,336
Intangible, net	10(a)	78,954	78,031
Goodwill	10(b)	170,415	147,510
Deferred income tax asset	14(a)	136,874	115,899
Total non-current asset		1,828,502	1,749,628
Total asset		4,519,205	4,410,466

	Note	2014 S/.(000)	2013 S/.(000)
Liabilities and net equity			
Current liabilities			
Financial liabilities	11	503,950	620,395
Trade accounts payable	12	459,886	406,383
Other accounts payable	13	453,414	408,535
Income tax payable	14 (d)	24,553	29,033
Total current liabilities		1,441,803	1,464,346
Other financial liabilities long term	11	1,341,022	1,240,311
Other accounts payable long term	13	781	3,381
Deferred income tax liability	14(a)	139,807	158,555
Deferred income		16	-
Total non-current liabilities		1,481,626	1,402,247
Total liabilities		2,923,429	2,866,593
Equity	15		
Issued capital		1,014,326	945,227
Additional capital		73,536	105,436
Legal reserve		110,099	99,766
Other equity reserves		245,802	234,173
Translation results		20,913	8,205
Retained earnings		131,100	151,066
Total equity		1,595,776	1,543,873
Total liability and equity		4,519,205	4,410,466

The accompanying notes are an integral part of these consolidated financial statements.

Ferreycorp S.A.A. and Subsidiaries

Consolidated statements of income

For the years ended December 31, 2014 and 2013

	Note	2014 S/.(000)	2013 S/.(000)
Net sales	16	4,846,215	4,998,740
Other operating income		3,118	15,209
		4,849,333	5,013,949
Cost of sales	16	(3,731,913)	(3,905,925)
Gross profit		1,117,420	1,108,024
Selling expenses	17	(576,700)	(559,624)
Administrative expenses	18	(221,685)	(189,472)
Other income and expenses, net		18,530	31,315
Operating profit		337,565	390,243
Financial income	20	19,848	21,737
Share of profit of an associate and a joint venture	8(b)	6,563	2,607
Financial expenses	21	(97,466)	(102,865)
Exchange difference, net	25	(99,487)	(146,140)
Profit before income tax		167,023	165,582
Income tax	14(b)	(75,042)	(65,474)
Net income		91,981	100,108
Basic and diluted earnings per share (in Nuevos Soles)	22	0.091	0.098
Weighted average of shares outstanding (in thousands of units)	22	1,014,326	1,014,326

The accompanying notes are an integral part of these consolidated financial statements.

Ferreycorp S.A.A. and Subsidiaries

Consolidated statements of comprehensive income

For the years ended December 31, 2014 and 2013

	Note	2014 S/.(000)	2013 S/.(000)
Net income		91,981	100,108
Other comprehensive income			
Other comprehensive income to be reclassified to profits in subsequent periods			
Net gain on hedging derivatives		72	177
Deferred income tax effect		(22)	(54)
Exchange difference on translation of foreign operations	17(e)	12,708	12,078
Gain on available for-sales of associates, net of tax effect deferred gain		(2,694)	(3,011)
Other comprehensive income to be reclassified to profits in subsequent periods		10,064	9,190
Other comprehensive income to be not reclassified to profits in subsequent periods			
Revaluation of land	15(d)	-	108,559
Deferred income tax effect		-	(32,568)
Change in tax rate effect	3.3 (m)	13,174	-
Other comprehensive income to be not reclassified to profits in subsequent periods		13,174	75,991
Other comprehensive income for the year, net		23,238	85,181
Net comprehensive income for the year		115,219	185,289

The accompanying notes are an integral part of these consolidated financial statements.

Ferreycorp S.A.A. and Subsidiaries

Consolidated statements of changes in equity

For the years ended December 31, 2014 and 2013

					Other equity reserves					
	Number of shares outstanding (in thousands)	Issued capital S/.(000)	Additional capital S/.(000)	Legal reserve S/.(000)	Unrealized gains S/.(000)	Other reserves S/.(000)	Revaluation surplus S/.(000)	Translation results S/.(000)	Retained earnings S/.(000)	Total S/.(000)
Balance as of January 1, 2013	803,235	803,235	137,336	82,179	(2,222)	2,045	160,918	(3,873)	225,931	1,405,549
Net income	-	-	-	-	-	-	-	-	100,108	100,108
Revaluation effect of land to fair value, net of deferred income tax, note 15 (d)	-	-	-	-	-	-	75,991	-	-	75,991
Valuation of hedging derivatives, note 15 (d)	-	-	-	-	-	123	-	-	-	123
Gain on valuation of investments available for sale of associates, note 15 (g)	-	-	-	-	(3,011)	-	-	-	-	(3,011)
Other comprehensive income, net income tax	-	-	-	-	-	-	-	12,078	-	12,078
Total comprehensive income	-	-	-	-	(3,011)	123	75,991	12,078	100,108	185,289
Transfer to legal reserve, note 15(c)	-	-	-	17,587	-	-	-	-	(17,587)	-
Decreased equity joint venture and associates note 15 (g)	-	-	-	-	-	329	-	-	900	1,229
Dividends, note 15 (f)	-	-	-	-	-	-	-	-	(48,194)	(48,194)
Capitalization of retained earnings, note 15 (a)	141,992	141,992	(31,900)	-	-	-	-	-	(110,092)	-
Balance as of December 31, 2013	945,227	945,227	105,436	99,766	(5,233)	2,497	236,909	8,205	151,066	1,543,873
Net income	-	-	-	-	-	-	-	-	91,981	91,981
Revaluation effect of land to fair value, net of deferred income tax	-	-	-	-	-	-	13,174	-	-	13,174
Valuation of hedging derivatives	-	-	-	-	-	50	-	-	-	50
Gain on valuation of investments available for sale of associates	-	-	-	-	(2,694)	-	-	-	-	(2,694)
Other comprehensive income, net of income tax	-	-	-	-	-	-	-	12,708	-	12,708
Total comprehensive income	-	-	-	-	(2,694)	50	13,174	12,708	91,981	115,219
Transfer to legal reserve, note 15 (c)	-	-	-	10,333	-	-	-	-	(10,333)	-
Decreased equity joint venture and associates	-	-	-	-	-	1,099	-	-	(8,618)	(7,519)
Dividends, note 15 (f)	-	-	-	-	-	-	-	-	(55,797)	(55,797)
Capitalization of retained earnings, note 15(a)	69,099	69,099	(31,900)	-	-	-	-	-	(37,199)	-
Balance as of December 31, 2014	1,014,326	1,014,326	73,536	110,099	(7,927)	3,646	250,083	20,913	131,100	1,595,776

The accompanying notes are an integral part of these consolidated financial statements.

Ferreycorp S.A.A. and Subsidiaries

Consolidated statements of cash flows

For the years ended December 31, 2014 and 2013

	2014 S/.(000)	2013 S/.(000)
Operating activities		
Collections from customers and third parties	4,868,405	5,047,963
Payments to suppliers	(3,937,189)	(4,321,623)
Payroll and others	(419,969)	(355,953)
Income tax payments	(132,275)	(111,304)
Taxes paid	(11,973)	(11,934)
Net cash provided from operating activities	366,999	247,149
Investing activities		
Purchase of property, machinery and equipment	(158,890)	(244,780)
Acquisition of subsidiary, net of cash acquired	(46,332)	(90,013)
Additions to intangibles	(9,050)	(2,437)
Disposition of property, machinery and equipment	1,132	5,756
Net cash used for investing activities	(213,140)	(331,474)
Financing activities		
Increase in borrowings	1,133,434	821,845
Payments of financial obligations	(1,171,708)	(637,262)
Interest paid	(91,884)	(95,528)
Dividends paid	(55,797)	(48,194)
Net cash provided from (used for) financing activities	(185,955)	40,861
Net decrease in cash and cash equivalent	(32,096)	(43,464)
Translation results	12,708	12,078
Effect of movements in exchange rates on cash and cash equivalent	(10,076)	(21,925)
Cash and cash equivalent at beginning of year	119,413	172,724
Cash and cash equivalent at end of year	89,949	119,413
Non-cash transactions		
Financial leasing	2,828	2,753
Capitalization of retained earnings	37,199	110,092
Unrealized gain	7,927	5,233

The accompanying notes are an integral part of these consolidated financial statements.

Ferreycorp S.A.A. and Subsidiaries

Notes to the consolidated financial statements

As of December 31, 2014 and 2013

1. **Economic activity**

Ferreycorp S.A.A. (hereinafter "the Company") was incorporated in Lima, Peru on September 1922 under with the name of Enrique Ferreyros y Cía. Sociedad en Comandita. Subsequently, it made several changes to its legal name up to June 1998 when it modified its by-laws to comply with the current Peruvian General Corporation Law, and changing its legal name to Ferreyros S.A.A. The Shareholders' Meeting of Ferreyros S.A.A. held on March 28, 2012, approved the corporate reorganization to split its investor role from its role as operating company, distributor of capital goods, and thus better organize the company's various lines of businesses. Accordingly, the Shareholders approved changing the corporate name form Ferreyros S.A.A. to Ferreycorp S.A.A.

Therefore, Ferreycorp S.A.A. acts as a holding company for the group of companies operating in Peru and abroad named "Ferreycorp Group"; coordinating their policies and management. The Company's legal address is Cristóbal de Peralta Norte Avenue No. 820, Surco, Lima, Peru.

The consolidated financial statements for the year ended as of December 31, 2013 were approved by the Shareholders' Meeting and by the Board of Directors held on March 26, 2014. The accompanying consolidated financial statements for the year ended December 31, 2014, were approved by the Company's Management on February 24, 2015 and will be submitted for their approval by the Board of Directors and the Shareholders' Meeting that will occur within the first quarter of 2015. In Management's opinion, these consolidated financial statements will be approved by the Board of Directors and Shareholders' Meeting without modifications.

2. **Group Identification**

As of December 31, 2014, the consolidated financial statements include the financial statements of Ferreycorp SAA and subsidiaries in which it has control. The Group owns 100% interest in the subsidiaries either through its parent (Ferreycorp SAA) or other subsidiaries. The main data of the Group involved in the process of consolidation as of December 31, 2014 and 2013, before eliminations for consolidation purposes are as follows:

Entity	Activity	Percentaje of ownership		Assets		Liabilities		Equity		Net income (loss)	
		2014 %	2013 %	2014 S/.(000)	2013 S/.(000)	2014 S/.(000)	2013 S/.(000)	2014 S/.(000)	2013 S/.(000)	2014 S/.(000)	2013 S/.(000)
Ferreyros S.A.	Purchase and sale of machinery, spare parts and workshop services	99.99	99.99	1,956,215	2,032,216	1,155,317	1,274,699	800,898	757,517	119,289	117,319
Inti Inversiones Interamericanas Corp. and subsidiaries	Holding company business in Central America	100.00	100.00	526,975	494,286	347,840	341,220	179,135	153,066	13,063	12,820
Unimaq S.A.	Purchase and sale of machinery, spare parts and workshop services	99.99	99.99	562,702	540,599	428,816	414,485	133,886	126,114	7,703	8,414
Inmobiliaria CDR S.A.C.	Real estate	99.99	99.99	103,452	93,225	30,716	24,358	72,736	68,867	1,664	2,105
Fargoline S.A.	Warehouse	99.91	99.91	109,423	105,601	43,645	47,156	65,778	58,445	5,856	6,413
Motored S.A.	Purchase - sale of automotive line, automotive spare parts and provision of services	99.99	99.99	243,151	273,587	185,667	198,865	57,484	74,722	(18,116)	(7,971)
Trex Latinoamerica SpA and subsidiaries(***)	Holding company business in South America	100.00	-	104,499	-	63,923	-	40,576	-	(1,787)	-
Orvisa S.A. and subsidiaries	Purchase and sale of machinery, spare parts and workshop services	99.37	99.37	178,360	162,240	136,530	129,133	41,830	33,107	2,338	4,210
Mega Representaciones S.A. and subsidiaries (*)	Representative and distributor of tires and lubricant	99.99	99.99	140,951	145,334	100,248	106,555	40,703	38,779	924	1,752
Fiansa S.A. (common shares and labor)	Metalworking services	99.76	99.76	64,692	62,866	26,954	39,850	37,738	23,016	(8,604)	(18,210)
Cresko S.A.	Purchase and sale of machinery and chemical supplies	99.99	99.99	50,257	51,344	37,558	43,502	12,699	7,842	(4,643)	(4,267)
Soluciones Sitech Perú S.A.	Commercialization of software and hardware	99.80	99.80	4,470	947	2,547	584	1,923	363	(940)	(461)
Forbis Logistics S.A.	Bulking agent	99.98	99.98	4,772	2,488	3,858	1,796	914	692	222	559
Compass Fondo de Inversión de Arrendamiento Operativo	Investment fund	100.00	100.00	16,178	8,817	230	9	15,948	8,808	1,234	28
Ferrenergy S.A.	Power generation and supply	50.00	50.00	15,131	14,945	6,612	9,600	8,519	5,345	214	(1,003)

(*) Soltrack S.A.C., Company was incorporated on June 26, 2014, whose major Shareholder is Mega Representaciones S.A. (subsidiary of Ferreycorp S.A.A.), this company has a main activity the purchase, sale, marketing and distribution of goods; and the import and export of consumer goods and personal protective equipment and safety.

(**) This Holding mainly includes subsidiaries in Central and North America: Compañía General de Equipos S.A. (El Salvador), Corporación General de Tractores S.A. (Guatemala), Mercado Centroamericano de Lubricantes S.A. (Nicaragua), General Equipment Company (Belice) and Forbis Logistics Corp. (United States of America). The activities of the subsidiaries conforming INTI Group are the purchase and sale of machinery, spare parts and workshop services.

(***) This Holding mainly includes subsidiaries in South America: Trex Latinoamerica Spa, which is the parent of Equipos y Servicios Trex Spa that has a subsidiary Trex Overseas Investment S.A., parent of a Company located in Ecuador and other one in Colombia.

Acquisitions 2014-

(a) Trex Latinoamerica Spa y Subsidiarias (Chile, Colombia and Ecuador):
On June 1, 2014, the Group acquired 100 percent of the shares entitled to vote Trex Chile Group, the Group at 31 December 2014, realized a corporate reorganization and created Trex Latinoamerica Spa, parent company of Equipos y Servicios Trex SpA of Chile, which in turn is a subsidiary Trex Overseas Investment S.A. that is the parent company of a company located in Ecuador and other one in Colombia.

For this acquisition, the Group paid approximately US$16,663,000 (equivalent to S/.46,672,000 at the acquisition date), this acquisition gives the Group major presence in Latin America. Subsequently, the Group made a capital contribution of US$289,000 (equivalent to S/.847,000) for the constitution of Trex Latinoamerica SpA.

The fair values of assets and liabilities acquired are as follows:

	Fair value recognized at the acquisition date S/.(000)
Assets	
Cash	2,135
Trade accounts receivable, net	16,381
Inventories, net	12,687
Other assets	22,638
Liabilities	53,841
Trade accounts payable	9,749
Provisions	23,776
Net assets acquired	20,316
Assets and liabilities identified	
Trademark rights	1,367
Customer relationship	2,638
Order babcklog	438
Relations with suppliers	2,470
Non-competition agreement	1,699
Tax assets Deferred income	643
Tax liabilities Deferred income	(2,243)
Total net assets identified measured at fair value	7,012
Fair value of the total net assets identified	27,328
Less: Purchase price at the date of acquisition	46,671
Goodwill, note 10(d)	19,343

	Cash flow at the date of acquisition S/.(000)
Net cash arising from acquisition	2,135
Cash payment	(46,671)
Net cash at the date of acquisition	44,536

The trademark rigths, customer relations, order backlog, supplier relationships and non-competition agreement include intangible assets acquired through business combinations, which are detailed in note 10. The relationship with customers were granted by the various contracts held the Group, purchase orders correspond to obligations held by the Group with its various suppliers, the useful lives of these assets are 3-29 years old and 1 year, respectively. The relationship with suppliers and non-competition agreement have a lifespan of 40 and 5 years, respectively.

