Translation of Independent Auditors' Report and the Consolidated Financial Statements originally issued in Spanish - Note 29

Ferreycorp S.A.A. and Subsidiaries

Consolidated financial statements as of December 31, 2015 and 2014 together with the independent auditors' report

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Translation of Independent Auditors' Report and the Consolidated Financial Statements originally issued in Spanish - Note 29

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, 2015 and 2014, and the related statements of income, comprehensive income, changes in net 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 such internal control as 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 audit. We conducted our audit in accordance with International Standards on Auditing approved for application in Peru by the Board of Deans of The Peruvian Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatements.

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 auditors' judgment, including the assessment of the risks of material misstatements of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 presentation of the consolidated financial statements.

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

Translation of Independent Auditors' Report and the Consolidated Financial Statements originally issued in Spanish - Note 29

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, 2015 and 2014, 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 19, 2016

Paredes, Zaldívar, Burga & Asociados

Countersigned by:

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

Ferreycorp S.A.A. and Subsidiaries

Consolidated statement of financial position

As of December 31, 2015 and 2014

	Note	2015 S/(000)	2014 S/(000)
Assets			
Current assets			
Cash and cash equivalent	4	233,322	89,949
Trade accounts receivable, net	5	956,964	889,351
Other accounts receivable, net	6	140,887	132,480
Inventories, net	7	1,379,362	1,561,763
Prepaid expenses		22,259	17,160
Total current assets		2,732,794	2,690,703
Non- current trade accounts receivable, net	5	47,876	31,311
Non- current other accounts receivable , net	6	4,607	4,656
Investments in associates and joint venture	8	93,512	78,045
Property, machinery and equipment, net	9	1,417,031	1,328,247
Intangible, net	10(a)	86,083	78,954
Goodwill	10(d)	178,628	170,415
Deferred income tax asset	14(a)	180,028	136,874
Total non-current assets		2,007,765	1,828,502
Total assets		4,740,559	4,519,205

	Note	2015 S/(000)	2014 S/(000)
Liabilities and net equity			
Current liabilities			
Other financial liabilities	11	525,616	503,950
Trade accounts payable	12	459,976	459,886
Other accounts payable	13	463,579	465,742
Income tax payable	14 (d)	30,991	24,553
Total current liabilities		1,480,162	1,454,131
Non-current other financial liabilities	11	1,410,147	1,328,694
Non-current other accounts payable	13	719	781
Deferred income tax liabilities	14(a)	155,384	139,807
Deferred income		-	16
Total non-current liabilities		1,566,250	1,469,298
Total liabilities		3,046,412	2,923,429
Net equity	15		
Issued capital		1,014,326	1,014,326
Treasury shares		(27,048)	-
Additional capital		65,418	73,536
Legal reserve		123,207	110,099
Other equity reserves		250,343	245,802
Translation results		49,022	20,913
Retained earnings		218,879	131,100
Total net equity		1,694,147	1,595,776
Total liabilities and net equity		4,740,559	4,519,205

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

Ferreycorp S.A.A. and Subsidiaries

Consolidated statement of income

For the years ended December 31, 2015 and 2014

	Note	2015 S/(000)	2014 S/(000)
Net sales	16	5,204,066	4,846,215
Other operating income		8,157	3,118
		5,212,223	4,849,333
Cost of sales	16	(3,920,084)	(3,731,913)
Gross profit		1,292,139	1,117,420
Selling expenses	17	(576,095)	(576,700)
Administrative expenses	18	(243,752)	(221,685)
Other income and expenses, net		18,198	18,530
Operating profit		490,490	337,565
Financial income	20	21,315	19,848
Share of profit of an associates and a joint venture	8(b)	5,889	6,563
Financial expenses	21	(106,368)	(97,466)
Exchange difference net	25(c.4)	(151,812)	(99,487)
Profit before income tax		259,514	167,023
Income tax	14(b)	(97,748)	(75,042)
Net income		161,766	91,981
Basic and diluted earnings per share (in Soles)	22	0.163	0.091
Weighted average of shares outstanding (in thousands of units)	22	991,536	1,014,326

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

Ferreycorp S.A.A. and Subsidiaries

Consolidated statement of comprehensive income

For the years ended December 31, 2015 and 2014

	Note	2015 S/(000)	2014 S/(000)
Net income		161,766	91,981
Other comprehensive income			
Other comprehensive income to be reclassified to profits in subsequent periods			
Exchange difference on translation of foreign operations	15(f)	28,090	12,708
Net gain of investments available for sale of associates, net of the effect of deferred income tax	15(h)	6,665	(2,694)
Hedging derivatives valuation, net of the effect on deferred income tax		24	50
Other comprehensive income to be reclassified to profits in subsequent periods		34,779	10,064
Other comprehensive income to be not reclassified to profits in subsequent periods			
Change in tax rate effect on the deferred income tax	3.3 (m)	(3,915)	13,174
Other comprehensive income to be not reclassified to profits in subsequent periods		(3,915)	13,174
Other comprehensive income for the year, net		30,864	23,238
Net comprehensive income for the year		192,630	115,219

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, 2015 and 2014

						Other equity reserves					
	Number of shares outstanding (in thousands)	**Issued capital** S/(000)	**Treasury shares** 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, 2014	945,227	945,227	-	105,436	99,766	(5,200)	2,464	236,909	8,205	151,066	1,543,873
Net income	-	-	-	-	-	-	-	-	-	91,981	91,981
Effect of change in tax rates on deferred income tax, note 14 (a)	-	-	-	-	-	-	-	13,174	-	-	13,174
Valuation of hedging derivatives, note 15 (e)	-	-	-	-	-	-	50		-	-	50
Gain on valuation of investments available for sale of associates, note 15 (h)	-	-	-	-	-	(2,694)	-	-	-	-	(2,694)
Exchange differences derivated from foreign operations, note 15(f)	-	-	-	-	-	-	-	-	12,708		12,708
Total comprehensive income	-	-	-	-	-	(2,694)	50	13,174	12,708	91,981	115,219
Transfer to legal reserve, note 15(d)	-	-	-	-	10,333	-	-	-	-	(10,333)	-
Increased equity joint venture and associates note 15(h)	-	-	-	-	-	-	1,099	-	-	(8,618)	(7,519)
Dividends, note 15 (g)	-	-	-	-	-	-	-	-	-	(55,797)	(55,797)
Capitalization of retained earnings and additional capital, note 15(c) and (g)	69,099	69,099	-	(31,900)	-	-	-	-	-	(37,199)	-
Balance as of December 31, 2014	1,014,326	1,014,326	-	73,536	110,099	(7,894)	3,613	250,083	20,913	131,100	1,595,776
Net income	-	-	-	-	-	-	-	-	-	161,766	161,766
Valuation of hedging derivatives, note 15(d)	-	-	-	-	-	-	24	-	-		24
Effect of tax rates changes on deferred income tax, note 14(a)	-	-	-	-	-	-	-	(3,915)	-	-	(3,915)
Gain on valuation of investments available for sale of associates, note 15(h)	-	-	-	-	-	6,665	-	-	-	-	6,665
Exchange differences derivated from foreign operations, note 15(f)	-	-	-	-	-	-	-	-	28,109	(19)	28,090
Total comprehensive income	-	-	-	-	-	6,665	24	(3,915)	28,109	161,747	192,630
Transfer to legal reserve, note 15 (d)	-	-	-	-	13,108		-	-	-	(13,108)	-
Increased equity joint venture and associates, note 15(h)	-	-	-	-	-	-	1,767	-	-	-	1,767
Dividends, note 15 (g)	-	-	-	-	-	-	-	-	-	(60,860)	(60,860)
Stocks repurchase, note 15(b) and (c)	(27,048)	-	(27,048)	(8,118)	-	-	-	-	-	-	(35,166)
Balance as of December 31, 2015	987,278	1,014,326	(27,048)	65,418	123,207	(1,229)	5,404	246,168	49,022	218,879	1,694,147

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

Ferreycorp S.A.A. and Subsidiaries

Consolidated statement of cash flows

For the years ended December 31, 2015 and 2014

	2015 S/(000)	2014 S/(000)
Operating activities		
Collections from customers and third parties	5,203,377	4,881,113
Payments to suppliers	(4,154,424)	(3,937,189)
Payroll and others	(444,990)	(419,969)
Income tax payments	(127,931)	(132,275)
Taxes paid	(11,771)	(11,973)
Net cash provided from operating activities	464,261	379,707
Investing activities		
Purchase of property, machinery and equipment	(195,864)	(158,890)
Acquisition of subsidiary, net of cash acquired	(35,166)	(46,332)
Additions to intangibles	(22,497)	(9,050)
Disposition of property, machinery and equipment	611	1,132
Net cash used for investing activities	(252,916)	(213,140)
Financing activities		
Obtaining in other financial liabilities	1,248,875	1,133,434
Payments of other financial liabilities	(1,144,583)	(1,171,708)
Interest paid	(100,853)	(91,884)
Dividends paid	(60,860)	(55,797)
Net cash used for financing activities	(57,421)	(185,955)
Net provided (decrease) in cash and cash equivalent	153,924	(19,388)
Effect of movements in exchange rates on cash and cash equivalent	(10,551)	(10,076)
Cash and cash equivalent at beginning of year	89,949	119,413
Cash and cash equivalent at end of year	233,322	89,949
Non-cash transactions		
Financial leasing	-	2,828

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, 2015 and 2014

1. **Economic activity**

Ferreycorp S.A.A. (hereinafter "the Company") was incorporated in Lima in September 1922, Ferreycorp acts as a holding company of all companies operating in Peru and abroad , called "Ferreycorp Group" ; coordinating their policies and administration. The address company registered is Cristobal de Peralta Norte Avenue No.820 , Surco , Lima, Peru .

