Translation of Independent Auditors' Report and the Separate Financial Statements originally issued in Spanish - Note 23

Ferreycorp S.A.A.

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

Building a better working world

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Content

Paredes, Zaldívar, Burga & Asociados
Sociedad Civil de Responsabilidad Limitada

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Independent Auditors' Report

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

We have audited the accompanying separate financial statements of Ferreycorp S.A.A. (a peruvian corporation), which comprise the separate 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 Separate Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these separate financial statements based on our audit. We conducted our audit in accordance with 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 separate financial statements are free from material misstatements.

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

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

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Translation of Independent Auditors' Report and the Separate Financial Statements originally issued in Spanish - Note 23

Independent Auditors' Report (continued)

Opinion

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the financial position of Ferreycorp S.A.A. as of December 31, 2015 and 2014, and its financial performance and cash flows for the years then ended, in accordance with International Financial Reporting Standards.

Emphasis on Separated Information

The separate financial statements of Ferreycorp S.A.A. have been prepared in compliance with legal requirements in force in Peru for financial reporting. These separate financial statements reflect the value of its investments in subsidiaries under the equity method and not on a consolidated basis, should be read together with the consolidated financial statements of Ferreycorp S.A.A. and Subsidiaries, which are presented separately and on which we issued an unqualified opinion dated February 19, 2016.

Lima, Peru
February 19, 2016

Paredes, Zaldívar, Burga & Asociados

Countersigned by:

W. Rubiños V.

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

Ferreycorp S.A.A.

Separate statement of financial position

As of December 31, 2015 y 2014

	Note	2015 S/(000)	2014 S/(000)
Assets			
Current assets			
Cash and cash equivalents	4	76,663	4,523
Trade accounts receivable, net	5	3,289	4,294
Accounts receivable from related entities	18(b)	106,222	237,492
Other accounts receivable, net	6	16,276	10,165
Prepaid expenses		736	1,073
Total current assets		203,186	257,547
Trade accounts receivable long-term , net	5	54	117
Accounts receivable from related entities long term	18(b)	696,406	523,569
Non-current other accounts receivable, net	6	1,283	1,659
Investments in subsidiaries, associates and joint venture	7	1,635,536	1,554,855
Investment properties, net	8	348,101	346,077
Other assets, net		10	156
Total non-current assets		2,681,390	2,426,433
Total assets		2,884,576	2,683,980

	Note	2015 S/(000)	2014 S/(000)
Liabilities and net equity			
Current liabilities			
Other financial liabilities	9	52,572	41,659
Trade accounts payable	10	2,712	549
Other accounts payable	11	48,461	45,975
Accounts payable to related entities	18(b)	936	983
Total current liabilities		104,681	89,166
Non-current other financial liabilities	9	1,045,831	957,525
Deferred income tax liabilities, net	12	39,917	41,532
Total non-current liabilities		1,085,748	999,057
Total liabilities		1,190,429	1,088,223
Net equity	13		
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	131,081
Total net equity		1,694,147	1,595,757
Total liabilities and net equity		2,884,576	2,683,980

The accompanying notes to the financial statements are an integral part of this statement.

Ferreycorp S.A.A.

Separate statement of income

For the years ended December 31, 2015 and 2014

	Note	2015 S/(000)	2014 S/(000)
Income			
Share of profit of subsidiaries, associates and joint ventures	7(e)	212,345	124,766
Financial income		38,785	37,727
Rental services	8(h)	29,839	24,092
Management support service		10,571	4,930
Miscellaneous income		3,553	1,807
		295,093	193,322
Cost and operating expenses			
Financial expenses	17	(59,402)	(52,971)
Administrative expenses	16	(28,396)	(17,031)
Cost of rental services	8(h) and 15	(6,357)	(6,488)
Exchange differences, net	3	(42,653)	(25,181)
		(136,808)	(101,671)
Profit before income tax		158,285	91,651
Income tax	12(b)	5,227	5,272
Net income from continued operations		163,512	96,923
Net income from discontinued operations	21	(1,746)	(4,942)
Net income		161,766	91,981
Basic and diluted share and investment (in soles)	14	0.163	0.091
Basic and diluted share from continuing operations (in soles)		0.165	0.096
Basic and diluted share from discontinued operations (in soles)		(0.002)	(0.005)
Weighted average of shares outstanding (in thousands of units)	14	991,536	1,014,326

The accompanying notes to the separate financial statements are an integral part of this statement.