Acquisitions 2013-

(a) ExxonMobil business unit (Guatemala) -

On January 31, 2013, through its subsidiary in Central America (Inti Inversiones Interamericanas Corp.), the Group acquired the share distribution and marketing business unit of ExxonMobil lubricants in Guatemala for approximately US$16,374,000 (equivalent to S/.45,751,000 to that date), being Corporación General de Tractores S.A. – GENTRAC, subsidiary of INTI, in charge of such business unit since effective date January 2013. The Group acquired the business in order to expand their participation in the Central American market share related to operations already being developed.

The fair values of assets and liabilities acquired are as follows:

	Fair value recognized at the acquisition date S/.(000)
Assets	
Inventories	11,726
Other assets	497
Net assets acquired	12,223
Assets and liabilities identified	
Customer relationship	2,827
Distribution agreement	6,854
Deferred income tax liability	(3,001)
Total net assets identified measured at fair value	6,680

	Fair value recognized at the acquisition date S/.(000)
Fair value of the total net assets identified	18,903
Less: Purchase price at the date of acquisition	45,751
Goodwill arising from the acquisition, note 10(d)	26,848

	Cash flows at the date of acquisition S/.(000)
Net cash arising from acquisition	-
Cash payment	(45,751)
Net cash at the date of acquisition	(45,751)

The relationship with customers and distribution contracts include intangible assets acquired through business combinations, which are detailed in note 10. The relationship with customers were granted by the various contracts held by the acquired business line; as well as exclusive distribution contract that Exxon Mobil has. The useful lives of such assets are 9 and 10 years, respectively.

(b) Mercadeo Centroamericano de Lubricantes S.A.- Mercalsa (Nicaragua)
On February 28, 2013, the Group acquired 100 percent of the shares entitled to vote Compañía Mercadeo Centroamericana de Lubricantes - Mercalsa (Nicaragua), for approximately US$5,205,000 (equivalent to S/.14,544,000 at that time). Mercalsa's main activity is the sale of lubricants Exxon Mobil.

The fair values of assets and liabilities acquired are as follows:

	Fair value recognized at the acquisition date S/.(000)
Assets	
Cash	452
Trade accounts receivable, net	3,890
Inventories, net	4,539
Other assets	1,197
	10,078

	Fair value recognized at the acquisition date S/.(000)
Liabilities	
Trade accounts payable	(2,348)
Provisions	(614)
Net assets acquired	7,116
Assets and liabilities identified	
Customer relationship	1,168
Trademark rights	2,277
Distribution agreement	3,250
Deferred income tax liability	(2,053)
Total net assets identified measured at fair value	4,642
Fair value of the total net assets identified	11,758
Less: Purchase price at the date of acquisition	14,544
Goodwill, note 10(d)	2,786

	Cash flows at the date of acquisition S/.(000)
Net cash from acquisition	452
Cash payment	(14,544)
Net cash at the date of acquisition	(14,092)

Customer relations, trademarks and distribution contracts include intangible assets acquired through business combinations, which are detailed in note 10. The relationship with customers were granted by the various contracts held by the Group; and the exclusive distribution contract that Mercalsa has. A Trademark rights corresponds to the representation used by the Group in Central America. The useful lives of such assets are 7 and 10 years respectively. The Trademark rights of the Group is indefinite life, and an annual impairment assessment is performed to assess that there is non-impairment issues with these assets.

(c) TECSEG S.A.C. (Peru) -

On January 31, 2013, the Group, through its subsidiary Mega Representaciones S.A., acquired 100 percent of the shares of TECSEG S.A.C., for approximately US$12,303,000 (equivalent to S/.32,142,000), a Peruvian company dedicated to the commercialization of industrial safety supplies. The amount paid was adjusted in 2013 on the basis of the variations presented in TECSEG's equity as of December 31, 2012. This acquisition allows the Group to begin into the

business of industrial safety in Peru and thus complement the portfolio of consumables of Mega Representaciones S.A.C.

The fair values of assets and liabilities acquired are as follows:

	Fair value at the acquisition date S/.(000)
Assets	
Cash	760
Trade accounts receivable, net	13,214
Inventories, net	9,308
Other assets	3,403
	26,685
Liabilities	
Trade accounts payable	(6,143)
Provisions	(4,523)
Net assets acquired	16,019
Assets and liabilities identified	
Customer relations	5,083
Trademark rights	3,313
Order Backlog	254
Deferred income tax liability	(2,595)
Total net assets identified measured at fair value	6,055
Fair value of the total net assets identified	22,074
Less: Purchase price at the date of acquisition	32,142
Surcharge	186
Goodwill, nota 10(d)	10,254

	Cash flows at the date of acquisition S/.(000)
Net cash arising from acquisition	760
Cash payments	(32,142)
Net cash at the date of acquisition	(31,382)

The relationship with customers and trademark rights include intangible assets acquired through business combinations, which are detailed in note 10. The customer relationship was determined by the various contracts; as well as exclusive distribution agreement with 3M keeps Tecseg, purchase orders correspond to obligations to its various suppliers. The useful lives such assets are 5 years, 1.5% of sales and 9 months, respectively.

3. Basis of preparation and summary of significant accounting principles and practices

3.1 Basis of preparation and presentation-

The accompanying consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB") in effect at December 31, 2014.

The consolidated financial statements have been prepared on the historical cost basis, from the accounting records kept by the Group, except for the lands, that have been measured at fair value. The consolidated financial statements are presented in thousands of Nuevos Soles (functional and presentation currency), except where noted otherwise.

The accounting policies adopted are consistent with those applied in previous years, except for the new IFRS and revised NICs that are mandatory for periods beginning after January 1, 2014, but which the Group has already adopted; however, due to the Group's structure and the nature of its operations, the adoption of these standards had no significant effect on its financial position and results; therefore it was not necessary to modify the comparative consolidated financial statements of the Group. These new IFRS and IAS's checked are described below:

- Offsetting financial assets and financial liabilities - Amendments to IAS 32
  These amendments clarify the meaning of "currently has a legally enforceable right to compensation", mechanisms and criteria for non-simultaneous clearing solution for entitlement to compensation. These changes had no impact on the Group.

- Revelations about the recoverable amount of non financial assets - Amendments to IAS 36
  These amendments eliminate the unintended consequences of IFRS 13 Fair Value Measurement, regarding the disclosures required by IAS 36 Impairment of Assets. They also require the disclosure of amounts recoverable asset or cash-generating units for which it is recognized or reversed an impairment loss for the period. These changes had no impact on the Group.

- Derivatives novation and continuation of hedge accounting - Amendments to IAS 39
  These amendments provide an exception to discontinue hedge accounting if the hedging a derivative was novated, provided certain criteria are met. These changes had no impact on the Group, because it has not its derivatives during the current period or in previous years.

- IFRIC 21 Liens
  IFRIC 21 clarifies that an entity recognizes a liability for a tax when the activity that triggers payment under the terms specified in the relevant legislation, is done. Retrospective application is required to IFRIC 21. This interpretation had no significant impact on the Group.

3.2 Basis for consolidation –

The consolidated financial statements include the financial statements of Ferreycorp and its subsidiaries for all periods presented. Control is achieved where the Group is exposed, or has rights, to variable returns from its holding in the investee and has the ability to affect those returns through its power over the entity. The Group controls an entity if and only if you have:

- Power over the entity; so existing rights that give it the current ability to govern the relevant activities of the entity
- Exposure or rights to variable returns from its involvement in the entity, and
- Ability to use its power over the entity to affect yields.

When the Group has less than a majority of the voting or similar rights in the state, the Group considers all relevant facts and circumstances in assessing whether it has power over the entity, including:

- The contractual agreement with other vote holders of the entity.
- Rights derived from other contractual arrangements.
- The voting rights of the Group and potential voting rights.

The Group assess whether it has control over an entity when if facts and circumstances indicate that there are changes in any of the control elements. The consolidation of a subsidiary begins when the Group has control over the subsidiary and is no longer consolidated from the date that control ceases. The consolidated financial statements include assets, liabilities, income and expenses of Ferreycorp and its affiliates.

The profit or loss and each component of other comprehensive income are attributed to the owners of the parent and non-controlling interests even if the results of non-controlling interests with negative balance. When necessary, adjustments to the financial statements of subsidiaries are made to align the accounting policies with those of the Group. All assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are fully eliminated during consolidation process.

A change in the ownership of a subsidiary without loss of control is accounted for as an equity transaction.

3.3 Summary of significant accounting principles and practices

(a) Business combinations and goodwill -

Business combinations are accounted for using the acquisition method. The cost of an acquisition requires assets acquired and liabilities assumed to be measured at their fair value at the acquisition date, and the amount of any non-controlling interest in the acquiree. For each business combination, the Group can have a choice in the measurement of non-controlling interests (NCI) in the acquiree at its fair value or the NCI's proportionate share of net assets of the acquiree. Acquisition costs incurred are expensed as incurred and are presented as administrative expenses in the consolidated income statement.

When the Group acquires a business, it assesses the financial assets and liabilities incorporated for appropriate classification and designation in accordance with the contractual terms, economic conditions and pertinent conditions at the acquisition date. This includes the separation of embedded derivatives from host contracts of the acquiree.

If the business combination is achieved in stages the acquirer´s previously-held in equity interest in the acquiree is measured at the acquisition date fair value and any resulting gain or loss is recognized in the consolidated results. These records are considered in the determination of goodwill.

Any contingency that is transferred by the acquirer's will be recognized at fair value at the acquisition date. The contingency classified as an asset or liability that is a financial instrument and is within the scope of IAS 39 Financial Instruments: Measured at fair value in the consolidated statements of comprehensive income. If the contingency is not within the scope of IAS 39, it is measured in accordance with relevant IFRS applicable. The contingency is classified as equity shall not be measured again and its subsequent settlement is accounted for within equity.

The acquisition of non-controlling interest is recognized directly in the consolidated statement of changes in equity; the difference between the amount paid and the net assets acquired is recorded as an equity transaction. Therefore, the Group did not record any additional goodwill upon the acquisition non-controlling interest, or recognize a gain or loss on sale of non-controlling interest.

Equity attributable to non-controlling interest is disclosed separately in the consolidated statements of financial position. The income attributable to non-controlling interest is disclosed separately in the consolidated income statement and consolidated statements of comprehensive income.

Goodwill is initially measured at cost, which is the excess of the sum of the consideration transferred and the amount of non-controlling interests over the acquired net assets recognized exceeds the consideration transferred, the Group reassess whether it has correctly identified all the assets acquired and liabilities assumed all and review the procedures used to measure the amounts recognized at the acquisition date. If, in such reassessment still determines that the value of the net assets acquired exceeds the sum of the consideration transferred, the gain is recognized in the consolidated statements of income.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of performing an impairment testing, goodwill acquired in a business combination is, from the acquisition date, distributed to each of the cash generating units (CGU) of the Group is expected to benefit from the business combination, irrespective of whether other assets or liabilities of the acquire are assigned to those units.

If goodwill has been distributed to a cash-generating unit and part of the assets that the unit operates is disposed, goodwill and assets of are included in the carrying amount of the transaction to determine the loss or write-off from disposal. Under these circumstances, goodwill is measured based on the relative value of the assets disposed of and the portion of the cash-generating unit retained.

The impairment of goodwill is determined by assessing the recoverable amount of each CGU (or group of CGU) to which the goodwill relates. Where the recoverable amount of the CGU is less than the carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill can't be measured in future periods.

(b) Investment in associates and joint ventures -

An associate is an entity over which the investor has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of an investee but without having control or joint control of its.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. These parts are called the joint venture participants. Joint control is the contractually agreed sharing of control to a joint arrangement, which exists only when decisions about the relevant activities require the unanimous consent the same parties sharing control.

The considerations to take into account in determining the existence of significant influence or joint control are similar to those which are necessary to determine the existence of control over subsidiaries.

Accounting –
The Group's investments in associates and joint ventures are accounted for using the equity method.

Under the equity method, investment in an associate and joint venture are initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of the net assets of the associate and a joint venture from the acquisition date. Goodwill related to an associate or joint venture is included in the carrying amount of the investment. The consolidated income statement reflects the Group's share of the results of operations of the associate and joint venture. Any change in other comprehensive income of the associate or joint venture is presented as part of the Group’s consolidated other comprehensive income. In addition, if any recognized directly in equity of the associate or joint venture, the Group would recognize its participation on any of these changes, as appropriate, in the consolidated statement of changes in equity. Gains and losses transferred to third parties arising from transactions between the Group and the associate or joint venture are eliminated to the extent of the Group's interest in the associate or joint venture.

The Group's share of results of associate and joint venture is presented in a single line in the consolidated income statement, out of operations profit. This participation includes the net of tax and non-controlling interests in subsidiaries of the associate and joint venture.

The financial statements of the associate and joint venture are prepared for the same reporting period of the Group. If necessary, adjustments are made in order to align their accounts policies to the Group’s accounting policies.

After applying the equity method, the Group determines whether it is necessary to recognize an impairment loss in respect of the Group's investment in an associate and a joint venture. At each reporting period under review, the Group determines whether there is objective evidence that the investment in the associate or joint venture would have deteriorated. If such evidence exists, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and their carrying amounts, then loss recognized under "Share of profit of an associate and a joint venture" in the consolidated income statement.

When the significant influence over an associate or joint control over the joint venture is lost, the Group measures and recognizes any retained interest at fair value. In this case, any difference between the carrying amount of the associate or joint venture and the respective fair value of the retained interest, and sale proceeds are recognized in the consolidated results.

(c) Financial Instruments: Recognition and Measurement -

(c.1) Financial assets -

Initial recognition and measurement -

Financial assets within the scope of IAS 39 are classified as: (i) financial assets at fair value through profit or loss, (ii) loans and receivables, (iii) available-for-sale financial assets, (iv) held-to-maturity investments, or as (v) derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition.

The classification of the financial instruments at initial recognition depends on the intention for which the financial instruments were acquired and their characteristics. All financial assets are recognized initially at fair value plus, except in the case of assets not at fair value through profit or loss, directly attributable transaction costs or issuance of the instrument.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place are recognized on the trade date, i.e.; the date that the Group commits to purchase or sell the asset. Derivatives are recognized on the trade date of the transaction.

Subsequent measurement -

The subsequent measurement of financial assets depends on their classification. The Group's financial assets include loans and receivables and an available-for-sale financial investment, which subsequent measurement criteria is explained below.

- Loans and receivables -

  Loans and receivables are non-derivative financial assets whit fixed or determinable payments that are not traded in an active market, the Group does not intend to sell immediately or in the near future and have no recovery risk than credit deterioration.

  After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest rate method (EIR), less impairment. The losses arising from Impairment are recognized in the consolidated income statement.

  The Group maintains in this category accounts receivable and other accounts receivable, which are recognized at the transaction value, net of its allowance for doubtful accounts, when applicable.

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

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

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

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

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

Financial assets carried at amortized cost -
For financial assets carried at amortized cost, the Group first assesses whether there is objective evidence of impairment for financial assets on an individual basis that are individually significant, or in a collective basis for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment for individually assessed financial asset, regardless of its importance, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively evaluated to determine whether impairment exists. Assets that are individually assessed to determine whether impairment exist and for which an impairment loss is recognized or continue to be recognized, are not included in the assessment of impairment collectively.

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

The carrying amount of the asset is reduced through an allowance account and the amount of the loss is recognized in the consolidated statements of income.

(c.2) Financial liabilities -
Initial recognition and measurement -
Financial liabilities within the scope of IAS 39 are classified as: (i) financial liabilities at fair value through profit or loss, (ii) loans and borrowings, or as (iii) as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

Financial liabilities are recognized when the Group is part of the contractual agreement of the instrument. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, are carried at amortized cost. This includes directly attributable transaction costs or issuance of the instrument.

As of December 31, 2014 and 2013, the Group has only liabilities at amortized cost, including accounts payable (trade, to related parties and others), and other financial liabilities.

Subsequent measurement -
After initial measurement, financial liabilities are subsequently measured at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any discount or premium on issuance and costs that are an integral part of the effective interest rate. Gains and losses are recognized in the consolidated income statement when liabilities are derecognized.