The consolidated financial statements for the year ended as of December 31, 2014 were approved by the Shareholders Meeting and by the Board of Directors held on March 30, 2015. The accompanying consolidated financial statements for the year ended December 31, 2015, were approved by the Company's Management on February 19, 2016 and will be submitted for their approval by the Board of Directors and the Shareholders' Meeting that will occur within the first quarter of 2016. 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, 2015, the consolidated financial statements include the financial statements of Ferreycorp S.A.A. and Subsidiaries in which it has control more the investment in joint venture. The Group owns 100% interest in the subsidiaries either through its parent (Ferreycorp S.A.A.) or other subsidiaries. The main data of the Group involved in the process of consolidation as of December 31, 2015 and 2014, before eliminations for consolidation purposes are as follows:

Entity	Activity	Percentaje of ownership		Assets		Liabilities		Equity		Net income (loss)	
		2015 %	2014 %	2015 S/(000)	2014 S/(000)	2015 S/(000)	2014 S/(000)	2015 S/(000)	2014 S/(000)	2015 S/(000)	2014 S/(000)
Ferreyros S.A.	Purchase and sale of machinery, spare parts and workshop services	99.99	99.99	1,945,087	1,956,215	1,064,255	1,155,317	880,832	800,898	235,905	119,289
Inti Inversiones Interamericanas Corp. and Subsidiaries (*)	Holding company business in Central America	100.00	100.00	636,361	526,975	420,816	347,840	215,545	179,135	9,294	13,063
Unimaq S.A. and subsidiary (**)	Purchase and sale of machinery, spare parts and workshop services	99.99	99.99	554,795	562,702	433,324	428,816	121,471	133,886	(2,514)	7,703
Inmobiliaria CDR S.A.C.	Real estate	99.99	99.99	103,279	103,452	30,378	30,716	72,901	72,736	1,615	1,664
Fargoline S.A.	Warehouse	99.91	99.91	113,462	109,423	47,376	43,645	66,086	65,778	5,558	5,856
Motored S.A.	Purchase - sale of automotive line, automotive spare parts and provision of services	99.99	99.99	187,741	243,151	156,727	185,667	31,014	57,484	(26,471)	(18,116)
Trex Latinoamerica SpA and Subsidiaries(***)	Holding company business in South America	100.00	100.00	180,520	104,499	125,840	63,923	54,680	40,576	(1,613)	(1,787)
Orvisa S.A. and Subsidiaries	Purchase and sale of machinery, spare parts and workshop services	99.37	99.37	178,579	178,360	140,818	136,530	37,761	41,830	(1,965)	2,338
Mega Representaciones S.A. and subsidiaries (****)	Representative and distributor of tires and lubricant	99.99	99.99	166,799	140,951	126,251	100,248	40,548	40,703	646	924
Fiansa S.A. (common shares and labor)	Metalworking services	99.76	99.76	52,218	64,692	24,769	26,954	27,449	37,738	(10,289)	(8,604)
Cresko S.A.	Purchase and sale of machinery and chemical supplies	99.99	99.99	42,882	50,257	34,487	37,558	8,395	12,699	(4,304)	(4,643)
Soluciones Sitech Perú S.A.	Commercialization of software and hardware	99.80	99.80	5,175	4,470	5,186	2,547	(11)	1,923	(1,935)	(940)
Forbis Logistics S.A.	Bulking agent	99.98	99.98	8,082	4,772	4,513	3,858	3,569	914	2,655	222
Compass Fondo de Inversión de Arrendamiento Operativo	Investment fund	100.00	100.00	5,347	16,178	70	230	5,277	15,948	(230)	1,234
Ferrenergy S.A.	Power generation and supply	50.00	50.00	34,885	30,261	13,911	13,224	20,974	17,037	2,752	214

(*) 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, and spare parts and servicing workshops. On 1 July 2015, Inti Inversiones Interamericanas Corp. acquired control of a subsidiary domiciled in Salvador, Transportes Pesados S.A.C. de C.V. dedicated to the comercialization of spare parts for transport.

(**) Maquicentro S.A. was incorporated on 26th May 2014, the company was domiciled in Guayaquil Ecuador, whose majority shareholder is Unimaq S.A. (Subsidiary of Ferreycorp SAA), whose line of business is the sale and purchase of equipment for the construction sector.

(***) 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.

(****) 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.

Acquisitions 2015-

(a) Transportes Pesados S.A. de C.V. -

On July 1, 2015, the Group through its subsidiary Inti Inversiones Interamericanas Corp. acquired 100 percent of the shares with voting rights of Transportes Pesados S.A. de C.V., company dedicated to the sale of spare parts for heavy transport in El Salvador for US$9,720,000 approximately (equivalent to S/30,858,000 as of that date). The Group acquired this business in order to expand its operations in El Salvador and seize without arising with other Group companies.

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

	Fair value at the acquisition date S/(000)
Assets	
Cash	1,146
Trade accounts receivable, net	10,227
Inventories, net	11,277
Other assets	22,037
Liabilities	
Trade accounts payable	(3,898)
Provisions for contingencies	(20,139)
Net assets acquired at fair value	20,650
Assets and liabilities identified	
Trademark rights	1,362
Customer relationships	5,174
Order backlog	3,072
tax liabilities deferred Income	(3,072)
Total net assets identified measured at fair value	6,536
Fair value of the total net assets identified	27,186
Less: Purchase price at the date of acquisition	30,858
Goodwill, 10(d)	3,672

	Cash flows at the date of acquisition S/(000)
Net cash arising from acquisition	1,146
Cash payments	(30,858)
Net cash at the date of acquisition	(29,712)

Intangible assets acquired through business combination include: customer relationship, no-competence agreement and marks which are detailed in note 10.

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/46,671,000 at the acquisition date). Subsequently, the Group made a capital contribution of US$289,000 (equivalent to S/847,000), the date of contribution 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	
Trade accounts payable	(9,749)
Provisions for contingencies	(23,776)
Net assets acquired at fair value	20,316
Assets and liabilities identified	
Brands	1,367
Customer relationship	2,638
Order backlog	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)

Intangible assets acquired through business combination mainly include: customer relations, purchase orders, no-competence agreement, which are detailed in note 10.

3. Basis of preparation and summary of significant accounting 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, 2015.

The consolidated financial statements have been prepared on the historical cost basis, from the accounting records kept by the Group, except for the revaluation of lands, that have been measured at fair value. The consolidated financial statements are presented in thousands of 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, 2015.

The Group has not early adopted any norms, interpretations or amendments to the norm that have been issued but are not yet effective as of the reporting date.

3.2 Basis for consolidation –

The consolidated financial statements include the financial statements of Ferreycorp and its subsidiaries on which Ferreycorp exercises control 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 S.A.A. and its Subsidiaries.

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 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.

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

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 Group registers its investments in associates and joint ventures under the equity-method value. According to this method, investments are initially registered at cost, including any adjustments needed to bring the net assets at fair value and then recognizes any goodwill generated in the acquisition.

Subsequently, the amount carried in the accountancy is increased or decreased to recognize the participation of the Subsidiaries in the Company's profits and / or losses, which are later registered under the "Share in net results of associates" line in the consolidated income statement. Changes in other equity accounts are recognized directly in the equity of the Company and its Subsidiaries adjusting the book value of the investments. When the loss in these investments exceeds the amount of the Company investment, the Company and its subsidiaries stop recognizing these losses unless they have an express obligation to assume them.

(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 with 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, 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 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.

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 statement 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, 2015 and 2014, 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. Borrowing costs are recognized using the accrual method, including fees related to the financing.

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.

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.

(c.4) Repurchase of share capital (treasury shares)
When capital recognized as equity is repurchased, the amount paid, including direct costs attributable to the transaction, is recognized as a deduction from consolidated equity. Own shares repurchased are classified as treasury shares and are presented as a deduction from equity. When treasury shares are sold or reissued subsequently, the amount received is recognized as a premium in the "additional capital".

(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.

As of 31th December 2015, 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.

Upon the realization of the derivative instrument mentioned above, the cumulative gain or loss previously recognized in equity is reclassified to consolidated income statement.