Ferreycorp S.A.A.

Separate comprehensive income statement

For the years ended December 31, 2015 and 2014

	Nota	2015 S/(000)	2014 S/(000)
Net income		161,766	91,981
Other comprehensive income to be reclassified to profits in subsequent periods			
Exchange conversion differences from foreign operations	13(f)	28,109	12,708
Net gain on valuation of investments available for sale of associates, net of the effect of deferred income tax	13(h)	6,665	(2,694)
Hedging derivatives valuation, net of the effect of deferred income tax	13(e)	24	50
Other net comprehensive income to be reclassified to profits in subsequent periods		34,798	10,064
Other comprehensive income to be not reclassified to profits in subsequent periods			
Change in tax rate effect on the deferred income tax	2.2(j) y 12(a)	(3,915)	13,174
Other net comprehensive income will not be reclassified to earnings in subsequent periods		(3,915)	13,174
Other comprehensive income for the year, net		30,883	23,238
Total comprehensive income for the year, net		192,649	115,219

The accompanying notes to the separate financial statements are an integral part of this statement.

Ferreycorp S.A.A.

Separate statement of changes in equity

For the years ended December 31, 2015 and 2014

	Number of shares outstanding (in thousands)	Issued capital S/(000)	Treasury shares S/(000)	Additional capital S/(000)	Legal reserve S/(000)	Other equity reserves: Unrealized gains S/(000)	Other equity reserves: Other reserves S/(000)	Other equity reserves: 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	150,745	1,543,552
Net income	-	-	-	-	-	-	-	-	-	91,981	91,981
Effect of change in tax rates on deferred income tax, note 2.2(j) and note 12(c)	-	-	-	-	-	-	-	13,174	-	-	13,174
Valuation of hedging derivatives, note 13(e)	-	-	-	-	-	-	50	-	-	-	50
Gain on valuation of investments available for sale associated, note 13(h)	-	-	-	-	-	(2,694)	-	-	-	-	(2,694)
Exchange rate differences from foreign operations, note 13(f)	-	-	-	-	-	-	-	-	12,708	-	12,708
Total comprehensive income	-	-	-	-	-	(2,694)	50	13,174	12,708	91,981	115,219
Transfer to legal reserve, note 13(d)	-	-	-	-	10,333	-	-	-	-	(10,333)	-
Increased equity subsidiaries, joint venture and associates note 13(h)	-	-	-	-	-	-	1,099	-	-	(8,316)	(7,217)
Dividends, note 13 (g)	-	-	-	-	-	-	-	-	-	(55,797)	(55,797)
Capitalization of retained earnings and additional capital, note 13(c) and 13 (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	131,081	1,595,757
Net income	-	-	-	-	-	-	-	-	-	161,766	161,766
Effect of change in tax rates on deferred income tax, note 2.2 (j) and note 12 (c)	-	-	-	-	-	-	-	(3,915)	-	-	(3,915)
Valuation of hedging derivatives, note 13(e)	-	-	-	-	-	-	24	-	-	-	24
Gain on valuation of investments available for sale associated, note 13(h)	-	-	-	-	-	6,665	-	-	-	-	6,665
Exchange rate differences from foreign operations, note 13 (f)	-	-	-	-	-	-	-	-	28,109	-	28,109
Total comprehensive income	-	-	-	-	-	6,665	24	(3,915)	28,109	161,766	192,649
Transfer to legal reserve, note 13(d)	-	-	-	-	13,108	-	-	-	-	(13,108)	-
Increased equity subsidiaries, joint venture and associates note 13(h)	-	-	-	-	-	-	1,767	-	-	-	1,767
Dividends, note 13 (g)	-	-	-	-	-	-	-	-	-	(60,860)	(60,860)
Shares repurchase, note 13(b) y (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 to the financial statements are an integral part of this statement.