Financial liabilities are classified as short-term unless the Group has the irrevocable right to defer the payment for more than twelve months after the date of the consolidated statement of financial position. Borrowing costs are recognized using the accrual method, including fees related to the financing.

Derecognition -
A financial liability (or, where applicable, a part of a financial liability or part of a group of similar financial liabilities) is derecognized when the obligation under the liability is discharged or cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated income statement.

(c.3) Offsetting of financial instruments -
Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position only if there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

(d) Derivative financial instruments -
Derivative financial instruments, pursuant to the rules of IAS 39 are classified as trading and hedging. The Group only has derivatives that are identified as accounting hedges; which are essentially of:

- Fair value when hedging the exposure to changes in fair value of recognized assets or liabilities or unrecognized firm commitments.
- Cash flow when hedging exposure to variations in cash flows attributed either to a particular risk associated with a recognized asset or liability or a highly probable transaction, or at risk of exchange rate in unrecognized commitment;

At the beginning of the hedge relationship, the Group formally designates and documents the hedge relationship. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Group will assess the effectiveness of the hedge against changes in the fair value of the hedging instrument to offset changes in the fair value of the hedged item or changes in cash flows. The Group continuously asses the hedging instrument to determine that they actually have been highly effective throughout the periods for which they were designated.

The change in fair value of a derivative that is a hedging instrument is recognized in the consolidated income statements as financial expenses. The change in fair value attributable to the hedged risk recorded as part of the carrying amount of the hedged item and recognized in the consolidated income statements as financial expenses.

The Group has a contract for "Swap" interest rate classified as cash flow hedges. As a result, the effective portion of the gain or loss on the hedging instrument is recognized directly in reserve for cash flow hedges in the statements of comprehensive income, while the ineffective portion is recognized immediately in "Other, net" in the consolidated income statement. The ineffective portion related to foreign exchange contracts is recognized as financial expenses.

The amounts recognized in other comprehensive income are reclassified to earnings when the hedged transaction affects profit or loss, such as financial income or expense of the hedged item is recognized, or when the expected sale takes place. When the hedged item is the cost of a non-financial asset or liability, the amounts recognized in other comprehensive income are reclassified to the carrying amount initially recognized for the non-financial asset or liability.

If the realization of the transaction or firm commitment, the cumulative gain or loss previously recognized in equity is reclassified to consolidated income statements. If the hedging instrument expires or is sold, it is resolved or exercised without a replacement or successive renewal for another hedging to instrument, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognized in other result Integral remains in other comprehensive income until the forecast transaction or firm commitment affect results.

(e) Foreign currency transaction -

The Group's functional currency is the Nuevo Sol (local currency), as this currency is used by the Group for its operations and translation and additionally, for the preparation of the consolidated financial statements. For foreign subsidiaries, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency.

The accompanying consolidated financial statements have been prepared primarily to disclose the joint activity of the companies comprising the Group, for what has been established as the presentation currency the same used by Ferreycorp S.A.A.; the Nuevo Sol. Consequently, the balances in the financial statements of the companies operating in countries with a functional currency other than the Nuevo Sol have been converted to this currency in accordance with the methodology set out in IAS 21 "Effects of changes in foreign exchange rates".

Transactions and balances in foreign currency–

Balances or transactions in foreign currency are those made in a currency other than the functional currency of each entity. Transactions in foreign currencies are initially recorded at their functional currency spot rates at the dates the transactions first qualifies for recognition.

Subsequently, monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchanges at the reporting dates. The differences between this rate and the exchange rate initially used to record transactions are recognized in the consolidated income statement in the period in which they arise, under "Exchanges difference, net". Non-monetary assets and liabilities acquired in foreign currency are converted at the exchange rate on the dates of the initial transactions.

Balances and transactions in foreign currency -

Considered balances or transactions in foreign currency to those made in a currency other than the functional currency of each entity. Transactions in foreign currencies are initially recorded in the functional currency using the exchange rates prevailing at the dates of the transactions in which initially qualify for recognition.

Subsequently, monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate of liquidation or account closing date of the reporting period is reported. The differences between this rate and the exchange rate initially used to record transactions are recognized in the consolidated income statement in the period in which they arise, under "Exchanges, difference, net". Non-monetary assets and liabilities acquired in foreign currency are converted at the exchange rate on the dates of the initial transactions.

As required by IAS 21, the exchange differences resulting from transactions between related parties eliminated on consolidation process and not included as part of the net investment in a foreign operation, should be recorded in profit or loss in the consolidated financial statements.

(f) Cash and cash equivalent -

For purposes of preparation and presentation of the consolidated cash flows statement, cash and cash equivalent comprise, petty cash, bank deposits, cash in transit and deposits with original maturities shorter than 90 days, all recorded in the consolidated statement of financial position. These accounts do not have significant risks in their values.

(g) Inventories -

Inventories are valued at the lower of cost or net realisable value, net of any impairment. Cost is determined using the specific identification method, except for spare parts which are recognized using the weighted average cost method. The net realisable value is the estimated selling price in the ordinary course of business, net of discounts and other costs and expenses incurred to bring inventories into sale condition.

The estimation for impairment is determined based upon an analysis performed on the inventory's condition and turnover. In the case of damaged equipment and those with no movement, a provision based on Management's assessment that determines the impairment amount for each item. The estimation is recognized affecting the results of the year when it is determined.

(h) Property, machinery and equipment-

Property, machinery and equipment, except the lands, is stated at cost, net of accumulated depreciation and, accumulated impairment losses if any. Such cost includes the cost of replacing components of property, machinery and equipment. For significant components of property, machinery and equipment that must be replaced periodically the replaced component is disposed and the new component with is useful life and depreciation is recognized.

Likewise, when a major inspection is made, its cost of is recognized as a replacement to the extent that the recognition requirements are met. All other routine repair and maintenance costs are recognized as expense as incurred in the consolidated income statement.

Land is measured at fair value using appraisals that are performed every 2-3 years by an independent expert appraiser, to ensure that fair value does not differ materially from its carrying amount. When changes in fair value are not significant, revaluations are carried out every three to five years.

Any revaluation surplus is recognized in the consolidated statement of comprehensive income and credited to the asset revaluation surplus in equity, in the "Other equity reserve" caption, except that this increase corresponds to the reversal of a revaluation deficit of the previously recognized asset in the consolidated income statement, in which case the surplus is recognized in the consolidated income statement. A revaluation deficit is recognized in the consolidated income statement, except to the extent that the

decrease offsets an increase of the same asset previously recognized in the asset revaluation reserve. At the time of sale of a revalued asset, any revaluation reserve relating to that asset is transferred to retained earnings.

Depreciation is calculated on a straight line basis over the estimated useful lives of the assets and depending on machine hours used, as shown below:

	Years
Buildings and other structures	
Structural work	Between 78 and 80
Finishes and additional work	20
Installations	20
Machinery and equipment	Between 5 and 15
Rental feet - Machinery and equipment (*)	h/m used
Vehicles	5
Furniture and fixtures	4 and 10

(*) Based on machine-hours used.

The residual values, useful lives and depreciation methods are periodically reviewed at each financial year end and adjusted prospectively, if appropriate.

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

(i) Leases -

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

Group as a lessee -

Leases that transfer substantially all the risks and rewards incidental to ownership to the Group is classified as finance leases and is capitalized at the lease term, either at the fair value of the leased property or the present value of the minimum lease payments, whichever is lower. Lease payments are apportioned between finance charges and reduction of lease liability, so as to determine a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as interest expense in the consolidated statements of income.

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

Group as a lessor -
Leases where the Group does not transfer substantially all the risks and rewards incidental to ownership of the asset are classified as operating leases, keeping receipts made to these contracts in the statement of financial position. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income.

Operating lease payments are recognized as operating expenses in the consolidated statements of income, on a straight line basis over the term of the lease.

Revenue from operating leases is recognized on a straight line basis over the lease term.

(j) Intangible assets -
Intangible assets acquired separately are initially measured at cost. The cost of intangible assets acquired in a business combination is its fair value at the date of acquisition. After initial recognition, intangible assets are carried at cost less accumulated amortization and, if applicable, any accumulated impairment loss.

The useful lives of intangible assets are assessed as either finite or indefinite. The Group has only intangible assets with finite useful lives and are amortized using the straight-line method over their useful economic lives, which are four to ten years, and are assessed for impairment whenever there is an indication that the intangible asset may be impaired. The period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each reporting period under report. Changes in the expected useful life or the expected pattern of consumption of the asset are accounted for by modifying the period or the depreciation method, as appropriate, and treated as changes in accounting estimates. The amortization expense on intangible assets with finite useful lives is recognized in the consolidated income statement under the category that is consistent with the function of the intangible asset.

The amortization is calculated on a straight line basis over the estimated useful lives of the assets, as follows:

	Years
Client relationships	3 to 29
Rights of use	2
Purchase orders (Order Backlog)	1
Distribution Agreement	10
Supplier relations	40
Non-competition agreement	5
Software licenses	10

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated income statement when the asset is derecognized.

(k) Impairment of non-financial assets -

The net book value of property, machinery and equipment and intangible assets with finite lives are reviewed to determine if there is evidence of impairment at the end of each reporting period. If any such indication exists, the Group estimates the asset's recoverable amount, being the higher of fair value less costs of disposal and value in use.

Where the recoverable amount of an asset is below its carrying amount is considered to be impaired.

Fair value is the amount obtainable from the sale of an asset in a free market, while the value in use is the present value of future net cash flows estimated from the continued use of an asset and from its disposal at end of its useful life. In assessing value in use, future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments, of the time value of money and risks specific to the asset.

When there are new events or changes in existing conditions evidencing a previously recognized impairment losses no longer exist or have decreased, excluding goodwill, the Group estimates a new recoverable amount of the asset. The previously recognized impairment losses are reversed only if there has been a change in the estimates used to determine the recoverable amount of the asset since the lost impairment loss was recognized. If this is the case, the carrying amount of the asset is increased to its recoverable amount. This increase can not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss has been recognized for the asset in prior years. Such reversal is recognized in the consolidated income statement. After completed the reversal, the depreciation charge is adjusted in future periods distributing the carrying amount over its remaining useful life.

Goodwill

Goodwill is tested to determine if an impairment annually (at December 31) and when circumstances indicate that its carrying amount may be impaired. The impairment of goodwill is determined by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill can not be reversed in future periods.

(l) Borrowing costs -

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily requires a considerable period of preparation to be available for use or sale are capitalized as part of the cost of the respective asset. All other borrowing costs are recognized expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurred in connection with the borrowing of funds.

During 2014 and 2013, the Group did not have assets that qualified for the capitalization of financing costs.

(m) Income tax and workers' profit sharing -

Workers' profit sharing -

Worker's profit sharing is calculated in accordance with the laws in force (Legislative Decree N° 892) on the same basis used to compute the income tax. In the case of the Group, the workers' profit sharing rate is 8 percent of the taxable income of the year. According to Peruvian law, there is a limit of 18 monthly salaries on the amount a worker can receive as profit sharing.

The Group recognizes the current portion workers' profit sharing paid directly to them in accordance with IAS 19 "Employee Benefits", as any benefits that any entity provides to the workers in exchange for their services and recognizes as a cost or expense depending on the function of each of them.

Current income tax -

The income tax for the current period is calculated according to the legal regulations in each country, based on the consolidated financial statements and the amount expected to be paid to the tax authorities. Tax regulations and tax rates used compute the amounts payable are those enacted at the date of the statement of financial position.

Management periodically assesses the tax regulations which are subject to interpretation and recognizes provisions when necessary.

Deferred income tax -
The income tax for future periods is recognized using the liability method, on temporary differences between the tax and accounting bases of assets and liabilities at the date of the consolidated statement of financial position. The deferred assets and liabilities are measured using tax rates expected to apply to taxable income in the years in which temporary differences are recovered or settled.

Deferred tax assets are recognized for all taxable temporary differences and tax loss carry forwards, to the extent that is likely that taxable income will be available to offset the deductible temporary differences, and can use the tax loss carry forwards. The carrying amount of deferred tax assets is reviewed at each date of the consolidated statements of financial position and is reduced to the extent that it is unlikely that sufficient taxable profits against which to offset all or part of the deferred asset. Unrecognized deferred tax assets are reviewed at each reporting date the consolidated statements of financial position.

The deferred assets and liabilities are offset if there is a legal right to offset and deferred taxes relate to the same entity and the same tax authority.

(n) Recognition of revenues, costs and expenses -
Revenue is recognized to the extent that it is probable that economic benefits will flow to the Group. Revenue is measured at the fair value of the consideration received or receivable, excluding discounts, taxes and other items related to the sales. The following criteria must be met to recognize an income:

- Revenues from sales of machinery, engines, vehicles and spare parts are recognized when all the significant risks and rewards of ownership are transferred to the buyer.
- Revenues from workshop services, maintenance and repair, and rental of machinery and equipment are recognized in income according to the stage of completion of the service.
- Other income of the Group are recognized as follows:

  - Rental income and interest on installment sales: on accrual basis.
  - Fee income from direct requests: when the supplier fulfills the order.
  - Financial interest income: on effective performance basis.
  - Dividend income: when the Group's right to receive such payment is established.
  - Construction contracts: under the percentage of completion method. Under this method, revenue is recognized in the accounting period in which the work contracted is performed.
  - Storage service: when the service is rendered.

Cost of sales, for the cost of the products sold by the Group is recognized when goods are delivered simultaneously to the revenue recognition from the corresponding sale.

Costs and expenses -
The other costs and expenses are recognized when incurred, regardless of when they are made, and are recorded in the periods to which they relate.

(o) Provisions -
General:
A provision is recognized only when the Group has a present obligation (legal or constructive) as a result of a past event, it is likely that resources will be required to settle the obligation and its amount can be reasonably estimated. Provisions are reviewed at each period and are adjusted to reflect of the best estimate as to the date of the statement of financial position. When the effect of time value of money is important, provision is the present value of expenditures expected to settle the obligation.

When the Group expects some or all of a provision to be reimbursed, these recoveries are recognized as assets, when the reimbursement is virtually certain. The expense related to a provision is presented in the consolidated income statement, net of reimbursement.

Possible contingencies are not recognized in the consolidated financial statements. These are disclosed in notes to the consolidated financial statements, except the possibility that an outflow of economic benefits is remote.

Warranty:
Provisions for warranty-related costs are recognized when the product is sold or service provided. Initial recognition is based on historical experience. The initial estimate of warranty-related costs is reviewed annually.

(p) Earnings per share -
The basic and diluted earnings per share are calculated by dividing net income by the weighted average number of common shares outstanding during the period. The shares from capitalization of profits, or similar transactions, are a stock split and, therefore, for the calculation of weighted average shares considered that these actions to be always outstanding, and the calculation of earnings per basic and diluted share are adjusted retroactively.

At December 31, 2014 and 2013, the Group has no financial instruments that produce dilutive effects, so that the basic and diluted earnings per share are the same.

(q) Fair value measurement -
The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the assumption that the transaction to sell the asset or transfer the liability takes place either:

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

The principal or most advantageous market should be accessible by the Group. Also, the fair value of a liability reflects their risk of default.

When available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is considered active if transactions for the asset or liability is carried out with sufficient frequency and volume to provide pricing information on a continuing basis.

All assets and liabilities which are determined or disclosed fair values in the consolidated financial statements are classified within the fair value hierarchy, described below, based on the lowest level of the data used that are significant to the measurement at fair value as a whole:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level of information that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level of information that is significant to the fair value measurement is not observable.

For assets and liabilities that are recognized at fair value in the consolidated financial statements on a recurring basis, the Company determines whether there have been transfers between levels in the hierarchy by reviewing the categorization at the end of each reporting period.

For purposes of the disclosures of fair value, the Group has determined the types of assets and liabilities based on their nature, characteristics and risks and the level of the fair value hierarchy as explained above

Management determines the Company's policies and procedures for measurements to recurring and nonrecurring fair value. At each reporting date, Management analyzes the movements in the values of assets and liabilities to be valued in accordance with the Group’s accounting policies.