(e) Foreign currency transactions -

Functional and presentation currency –

The consolidated financial statements of the Group are presented in soles, which is also the functional currency of the controlling entity. For each subsidiary, the Group determines the functional currency and every account included in the financial statements

of each entity are measured using that chosen functional currency. The group concluded that for all its subsidiaries, the local currency is also their functional currency, except in the case of Trex SpA Latin America (Chile), Inversiones Interamericanas Corp. S.A. (Panama), Transportes Pesados S.A. de C.V. y Compañía General de equipos S.A. (El Salvador), Mercadeo Centroamericano de Lubricantes S.A. (Nicaragua) y Compañía General de Tractores S.A. (Guatemala), where economic characteristics determine the functional currency are according to the local currency of the country of origin.

In such cases, the conversion of local currency into its functional currency was performed according to the following methodology:

- The monetary assets and liabilities have been converted at the exchange rate of the closing date of each consolidated financial statement presented.
- The non-monetary assets and liabilities and the consolidated financial statements have been converted at the exchange rate of each the transactions.
- Revenues and expenses, except for those related to non-monetary assets, which are current exchange rate of the dates of the transactions, are translated using the monthly average exchange rate.
- All differences resulting from the conversion have been recognized in the consolidated statement of equity as "currency conversion results".

The consolidated financial statements have been prepared primarily to present grouped together the activity of the Group's subsidiaries, establishing the soles (the functional currency of Ferreycorp) as presentation currency of the present consolidated statement. In addition, the accounting balances of subsidiaries in this consolidated which are operating in countries whose functional currency is not the soles were converted using the methodology set out in IAS 21, "The Effects of Changes in Exchange Rates Foreign Currency" as mentioned below:

Non-hyperinflationary Economies -

(i) The balances of assets and liabilities have been converted using the closing exchange rates at the date of each financial statement presented. The differences arising from the initial balances in the presentation currency to a different type of year-end balances exchange rate is presented as a movement in each of the accounts to which it corresponds.

(ii) Income and expenses have been converted using the monthly average exchange rate that approaches the most to the date of registration of such transactions.

(iii) All resulting differences are recognized as other comprehensive income in the "Exchange differences from translation of foreign operations" line.

Balances or transactions in foreign currency -
Transactions in foreign currencies are initially recorded by the Group entities at exchange rates of their respective functional currencies to the date on which the transaction first meets the conditions for recognition. Monetary assets and liabilities denominated in foreign currencies are converted at the closing exchange rates of the functional currency prevailing at the closing date of the reporting period is reported.

Non-monetary items that are measured in terms of historical cost in foreign currency are converted using the exchange rates prevailing at the date of the original transaction. Non-monetary items that are measured at fair value in foreign currency are converted using the exchange rates at the date when the fair value was determined. Gains or losses arising from the conversion of non-monetary items measured at fair value are recognized depending on the treatment of the gains or losses generated from the changes in the fair value of the item (ie, the differences of items are recognized the gain or loss derived fair value are recognized in other comprehensive income or results are also recognized in other comprehensive income or results, respectively).

Group Entities -
For consolidation purposes, the assets and liabilities of foreign companies whose financial currency differs from the soles are converted to soles (the presentation currency) at the exchange rate of the closing date of the reporting period and the respective income states are converted at the exchange of the dates of each transaction. Exchange differences arising from the conversion mentioned above are recognized in other comprehensive income.

(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	10
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 de-recognition 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.

Intangible assets with indefinite useful lives are not amortized but tested annually to determine whether any impairment suffered, either individually or at the level of the cash-generating unit to which they belong. An indefinite useful life is reviewed annually to determine whether it remains appropriate. If not, the change in useful life from indefinite to finite is accounted for prospectively.

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	4 -10
Brands	Indefinite

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.

When the recoverable amount of an asset is below its carrying amount, the asset 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 (brands) and brands of indefinite life

Goodwill and indefinite life brands are tested to determine whether there is impairment annually (as at 31 December) and when circumstances indicate that its carrying amount may be impaired. Impairment of goodwill and indefinite life frames are determined by assessing the recoverable amount of each group of cash-generating units to which goodwill and indefinite-lived trademarks relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss of value is recognized.

(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 2015 and 2014, the Group did not have assets that qualified for the capitalization of financing costs.

(m) Income tax and workers' profit sharing -

Workers' profit sharing -

The participation share in the profit of employees is calculated in accordance with legal regulations in each country in which the Group operates, on the same base amount used to calculate the income tax.

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.
  - 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 implied) 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, 2015 and 2014, 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 trading price in an active market for that instrument. A market is considered active if transactions for the asset or liabilities 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 Group'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, see 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.(i) -

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. 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 discounted cash flow 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 note 9.

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 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. 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, 2015:

- 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. The Group is assessing the impact of IFRS 9 to decide the date of its adoption.

- 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.

- Amendment to IAS 1 disclosures initiative

  The amendment to IAS 1, Presentation of Financial Statements, does not make major changes, but clarifies certain requirements of IAS 1, such as:

  - Materiality requirements of the standard
  - The specific lines to be broken down in the financial statements
  - The flexibility entities have to order the notes to the financial statements
  - That the participation in other comprehensive income in associates and joint ventures accounted for using the equity method they should be presented in aggregate form on a single line, and classified between those items that will or will not reclassified to the income statement.

It also clarifies the requirements that apply when additional subtotals are presented in the financial statements. These amendments are effective for reporting periods beginning on January 1, 2016 or later, and early adoption is permitted. Management believes that these amendments will not have a significant impact on the Group.

4. Cash and cash equivalent

(a) This item is made up as follows:

	2015 S/(000)	2014 S/(000)
Petty cash	669	1,306
Bank deposits (b)	117,586	69,547
Time deposits (c)	109,368	16,123
Savings accounts (b)	4,612	2,322
Cash in transit	1,087	651
	233,322	89,949

(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, 2015 and 2014, 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:

	2015 S/(000)	2014 S/(000)
Invoices (b)	828,313	764,473
Letters (b)	295,622	261,061
Unearned interests	(12,742)	(11,540)
	1,111,193	1,013,994
Less – Allowance for doubtful accounts receivable (d)	(106,353)	(93,332)
	1,004,840	920,662
Less:		
Non-current portion	(47,876)	(31,311)
Current portion	956,964	889,351

(b) The trade receivables are mainly local and foreign currency, non-interest, except for the letters receivable bearing an annual interest rate in Soles at rates ranging from 10.9 to 17.33 percent.

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

(c) As of December 31, 2015 and 2014, the trade accounts receivable aging is as follows:

	Not impaired S/(000)	Impaired S/(000)	Total S/(000)
As of December 31, 2015 -			
Current	707,445	49	707,494
Past due			
- Up to 1 month	132,177	1,316	133,493
- From 1 to 3 months	78,239	655	78,894
- From 3 to 6 months	55,202	1,968	57,170
- More than 6 months	44,519	102,365	146,884
Total	1,017,582	106,353	1,123,935

	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

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

	2015 S/(000)	2014 S/(000)
Beginning balance as of January 1	93,332	75,517
Provision, note 17	15,473	19,179
Addition for business combination	322	153
Recoveries and write-offs	(6,731)	(6,156)
Conversion effect	3,957	4,639
Ending balance as of December 31	106,353	93,332

In Management's opinion, the allowance for doubtful accounts receivable adequately covers the credit risk for the years ended December 31, 2015 and 2014.

6. Other accounts receivable, net

(a) This item is made up as follows:

	2015 S/(000)	2014 S/(000)
Income tax credit (b)	51,986	48,982
Value added tax credit (c)	24,076	31,131
Accounts receivable from Caterpillar(d)	22,403	24,619
Accounts receivable from employees	8,459	8,753
Accounts receivable from tax authorities	6,834	1,476
Accounts receivable from Domingo Rodas S.A. (e)	4,487	5,079
Drawback and other taxes (f)	2,956	3,085
Claim to insurance companies and others	2,880	908
Accounts receivable for business acquisitions (g)	2,764	-
Accounts receivable via tax credit from social work (h)	2,410	-
Guarantee deposits	2,132	2,143
Other tax Credits	1,634	1,525
Advances to suppliers	735	924
Other accounts receivable	15,130	11,473
	148,886	140,098
Less – Allowance for other doubtful accounts receivable (j)	(3,392)	(2,962)
	145,494	137,136
Less: Non-current portion	(4,607)	(4,656)
Current portion	140,887	132,480

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

(c) The value added tax credit 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. These accounts receivable are non-interest bearing and current maturities.

(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.; additionally it has mortgage guarantees.

(f) Corresponds to tax refunds and customs duties, which will be requested to return to the relevant tax authorities, and will be effective during the first half of next year.

(g) Corresponds to an account receivable from a former owner of a business which acquisition was described in Note 2 (a), the account receivable is not warranted and will be charged during the first half of 2016.

(h) In March 2014, a subsidiary of the Group signed an agreement with the Gobierno Regional de Junin which is covered by the Law No. 29230. According to this agreement, the subsidiary grants funding through contributions of money for the development of various projects in their region. For this reason, under that law, the government will provide tax credit disbursements subject to be applied in future settlements against income taxes as form of compensation.