Ferreycorp S.A.A.

Separate statement of cash flow

For the years ended December 31, 2015 and 2014

	2015 S/(000)	2014 S/(000)
Operating activities		
Dividends	246,367	125,850
Accounts receivable from customers and third parties	98,512	92,064
Payments to suppliers	(1,866)	(28,919)
Payments to workers and others	(20,523)	(11,236)
Pay income tax	(5,439)	(216)
Payment of taxes	(14,167)	(4,751)
Net cash provided from operating activities	302,884	172,792
Investing activities		
Acquisition of subsidiaries, net of cash acquired, note 7 (e)	-	(46,672)
Investment fund contribution	-	(4,806)
Shares repurchase	(35,166)	-
Acquisition of investment properties	(63,053)	(4,930)
Capital contributions to subsidiaries	(23,274)	(12,052)
Net cash used in investing activities	(121,493)	(68,460)
Financing activities		
Obtaining other financial liabilities	30,000	109,622
Loans charged to subsidiaries	264,358	96,312
Loans to subsidiaries	(234,212)	(181,148)
Dividend payment	(60,860)	(55,797)
Payment of other financial liabilities	(49,101)	(33,314)
Interest paid	(58,545)	(51,819)
Net cash used in financing activities	(108,360)	(116,144)
Increase (decrease) net in cash and cash equivalents	73,031	(11,812)
Effect of changes in exchange rates on cash and cash equivalents	(891)	(120)
Cash and cash equivalents at beginning of year	4,523	16,455
Cash and cash equivalents at end of year	76,663	4,523
Transactions that do not represent cash flow -		
Capitalization of debt receivable from subsidiary	-	33,500
Contribution to subsidiary equity pending of payment	-	847

The accompanying notes to the financial statements are an integral part of this statement.

Notes to the separate 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 financial statements for the year ended on December 31, 2014 have been approved by the General Shareholders Meeting and the Board of Directors on 30 March, 2015. The financial statements as of December 31, 2015 have been approved by the Management of the company on February 19, 2016 and will be presented for approval to the Board of Directors and the General Meeting of Shareholders to be held in the first quarter of 2016. Under the Management's opinion, the financial statements will be approved by the Board of Directors and the General Meeting of Shareholders unchanged.

The accompanying separate financial statements reflect the individual activity of the Company, excluding the effects of the consolidation with its subsidiaries, domiciled both nationally and abroad (see note 7), and whose main activities include the purchase and sale of machinery and spare parts, workshop services, metalworking services, tire distribution, warehousing services, chemical supply for sale and real estate, in others. The Company prepared separately consolidated financial statements under IFRS, which show the following balances as of December 31, 2015 and 2014:

	2015 S/(000)	**2014** S/(000)
Current asset	2,732,794	2,690,703
Non current asset	2,007,765	1,828,502
Total asset	4,740,559	4,519,205
Total liabilities	3,046,412	2,923,429
Net equity	1,694,147	1,595,776
Gross profit	1,292,139	1,117,420
Operating profit	490,490	337,565
Net profit	161,766	91,981

2. Basis of preparation and summary of significant accounting practices

2.1 Basis of preparation and presentation -

The financial statements have been prepared in accordance with International Standards Financial Reporting Standards (hereinafter "IFRS") issued by the International Accounting Standards Board (the "IASB") in effect at December 31, 2015.

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

The accounting policies adopted are consistent with those applied in previous years, except for the new IFRS and IAS's revised that are mandatory for periods beginning after January 1, 2015.

The Company has not early adopted standards, interpretations or amendments that have been issued but are not effective.

2.2 Summary of significant accounting principles and practices

(a) Financial Instruments: Recognition and Measurement -

(a.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 Company determines the classification of its financial assets at initial recognition.

The classification of financial instruments at initial recognition depends on the purpose for which the financial instruments were acquired and their characteristics. All financial assets are initially recognized 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, the date that the Company 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 Company's financial assets include loans and receivables and an available-for-sale financial investment, which subsequent measurement criteria is explained below.