(r) Segments -

An operating segment is a component of an entity: (i) that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), (ii) whose operating results are regularly reviewed by the Company's Management to make decisions about resources to be allocated to the segment and assess its performance, and (iii) for which confidential financial information is available, note 27.

(s) Subsequent events -

Events occurred subsequent to the year-end which provide additional information about the financial status of the Group as of the date of the consolidated statement of financial position (adjustment events) are included in the consolidated financial statements. Significant subsequent events, that are not adjustment events, are disclosed in notes to the consolidated financial statements.

3.4 Significant accounting judgments, estimates and assumptions –

The preparation of the Group's financial statements requires Management to make judgments, estimates and accounting assumptions that affect the reported amounts of revenues and expenses, assets and liabilities and related disclosures, the disclosure of contingent liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses.

Management believes that the estimates included in the consolidated financial statements were made on the basis of their better knowledge of the relevant facts and circumstances at the date of preparation thereof; However, the final results may differ significantly from the estimates included in the consolidated financial statements.

The significant judgments and estimates considered by Management in preparing the consolidated financial statements are:

(a) Judgments

In applying the Group's accounting policies, Management has made the following judgments that have significant effect on the amounts recognized in the consolidated financial statements:

Operating leases in note 3.3.(h) -

The Group as lessor, has leases of machinery and equipment rental fleet. The Group will assess whether these contracts are operating or finance leases based on an evaluation of the arrangements terms and conditions of the agreements, such as: the lease term not constituting a substantial part of the economic life of the asset, that it substantially retains all the risks and rewards of ownership of these assets, among others.

The results of the analysis require Management to assess the outcome of all factors to define lease classification.

(b) Estimates and assumptions -

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a high risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Changes reflected in the assumptions when they occur.

Revaluation of property, machinery and equipment (land), note 3.3(h) -

The Group measures its land at revalued amounts and changes in fair value are recognized as revaluation surplus in the consolidated statements of changes in equity and the consolidated statements of comprehensive income. The Group engaged independent valuation specialists to assess fair values for revalued land.

For land, the appraiser is based on objective evidence of the market, using comparable prices adjusted for specific factors such as the nature, location and conditions.

Impairment of non-financial assets, note 3.3 (k) -

Impairment exists when the carrying amount of an asset or cash-generating unit exceeds its recoverable amount which is the higher of fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data on sales transactions for similar goods made under conditions and independent parties or observable market prices net of incremental costs for disposing of the asset.

The value in use calculation is based on a model of discounted cash flows (DFC). Cash flows arising from the budget for the next ten years, excluding restructuring activities to which the Group had not yet been committed, and significant future investments that will enhance the operational performance of the asset or cash-generating unit which is subjected to an impairment test.

The calculation of the recoverable amount is very sensitive to any change in the discount rate used for the DCF model as well as, the expected future cash-inflows and the growth rate used to determine the recoverable amount of the different cash generating units. This information, including a sensitivity analysis, are disclosed and explained in more detail in the notes 10 and 11.

Taxes on current and deferred income, note 3.3 (m) –

There are uncertainties regarding the interpretation of complex tax regulations, changes in tax regulations and the amount and timing of future taxable income that is generated.

The Group calculates provisions based on reasonable estimates of the possible consequences of the revisions made by the tax authorities of the respective countries in which it operates. The value of these provisions is based on several factors, such as

experience in previous tax revisions, and different interpretations of the Tax rules made by the taxable entity and the tax authority. Such differences of interpretation may arise in a wide variety of issues, depending on the circumstances and conditions in the jurisdiction of the subsidiaries of the Group.

Fair value of financial instruments, note 3.3 (c) -
When the fair value of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be measured based on quoted prices in active markets, fair value is determined using valuation techniques including the discounted cash flows (DFC) model.

When possible, the input of these models is taken from observable markets, but if not, a degree of discretionary judgment is required in determining fair values. These professional judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. For details, see note 26 (b).

3.5 New accounting pronouncements -

The Group decided not to early adopt the following standards and interpretations that were issued by the IASB and are considered relevant for the Group, but are not effective at December 31, 2014:

- IFRS 9 Financial Instruments -
  In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments, which reflects all phases of project financial instruments and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for the classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but the comparative information is not mandatory. The adoption of IFRS 9 will have an effect on the classification and measurement of financial assets of the Group, but no impact on the classification and measurement of financial liabilities.

- Amendments to IAS 19 Employee Benefits -
  IAS 19 requires an entity to consider the contributions from employees or third parties in the accounting for defined benefit plans. When contributions are linked to the service, must be attributed to periods of service as a negative benefit. These amendments clarify that if the amount of contributions is independent of the number of years of service, an entity may recognize these contributions as a reduction in the service cost in the period in which the service is provided, instead of assigning the contribution to periods of service. This amendment is effective for annual periods beginning on or after July 1, 2014. It is not expected that this change is relevant for the Group, since none of the entities within

the scope of consolidation has defined benefit plans with input from employees or third parties.

- IFRS 15, Revenue from contracts with customers -
  IFRS 15 was issued in May 2014 and established a new five-step model to be applied to income from contracts with customers. Under IFRS 15 revenue is recognized at an amount that reflects the consideration that the entity expects to be entitled in exchange for the transfer of goods or services to a customer. The principles of IFRS 15 provides a more structured approach to measurement and revenue recognition approach. The new standard of income is applicable to all entities and replace all current requirements for revenue recognition under IFRS. Complete or modified retrospective application is required for annual periods beginning on or after January 1, 2017, with early adoption is permitted. The Group is evaluating the impact of NIIF15 and plans to adopt the new standard as of the effective date requested.

- Amendments to IFRS 11 Joint Arrangements: Accounting for acquisitions of interests.
  Amendments to IFRS 11 requires that a joint operator post the acquisition of an interest in a joint venture in which the activity of the joint venture is a business, according to IFRS 3. The amendments also clarify that an interest existing in a joint operation is not remeasured in the acquisition of an additional interest in the same joint operation, while the joint control is maintained. In addition, a scope exclusion has been added to the Amendments to IFRS 11 Joint Arrangements: Accounting for acquisitions of interests Amendments to IFRS 11 requires, that a joint operator post the acquisition of an interest in a joint venture in which the activity of the joint venture is a business, according to IFRS 3. The amendments also clarify that a pre-existing interest in a joint operation is not remeasured in the acquisition of an additional interest in the same joint operation, while the joint control is maintained. In addition, a scope exclusion has been added to IFRS 11 to specify not apply when the parties sharing joint control, including reporting entity under common control of the same main controller.

  The changes apply to both the acquisition of the initial stake in a joint operation and the acquisition of any additional interest in such joint operation, and are effective prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted. The Group early adopted in 2013, the modification of this standard.

- Amendments to IAS 16 and IAS 38: Clarification of acceptable methods of depreciation and amortization
  The amendments clarify the principle of IAS 16 and IAS 38 that revenues reflect the pattern of economic benefits generated from operating a business (from which the asset is part), rather than the economic benefits are consumed through the use of the asset. As a result, income-based method can not be used to depreciate property, machinery and equipment and can only be used in very limited to the amortisation of intangible assets

circumstances. The amendments are effective prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted. It is not expected that these amendments have an impact on the Group, since it has not used an income based method to depreciate its non-current assets.

4. Cash and cash equivalent

(a) This item is made up as follows:

	2014 S/.(000)	2013 S/.(000)
Petty cash	1,306	1,105
Bank deposits (b)	69,547	78,239
Time deposits (c)	16,123	39,675
Savings accounts (b)	2,322	-
Cash in transit	651	394
	89,949	119,413

(b) Bank deposits and saving accounts are maintained in local and foreign banks in local currency and in US dollars. These deposits are freely available and has non-interest except for savings accounts that yield interest based on market deposit rates.

(c) As of December 31, 2014 and 2013, corresponds to time deposit with maturities of 30 days, deposited in local banks of first level, bearing interest at market rates and are freely available.

5. Trade accounts receivable, net

(a) This item is made up as follows:

	2014 S/.(000)	2013 S/.(000)
Invoices (b)	764,473	729,401
Commercial letters(b)	261,061	218,398
Unearned interests	(11,540)	(10,185)
	1,013,994	937,614
Less – Allowance for doubtful accounts receivable (d)	(93,332)	(75,517)
	920,662	862,097
Less:		
Non-current portion	(31,311)	(36,042)
Current portion	889,351	826,055

(b) The trade receivables are mainly local and foreign currency, non-interest, except for the letters receivable bearing an annual interest rate in Nuevos Soles at rates ranging from 6 to 20 percent.

The balance corresponds to trade accounts receivable arising from sales of inventories to various local and foreign companies.

(c) As of December 31, 2014 and 2013, the trade accounts receivable aging is as follows:

	Not impaired S/.(000)	Impaired S/.(000)	Total S/.(000)
As of December 31, 2014 -			
Current	675,699	1,178	676,877
Past due			
- Up to 1 month	135,252	258	135,510
- From 1 to 3 months	72,394	511	72,905
- From 3 to 6 months	33,835	2,011	35,846
- More than 6 months	15,022	89,374	104,396
Total	932,202	93,332	1,025,534
As of December 31, 2013 -			
Current	645,695	836	646,531
Past due			
- Up to 1 month	137,222	157	137,379
- From 1 to 3 months	51,176	335	51,511
- From 3 to 6 months	22,047	1,003	23,050
- More than 6 months	16,142	73,186	89,328
Total	872,282	75,517	947,799

(d) The movement in the allowance for doubtful accounts is as follows:

	2014 S/.(000)	2013 S/.(000)
Beginning balance as of January 1	75,517	64,860
Provision, note 17	19,179	20,404
Addition for business combination	153	68
Recoveries and write-offs	(6,156)	(15,449)
Translation effect	4,639	5,634
Ending balance as of December 31	93,332	75,517

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

Trade accounts receivable secured with inventores when sold and, in some circunstances, depending upon the particular transaction, additional collateral is requested, note 23.

6. Other accounts receivable, net

(a) This item is made up as follows:

	2014 S/.(000)	2013 S/.(000)
Income tax credit (b)	47,506	26,681
Value added tax credit (c)	31,131	31,506
Accounts receivable from Caterpillar(d)	24,619	30,895
Accounts receivable from employees	8,753	11,382
Accounts receivable from Domingo Rodas Inc. (e)	5,079	5,484
Drawback and other taxes (f)	3,085	3,402
Guarantee deposits	2,143	2,716
Claims to other providers	1,525	1,210
Other tax credit	1,476	1,476
Advances to suppliers	924	1,722
Claims to insurance companies and third parties	908	685
Other accounts receivable	12,949	10,798
	140,098	127,957
Less – Allowance for other doubtful accounts receivable	(2,962)	(2,709)
	137,136	125,248
Less: Non-current portion	(4,656)	(5,874)
Current portion	132,480	119,374

(b) Corresponds to the income tax credit, which in Management's opinion will be recovered as part of the Group's current operations.

(c) Credit general sales tax is primarily disbursements for purchases of inventory, fixed assets and other items related to the Group's operations disbursements. In the opinion of Management, credit general sales tax will be recovered as part of the Group's current business operations of the Group.

(d) Includes mainly reimbursements agreed with factory warranties (Caterpillar) arising from the sale of used machinery.

(e) This receivable is a loan to Domingo Rodas S.A. (former subsidiary) for an amount of S/.5,150,000 in 2008. In 2010, the Group signed a transfer of the shares it held in Domingo Rodas S.A. to a subsidiary of a leading agricultural business group within the country. As a consequence, the new shareholders acknowledged the debt payable to the Group, which was refinanced and being payed on a quarterly basis. This receivable bears interest at the annual rate of 7.55 percent and has no specific guarantees. This receivable is being recovered according to a payments schedule underwritten by the Group and Domingo Rodas S.A.

(f) Corresponds to refunds tax and customs duty which will be requested for devolution from the pertinent tax authorities, and will become effective during the first quarter of next year.

(g) At December 31, 2014 and 2013, the accounts receivable aging is as follows:

	2014 S/.(000)	2013 S/.(000)
Current	133,812	109,302
Past due up to 180 days	1,281	8,857
Past due greater than 180 days	5,005	9,798
	140,098	127,957

(h) The movement in the allowance for other doubtful accounts receivable is as follows:

	2014 S/.(000)	2013 S/.(000)
Opening balance as of 1 January	2,709	2,207
Provision, note 17	116	319
Write-offs of the year	(18)	(22)
Translation effect	155	205
Ending balance as of December 31	2,962	2,709

In Management's opinion, the allowance for other doubtful accounts receivable covers adequately the credit risk as of December 31, 2014 and 2013.

7. Inventories, net

(a) This item is made up as follows:

	2014 S/.(000)	2013 S/.(000)
Machinery, engines and vehicles	824,520	881,044
Spare parts	402,280	370,728
Repair and maintenance services in process (b)	100,831	99,211
Merchandise	58,567	48,933
Advances to suppliers	36,637	48,821
Supplies	7,973	1,536
Raw materials and packaging	2,827	3,072
Products in process	526	857
Finished goods	186	165
Inventories in transit	175,487	157,663
	1,609,834	1,612,030
Estimation for obsolescence of inventories (c)	(48,071)	(31,902)
	1,561,763	1,580,128

(b) Mainly corresponds to the maintenance and repair services that the Group provide to customers (inventory in progress), pending the completion as of the date of the consolidated statement of financial position.

(c) The movement in the estimation for obsolescence of inventories is as follows:

	2014 S/.(000)	2013 S/.(000)
Beginning balance as of January 1	31,902	24,810
Provision, note 16	36,314	16,476
Transfer to fixed assets	-	286
Transfer of fixed assets	(223)	-
Additions for business combination	363	101
Recoveries, note 16	(19,391)	(8,641)
Write-offs	(1,459)	(795)
Translation effect	565	(335)
Ending balance as of December 31	48,071	31,902

The estimation for obsolescence of inventories is calculated based upon the inventory's rotation levels and other assumptions based on periodical assessments made by Management and its technical and financial areas. In Management's opinion, this provision adequately covers the risk of impairment of inventory as of December 31, 2014 and 2013.

8. **Investments**

(a) This item is made up as follows:

	Main activity	Percentage of capital participation		Book value	
		2014	2013	2014 S/.(000)	2013 S/.(000)
Common shares in associates (b)					
La Positiva Seguros y Reaseguros S.A.	Insurance	14.96	14.96	37,070	37,515
La Positiva Vida Seguros y Reaseguros S.A.	Insurance	3.01	3.01	5,554	5,380
Joint ventures (c)					
Ferrenergy S.A	Power generation and supply	50.00	50.00	9,453	9,154
Others investments (c)					
Inversiones Varesli S.A.	Holding	46.57	46.57	12,759	11,958
International Machinery Co S.A.	Holding	46.67	46.67	10,702	10,030
Other	Others	-	-	2,507	899
				78,045	74,936

(b) The Group has recognized in the caption "Participation in associated companies and joint ventures under equity method" of the consolidated income statement a total gain for approximately S/.6,563,000 (S/.2,607,000 during 2013) according to the policy described in Note 3.3(b).

Figures in the financial statements for La Positiva Seguros y Reaseguros S.A. and "La Positiva Vida Seguros y Reaseguros S.A." as of December 31, 2014 and 2013, are as follows:

	La Positiva Seguros y Reaseguros S.A.		La Positiva Vida Seguros y Reaseguros S.A.	
	2014 S/.(000) (Unaudited)	2013 S/.(000)	2014 S/.(000) (Unaudited)	2013 S/.(000)
Statement of financial position				
Total assets	994,552	958,821	2,418,578	2,115,289
Total liabilities	710,848	672,146	2,223,568	1,926,068
Net equity	283,704	286,675	195,010	189,221
Statement of income				
Total revenues	516,385	445,805	125,206	218,860
Operating profit	41,039	30,376	33,990	12,722
Net income	35,059	21,590	33,990	12,722

(c) These investments are presented at acquisition cost because these investments do not have a market quote.