(i) As of December 31, 2015 and 2014, the accounts receivable aging is as follows:

	2015 S/(000)	2014 S/(000)
Current	138,379	133,812
Past due up to 180 days	7,115	3,324
Past due greater than 180 days	3,392	2,962
	148,886	140,098

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

	2015 S/(000)	2014 S/(000)
Opening balance as of 1 January	2,962	2,709
Provision, note 17	53	116
Write-offs of the year	-	(18)
Translation effect	377	155
Ending balance as of December 31	3,392	2,962

In Management's opinion, the allowance for other doubtful accounts receivable covers adequately the credit risk as of December 31, 2015 and 2014.

7. Inventories, net

(a) This item is made up as follows:

	2015 S/(000)	2014 S/(000)
Machinery, engines and vehicles	735,178	824,520
Spare parts	389,620	402,280
Repair and maintenance services in process (b)	89,373	100,831
Merchandise	69,844	58,567
Advances to suppliers	16,601	36,637
Supplies	6,439	7,973
Raw materials and packaging	1,720	2,827
Products in process	1,486	526
Finished goods	112	186
Inventories in transit	137,018	175,487
	1,447,391	1,609,834
Estimation for obsolescence of inventories (c)	(68,029)	(48,071)
	1,379,362	1,561,763

(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:

	2015 S/(000)	2014 S/(000)
Beginning balance as of January 1	48,071	31,902
Provision, note 16	55,350	36,314
Other recoveries	2,545	-
Additions for business combination	1,444	363
Recoveries, note 16	(35,545)	(19,391)
Write - offs	(2,259)	(1,459)
Transfer of fixed assets	(1,697)	(223)
Translation effect	120	565
Ending balance as of December 31	68,029	48,071

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, 2015 and 2014.

8. Investments in associates and joint venture

(a) This item is made up as follows:

	Main activity	Percentage of capital participation		Book value	
		2015	2014	2015 S/(000)	2014 S/(000)
Common shares in associates (b)					
La Positiva Seguros y Reaseguros S.A.	Insurance	14.96	14.96	45,489	37,070
La Positiva Vida Seguros y Reaseguros S.A.	Insurance	3.01	3.01	9,728	5,554
Joint ventures (c)					
Ferrenergy S.A	Power generation and supply	50.00	50.00	10,461	9,453
Others investments					
Inversiones Varesli S.A.	Holding	-	-	14,586	12,759
International Machinery Co S.A.	Holding	-	-	12,235	10,702
Others	Others	-	-	1,013	2,507
				93,512	78,045

(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/5,889,000 (S/6,563,000 during 2014) according to the policy described in note 3.3(b).

The financial statements for La Positiva Seguros y Reaseguros S.A. and La Positiva Vida Seguros y Reaseguros S.A. as of December 31, 2015 and 2014, are as follows:

	La Positiva Seguros y Reaseguros S.A.		La Positiva Vida Seguros y Reaseguros S.A.	
	2015 S/(000) (Unaudited)	2014 S/(000)	2015 S/(000) (Unaudited)	2014 S/(000)
Statement of financial position				
Total assets	1,141,611	994,552	3,058,307	2,418,578
Total liabilities	836,528	710,848	2,740,141	2,223,568
Net equity	305,083	283,704	318,166	195,010
Statement of income				
Total revenues	645,849	516,385	167,196	125,206
Operating profit	34,965	41,039	21,073	33,990
Net income	25,944	35,059	21,073	33,990

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

(a) This item is made up as follows:

	2015								2014
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	476,597	314,451	381,163	549,338	37,671	114,411	22,314	1,895,945	1,799,183
Additions (b)	69,342	14,128	26,389	70,528	2,758	7,154	5,565	195,864	161,718
Addition of purchased subsidiary, see note 2 (a)	7,221	7,651	1,443	-	1,491	648	-	18,454	23,806
Disposals and/or sales	-	(211)	(3,768)	(59,306)	(4,389)	(3,167)	(5,352)	(76,193)	(68,366)
Transfers from inventories	-	-	21,326	161,873	-	3	-	183,202	221,044
Transfers to used inventories	-	-	(42,641)	(174,716)	(1,988)	-	-	(219,345)	(257,316)
Other transfers	-	10,868	(81)	-	114	827	(11,728)	-	(16)
Translation effect	6,732	4,116	4,949	60	3,200	(1,236)	326	18,147	15,892
Balance as of December 31	559,892	351,003	388,780	547,777	38,857	118,640	11,125	2,016,074	1,895,945
Accumulated depreciation									
Balance as of January 1	-	79,500	226,877	152,477	19,110	82,537	-	560,501	502,526
Additions (a)	-	13,254	40,734	71,904	4,515	9,219	-	139,626	147,534
Addition of purchased subsidiary, see note 2 (a)	-	1,463	1,328	-	966	596	-	4,353	6,098
Disposals and/or sales	-	(93)	(2,266)	(22,888)	(2,304)	(3,209)	-	(30,760)	(26,653)
Transfers from inventories	-	-	-	(2,526)	-	-	-	(2,526)	-
Transfers to used inventories	-	-	(26,739)	(59,974)	(401)	-	-	(87,114)	(73,802)
Other transfers	-	(775)	(76)	(550)	12	-	-	(1,389)	(3)
Translation effect	-	1,659	1,553	3,332	2,132	1,443	-	10,119	4,801
Balance as of December 31	-	95,008	241,411	141,775	24,030	90,586	-	592,810	560,501
Allowance for impairment									
Balance as of January 1	-	87	1,153	5,957	-	-	-	7,197	5,321
Additions	-	-	-	2,024	-	-	-	2,024	2,550
Transfers from inventories	-	-	-	(964)	-	-	-	(964)	-
Transfers to used inventories	-	-	-	(1,793)	-	-	-	(1,793)	223
Disposals, sales and other	-	-	(55)	14	-	-	-	(41)	(886)
Translation effect	-	-	-	(190)	-	-	-	(190)	(11)
Balance as of December 31	-	87	1,098	5,048	-	-	-	6,233	7,197
Net book value	559,892	255,908	146,271	400,954	14,827	28,054	11,125	1,417,031	1,328,247

(b) During the month of March 2015, the Group through Ferreycorp SAA made the acquisition of land of an area of 176,493.32 M2 in the district of Punta Negra at a cost of approximately US $ 19,414,000 (equivalent to S / 61,135,000). Well that is free of liens, and will be used for performing various operational and commercial activities of the Group.

(c) As of December 31, 2015, the Group maintains buildings and facilities that were acquired under finance leases whose total cost amounts approximately to S/32,134,000 and accumulated depreciation of S/4,945,000 (S/33,399,000 and S/5,130,000 as of December 31, 2014, respectively).

(d) As of December 31, 2015 and 2014, 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.

(e) During 2015, the revenues from rentals amounts approximately to S/275,410,000 (S/282,230,000 in 2014), related to renting of machinery and equipment rental fleet, which are included in "Net of sales" caption of consolidated income statement.

(f) During 2015, the Group acquired 100 percent of the shares Transportes Pesados S.A. de C.V. domiciled in El Salvador through of its Inversiones Interamericana Corp. subsidiary, as a result of such purchase the Group received certain assets that make up the heading of "property, plant and equipment", see note 2(a).

(g) As of December 31, 2015 and 2014, the Group does not maintain mortgages on the buildings.

(h) As of December 31, 2015 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.

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

	2015 S/(000)	2014 S/(000)
Cost of sales, note 16	79,802	92,679
Selling expenses, note 17	42,435	38,912
Administrative expenses, note 18	14,698	14,419
Other expenses	2,691	1,524
	139,626	147,534

10. Intangible assets, net and goodwill

(a) This item is made up as follows:

	2015									2014
	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	57,360	7,109	10,781	692	17,552	2,470	1,699	34,592	132,255	113,789
Additions	5,554	1,462	-	-	-	-	3,298	12,183	22,497	17,662
Dispositions and transfers	-	-	-	-	-	-	-	(716)	(716)	(293)
Translation effect	610	348	1,544	-	-	-	-	37	2,539	1,097
Balance as of December 31,	63,524	8,919	12,325	692	17,552	2,470	4,997	46,096	156,575	132,255
Amortization										
Balance as of January 1	20,097	-	1,975	254	17,238	-	-	13,737	53,301	35,758
Additions (c)	7,719	73	1,157	438	314	62	673	5,707	16,143	17,365
Translation effect	504	-	358	-	-	97	76	13	1,048	178
Balance as of December 31,	28,320	73	3,490	692	17,552	159	749	19,457	70,492	53,301
Net book value	35,204	8,846	8,835	-	-	2,311	4,248	26,639	86,083	78,954

(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, 2015 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:

	2015 S/(000)	2014 S/(000)
Cost of sales, note 16	263	220
Selling expenses, note 17	7,609	8,888
Administrative expenses, note 18	8,271	8,257
	16,143	17,365

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

	2015 S/(000)	2014 S/(000)
Ferreyros S.A. (Bucyrus)	83,396	83,396
Inversiones Interamericanas Corp.	61,977	53,764
Trex Latinoamerica S.A.	19,343	19,343
Mega Representaciones S.A.	13,912	13,912
Total	178,628	170,415

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 that indicate below:

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.)

The recoverable amount of each generating cash unit has been determined based on value in use or estimated fair value using projected cash flow from financial budgets approved by senior management, and covering a period.

As of December 31, 2015, 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 in the impairment assessment for each CGU as of December 31, 2015 is as follows:

CGU	Book value S/(000)	Recoverable value S/(000)	Discount rate %	Flow period (years)	Growth rate %
Bucyrus	105,548	265,885	10.5%	10	2.0%
Inti	76,286	389,387	11.4%	10	2.0%
Trex	29,531	104,344	10.5%	10	2.9%
Mega Representaciones S.A.C.	19,394	112,889	11.1%	10	0.5%

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

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.

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.

The key assumptions described above may change if market conditions change and the economy. The Group estimates that changes in these assumptions would be reasonable to expect not originate the recoverable amount of CGU some decrease to below its book value.

As of December 31 2015 and 2014, the carrying amount of goodwill related to each CGU has been compared to the recoverable amount and Management has determined that it is not necessary to establish any provision for impairment.

11. Other financial liabilities

(a) This item is made up as follows:

	2015			2014		
	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	761	-	761	2,243	-	2,243
Banks loans (b)	220,609	-	220,609	275,335	-	275,335
Bonds and long-term debt to bank (c)	304,246	1,410,147	1,714,393	226,372	1,328,694	1,555,066
	525,616	1,410,147	1,935,763	503,950	1,328,694	1,832,644

(b) Banks loans –

	Weight average anual effective interest rate-fixed				
	2015 %	2014 %	Original currency	2015 S/(000)	2014 S/(000)
Financial institution					
BBVA Banco Continental	Between 4.56 y 5.55	-	S/	57,600	-
Banco Crédito del Perú S.A.A. – BCP	Between 4.40 y 5.98	Between 5.40 y 6.05	S/	54,204	6,033
Banco Crédito del Perú S.A.A. – BCP	Between 1.46 y 2.00	Between 1.38 y 5.40	US$	18,862	93,172
Banco Santander – Chile	7.00	7.00	$	17,162	3,171
BBVA Banco Continental	1.05	0.89	US$	14,334	4,484
Banco Santander – Perú	6.85	-	S/	11,612	-
Banco Internacional del Perú – Interbank	Between 1.37 y 6.00	2.65	US$	11,341	996
Interbanco	4.00	-	Q	11,263	-
Banco de América Central – Guatemala y El Salvador	4.75	Between 0.90 y 1.22	US$	6,826	2,242
Banco Reformador- Guatemala	4.00	-	$	5,366	-
Banco Reformador- Guatemala	6.25	-	Q	3,354	-
Banco Davivienda Salvadoreño, S.A.	4.25	4.25	US$	3,259	2,279
Scotiabank – El Salvador	3.47	3.47	US$	2,730	5,963
Interbanco	4.00	-	$	1,451	-
Banco Latinoamericano de Comercio Exterior S.A. - Bladex	4.25	1.37	US$	1,245	22,060
Mercantil Commercebank – E.E.UU.	-	1.25	US$	-	52,308
Scotiabank del Perú	-	1.22	US$	-	33,775
The Bank of Nova Scotia	-	0.84	US$	-	19,429
Banco Internacional - Guatemala	-	4.30	Q	-	11,955
Banco Financiero	-	2.90	US$	-	5,978
Banco de América Central – Guatemala	-	6.30	Q	-	5,401
Citibank	-	4.30	US$	-	4,484
Banco Internacional del Perú – Interbank	-	5.16	S/	-	1,575
Ford Motor Credit Company – E.E.UU.	-	9.20	US$	-	17
Banco Internacional – Ecuador	-	-	US$	-	9
Banco Occidente – Colombia	-	4.00	$	-	4
				220,609	275,335

The accrued interest expense for the year ended as of December 31, 2015 related to debts and bank loans, amounts approximately to S/14,396,000 (S/11,820,000 for the year ended at December 31, 2014), 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, 2015 amounted to approximately S/2,016,000 (S/1,367,000 at December 31, 2014), see note 13.

As of December 2015 and 31, 2014, 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 1.37% and 6.25%.

As of December 31, 2015, the Group has credit lines for working capital up to S/4,580,454,397 (S/3,183,761,000 at December 31, 2014) 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:

				2015			2014		
Creditor	Maturity	Origin Currency	Interest rate %	Current portion S/(000)	Non-current portion S/(000)	Total S/(000)	Current portion S/(000)	Non-current portion S/(000)	Total S/(000)
Ferreycorp S.A.A. bonds									
Corporate Bonds – Rule 144 A (i)	Up to april 2020	US$	4.934(*)	-	1,012,052	1,012,052	-	882,522	882,522
Financial notes									
Caterpillar Financial	Up to december del 2016	US$	Between 5.19 y 6.35	14,540	36,626	51,166	50,158	181,840	231,998
Caterpillar Leasing Chile	Up to june del 2017	US$	Between 3.45 y 5.20	41,190	113,272	154,462	14,263	48,166	62,429
Caterpillar Crédito S.A. de C.V.	Up to december del 2016	US$	Between 3.01 y 6.0	29,096	27,492	56,588	6,207	8,339	14,546
Notes with local and foreign institutions	Up to march del 2019	PEN	Between 3.53 y 6.85	67,906	86,179	154,085	-	-	-
Notes with local and foreign institutions	Up to december del 2022	US$	Between 0.83 y 7.00, Libor 6 m +3.8%	146,307	127,461	273,768	142,034	201,152	343,186
Finance Leases (ii)	Up to may 2019	US$	Between 4.08 y 6.80	5,207	7,065	12,272	13,710	6,675	20,385
				304,246	1,410,147	1,714,393	226,372	1,328,694	1,555,066

(*) Nominal rate of 4.875 percent.

As of December 31, 2015, accrued interest expense related to financial notes and long-term liabilities amounted approximately to S/76,070,000 (S/71,515,000 at December 31, 2014), which are presented the caption "Financial expenses" of the consolidated income statement, see note 21. The accrued interest balances as of December 31, 2015, amounted approximately to S/12,703,000 (S/10,828,000 as of December 31, 2014) and is presented under "Other account payable" of the consolidated statement of financial position, see note 13.

(i) On April 19, 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) 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, 2015 and 31, 2014.

(ii) 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.

(iii) At December 31, 2015 and 2014, the repayment schedule of long-term debt is as follows:

Year	2015 S/(000)	2014 S/(000)
2015	-	126,369
2016	237,039	181,055
2017	94,957	155,374
2018	54,381	84,214
2019 onwards	1,023,770	781,682
	1,410,147	1,328,694

12. Trade accounts payable

(a) This item is made up as follows:

	2015 S/(000)	2014 S/(000)
Invoices (b)	396,735	390,137
Letters (b)	63,241	69,749
	459,976	459,886

(b) As of December 31, 2015, the balances of invoices and commercial notes payable mainly to include payables to Caterpillar Americas Co. for approximately S/172,062,000 and S/55,668,000, respectively (equivalent to approximately US$50,414,000 and US$16,310,000 respectively). As of December 31, 2014, the balances amounted approximately to S/171,700,000 and S/58,679,000, respectively (equivalent to approximately US$57,679,000 and US$19,632,000, respectively).

13. Other accounts payable

(a) This item is made up as follows:

	2015 S/(000)	2014 S/(000)
Liabilities for various expenses (c)	129,184	83,131
Advances from customers (d)	102,284	158,402
Salaries payable (e)	86,761	91,589
Employee's profit sharing payable	37,269	27,854
Provisions for warranty (f)	22,613	27,208
Taxes payables	15,322	9,931
Interest payable, notes 11(b) and (c)	14,719	12,195
Accounts payable to Horseshoe (g)	13,618	12,328
Contributions and labor contributions payable	11,048	10,365
Provision for contingencies, note 24 (d)	8,940	8,857
Other accounts payable (h)	22,540	24,663
	464,298	466,523
Less:		
Non-current portion	(719)	(781)
Current portion	463,579	465,742

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

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

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

(e) Salaries payable includes the provision for vacations and gratifications.

(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) Corresponds to a loan from an unrelated-party, which will be repaid in the second half of 2016.