9. **Property, machinery and equipment, net**

(a) This item is made up as follows:

	2014								2013
Description	**Land** S/.(000)	**Buildings and other structures** S/.(000)	**Machinery and equipment** S/.(000)	**Rental fleet - Machinery and equipment** S/.(000)	**Vehicles** S/.(000)	**Furniture and fixtures** S/.(000)	**Work in progress** S/.(000)	**Total** S/.(000)	**Total** S/.(000)
Cost									
Balance as of January 1	469,992	283,575	339,035	558,816	30,077	98,427	19,261	1,799,183	1,594,340
Additions (b)	2,119	14,633	26,438	85,133	7,896	10,415	15,084	161,718	247,533
Disposals and/or sales	(13)	(307)	(724)	(63,420)	(2,905)	(997)	-	(68,366)	(79,836)
Revaluation	-	-	-	-	-	-	-	-	108,587
Transfers from inventories	-	-	24,184	196,860	-	-	-	221,044	202,106
Transfers to used inventories	-	-	(12,801)	(243,150)	(1,365)	-	-	(257,316)	(284,304)
Addition of purchased subsidiary, see note 2 (a)	1,083	2,587	1,577	12,658	4,693	1,208	-	23,806	1,950
Other transfers	-	12,003	1,941	(1,659)	(104)	(41)	(12,156)	(16)	(2,307)
Translation effect	3,416	1,960	1,513	4,100	(621)	5,399	125	15,892	11,114
Balance as of December 31	476,597	314,451	381,163	549,338	37,671	114,411	22,314	1,895,945	1,799,183
Accumulated depreciation									
Balance as of January 1	-	66,874	196,618	152,306	15,543	71,185	-	502,526	431,011
Additions (a)		11,704	35,651	86,298	4,229	9,652	-	147,534	150,980
Disposals and/or sales	-	(56)	(306)	(23,284)	(2,458)	(549)	-	(26,653)	(17,808)
Transfers from inventories	-	-	(7,041)	(66,656)	(105)	-	-	(73,802)	(64,094)
Addition of purchased subsidiary, see note 2 (a)	-	270	755	1,686	2,624	763	-	6,098	668
Other transfers	-	-	41	(19)	(15)	(10)	-	(3)	(185)
Foreign currency translation	-	708	1,159	2,146	(708)	1,496	-	4,801	1,954
Balance as of December 31	-	79,500	226,877	152,477	19,110	82,537	-	560,501	502,526
Allowance for impairment									
Balance as of January 1	-	86	914	4,321	-	-	-	5,321	3,052
Additions	-	-	250	2,300	-	-	-	2,550	2,561
Transfers from inventories	-	-	-	-	-	-	-	-	(123)
Transfers to used inventories	-	-	-	223	-	-	-	223	(32)
Disposals, sales and other	-	1	-	(887)	-	-	-	(886)	(137)
Translation effect	-	-	(11)	-	-	-	-	(11)	-
Balance as of December 31	-	87	1,153	5,957	-	-	-	7,197	5,321
Net book value	476,597	234,864	153,133	390,904	18,561	31,874	22,314	1,328,247	1,291,336

(b) As of December 31, 2014, the Group maintains buildings and facilities that were acquired under finance leases whose total cost amounts approximately to S/.33,399,000 and accumulated depreciation of S/.5,130,000 (S/.28,935,000 and S/.4,000,000 as of December 31, 2013, respectively).

(c) As of December 31, 2014 and 2013, the Group has taken insurance for all of its assets. In Management's opinion, their insurance policies are consistent with international practice in the industry and the risk of potential losses for claims considered in the insurance policy is reasonable given the type of assets held by the Group.

(d) During 2014, revenues from rentals amounts approximately to S/.282,230,000 (S/163,372,000 in 2013), related to renting of machinery and equipment rental fleet, which are included in "Net of sales" caption of consolidated income statement.

(e) During 2014, the Group acquired 100 percent of the shares Trex Latinoamerica Spa. and Subsidiaries. Also in 2013 and through its subsidiary Inversiones Interamericanas Corp, acquired 100 percent of the shares of the company Mercadeo Centroamericano de Lubricantes SA.

(f) As of December 31, 2013 and 2014, the Group does not maintain mortgages on the buildings.

(g) As of December 31, 2013 and 2014, Management conducted an assessment of the status of use of its property, machinery and equipment, and found no evidence of impairment in such assets so that, in its opinion, the book value of fixed assets will be recovered through future profits generated by the Group.

(h) Depreciation expense for the year was recorded in the following captions of the consolidated income statement:

	2014 S/.(000)	2013 S/.(000)
Cost of sales, note 16	92,679	103,424
Selling expenses, note 17	38,912	34,659
Administrative expenses, note 18	14,419	12,429
Other expenses	1,524	468
	147,534	150,980

10. Intangible assets, net and goodwill

(a) This item is made up as follows:

	2014									2013
	Client relationships S/.(000)	Trademark rights S/.(000)	Distribution agreement S/.(000)	Order backlog S/.(000)	User rights S/.(000)	Relations with suppliers S/.(000)	Non-competition agreement S/.(000)	Others S/.(000)	Total S/.(000)	Total S/.(000)
Cost										
Balance as of January 1	54,455	5,590	10,104	254	17,552	-	-	25,834	113,789	85,819
Additions	2,638	1,367	-	438	-	2,470	1,699	9,050	17,662	27,463
Dispositions and transfers	-	-	-	-	-	-	-	(293)	(293)	507
Translation effect	267	152	677	-	-	-	-	1	1,097	-
Saldo al 31 de diciembre	57,360	7,109	10,781	692	17,552	2,470	1,699	34,592	132,255	113,789
Amortization										
Balance as of January 1	12,141	-	840	254	14,522	-	-	8,001	35,758	12,548
Additions (c)	7,906	-	1,007	-	2,716	-	-	5,736	17,365	24,855
Dispositions and transfers	-	-	-	-	-	-	-	-	-	(1,645)
Translation effect	50	-	128	-	-	-	-	-	178	-
Balance as of December 31,	20,097	-	1,975	254	17,238	-	-	13,737	53,301	35,758
Net book value	37,263	7,109	8,806	438	314	2,470	1,699	20,855	78,954	78,031

(b) The relationship with customers, trademark rights, contract distribution, purchase orders, user rights supplier relationships and non-competition agreement correspond to the intangibles acquired through various business combinations, see note 2.

As of December 31, 2013 and 2014, Management made projected cash flows and based on the results, it verified that there are no indications that the recoverable values on intangible assets (trademarks) are lower than their book values.

(c) Amortization expense for the year was recorded in the following captions of the consolidated income statement:

	2014 S/.(000)	2013 S/.(000)
Cost of sales, note 16	220	249
Selling expenses, note 17	8,888	21,524
Administrative expenses, note 18	8,257	3,082
	17,365	24,855

(d) The composition of "Goodwill" for a cash-generating unit is as follows:

	2014 S/.(000)	2013 S/.(000)
Ferreyros S.A. (Bucyrus)	83,396	83,396
Inversiones Interamericanas Corp.	53,764	50,388
Mega Representaciones S.A.	13,912	13,726
Trex Latinoamerica SpA	19,343	-
Total	170,415	147,510

Impairment test of goodwill and intangible assets-

For the purpose of impairment testing, goodwill acquired through business combinations and intangibles assets with indefinite useful lives (trademarks) to cash-generating units (CGU):

Cash-generating units:

- Trex Latinoamerica Spa (included in Ferreycorp S.A.A.),
- Business Line "Bucyrus" (included in Ferreyros S.A.)
- Inversiones Interamericanas Corp. - INTI (including business units and companies acquired in Central America)
- Mega Representaciones S.A. - MEGA (includes Tecseg S.A.C.)

Cash-generating units for impairment indicators:

- Fiansa S.A. (included in Ferreycorp S.A.A.)
- Cresko S.A. (included in Ferreycorp S.A.A.)
- Ferrenergy S.A.C. (included in Ferreycorp S.A.A.)
- Motored S.A. (included in Ferreycorp S.A.A.)

The recoverable amount of each CGU is determined based on value in use, using cash flow projections arising from financial budgets approved by Management, and the discount rate corresponding to the risk thereof. The cash flows are then projected for a given period and are using a growth rate similar to the average rate of long-term growth for the industry in which each CGU operates.

As of December 31, 2014, the carrying amount of intangibles, and goodwill related to each CGU has been compared with the recoverable value, and Management has determined that it is not necessary to register a provision for impairment on these assets to the date of the statement of financial position.

The assumptions used un the impairment assessment for each CGU as of December 31, 2014 is as follows:

CGU	Book value S/.(000)	Recoverable value S/.(000)	Discount rate %	Flow period (years)	Growth Rate %
Bucyrus	111,625	272,680	10.5%	10	2.0%
Inti	68,318	418,275	10.6%	10	2.0%
Mega Representaciones S.A.	20,615	73,822	10.3%	10	2.0%

Key assumptions used in value in use calculations
The calculation of value in use for the assessed units is mostly sensitive to the following assumptions:

- Gross Margin
- Discount rate
- Market share during the budget period, and
- Growth rate of long-term used to extrapolate cash flows beyond the budget period.

Gross Margin
It is based upon average figures achieved in the three years preceding the beginning of the budget period and future projects of each company which are considered on the basis of projected revenues and costs though their historical budget of each Group Company based on projected revenues and costs based on their historical budget basis of each Group Company. Additionally, increases during budget period for expected improvements to increase efficiency are being considered. In the long term, gross margin decreased by 1-2 percent, depending on the company or business line.

Discount rate

Represents the current market assessment of the specific risks for each cash generating unit, considering the time value of money and the specific risks of the underlying assets that were not incorporated into the estimates of cash flows. The calculation of the discount rate is based on the specific circumstances of the Group and its operating segments and represents the average cost of capital. This average considers both equity and debt. The cost of equity is based on the return on investment that the Group's shareholders expect to get. The cost of debt is based on interest bearing loans that the Group must pay. The specific risk of each segment is incorporated by applying individual beta factors. The beta factors are assessed annually on the basis of market information available to the public.

Market Share

Industry information is used to predict growth rates, based on Management's assessment of how management assesses how it could change the position of the unit relative to its competitors during the budget period. In general, Management expects the Group's share of the market remains stable during the budget period.

Long-term growth rate

This rate is based on published market research. For the reasons explained above, the long-term rate used to extrapolate the budget depends on each CGU.

Sensitivity to changes in key assumptions

The implications related to the key assumptions used to determine the recoverable amount are discussed below:

Management has considered that the rotation of the collection of the accounts receivable, inventory, and paying suppliers (working capital) is higher than predicted. If the rotation of such assets does not maintain an efficient improvement, according to the forecast, could generate an impairment in the goods identified.

11. Other financial liabilities

(a) This item is made up as follows:

	2014			2013		
	Current portion S/.(000)	Non-current portion S/.(000)	Total S/.(000)	Non-current portion S/.(000)	Current portion S/.(000)	Total S/.(000)
Bank overdrafts	2,243	-	2,243	618	-	618
Banks loans (b)	275,335	-	275,335	443,002	-	443,002
Bonds and long-term debt to bank (c)	226,372	1,341,022	1,567,394	176,775	1,240,311	1,417,086
	503,950	1,341,022	1,844,972	620,395	1,240,311	1,860,706

(b) Banks loans -

	Weight average annual effective interest rate-fixed				
	2014 %	2013 %	Original currency	2014 S/.(000)	2013 S/.(000)
Financial institution					
Banco Crédito del Perú S.A.A. – BCP	Between 1.38 and 5.40	Between 1.52 and 7.50	US$	93,172	68,325
Mercantil Commercebank – EE.UU.	1.25	1.50	US$	52,308	69,900
Scotiabank del Perú	1.22	Between 2.50 and 2.82	US$	33,775	13,607
Banco Lationamericano de Comercio Exterior S.A. – Bladex	1.37	3.55	US$	22,060	31,596
The Bank of Nova Scotia	0.84	1.55	US$	19,429	5,592
Banco Internacional - Guatemala	4.30	-	Q	11,955	-
Banco Crédito del Perú S.A.A. – BCP	Between 5.40 and 6.05	-	S/.	6,033	-
Banco Financiero	2.90	-	US$	5,978	-
Scotiabank – El Salvador	3.47	-	US$	5,963	-
Banco de América Central – Guatemala	6.30	-	Q	5,401	-
BBVA Banco Continental	0.89	Between 1.35 and 4.97	US$	4,484	93,922
Citibank	4.30	-	US$	4,484	-
Banco Santander – Chile	7.00	-	$	3,171	-
Banco Davivienda Salvadoreño, S.A.	4.25	-	US$	2,279	-
Banco de América Central – Guatemala y El Salvador	Between 0.90 and 1.22	Between 4.00 and 6.00	US$	2,242	10,769
Banco Internacional del Perú – Interbank	5.16	-	S/.	1,575	-
Banco Internacional del Perú – Interbank	2.65	Between 1.40 and 5.76	US$	996	126,068
Ford Motor Credit Company – EE.UU.	9.20	Between 4.00 and 9.00	US$	17	30
Banco Internacional – Ecuador		-	US$	9	-
Banco Occidente – Colombia	4.00		$	4	-
BCI Miami Branch	-	2.80	US$	-	16,412
Banco Davivienda Salvadoreño S.A	4.75	4.75	US$	-	4,474
HSBC Bank - El Salvador	4.25	4.25	US$	-	1,398
Grupo Financiero de Occidente - Guatemala	5.00	5.00	US$	-	909
				275,335	443,002

The accrued interest expense for the year ended as of December 31, 2014 related to debts and bank loans, amounts approximately to S/.11,820,000 (S/.17,750,000 for the year ended at December 31, 2013), and is presented in the caption "Financial expenses" of the consolidated income statement, see note 21. Of this total, the accrued interest balance as of December 31, 2014 amounted to approximately S/.1,367,000 (S/.2,528,000 at December 31, 2013), see note 13.

As of December 2014 and 31, 2013, bank loans in foreign currency obtained from local and foreign financial institutions were mainly used for working capital, have maturities between 6 and 360 days and can be renewed at maturity up to 360 days. Interest rates for such bank loans range between 0.84% and 9.20%.

As of December 31, 2014, the Group has credit lines for working capital up to S/.3,183,761,000 (S/.3,338,589,000 at December 31, 2013) with most banks in the system, which are intended for short term financing. The Group has no specific conditions for using the credit.

(c) Bonds and long-term debt

This item is made up as follows:

Creditor	Maturity	Original currency	Weighted annual effective interest rate %	2014 Current portion S/.(000)	2014 Non-current portion S/.(000)	2014 Total S/.(000)	2013 Current portion S/.(000)	2013 Non-current portion S/.(000)	2013 Total S/.(000)
Bonds Ferreycorp S.A.A.									
Corporate bonds - Rule 144 (i)	Up to abril 2020	US$	4.934(*)	-	882,522	882,522	-	821,845	821,845
Bonds Ferreyros S.A.(ii)									
Second program of Corporate Bonds									
Seventh edition, Serie A	Up to may 2016	US$	5.563	-	-	-	13,182	19,773	32,955
Seventh edition, Serie B	Up to october 2016	US$	5.750	-	-	-	12,697	25,395	38,092
Financial notes									
Caterpillar Financial	Up to December 2016	US$	Between 5.19 and 6.35	50,158	181,840	231,998	3,463	20,408	23,871
Caterpillar Leasing Chile	Up to June 2017	US$	Between 3.45 and 5.20	14,263	48,166	62,429	37,128	229,381	266,509
Caterpillar Credito S.A. de C.V.	Up to December 2016	US$	Between 3.01 and 6.0	6,207	8,339	14,546	6,550	13,515	20,065
Notes with local and foreign institutions	Up to March 2019	US$	Between 0.83 and 7.00, Libor 6 m +3.8%	142,034	201,152	343,186	77,604	81,538	159,142
Finance Leases (iii)	Up to May 2019	US$	Between 4.08 and 6.80	13,710	6,675	20,385	26,098	18,110	44,208
Other financing	Up to 2015	US$	5.05	-	12,328	12,328	53	10,346	10,399
				226,372	1,341,022	1,567,394	176,775	1,240,311	1,417,086

(*) Nominal rate of 4.875 percent.

As of December 31, 2014, accrued interest expense related to financial notes and long-term liabilities amounted approximately to S/.71,515,000 (S/.68,540,000 at December 31, 2013), which are presented the caption "Financial expenses" of the consolidated income statement, see note 21. The accrued interest balances as of December 31, 2014, amounted approximately to S/.10,828.000 (S/.10,053,000 as of December 31, 2013) and is presented under "Other account payable" of the consolidated statement of financial position, see note 13.

(i) On 19 April 2013 the first international issuance of corporate bonds was listed. The New York Mellon Bank was named as a trustee. The issuance bonds was regulated under Rule 144A and Regulation S of the U.S. Securities Act of 1933 and a public offering for at institutional investors in Peru. That bond issue was for a total of US$300 million (S/.834,900,000 at that time) at a nominal annual interest rate of 4.875% and a term of seven years, with final maturity in April 24, 2020. Total redemption of the bonds will take place at the maturity date. Funds have been used for repaying debt and for general corporate purposes.

The bonds are secured with a general warranty over Ferreycorp S.A.A. equity and must meet the following ratios:

- Maintain a leverage ratio (Consolidated Total Debt / EBITDA) no greater than 3.5.
- Maintain on interest coverage ratio (EBITDA/interest) of at least 3.0 no less than 3.0.

The compliance with the obligations described are overseen by Management and validated by the bondholder representative. In case of default of the above covenants will be incurred in the event of early termination. In Management's opinion, Ferreycorp S.A.A. has complied with such obligations as of December 31, 2014 and 31, 2013.

(ii) On 30 March 2010, the General Shareholders' Meeting agreed to structure the second program of Corporate Bond Issuance, up to a maximum outstanding amount to US$130,000,000 and with a maturity of 5 years.

The bonds are secured with a general guarantee over the equity of the subsidiary Ferreyros S.A. and must meet the following ratios:

- Maintain a leverage ratio no greater than 3.2.
- Maintain an interest coverage ratio of at least 1.5.

The fulfillment of the obligations described are overseen by the Group Management and validated by the bondholder representative. In case of default of the above covenants will be incurred in the event of early termination. In the opinion of Management, the Group has complied with these obligations as of December 31, 2014 and 2013.

Corresponds to financial lease contracts financed by the Group with different banks.

Other financial liabilities related to leases are collateralized by the assets financed by the Bank revert to the lessor in case of default by the Group.

At December 31, 2013 and 2014, the repayment schedule of long-term debt is as follows:

Year	2014 S/.(000)	2013 S/.(000)
2014	-	176,775
2015	226,369	174,896
2016	181,055	76,216
2017	155,374	148,159
2018	84,214	841,040
2019 onwards	920,382	-
	1,567,394	1,417,086

12. Trade accounts payable

(a) This item is made up as follows:

	2014 S/.(000)	2013 S/.(000)
Invoices (b)	390,137	241,302
Commercial notes (b)	69,749	165,081
	459,886	406,383

(b) As of December 31, 2014, the balances of invoices and commercial notes payable mainly to include payables to Caterpillar Americas Co. for approximately S/.95,766,000 and S/.58,679,000, respectively (equivalent to approximately US$32,040,000 and US$19,632,000 respectively). As of December 31, 2013, the balances amounted approximately to S/.140,958,000 and S/.156,831,000, respectively (equivalent to approximately US$50,414,000 and US$$56,091,000, respectively). As of December 31, 2014 and 2013, commercial notes beared interest at an weighted average annual rate of 2.06 and 2.95 percent, respectively.

13. Other accounts payable

(a) This item is made up as follows:

	2014 S/.(000)	2013 S/.(000)
Advances from customers (c)	158,402	113,812
Liabilities for various expenses (d)	83,131	97,447
Salaries payable (e)	91,589	60,413
Labor contributions payable	27,854	26,583
Provisions for warranty (f)	27,208	32,464
Interest payable, notes 11(b) and (c)	12,195	12,581
Contributions and labor contributions payable	10,365	34,928
Provision for contingencies	8,857	8,829
Taxes payable	9,931	6,611
Other accounts payable (g)	24,663	18,248
	454,195	411,916
Less:		
Non-current portion	(781)	(3,381)
Current portion	453,414	408,535

(b) Accounts comprised in this caption have current maturities, do not bear interest and have no specific guarantees.

(c) Advances from customers, correspond mainly to cash advances received for sales of mining trucks that will be delivered in the following year.

(d) Mainly comprises various liabilities estimated by the Group on the basis of the expenditure required to settle down at the date of the consolidated statements of financial position.

(e) Salaries payable includes the provision for term of service compensation.

(f) Corresponds to warranties given by the Group in connection with the sales of machinery and services, such provision is annually reviewed in accordance with the accounting policy described in note 3.3(o).

(g) This item mainly includes provisions for freight and rentals related to the acquisition of machinery and spare parts.

14. Assets and liabilities for deferred income tax, net

(a) The deferred income tax asset and liability as of December 31, 2014 and 2013 is made up as follows:

	As of January 1, 2013 S/.(000)	(Debit)/credit to the consolidated income statement S/.(000)	(Debit)/credit to the consolidated statement of changes in equity S/.(000)	As of December 31, 2013 S/.(000)	(Debit)/credit to the consolidated income statement S/.(000)	(Debit)/credit to the consolidated statement of changes in equity S/.(000)	(Debit)/credit to the consolidated statement of financial position S/.(000)	As of December 31, 2014 S/.(000)
Deferred asset								
No deductible provisions	23,114	1,402	-	24,516	1,282	-	-	25,798
Difference in depreciation rates	26,978	8,172	-	35,150	3,797	-	-	38,947
Allowance for doubtful accounts receivable	8,998	2,512	-	11,510	116	-	-	11,626
Provision for vacation	7,156	2,283	-	9,439	642	-	-	10,081
Carry forward tax losses	8,201	11,882	-	20,083	9,884	-	-	29,967
Estimation for impairment of investments and fixed assets	230	(17)	-	213	52	-	-	265
Allowance for obsolescence of inventories	4,766	3,285	-	8,051	3,797	-	-	11,848
Other provisions	4,221	173	-	4,394	967	-	-	5,361
Others	534	2,009	-	2,543	438	-	-	2,981
	84,198	31,701	-	115,899	20,975	-	-	136,874
Deferred liability								
Change in assets useful lives	6,765	425	-	7,190	(3,783)	-	-	3,407
Exchange difference in fixed assets and inventories	2,806	(1,188)	.	1,618	(829)	-	-	789
Gain deferred sales, net	806	1,369	-	2,175	(236)	-	-	1,939
Leasing	6,149	189	-	6,338	(783)	-	-	5,555
Provision for compensation	942	(169)	-	773	1,142	-	-	1,915
Revaluation of property, buildings and installations	8,811	(336)	-	8,475	(1,527)	-	-	6,948
Revaluation of land	72,208	(15)	32,577	104,770	-	(13,180)	-	91,590
Fair value of financial instruments	(7)	-	7	-	349	-	-	349
Differences in depreciation rates	759	2,524	-	3,283	2,188	-	-	5,471
Profiting from business combinations	-	5,058	-	5,058	133	-	1,600	6,791
Others	16,131	2,744	-	18,875	(3,822)		-	15,053
	115,370	10,601	32,584	158,555	(7,168)	(13,180)	1,600	139,807
Total deferred liability, net	(31,172)	21,100	(32,584)	(42,656)	28,143	13,180	(1,600)	(2,933)

Due to a decrease in income tax rate disclosed in note 24 (a), there has been a decrease in S/. 11,492,000 and S/. 5,651,000 in assets and liabilities deferred tax earnings, respectively. The net effect; is a decrease in liabilities of approximately S/. 5,841,000, registered within Income tax caption in the consolidated statements of income.

(b) The income tax expense recorded in the consolidated income statement is made up as follows:

	2014 S/.(000)	2013 S/.(000)
Income tax -		
Current	95,534	87,223
Deferred	(28,143)	(21,100)
Others	7,651	(649)
Total income tax expense	75,042	65,474

(c) The reconciliation of the effective income tax rate with the theoretical income tax rate is as follows:

	2014		2013	
	S/.(000)	%	S/.(000)	%
Profit before income tax	167,023	100.00	165,582	100.00
Income tax according to tax rate	50,107	30.00	49,675	30.00
Net effect of non-deductible expenses				
Non-taxable income	(37,395)	(22.39)	(43,937)	(26.53)
Effect of changes in rates, Note 3.3 (m)	5,841	3.50	-	-
Non-deductible expenses net of non-taxable income	56,489	33.82	59,736	36.08
Income tax earnings	75,042	44.93	65,474	39.54

(d) The income tax payable of S/.24,553,000 (S/.29,033,000 at December 31, 2013) is presented net of advances.

15. Equity

(a) Issued Capital -

As of December 31, 2014, the capital stock of the Company is represented by 1,014,326,324 common shares with a nominal value of S/.1.00 each (945,227,102 common shares subscribed and paid in December 2013 with a nominal value of S/.1.00 each). Also, the partial capitalization of the share premium (additional capital) by S/.31,900,000 was approved.

At December 31, 2014, the shareholding structure of the Group was as follows:

Percentage of individual share capital	Shareholders number	Total participation %
Up to 1.00	2,717	31.50
From 1.01 to 5.00	17	39.21
From 5.01 to 10.00	4	29.29
	2,738	100.00

(b) Additional Capital -

During 2012 Inti Inversiones Interamericanas Corp. S.A., a foreign subsidiary of the Group, received, in its local currency (US$), capital contributions in cash from non-controlling interests of $2,000,000, for this amount the corresponding common shares were issued. In addition to the aforementioned capital contributions received in cash shares premiums were Issued for $6,000,000 (equivalent to S/.15,474,000) in 2012. At December 31, 2012, Ferreycorp S.A.A. had acquired these capital contributions to non-controlling interests for the value of the common shares, leading to an ownership of 100 percent control over the Inti Group share premium established as a difference between the total contribution received and the value of the shares acquired by Ferreycorp S.A.A., which is maintained in the consolidated equity of the Group as additional capital. The holding period of the non-controlling interest is not material to the consolidated financial statements. The partial capitalization of the share premium was approved by S/.31,900,000 in General Shareholders Meeting of May 26, 2013 (in General Shareholders Meeting of May 26, 2012 the partial capitalization of the share premium was approved for S/.31,900,000).

(c) Legal reserve -

Pursuant to in the Corporations Act, it’s mandatory that at least 10 percent of the annual income, net of income taxes be transferred a legal reserve. The Group must reach a legal reserve of at least 20 percent of its paid-in capital. The legal reserve can absorb losses or be capitalized, in both cases there must be replenished. At December 31, 2014, the Shareholders 'Meeting of May 26, 2013 approved the transfer of S/.10,333,000 of earnings to the legal reserve (At December 31, 2013 the Shareholders' Meeting of March 29, 2013 approved the transfer of S/.17,587,000 of accumulated legal reserve).

(d) Other reserves -

Mainly attributable to revaluation surplus, net of the related deferred income tax. Primarily includes land revaluation surplus, net of the related deferred income tax. It also includes the net gains and losses from changes in the estimated fair value of derivatives hedging cash flows, where the change in value is initially disclosed in equity subsequently affecting the income statement depending on how it is influenced by the underlying covered financial instrument.

(e) Reserve for translation exchange-

Corresponds to the exchange difference resulting from the financial statements translation for foreign operations into the Group's presentation currency.

(f) Distribution of dividends -

In General Meeting of March 26, 2014, payment of cash dividends was approved for S/.55,797,000 and capitalization pending of subscription of 2013 profits by S/.37,199,000.

In General Meeting of March 26, 2013, payment of cash dividends was approved by S/.48,194,000 and capitalizing pending of subscription of 2012 profits by S/.110,092,000.

(d) Unrealized gains –
Corresponds to an equity adjustments to certain associates under the equity method. It also includes the results of investments available for sale measured at fair value net of tax deferred income.

16. Sales and cost of sales

This item is made up as follows:

	2014 S/.(000)	2013 S/.(000)
Sales -		
Sales of machinery, engines, equipment and vehicles	2,262,944	2,283,081
Sales of spare parts	1,477,362	1,599,400
Rental services of machinery, engines, equipment, maintenance and repair services	694,260	684,192
Other income	411,649	432,067
	4,846,215	4,998,740
Cost of sales -		
Opening balance of inventory, note 7	1,405,546	1,365,533
Purchase of inventory	3,031,499	3,288,685
Labor, note 19(d)	189,695	197,918
Maintenance and repair services expenses	110,245	117,045
Depreciation, note 9(h)	92,679	103,424
Amortization, note 10(c)	220	249
Allowance for obsolescence of inventories, note 7 (c)	36,314	16,476
Recoveries, note 7 (c)	(19,391)	(8,641)
Operating costs of rental fleet	167,607	135,833
Impairment of rental fleet	2,300	2,479
Services provided by third parties	95,000	89,874
Others expenses	17,909	2,596
Ending balance of inventory, note 7	(1,397,710)	(1,405,546)
	3,731,913	3,905,925

17. Selling expenses

(a) This item is made up as follows:

	2014 S/.(000)	2013 S/.(000)
Personnel expenses, note 19(d)	291,212	259,480
Services provided by third parties (b)	115,715	116,853
Various management expenses (c)	98,946	104,483
Depreciation, note 9(h)	38,912	34,659
Allowance for doubtful accounts receivable, notes 5(d) and 6(h)	19,295	20,693
Amortization of intangibles, note 10 (c)	8,888	21,524
Taxes	3,732	1,932
	576,700	559,624

(b) Mainly corresponds to maintenance expenses related to supporting services, fleet repair and machinery workshop.

(c) Primarily includes expenses related to the workshop equipment and buildings maintenance, freight and advertising.

18. Administrative expenses

(a) This item is made up as follows:

	2014 S/.(000)	2013 S/.(000)
Personnel expenses, note 19(d)	137,321	124,310
Services provided by third parties (b)	48,466	36,896
Depreciation, note 9(h)	14,419	12,429
Various management expenses	10,563	9,607
Amortization of intangible assets, note 10(c)	8,257	3,082
Taxes	2,659	2,665
Provisions	-	483
	221,685	189,472

(b) Mainly corresponds to expenses for offices rentals, maintenance of offices and facilities, computer services, software licenses and consulting and advisory services.

19. Personnel expenses

(a) This item is made up as follows:

	2014 S/.(000)	2013 S/.(000)
Salaries	413,425	345,544
Legal bonuses	83,785	80,020
Payroll taxes	43,243	40,961
Vacations	14,244	34,958
Training	26,054	29,799
Other payments to workers	20,756	15,912
Workers' profit sharing	3,034	17,741
Other	13,687	16,773
	618,228	581,708

(b) Under the current workers' profit sharing system regulated by Legislative Decree N° 677, workers are entitled to receive a profit sharing equivalent to 8 per cent of the taxable income, ratably distributed among all workers based upon the number of days worked, and the remaining balance in proportion to the basic pay received during the year. Workers' profit sharing is recorded in the "Advances, salaries and other accounts payable" caption.

(c) The average number of employees in the Group was 5,378 in 2014 and 6,303 in 2013.

(d) Personnel expenses have been recorded in the following captions of the consolidated income statement:

	2014 S/.(000)	2013 S/.(000)
Cost of sales, note 16	189,695	197,918
Selling expenses, note 17	291,212	259,480
Administrative expenses, note 18	137,321	124,310
	618,228	581,708

(e) Compensation to key personnel -
The total remuneration paid to directors and key management officers during 2014 amounted approximately to S/.40,540,000 (approximately to S/.33,016,000 in 2013), which include short-term benefits and compensation for time service.