(h) 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, 2015 and 2014 is made up as follows:

	As of January 1, 2014 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)	(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, 2015 S/(000)
Deferred assets								
No deductible provisions	24,423	866	-	-	25,289	7,007	-	32,296
Difference in depreciation rates	36,225	2,937	-	-	39,162	16,698	280	56,140
Allowance for doubtful accounts receivable	11,510	116	-	-	11,626	915	(352)	12,189
Provision for vacation	9,435	646	-	-	10,081	486	-	10,567
Carry forward tax losses	20,083	9,884	-	-	29,967	10,735	-	40,702
Estimation for impairment of investments and fixed assets	213	52	-	-	265	7	-	272
Allowance for obsolescence of inventories	8,051	3,797	-	-	11,848	3,682	-	15,530
Other provisions	5,687	1,382	-	-	7,069	553	-	7,622
Others	1,114	453	-	-	1,567	3,143	-	4,710
	116,741	20,133	-	-	136,874	43,226	(72)	180,028
Deferred liabilities								
Change in assets useful lives	7,190	(3,784)	-	-	3,406	(112)	-	3,294
Exchange difference in fixed assets and inventories	1,618	(830)	-	-	788	(162)	-	626
Gain deferred sales, net	2,175	(236)	-	-	1,939	(562)	-	1,377
Leasing	6,338	(783)	-	-	5,555	(35)	-	5,520
Provision for compensation	774	1,142	-	-	1,916	(241)	-	1,675
Revaluation of property, buildings and installations	8,475	(1,527)	-	-	6,948	376	-	7,324
Revaluation of land	104,770	-	(13,180)	-	91,590	(1,634)	3,099	93,055
Differences in depreciation rates	4,143	1,328	-	-	5,471	16,732	-	22,203
Profit from business combinations, note 2	5,058	499		1,600	7,157	(1,002)	-	6,155
Others	27,570	(12,533)	-	-	15,037	(882)	-	14,155
	168,111	(16,724)	(13,180)	1,600	139,807	12,478	3,099	155,384
Total deferred liabilities, net	(51,370)	36,857	13,180	(1,600)	(2,933)	30,748	(3,171)	24,644

Due to a decrease in income tax rate disclosed in the year 2014 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:

	2015 S/(000)	2014 S/(000)
Income tax -		
Current	125,220	104,248
Deferred	(30,748)	(36,857)
Others (*)	3,276	7,651
Total income tax expense	97,748	75,042

(*) It corresponds to higher income tax in 2014 and 2013, registered in 2015 and 2014, respectively.

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

	As of December 2015		As of December 2014	
	S/(000)	%	S/(000)	%
Profit before income tax	259,514	100.00	167,023	100.00
Income tax according to tax rate(*)	72,664	28.00	45,096	27.00
Net effect of non-deductible expenses				
Effect of changes in rates, Note 3.3 (m)	592	0.23	5,841	3.50
Non-deductible expenses	24,492	9.44	24,105	14.43
Income tax earnings	97,748	37.67	75,042	44.93

(*) Group weighted average rate.

(d) The income tax payable of S/30,991,000 (S/24,553,000 at December 31, 2014) is presented net of advances.

15. Equity

(a) Issued capital -

The capital stock of the Company is represented by 1,014,326,000 shares subscribed and paid in December 2015 and 2014.

At December 31, 2015, the shareholding structure of the Group was as follows:

Percentage of individual share capital	Number of shareholders number	Total participation %
Up to 1.00	2,387	26.63
From 1.01 to 5.00	18	43.94
From 5.01 to 10.00	4	29.43
	2,409	100.00

(b) Treasury shares -

During 2015, Ferreycorp purchased 27,048,000 treasury shares held in its portfolio for a total amount up to S / 35,166,000, the difference between portfolio, totaling up to S / 35,166,000, the difference between these important has been recognized as "additional capital".

(c) Additional capital -

As of December 31, 2015, it corresponds to the difference between the acquisition cost for the repurchase of shares and the nominal value of these shares amounting to S / 8,118,000, and is presented as a reduction to equity in the item "additional capital".

As of December 31, 2014, it corresponds to the difference between the contributions received and the nominal value of the shares issued by the Company in 2012, which remains net of capitalization. In the General Meeting of Shareholders of 26 March 2013 the partial capitalization of the share premium was approved by S/31,900,000.

(d) 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, 2015, the Shareholders 'Meeting of March 30, 2015 approved the transfer of S/13,108,000 of earnings to the legal reserve (At December 31, 2014 the Shareholders' Meeting of May 26, 2014 approved the transfer of S/10,333,000 of retained earnings to the legal reserve).

(e) Other reserves -

Mainly attributable to revaluation surplus, net of the related deferred income tax. It also includes gains or losses generated by changes in the estimated market value of derivative financial instruments hedging cash flows (Swap), where the change in value is initially reflected in equity, net of tax deferred income. As of 31 December 2015, said derivatives were canceled.

(f) Foreign currency translation-

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

(g) Distribution of dividends -

In General Meeting of March 30, 2015, payment of cash dividends was approved for S/60,860,000. In General Meeting of March 26, 2014, payment of cash dividends was approved by S/55,797,000 and capitalizing pending of subscription of 2013 profits by S/37,199,000.

(h) 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:

	2015 S/(000)	2014 S/(000)
Sales -		
Sales of machinery, engines, equipment and vehicles	2,319,786	2,262,944
Sales of spare parts	1,801,225	1,477,362
Rental services of machinery, engines, equipment, and repair services	819,939	694,260
Other income	263,116	411,649
	5,204,066	4,846,215
Cost of sales -		
Opening balance of inventory, note 7	1,397,710	1,405,546
Purchase of inventory	3,085,809	3,031,499
Labor, note 19(d)	178,605	189,695
Workshop expenses	117,080	110,245
Depreciation, note 9(i)	79,802	92,679
Amortization, note 10(c)	263	220
Allowance for obsolescence of inventories, note 7 (c)	55,350	36,314
Recoveries, note 7 (c)	(35,545)	(19,391)
Operating costs of rental fleet	163,796	167,607
Impairment of rental fleet	2,024	2,300
Services provided by third parties	133,905	95,000
Others expenses	35,057	17,909
Ending balance of inventory, note 7	(1,293,772)	(1,397,710)
	3,920,084	3,731,913

17. Selling expenses

(a) This item is made up as follows:

	2014 S/(000)	2014 S/(000)
Personnel expenses, note 19(d)	292,234	291,212
Services provided by third parties	120,717	115,715
Various management expenses	95,007	98,946
Depreciation, note 9(i)	42,435	38,912
Allowance for doubtful accounts receivable, notes 5(d) and 6(j)	15,526	19,295
Amortization of intangibles, note 10 (c)	7,609	8,888
Taxes	2,567	3,732
	576,095	576,700

18. Administrative expenses

(a) This item is made up as follows:

	2015 S/(000)	2014 S/(000)
Personnel expenses, note 19(d)	156,833	137,321
Services provided by third parties (b)	46,433	48,466
Depreciation, note 9(i)	14,698	14,419
Various management expenses	13,881	10,563
Amortization of intangible assets, note 10(c)	8,271	8,257
Taxes	3,636	2,659
	243,752	221,685

(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:

	2015 S/(000)	2014 S/(000)
Salaries	426,331	413,425
Legal bonuses	85,589	83,785
Payroll taxes	44,497	43,243
Vacations	10,103	14,244
Training	28,667	26,054
Other payments to workers	21,338	20,756
Workers' profit sharing (b)	1,654	3,034
Other	9,493	13,687
	627,672	618,228

(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 accounts payable.

(c) The average number of employees in the Group was 6,665 in 2015 and 6,633 in 2014.

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

	2015 S/(000)	2014 S/(000)
Cost of sales, note 16	178,605	189,695
Selling expenses, note 17	292,234	291,212
Administrative expenses, note 18	156,833	137,321
	627,672	618,228

(e) Compensation to key personnel -
The total remuneration paid to directors and key management officers during 2015 amounted approximately to S/44,208,000 (approximately to S/40,540,000 in 2014), which include short-term benefits and compensation for time service.

20. Financial income

This item is made up as follows:

	2015 S/(000)	2014 S/(000)
Interest for commercial letters	15,281	12,611
Interest for customers defaults	2,279	3,804
Interest on bank deposits	1,146	1,066
Other financial income	2,609	2,367
	21,315	19,848

21. Financial expenses

This item is made up as follows:

	2015 S/(000)	2014 S/(000)
Interest on corporate bonds and long-term debt, note 11(c)	76,070	71,515
Interest on overdrafts and borrowings, note 11(b)	14,396	11,820
Tax on financial transactions	5,515	5,582
Interest on foreign suppliers financing	1,792	885
Other financial expenses	8,595	7,664
	106,368	97,466

22. Earnings per share

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

The calculation of earnings per basic and diluted share is shown below:

	2015 S/(000)	2014 S/(000)
Numerator		
Net income attributable to owners of the Company	161,766	91,981
	(in thousands of units)	(in thousands of units)
Denominator		
Weighted average common shares	991,536	1,014,326
Basic and diluted earnings per common share	0.163	0.910

The weighted average of the shares in 2015 takes into account the effect of the weighted average of the purchase of shares held in treasury, explained in Note 15(b).

23. Commitments

As of December 2015, the Group had the following commitments:

Ferreycorp S.A.A.:

(a) Endorsements for US$81,374,741 and US$1,005,253, 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$38,600,000 securing third purchase transactions

(b) Bank guarantees in favor of banks for US$24,000,000, 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.

Cresko S.A.