20. Financial income

This item is made up as follows:

	2014 S/.(000)	2013 S/.(000)
Interest for commercial letters	12,611	13,544
Interest for customers defaults	3,804	2,571
Interest on bank deposits	1,066	1,337
Other financial income	2,367	4,285
	19,848	21,737

21. Financial expenses

This item is made up as follows:

	2014 S/.(000)	2013 S/.(000)
Interest on corporate bonds and long-term debt, note 11(c)	71,515	68,540
Interest on overdrafts and borrowings, note 11(b)	11,820	17,750
Tax on financial transactions	5,582	7,337
Interest on foreign suppliers financing	885	391
Other financial expenses	7,664	8,847
	97,466	102,865

22. Earnings per share

Earnings per share calculation as of December 31, 2014 and 2013 are as follows:

	As of December 31, 2014		
	Net profit (numerator) S/.(000)	Shares (denominator) (en miles)	Earnings per share S/.
Earnings per share - basic and diluted	91,981	1,014,326	0.091

	As of December 31, 2013		
	Net profit (numerator) S/.(000)	Shares (denominator) (en miles)	Earnings per share S/.
Earnings per share - basic and diluted	100,108	1,014,326	0.098

23. Commitments and contingencies

As of December 2014, the Group had the following commitments:

Ferreycorp S.A.A.:

(a) Endorsements for US$96,000 and US$3,000,000, which guarantee credit operations of subsidiaries and affiliates, and third parties purchase transactions, respectively, with various maturities.

Subsidiaries

Ferreyros S.A.:

(a) Endorsements for US$10,500,000 securing third purchase transactions

(b) Bank guarantees in favor of banks for US$27,000,000, which mainly ensure the Company´s offer and the fulfillment of the delivery of the products sold through competitive process as well as payment of customs duties relating to the importation of goods.

Fargoline S.A.:

The subsidiary has contracted a guarantee insurance in favor of SUNAD related to importation of goods under the customs procedure for US$1,200,000 and for goods in temporary storage for US$1,400,000.

Ferrenergy S.A.C.:

Bank guarantees in favor of banks for US$14,633,000 to guarantee payment of obligations.

Mega Representaciones S.A.:

(a) Endorsements for US$7,969,000 and S/.16,888,000, to guarantee third parties purchase transactions and leases, respectively, with various maturities.

(b) Bank guarantees in favor of banks for US$2,565,000 and S/.671,000, which primarily guarantee the company's offer and the fulfillment of the delivery of the products sold through competitive process, as well as payment of customs duties relating to the importation of merchandise, respectively.

Motored S.A.:

(a) Endorsements for US$16,390,000 to guarantee credit operations for third party purchase transactions.

(b) Bank guarantees in favor of third parties by S/.1,446,000 which mainly ensure reliability of supply and the fulfillment of the delivery of the products sold through competitive process.

(c) Guarantees payment per financial note to Comex for US$25,000,000.

Orvisa S.A.:

(a) Bank guarantees in favor of banks for US$3,841,000 and S/.3,028,000, which primarily ensure reliability of supply and fulfillment of the delivery of the products sold through competitive process.

24. Tax situation and contingencies

(a) The Group is subject to taxation system in the country in which it operates and is taxed separately on the basis of its non-consolidated results. At December 31, 2014 and 2013, the rate of income tax on taxable income in the main countries in which the Group operates is 30 percent (Peru and Nicaragua), 31 percent (Guatemala), 25 percent (El Salvador and Belize), 21 percent (Chile), 34 percent (Colombia) and 22 percent (Ecuador).

From 2015, pursuant to the Act 30296, income tax rate in Peru applicable on taxable income, after deducting the workers's profit sharing is as follows:

- Year 2015 and 2016: 28 percent.
- Year 2017 and 2018: 27 percent.
- Year 2019 onwards: 26 percent.

Also, since 2015, in Chile the rate of income tax is as follows:

- Year 2015: 22.5 percent.
- Year 2016: 24 percent.
- Year 2017 onwards: 25 percent.

Pursuant to current legislation in some countries as of December 31, 2014 and 2013, cash dividends for non-resident shareholders are taxed at the income tax. The rate for Peru is 4.1 percent, while in El Salvador the rate is 5 percent. In Chile the rate on dividends is 35 percent and in Ecuador ranges from 1 to 10 percent, and in other Central American countries are exempt from this tax.

Legal individual not domiciled in Peru and individuals are subject to retention of an additional tax on dividends received. In this regard, pursuant Law 30296, the additional tax on dividend income generated is as follows:

- For profits beginning in 2015, whose distribution is made after that date, shall be:
- 2015 and 2016: 6.8 percent.
- 2017 and 2018: 8 percent.
- 2019 onwards: 9.3 percent

(b) The rules and transfer pricing are in effect in Peru, Nicaragua, Guatemala, El Salvador, Belize, Chile, Colombia and Ecuador, and regulate local transactions with related companies or abroad should be carried at market value.

The tax authorities have the right to request such information. Based on the analysis of the Group's operations, management and its legal counsel believe that as a result of the application of these standards, it does not result in significant contingencies to the Group at December 31, 2014 and 2013.

(c) The Tax Authority in Peru has the power to inspect and, if necessary, adjust the income tax calculated by the Company during the four years following the year of filing the affidavit. The affidavits of income tax and general sales tax the years 2011 to 2014 are pending audit by the Tax Authority. The sworn statements for the years 2000 to 2008 were reviewed by the Tax Authority. The Tax Administration is in the process of audit of 2009 and 2010.

Likewise, the affidavits of income tax and general sales tax of the main subsidiaries are subject to audit by the tax authorities of each country for periods listed below:

	Fiscal years subject to review
Foreign subsidiaries:	
Country	
Guatemala	2011 to 2014
El Salvador	2005 to 2014
Belice	2008 to 2014
Nicaragua	2009 to 2014
United States of America, Chile, Colombia y Ecuador	2009 to 2014
Local subsidiaries	
Ferreyros S.A.	2012 to 2014
Unimaq S.A.	2011 to 2014
Cresko S.A.	2011 to 2014
Fiansa S.A.	2011 to 2014
Mega Representaciones S.A. and Subsidiary	2013 to 2014
Fargoline S.A.	2011 to 2014
Orvisa S.A. and subsidiaries	2011 to 2014
Motored S.A.	2012 to 2014
Inmobiliaria CDR S.A.	2013 to 2014
Forbis Logistic S.A.	2012 to 2014
Soluciones Sitech Peru S.A.	2013 to 2014

Due to possible interpretations that the Tax Authority may give to legislation in effect, it is not possible to determine, as of to date, if whether the reviews to be conducted will result or not in liabilities for the Group, therefore, any increased tax or surcharge that could arise from future tax audits would be applied to the results of the year in which such tax or surcharge is assessed.

In the opinion of Management of the Group, any additional tax assessment by the relevant Tax Administration of each country would not have a material effect to the consolidated financial statements as of December 31, 2014 and 2013.

(d) **Contingencies**

At December 31, 2014 and 2013, the Group has pending claims for total amount of approximately S/.116,000,000 (including fines by S/16,323,000 and interest by S/.77,031.000). Such processes are pending administrative or judicial resolution, and are related to observations made by the relevant tax authorities to the affidavits of: (i) income tax (including prepayments) of the tax years 2001 to 2008 by S/.107,235,000, (ii) the value added tax for the taxable years from 2001 to 2006 by S/.3,254,000, and (iii) income tax non- domiciled for tax years 2002, 2003, 2005 and 2006 by S/.5,082,000.

In all cases, at December 31, 2014, the Company has requested specialist advice on these issues. In opinion of the Group´s Management and its legal advisors, there are some estimates of approximately S/.8,097.000 (S/.8,097,000 to 31 December 2013), the degree of loss has been assessed as more than likely. The Company has recorded a provision for such amount as of December 31, 2014 and 2013, which is presented in the "other accounts payable" caption of the consolidated statement of financial position. Management, together with its legal and tax advisors consider that the Group has technical evidence to believe that the Tax Court in Peru will resolve favorably to the Group; in this case, they expect that future resolutions of these processes will not result in significant liabilities and, therefore, it is not necessary to account for any liabilities as of December 31, 2014 and 2013.

25. Financial risk management

By the nature of its activities, the Group is exposed to credit risk, interest-rate risk, liquidity risk, exchange-rate risk and operating risk, which are managed through a process of ongoing identification, measurement and monitoring, subject to the risk limits and other controls. This process of risk management is critical to the Group's continuing profitability and each individual is accountable for the risk exposures relating to his or her responsibilities.

The independent risk control process does not include business risks such as changes in the environment, technology and industry. These are monitored through the Group's strategic planning process.

(a) Risk management structure -

The risk management structure has the Board of Directors as a basis, which is responsible for identifying and controlling risks in coordination with other supporting areas as follows.

(a.1) Boards of Directors -

The Board of Directors is responsible for the overall risk management approach. The Board provides written principles for overall risk management, as well as written policies covering specific areas such as foreign-exchange risk, interest-rate risk, credit risk, use of derivative financial instruments and non-derivatives.

(a.2) Risk committee -

The risk committee is a governing body whose mission is to assist the senior management and the Board of Directors, through the Audit Committee in overseeing the Group's risk management, monitoring the internal control environment and providing guidance on the related action plans to mitigate the risks that could adversely affect the achievement of the objectives of the Group.

The risk committee's role is to oversee the risk area to develop its annual work plan and operational areas to be actively engaged. This supervision is done through regular meetings where the risk area presents about the status of the plan's implementation.

(a.3) Internal audit -

The Group's risk management processes are monitored by the internal audit function, which examines both the adequacy of the procedures and the compliance of them. Internal audit discusses the results of all assessments with Management, and reports its findings and recommendations to the Board of Directors.

(a.4) Administration and Finance department -

The finance department is responsible for managing the Group's assets and liabilities and the overall financial structure. It is primarily responsible for managing the Group's funds and liquidity risks; assuming the related liquidity, interest rate and exchange-rate risk under the policies and limits currently effective.

(a.5) Corporate risk division -

The corporate risk division is responsible for providing comprehensive risk management based upon the methodology established, to define the work schedule with the operational areas of the entire corporation and to support them in the process to identify, assess, respond, control and monitor their most important risks. The operational areas of each subsidiary of Ferreycorp S.A.A. are responsible to implement and execute the work schedule as well as for the implementation of the approved action plans on the risks that may have a material impact on each entity and Ferreycorp S.A.A.

Also as part of the risks related to the Group's strategic planning process, for which the Group sets action plans to mitigate these risks are comprised: competition, recruitment, retention, equipment availability, product failure, social conflict and the global financial crisis.

(b) Risk mitigation -

As part of its overall risk management, the Group uses derivatives and other instruments to manage exposures resulting from changes in interest rates, foreign currencies, equity risk and credit risk. The risk profile is assessed before entering into hedge transactions, which are authorized by the appropriate level of seniority within the Group. The other critical business risks are addressed through action plans implemented by each of the Subsidiaries Management.

(c) Risk concentration -

Concentrations arise when a number of counterparties are engaged in similar business activities, or have similar economic or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry. Identified concentrations of credit risk are controlled and monitored continuously.

(c.1) Credit risk –

The Group takes on positions subject to credit risk, which is the risk that a customer will cause a financial loss by not complying with an obligation. The Group's financial assets potentially exposed to concentrations of credit risk primarily consist of bank deposits and trade accounts and order accounts receivable.

At December 31, 2014, the Management has estimated that the maximum amount of credit risk to which the Group is exposed for approximately S/.1,069.110 (S/.1,048,571 at December 31, 2013), which represents the carrying amounts within of financial assets. In the opinion of Management, there are no significant concentrations of credit risk at December 31, 2014 and 2013.

(c.2) Interest rate risk –

The Group's policy is to maintain financial instruments with fixed and variable interest rates. The operating cash flows of the Group are substantially independent of changes in market interest rate, due to individual credit rating of the Group, allowing them to obtain competitive interest rates in local markets. It should be noted that the Group has not made significant financial transactions with variable interest rates, therefore, in the opinion of Management the Group has no significant risk to interest rate exposure.

The Group's exposure to interest rate risk is summarized in the following table. The Group's financial instruments are shown at their carrying amounts, categorized according to their contract terms:

	At December 31, 2014						Weighted	
	Fix rate							
	Up to 3 months S/.(000)	From 3 to 12 months S/.(000)	From 1 to 5 years S/.(000)	Variable rate (*) S/.(000)	Non-interest bearing S/.(000)	Total S/.(000)	Average interest rate at 2014 %	Average variable interest rate at 2014 %
Assets								
Cash and cash equivalent	16,105	18	-	-	73,826	89,949	0.29 to 3.81	-
Trade accounts receivable, net	467,342	63,522	54,647	-	335,151	920,662	Between 6 y 20	-
Other accounts receivable, net (**)	-	-	2,637	-	55,862	58,499	7.55	-
Total assets	483,447	63,540	57,284	-	464,839	1,069,110		
Liabilities								
Trade accounts payable	27,797	20,919	-	-	411,170	459,886	1.82	-
Other accounts payable	-	-	-	-	454,195	454,195	-	-
Other financial liabilities	221,592	281,699	1,341,022	659	-	1,844,972	Between 1.05 and 9.37	Libor +2.5
Total liabilities	249,389	302,618	1,341,022	659	865,365	2,759,053		
Marginal gap	234,058	(239,078)	(1,283,738)	(659)	(400,526)	(1,689,943)		
Cumulative gap	234,058	(5,020)	(1,288,758)	(1,289,417)	(1,689,943)	-		

Notes to the consolidated financial statements (continued)

	At December 31, 2013						Weighted	
	Fix rate							
	Up to 3 months S/.(000)	From 3 to 12 months S/.(000)	From 1 to 5 years S/.(000)	Variable rate (*) S/.(000)	Non-interest bearing S/.(000)	Total S/.(000)	Average interest rate at 2013 %	Average variable interest rate at 2013 %
Assets								
Cash and cash equivalents	28,332	-	-	-	91,081	119,413	0.2 to 3.8	-
Trade accounts receivable, net	486,970	7,280	19,296	-	348,551	862,097	Between 14 and 20	-
Other accounts receivable, net (**)	7,929	428	3,178	-	55,526	67,061	7.55	-
Total assets	523,231	7,708	22,474	-	495,158	1,048,571		
Liabilities								
Trade accounts payable	13,028	47,496	-	-	345,859	406,383	2.38	-
Other accounts payable	-	-	-	-	411,916	411,916	-	-
Other financial liability	309,395	311,000	1,238,461	1,850	-	1,860,706	Between 1.71 and 8.50	Libor (3 meses) + 2.5
Total liabilities	322,423	358,496	1,238,461	1,850	757,775	2,679,005		
Marginal gap	200,808	(350,788)	(1,215,987)	(1,850)	(262,617)	(1,630,434)		
Cumulative gap	200,808	(149,980)	(1,365,967)	(1,367,817)	(1,630,434)	-		

(*) It is considered variable all obligations with variable rates.

(**) At December 31, 2014, other receivables included in this chart do not consider an amount S/.78,637,000 (S/.58, 187,000 at December 31, 2013) for the value added tax payable and income tax payable wich, do not qualify as financial instruments in accordance to IFRS.

The following chart shows the sensitivity to a possible change in interest rates, with all other variables held constant, in the consolidated income statement before taxes. The sensitivity of the consolidated income statement is the effect of the assumed changes in interest rates on the net interest income for one year before income tax, based on financial assets and liabilities exposed to changes in interest rates as of December 31, 2014 and 2013:

	2014		2013	
Currency	Change in basis points	Sensitivity in net profit S/.(000)	Change in basis points	Sensitivity in net profit S/.(000)
Nuevos Soles	+/-50	+/-4,871	+/-50	+/-5,430
Nuevos Soles	+/-100	+/-9,742	+/-100	+/-10,861
Nuevos Soles	+/-200	+/-19,485	+/-200	+/-21,721
Nuevos Soles	+/-300	+/-29,227	+/-300	+/-32,582

The interest rate sensitivity set out in the chart above is illustrative only and is based on simplified scenarios. The figures represent the effect of the proforma movements in the net interest income based on the projected scenarios of the yield curve and the interest rate risk profile. However, this effect does not incorporate actions that would be taken by Management to mitigate the impact of these interest rates. Likewise, the Group seeks proactively to change the interest rate risk profile to minimize losses and optimize net revenues. The earlier projections above also assume that the interest rate of all maturities move by the same amount and, therefore, do not reflect the potential impact on net interest income of some rates changing while others remain unchanged. The projections make other simplifying assumptions too, including that all positions are held to maturity or, if they mature within the year, are renewed for the same amount.