The subsidiary has bank guarantees in favor of the Ministerio de Educación by S/2,000,000 and provincial Municipalidad Provincial del Datem del Marañon by S/59,998,000 mainly they guarantee the seriousness of the offer of the Company and faithful performance of delivery of the products sold through public tenders.

Mega Representaciones S.A.:

(a) Endorsements for US$475,553.22 and S/49,245,391, 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/2,152,965, 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$17,237,958 to guarantee credit operations for third party purchase transactions.

(b) Bank guarantees in favor of third parties by S/2,516,065 which mainly ensure reliability of supply and the fulfillment of the delivery of the products sold through competitive process.

Orvisa S.A.:

(a) Guarantees for US $ 3,500,000 to guarantee credit operations by purchasing third party.

(b) Bank guarantees in favor of banks for US$7,328,621 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, 2015 and 2014, the rate of income tax on taxable income in the main countries in which the Group operates the Company and its subsidiaries are:

	Rates of income tax	
	2015 %	2014 %
Perú (*)	28	30
Ecuador	22	22
Colombia	25	34
Chile (**)	22.5	22.5
Guatemala	31	31
El Salvador	25	25
Belice	25	25
Nicaragua	30	30
United States of America	15 y 28	15 y 28

(*) From in fiscal year 2015, in response to Law 30296, the rate of income tax applicable on taxable income, after deducting the participation of workers is as follows:

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

(**) According to the tax reforms issued in Chile, the rate to income tax for the following years will be:

	Regime	
	Art. 14 Letter A	Art. 14 Letter B
Year	Tax Rate	
2016	24.0%	24.0%
2017	25.0%	25.5%
2018 onwards	25.0%	27.0%

While the companies express their intention not to pay taxes under the regime of Art. 14 Letter "A" by an extraordinary shareholders' meeting, the Act states that default should be considered in the regime of ART. 14 letter "B".

According to current legislation in some countries as of December 31, 2014 and 2015, cash dividends for non-resident shareholders are taxed at the income tax according to the following rates:

	Tax Rates	
	2015 %	2014 %
Peru (*)	6.8	4.1
Ecuador	-	-
Colombia	10	10
Chile	35	35.0
Guatemala	-	-
El Salvador	5	5
Belice	-	-
Nicaragua	-	-

(*) Legal persons not domiciled in Peru and individuals are subject to withholding of an additional tax on dividends received from:

- 4.1 percent on profits generated until December 31, 2014.
- For the profits generated from 2015, whose distribution is made after that date are as follows:
  - 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, Ecuador and USA, 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, 2015 and 2014.

(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 2015 are pending audit by the Tax Authority. The sworn statements for the years 2000 to 2008 were reviewed by the Tax Authority. The Tax Autority 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 2015
El Salvador	2005 to 2015
Belice	2008 to 2015
Nicaragua	2009 to 2015
United States of America, Chile, Colombia and Ecuador	2009 to 2015
Local subsidiaries	
Ferreyros S.A.	2012 to 2015
Unimaq S.A.	2011 to 2015
Cresko S.A.	2011 to 2015
Fiansa S.A.	2011 to 2015
Mega Representaciones S.A. and Subsidiary	2013 to 2015
Fargoline S.A.	2011 to 2015
Orvisa S.A. and subsidiaries	2011 to 2015
Motored S.A.	2012 to 2015
Inmobiliaria CDR S.A.	2013 to 2015
Forbis Logistic S.A.	2012 to 2015
Soluciones Sitech Peru S.A.	2013 to 2015

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, 2015 and 2014.

(d) Contingencies

At December 31, 2015 and 2014, the Group has pending claims for total amount of approximately S/111,589,000 (including fines by S/14,452,000 and interest by S/75,051,000). 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/102,388,000, (ii) the value added tax for the taxable years from 2001 to 2006 by S/3,030,000, and (iii) income tax non- domiciled for tax years 2002, 2003, 2005, 2006 and 2015 by S/6,172,000.

In all cases, at December 31, 2015, 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/8,940,000 (S/8,857,000 to 31 December 2014), the degree of loss has been assessed as more than likely. The Company has recorded a provision for such amount as of December 31, 2015 and 2014, which is presented in the "other accounts payable" caption of the consolidated statement of financial position; see note 13.

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, 2015 and 2014.

25. Financial risk management

By the nature of its activities, the Group is exposed to credit, 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 risk management process is critical to the Group's continuing profitability and each individual is responsible of the risk exposures relating to their 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 ultimately responsible for identifying and controlling risks, in coordination with other areas as explained below:

(a.1) Boards of Directors -

The Board of Directors is responsible for the overall risk management approach. The Board provides principles for risk management and the 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 -

Its mission is to attend the General Management and the Board , through the Committee Audit, monitoring risk management of the Company , monitor internal environment and provide guidance on the action plans related to risks that may adversely affect the achievement of the objectives of the Company.

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 -

Monitors risk management processes in the Company and analyzes both the adequacy of procedures and compliance with them. Internal Audit discusses the results of all assessments with management, and reports its findings and recommendations to the Board.

(a.4) Administration and 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 liquidity, interest rate and exchange-rate risk under the policies and limits currently effective.

(a.5) 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 -

As of 31 December 2015, the average collection period held by the Group is 40 days (average 40 days collection at December 31, 2014) on credit risk which controls and monitors continuously.

Credit risk is the risk that a counterparty is unable to meet its obligations in relation to a financial instrument or sales contracts, generating a loss financial. The Group is exposed to credit risk for its operating activities (primarily accounts receivable) and its financing activities, including deposits with banks. With respect to bank deposits the Group as of 31 December 2015, has accounts for 99.89 percent (98.50 percent in 2014) of its cash balances and cash equivalents in financial institutions.

Credit risk related to accounts receivable: credit risk of customers is managed by Management, subject to policies, procedures and controls properly established. The outstanding balances of receivables are periodically reviewed to ensure its recovery; Also, the Company has a broad customer base.

As of December 31, 2015, Management has estimated that the maximum amount of credit risk to which it is exposed the Company amounts to approximately S/1,300,458 (S/1,084,682 at December 31, 2014), which represents the book value of financial assets.

Credit risk related to financial instruments and deposits with banks: credit risks of bank balances are handled by management in accordance with the Group's policies. Investments of cash surpluses are made with first class financial institutions. The maximum exposure to credit risk at December 31 2015 and 2014 is the carrying value of cash balances and cash equivalents shown in note 4.

Consequently, in the opinion of management, the Group has no concentration which represents a significant risk of credit at December 31, 2015 and 2014.

(c.2) Interest rate risk –

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:

	As of December 31, 2015							
	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 2015 %	Average variable interest rate at 2015 %
Assets								
Cash and cash equivalents	113,084	-	-	-	120,238	233,322	0.02- 4.00	-
Trade accounts receivable, net	120,064	124,129	47,876	-	712,771	1,004,840	10.00 – 20.00	-
Other accounts receivable, net (**)	-	6,251	1,283	-	52,108	59,642	7.55	-
Total assets	233,148	130,380	49,159	-	885,117	1,297,804		
Liabilities								
Trade accounts payable	6,907	41,461	-	4,124	407,484	459,976	1.82	-
Other accounts payable	-	-	-	9,873	454,425	464,298	-	-
Other financial liabilities	100,604	425,012	1,308,658	101,489	-	1,935,763	Between 3.01 y 6.85	Libor 6 +3.8%
Total liabilities	107,511	466,473	1,308,658	115,486	861,909	2,860,037		
Marginal gap	125,637	(336,093)	(1,259,499)	(115,486)	23,208	(1,562,233)		
Acumulative gap	125,637	(210,456)	(1,469,955)	(1,585,441)	(1,562,233)	-		

	As of December 31, 2014							
	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	-	49,825	52,462	7.55	-
Total assets	483,447	63,540	57,284	-	458,802	1,063,073		
Liabilities								
Trade accounts payable	27,797	20,919	-	-	411,170	459,886	1.82	-
Other accounts payable	-	-	-	-	466,523	466,523	-	-
Other financial liabilities	221,592	281,699	1,328,694	659	-	1,832,644	Between 1.05 and 9.37	Libor +2.5
Total liabilities	249,389	302,618	1,328,694	659	877,693	2,759,053		
Marginal gap	234,058	(239,078)	(1,271,410)	(659)	(418,891)	(1,695,980)		
Acumulative gap	234,058	(5,020)	(1,276,430)	(1,277,089)	(1,695,980)	-		

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

(**) At December 31, 2015, other receivables included in this chart do not consider an amount S/85,852,000 (S/84,674,000 at December 31, 2014) 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, 2015 and 2014:

	2015		2014	
Currency	Change in basis points	Sensitivity in net profit S/(000)	Change in basis points	Sensitivity in net profit S/(000)
Soles	+/-50	5,251	+/-50	4,871
Soles	+/-100	10,503	+/-100	9,742
Soles	+/-200	21,006	+/-200	19,485
Soles	+/-300	31,508	+/-300	29,227

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 proform 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 2015 and 2014. 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, 2015					
Other financial liabilities:					
Amortization of capital	153,429	372,187	1,410,147	-	1,935,763
Amortization of Interest	15,485	34,689	92,715	-	142,889
Trade accounts payable	399,511	40,908	5,102	14,455	459,976
Other accounts payable	432,440	30,004	978	876	464,298
	1,000,865	477,788	1,508,942	15,331	3,002,926
As of December 31, 2014					
Other financial liabilities:					
Amortization of capital	222,187	281,763	458,500	870,194	1,832,644
Amortization of Interest	22,039	52,722	230,106	-	304,867
Trade accounts payable	430,845	29,041	-	-	459,886
Other accounts payable	450,961	14,781	781	-	466,523
	1,126,032	378,307	689,387	870,194	3,063,920

(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 Soles, so that if the position in foreign exchange (US dollar) is positive, any devaluation of the 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, 2015, the exchange rates at the open-market for transactions in US dollars, published by this institution were of S/3.408 for buying and S/3.413 for sale (S/2.981 for buying and S/2.989 for sale at December 31, 2014).

As of December 31, 2015 and 2014, the Group had the following assets and liabilities for each currency:

	2015						
	Soles S/(000)	US Dollar S/(000)	Quetzal S/(000)	Córdoba S/(000)	Pesos chilean S/(000)	Dollar Belice S/(000)	Total S/(000)
Assets							
Cash and cash equivalents	49,637	182,372	350	314	254	395	233,322
Trade accounts receivable, net	162,341	833,195	7,954	328	1,022		1,004,840
Other accounts receivable, net	93,931	49,273	2,203	-	-	87	145,494
	305,909	1,064,840	10,507	642	1,276	482	1,383,656
Liabilities							
Other financial liabilities	(365,700)	(1,539,216)	(16,909)	(90)	(13,536)	(312)	(1,935,763)
Trade accounts payables	(45,911)	(400,532)	(9,487)	(1,130)	(2,092)	(734)	(459,886)
Other accounts payables	(304,152)	(159,777)	-	-	(369)	-	(464,298)
	(715,763)	(2,099,525)	(26,396)	(1,220)	(15,997)	(1,046)	(2,859,947)
Net liabilities position	(409,854)	(1,034,685)	(15,889)	(578)	(14,721)	(564)	(1,476,291)

	2014						
	Soles S/(000)	US Dollar S/(000)	Quetzal S/(000)	Córdoba S/(000)	Pesos chilean S/(000)	Dollar Belice S/(000)	Total S/(000)
Assets							
Cash and cash equivalents	36,893	51,947	288	122	547	152	89,949
Trade accounts receivable, net	104,142	790,567	8,734	125	17,094	-	920,662
Other accounts receivable, net	82,511	40,899	1,852	-	11,750	124	137,136
	223,546	883,413	10,874	247	29,391	276	1,147,747
Liabilities							
Other financial liabilities	(140,279)	(1,639,975)	(13,991)	(122)	(37,477)	(800)	(1,832,644)
Trade accounts payables	(43,910)	(372,086)	(26,387)	(794)	(16,284)	(425)	(459,886)
Other accounts payables	(266,335)	(196,826)	-	-	(3,362)	-	(466,523)
	(450,524)	(2,208,887)	(40,378)	(916)	(57,123)	(1,225)	(2,759,053)
Net liabilities position	(226,978)	(1,325,474)	(29,504)	(669)	(27,732)	(949)	(1,611,306)

As of December 31, 2015 and 2014, 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/151,812,000 (net loss of approximately S/99,487,000 in 2014), which is presented under "Exchange difference net "in the consolidated statement 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, 2015 and 2014, 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 statement 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 %	2015 S/(000)	2014 S/(000)
Devaluation -			
Soles	-5	51,888	67,238
Soles	-10	103,777	134,657
Revaluation -			
Soles	+5	(51,888)	(67,238)
Soles	+10	(103,777)	(134,657)

(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.

In addition, the Group also monitors its capital base on the leverage ratio. As of December 31, 2015 and 2014, the leverage ratio was as follows:

	2015 S/(000)	2014 S/(000)
Other financial liabilities	1,935,763	1,832,644
Less: Cash and cash equivalents	233,322	89,949
Net financial debt	1,702,441	1,742,695
Equity	1,694,147	1,595,776
Leverage ratio	1.005	1.092

26. Fair value of financial instruments

(a) Fair value -

Accounting standards define a financial instrument as cash, evidence of ownership in an entity, or a contract in which it is agreed or imposed on an entity the right or contractual obligation to receive or deliver cash or another financial instrument.

Based on the criteria described above, management estimates that there are no significant differences between the book value and the fair value of financial instruments by the Group at 31 December 2015 and 2014.

(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 –
For other financial liabilities it has been determined fair values by comparing market interest rates at the time of initial recognition with current market rates for similar financial instruments. Below is a comparison between the fair values of these financial instruments:

	2015		2014	
	Carrying amount S/(000)	Fair Value S/(000)	Carrying amount S/(000)	Fair Value S/(000)
Other current financial liabilities	525,616	525,616	503,950	503,950
Other non-current financial liabilities	1,410,147	1,150,601	1,328,694	1,035,617

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.

	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 and expenses, net S/(000)	Financial expenses S/(000)	Financial income S/(000)	Exchange difference S/(000)	Profit in associates and joint venture S/(000)	Profit before income tax S/(000)	Income tax S/(000)	Net profit S/(000)
2015														
Heavy machinery, spare parts and services	4,520,310	7,822	4,528,132	1,087,960	(455,020)	(185,051)	15,808	(92,392)	18,514	(131,865)	-	257,954	(97,160)	160,794
Vehicles, spare parts and services	203,333	-	203,333	35,317	(17,346)	(9,097)	711	(4,156)	833	(5,932)	-	330	(124)	206
Rental equipment	144,970	-	144,970	67,974	(44,500)	(16,522)	507	(2,963)	594	(4,229)	-	861	(324)	537
Agricultural equipment, spare parts and services	72,337	335	72,672	22,899	(11,597)	(4,490)	253	(1,479)	296	(2,110)	-	3,772	(1,421)	2,351
Other	263,116	-	263,116	77,989	(47,632)	(28,592)	919	(5,378)	1,078	(7,676)	5,889	(3,403)	1,281	(2,122)
Total consolidated	5,204,066	8,157	5,212,223	1,292,139	(576,095)	(243,752)	18,198	(106,368)	21,315	(151,812)	5,889	259,514	(97,748)	161,766
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

	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 and expenses, net S/(000)	Equity income in associates S/(000)	Financial expenses S/(000)	Financial income S/(000)	Exchange difference S/(000)	Profit before income tax S/(000)	Income tax S/(000)	Net profit S/(000)
2015														
Peru	4,525,492	7,950	4,533,442	1,133,148	(490,066)	(207,910)	18,629	(90,647)	23,773	5,889	(148,473)	244,343	(90,258)	154,085
Guatemala	350,309	-	350,309	79,662	(42,761)	(10,047)	-	(6,329)	1,954	-	(427)	22,052	(5,270)	16,782
El Salvador	137,110	75	137,185	37,837	(21,171)	(5,580)	439	(1,912)	511	-	-	10,124	(3,640)	6,484
Belice	14,106	-	14,106	3,835	(1,477)	(1,440)	50	(63)	80	-	327	1,312	(249)	1,063
United States of America	37,572	-	37,572	4,964	(3,874)	(312)	(286)	(16)	-	-	-	476	(132)	344
Nicaragua	23,201	-	23,201	4,600	(2,537)	(1,994)	83	(29)	7	-	(211)	(81)	(222)	(303)
Panama	-	-	-	-	-	(4,371)	(1,637)	(9,072)	4	-	-	(15,076)	-	(15,076)
Chile	152,170	132	152,302	28,093	(14,209)	(12,098)	920	(3,673)	359	-	(3,028)	(3,636)	2,023	(1,613)
Intercompany Operations	(35,894)	-	(35,894)	-	-	-	-	5,373	(5,373)	-	-	-	-	-
Total consolidated	5,204,066	8,157	5,212,223	1,292,139	(576,095)	(243,752)	18,198	(106,368)	21,315	5,889	(151,812)	259,514	(97,748)	161,766
2014														
Peru	4,309,499	3,118	4,312,617	992,630	(504,922)	(197,720)	19,307	(77,098)	13,070	6,563	(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	52,225	-	52,225	11,055	(6,363)	(5,121)	175	(1,352)	152	-	(1,397)	(2,851)	(86)	(2,937)
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	(97,466)	19,848	6,563	(99,487)	167,023	(75,042)	91,981

28. Subsequent Events

On January 14, 2016, Ferreycorp S.A.A. formed a new company named Motriza S.A. which was incorporated through the contribution of the TREX business lines of the subsidiaries Ferreyros S.A. y Cresko S.A. into Motriza S.A., whose activities will comprise the purchase, sale, distribution, commercialization and exportation of TREX products.

29. 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 Group 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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