(c.3) Liquidity risk –

Liquidity risk is the risk that the Group is unable to meet its payment obligations associated with financial liabilities when due and to replace funds when they are withdrawn. The consequence may be the default of payment of its obligations to third parties.

The Group controls the liquidity through a proper management of maturities of assets and liabilities, so as to achieve the fit between the revenue stream and future payments, allowing it to carry out its activities normally.

The main source of cash income for the Group is the collections from sales of national and imported merchandise. The average payment term to its main suppliers was 60 days for fiscal years 2014 and 2013. The Group considers that the management of the collection and payment periods tends to improve due to improvements made to its policies for managing its collections.

In the event that the Group does not count, at any given time, with the necessary resources to meet its obligations in the short term, it counts on credit lines with financial institutions and because of its economic solvency it has given short and medium term loans market rates.

The following chart shows the cash flows payable by the Group in accordance with the contractual terms on the dates of the consolidated statement of financial position. The amounts are the undiscounted cash flows according to contracted terms and at their respective interests:

	From 1 to 3 months S/.(000)	From 3 to 12 months S/.(000)	From 1 to 5 years S/.(000)	5 years onwards S/.(000)	Total S/.(000)
As of December 31, 2014					
Other financial liabilities:					
Amortization of capital	222,187	281,763	458,500	882,522	1,844,972
Amortization of Interest	22,039	52,722	230,106	-	304,867
Trade accounts payable	430,845	29,041	-	-	459,886
Other accounts payable	439,414	14,000	781	-	454,195
	1,114,485	377,526	689,387	882,522	3,063,920
As of December 31, 2013					
Other financial liabilities:					
Amortization of capital	309,395	311,000	393,236	847,075	1,860,706
Amortization of Interest	16,815	44,212	43,922	15,805	120,754
Trade accounts payable	358,887	47,496	-	-	406,383
Other accounts payable	-	411,916	-	-	411,916
	685,097	814,624	437,158	862,880	2,799,759

(c.4) Exchange rate risk –

The Group is exposed to the effects of fluctuations in the exchange rates prevailing foreign currency on its financial position and cash flows. Management sets limits on the level of exposure by currency and total daily operations.

The lending and borrowing transactions are conducted primarily in functional currency, the Group measures its performance in Nuevos Soles, so that if the position in foreign exchange (US dollar) is positive, any devaluation of the Nuevo Sol positively affect the consolidated statements of financial position of the Group. Transactions in foreign currencies are made at rates of supply and demand.

The Group manages the risk of foreign exchange monitoring and controlling the values of the position is not maintained in the functional currency and are exposed to movements in exchange rates. The Group measures its performance in the currency of each country so that if the position of foreign exchange is positive, any devaluation of the US dollar would negatively affect the consolidated statement of financial position of the Group. Any devaluation/revaluation of foreign currency affect the consolidated statements of comprehensive income.

Transactions in foreign currency in Peru are made at the exchange rates of the open-market published by the Superintendencia de Banca y Seguros AFPs. At December 31, 2014, the exchange rates at the open-market for transactions in US dollars, published by this institution were of S/.2.981 for buying and S/.2.989 for sale (S/.2.794 for buying and S/.2.796 for sale at December 31, 2013).

As of December 31, 2014 and 2013, the Group had the following assets and liabilities for each currency:

	2014					
	Dólares S/.(000)	Quetzal S/.(000)	Córdoba S/.(000)	Pesos Chilenos S/.(000)	Dólar Belice S/.(000)	Total S/.(000)
Active						
Cash and cash equivalents	51,947	288	122	547	152	53,056
Trade accounts receivable, net	790,567	8,734	125	17,094	-	816,520
Other accounts receivable, net	40,899	1,852	-	11,750	124	54,625
	883,413	10,874	247	29,391	276	924,201
Liabilities						
Other financial liabilities	(1,639,975)	(13,991)	(122)	(37,477)	(800)	(1,692,365)
Trade accounts payables	(393,179)	(26,387)	(794)	(16,284)	(425)	(437,069)
Other accounts payables	(196,826)	-	-	(3,362)	-	(200,188)
	(2,229,980)	(40,378)	(916)	(57,123)	(1,225)	(2,329,622)
Net liability position	(1,346,567)	(29,504)	(669)	(27,732)	(949)	(1,405,421)

	2013					
	Dólares S/.(000)	Quetzal S/.(000)	Córdoba S/.(000)	Pesos Chilenos S/.(000)	Dólar Belice S/.(000)	Total S/.(000)
Active						
Cash and cash equivalents	50,348	519	382	-	257	51,506
Trade accounts receivable, net	713,954	12,601	546	-	-	727,101
Other accounts receivable, net	41,812	1,810	-	-	43	43,665
	806,114	14,930	928	-	300	822,272
Liabilities						
Other financial liabilities	(1,567,731)	(24,727)	(44)	-	(629)	(1,593,131)
Trade accounts payables	(339,904)	(22,962)	(633)	-	(799)	(364,298)
Other accounts payables	(130,665)	-	-	-	-	(130,665)
	(2,038,300)	(47,689)	(677)	-	(1,428)	(2,088,094)
Net liability position	(1,232,186)	(32,759)	251	-	(1,128)	(1,265,822)

At December 31, 2014 and 2013, the Group Management has decided to accept the currency risk of this position, so it has not derivative products for hedging. During 2014, the Group recorded a net loss difference upshift approximately S/. 99,487,000 (net loss of approximately S/.146,140,000 in 2013), which is presented under "Exchange difference net "in the consolidated statements of income.

The following chart shows the sensitivity analysis of the US dollar, the currency to which the Group has significant exposure at December 31, 2014 and 2013, in its assets and liabilities and estimated cash flows. The analysis determines the effect of a reasonably possible change in the exchange rate of the US dollar, with all other variables constant in the consolidated statements of comprehensive income before income taxes.

An amount reflect a potential net reduction in consolidated statements of income before tax, while a positive amount reflects a net potential increase:

Sensitivity analysis	Change in currency rates	2014	2013
	%	S/.(000)	S/.(000)
Devaluation -			
Nuevos Soles	-5	67,238	61,609
Nuevos Soles	-10	134,657	123,219
Revaluation -			
Nuevos Soles	+5	(67,238)	(61,609)
Nuevos Soles	+10	(134,657)	(123,219)

(d) Capital management –

The Group actively manages a capital base to hedge the inherent risks in its activities. The Group's capital adequacy is monitored using, among other measures, ratios set by the Management.

The Group's objectives when managing capital, which is a broader concept than "Equity" within the consolidated statements of financial position, are: (i) to safeguard the Group's ability to continue as a going concern so that it can continue to maximize shareholder's value and benefits for the other stakeholders; and (ii) to maintain a strong capital base to support its business activities.

As of December 31, 2014 and 2013, there were no changes in the Group's activities and capital management's policies.

26. Fair value of financial instruments

(a) Fair value -

Fair value is defined as the amount for which an asset could be exchanged or a liability settled, between knowledgeable willing parties in an arm's length transaction, under the assumption of a going concern entity.

Accounting standards define a financial instrument as cash, evidence of ownership in an entity, or a contract in which they agreed or imposed on an entity's contractual right or obligation to receive or deliver cash or another financial instrument. Fair value is defined as the amount at which a financial instrument could be exchanged in a transaction between two parties so wish, other than in a forced sale or liquidation, and the best evidence of its value is its price, if any.

The methodologies and assumptions used depend on the terms and risk characteristics of various financial instruments and include the following:

- Cash and cash an equivalent doesn't represent a credit risk or significant interest rate. Therefore, it has been assumed that their carrying amounts approximate their fair value.

- Accounts receivable because they are net of provision for loan losses and primarily have maturities of less than one year, Management believes its fair value is not materially different from its carrying value.

- In the case of trade payables and other payables, as these liabilities have current maturities, Management believes that its accounting balance approximates its fair value.

Based on the criteria described above, Management believes that there are no significant differences between the carrying value and fair value of financial instruments of the Company at December 31, 2014 and 2013.

(b) Fair-value measurement -

Instruments measured at fair value by hierarchy

Level 1 –

- Cash and cash equivalents represents a credit risk or significant interest rate, therefore, their carrying amounts approximate their fair value.

- Accounts receivable because they are net of provision for loan losses and primarily have maturities of less than three months, and Management believes its fair value is not materially different from its carrying value.

- Trade accounts payable and other payables, due to its current maturity, and Management believes that its carrying balance approximates its fair value.

Level 2 –

- Management believes that the carrying amounts of financial instruments (assets and liabilities) at 31 December 2014 and 2013 do not defer significantly from their fair values.
- Except for the following item, the Group Management believes that the carrying value of financial instruments recorded at amortized cost is about fair value.

	2014		2013	
	Carrying amount S/.(000)	Fair Value S/.(000)	Carrying amount S/.(000)	Fair Value S/.(000)
Other current financial liabilities	503,950	503,950	620,395	620,395
Other non-current financial liabilities	1,341,022	1,035,617	1,240,311	1,005,653

27. Segment information

For management purposes, the Group is organized into business units based on their products and activities and has four reportable segments as follows:

- Heavy machinery, including purchase and sale operations, with their respective spare parts, maintenance and reparation services.
- Vehicles, including purchase and sale operations, with their respective spare parts, maintenance and reparation services.
- Rental equipment.
- Agricultural equipment, including purchase and sale operations, with their respective spare parts, maintenance and reparation services.
- Other business units.

No operating segments have been aggregated to comprise the above reportable operating segments.

Management monitors the operating results of its business units separately for the decision making purposes about resource allocation and performance assessment. Segment performance assessed based on pre – tax profits.

Transfer prices between operating segments are on an arm’s length basis in a similar fashion to transactions with third parties.

Notes to the consolidated financial statements (continued)

	Sales and services S/.(000)	Other operating income S/.(000)	Total operating income S/.(000)	Gross profit S/.(000)	Selling expenses S/.(000)	Administrative expenses S/.(000)	Other income S/.(000)	Financial expenses S/.(000)	Financial income S/.(000)	Gain on exchange difference S/.(000)	Profit in associates S/.(000)	Profit before income tax S/.(000)	Income tax S/.(000)	Net profit S/.(000)
2014														
Heavy machinery, spare parts and services	3,863,521	2,805	3,866,326	898,258	(443,204)	(159,691)	14,773	(77,703)	15,823	(79,314)	-	168,942	(59,826)	109,116
Vehicles, spare parts and services	216,240	-	216,240	23,670	(22,241)	(11,986)	827	(4,349)	886	(4,439)	-	(17,632)	(3,348)	(20,980)
Rental equipment	264,988	-	264,988	68,930	(41,857)	(13,056)	1,013	(5,329)	1,085	(5,440)	-	5,346	(4,103)	1,243
Agricultural equipment, spare parts and services	90,808	313	91,121	23,620	(17,081)	(5,882)	347	(1,826)	372	(1,864)	-	(2,314)	(1,406)	(3,720)
Other	410,658	-	410,658	102,942	(52,317)	(31,070)	1,570	(8,259)	1,682	(8,430)	6,563	12,681	(6,359)	6,322
Total consolidated	4,846,215	3,118	4,849,333	1,117,420	(576,700)	(221,685)	18,530	(97,466)	19,848	(99,487)	6,563	167,023	(75,042)	91,981
2013														
Heavy machinery, spare parts and services	4,034,954	14,853	4,049,807	896,634	(427,638)	(133,414)	25,277	(83,032)	17,546	(117,963)	-	177,410	(52,850)	124,560
Vehicles, spare parts and services	214,728	-	214,728	28,299	(21,142)	(10,952)	1,345	(4,419)	934	(6,278)	-	(12,213)	(2,813)	(15,026)
Rental equipment	263,355	-	263,355	64,638	(38,740)	(11,289)	1,650	(5,419)	1,145	(7,699)	-	4,286	(3,449)	837
Agricultural equipment, spare parts and services	85,263	356	85,619	18,185	(16,758)	(5,277)	534	(1,755)	371	(2,493)	-	(7,193)	(1,117)	(8,310)
Other	400,440	-	400,440	100,268	(55,346)	(28,540)	2,509	(8,240)	1,741	(11,707)	2,607	3,292	(5,245)	(1,953)
Total consolidated	4,998,740	15,209	5,013,949	1,108,024	(559,624)	(189,472)	31,315	(102,865)	21,737	(146,140)	2,607	165,582	(65,474)	100,108

Notes to the consolidated financial statements (continued)

	Sales and services S/.(000)	Other operating income S/.(000)	Total operating income S/.(000)	Gross profit S/.(000)	Administrative expenses S/.(000)	Selling expenses S/.(000)	Other income S/.(000)	Equity income in associates S/.(000)	Financial expenses S/.(000)	Financial income S/.(000)	Gain on exchange difference S/.(000)	Profit before income tax S/.(000)	Income tax S/.(000)	Net profit S/.(000)
2014														
Peru	4,309,499	3,118	4,312,617	992,630	(504,922)	(197,720)	19,307	6,563	(77,098)	13,070	(99,380)	152,450	(70,598)	81,852
Guatemala	355,868	-	355,868	73,556	(42,100)	(8,475)	-	-	(5,329)	854	1,348	19,854	(1,733)	18,121
El Salvador	90,729	-	90,729	25,647	(15,690)	(4,204)	(1,322)	-	(1,492)	292	-	3,231	(1,423)	1,808
Belice	11,946	-	11,946	3,354	(1,611)	(1,513)	(227)	-	(60)	79	160	182	(212)	(30)
United States of America	23,816	-	23,816	5,517	(3,644)	(201)	-	-	(26)	-	-	1,646	(617)	1,029
Nicaragua	25,652	-	25,652	5,661	(2,370)	(1,895)	105	-	(47)	14	(218)	1,250	(373)	877
Panama	-	-	-	-	-	(2,064)	-	-	(8,089)	1,414	-	(8,739)	-	(8,739)
Chile	49,733	-	49,733	10,436	(6,098)	(4,407)	154	-	(1,290)	152	(1,397)	(2,450)	(86)	(2,536)
Ecuador	1,948	-	1,948	383	(111)	(404)	-	-	(8)	-	-	(140)	-	(140)
Colombia	544	-	544	236	(154)	(310)	21	-	(54)	-	-	(261)	-	(261)
Intercompany Operations	(23,520)	-	(23,520)	-	-	(492)	492	-	(3,973)	3,973	-	-	-	-
Total consolidated	4,846,215	3,118	4,849,333	1,117,420	(576,700)	(221,685)	18,530	6,563	(97,466)	19,848	(99,487)	167,023	(75,042)	91,981
2013														
Peru	4,527,373	15,209	4,542,582	1,003,399	(501,903)	(174,043)	31,496	2,607	(90,148)	19,220	(146,590)	144,038	(56,750)	87,288
Guatemala	329,740	-	329,740	64,687	(36,594)	(7,158)	600	-	(5,272)	1,613	381	18,257	(5,280)	12,977
El Salvador	99,959	-	99,959	26,349	(14,635)	(4,050)	(452)	-	(1,826)	346	-	5,732	(1,841)	3,891
Belice	10,657	-	10,657	2,512	(1,277)	(1,336)	(35)	-	(56)	126	240	174	(194)	(20)
United States of America	34,390	-	34,390	6,115	(3,327)	(302)	-	-	(24)	3	-	2,465	(989)	1,476
Nicaragua	22,531	-	22,531	4,962	(1,888)	(1,502)	252	-	(90)	13	(171)	1,576	(420)	1,156
Panama	-	-	-	-	-	(1,627)	-	-	(6,473)	1,440	-	(6,660)	-	(6,660)
Chile														
Intercompany Operations	(25,910)	-	(25,910)	-	-	546	(546)	-	1,024	(1,024)	-	-	-	-
Total consolidated	4,998,740	15,209	5,013,949	1,108,024	(559,624)	(189,472)	31,315	2,607	(102,865)	21,737	(146,140)	165,582	(65,474)	100,108

28. Explanation added for English translation

The accompanying financial statements were originally issued in Spanish and are presented on the basis of International Financial Reporting Standards, as described in Note 2. Certain accounting practices applied by the Company that conform to those accounting principles may not conform to generally accepted accounting principles in other countries. In the event of a discrepancy, the Spanish language version prevails.

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