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

  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 separate income statement.

  The Company maintains in this category accounts cash and equivalent cash 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 when 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 Company 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 (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of ownership of the asset, but has transferred control of the asset.

When it 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 Company's continuing involvement in it. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liabilities are measured on a basis that reflects the rights and obligations that the Company has retained.

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

Impairment of financial assets -

The Company 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 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. The evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

(a.2) Financial liabilities -

Initial recognition and initial measurement

The financial liabilities under 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 Company determines the classification of its financial liabilities at initial recognition.

Financial liabilities are recognized when the Company is part of the contractual agreements of the instrument. All financial liabilities are initially recognized 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 Company has only liabilities at amortized cost, including accounts payable trade payable, payable to related parties and others, and other financial liabilities.

Subsequent measurement

After initial recognition, 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 Company has the irrevocable right to defer the payment for more than twelve months after the date of the statement of financial position.

Derecognition -
A financial liability (or, where applicable a part of a financial liability or a part of a group of similar financial liability) 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 an 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 separate income statement.

(a.3) Offsetting of financial instruments -
Financial assets and financial liabilities are offset with the net amount reported in the 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.

(a.4) Repurchase of shares (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 separate assets. 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".

(b) Derivative financial instruments -
Derivative financial instruments, pursuant to the rules of IAS 39, are classified as trading and hedge. The company 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 flows 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 Company 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 Company will assess the effectiveness of changes in the fair value of the hedging instrument to determine that they actually have been highly effective throughout the periods for which they were designated.

The Company expects that coverage will be highly effective in offsetting changes in fair value or changes in cash flows. The Company continually evaluates the coverage to determine what actually they have been highly effective throughout the periods for which they were designated.

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 income statement as financial expenses.

Until December 31, 2015, the Company had only one contract "Swap" interest rate classified as cash flow hedges. As a result of the hedge, the effective portion of the gain or loss on the hedging instrument is recognized directly as a reserve for cash flow hedge in the separate statement of comprehensive income.

At the time of payment of the derivative instrument the cumulative gain or loss previously recognized in equity is reclassified to the separate statement of income.

(c) Foreign currency transactions -

The Company's functional currency and presentation currency is the Sol, as this currency is used by the Company for its operations and translation and additionally, for the preparation of the financial statement.

Balances or transactions in foreign currency –

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

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

(d) Cash and cash equivalents -

For purpose of preparation and presentation of cash flows statement, cash and cash equivalents comprise, petty cash, banks deposits, cash in transit and deposits with original maturity less than 90 days, all recorded in the separate statement of financial position. These accounts do not have significant risks in their values.

(e) Investments –

Subsidiaries are all entities over which the Company has control to govern the financial and operating policies. Control is achieved when the Company has the right to variable returns from its involvement in the entity receiving the investment, and has the ability to affect those returns through its power over the latter specifically. The Company controls an entity receiving the investment if and only if you have:

- Power on the entity receiving the investment; that is, there are rights that give it the current ability to direct the relevant activities of it.
- Exposure or right to variable returns from its involvement in the entity receiving the investment.
- Ability to use its power over the entity receiving the investment to affect yields significantly.

Usually, it is presumed that a majority of the voting rights results in control. To support this assumption that the Company has less than a majority of the voting rights or similar of the entity receiving the investment, the Company considers all facts and circumstances relevant to assess whether or not they have control over that entity, It is including:

- The contractual agreement between the Company and the other holders of the voting rights of the entity receiving the investment.
- Rights arising from other contractual arrangements.
- The voting rights of the investor, potential voting rights or a combination of both.

The Company evaluates whether or not again have control over an entity receiving the investment if the facts and circumstances indicate that there are changes in one or more of the three control elements described above.

An associate is an entity over which the Company has significant influence. Significant influence refers to the power to intervene in decisions of financial and operating policy of the entity receiving the investment, but without having control or set of this control. 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 agreement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control to a joint agreement that exists only when decisions about the relevant activities require the same unanimous consent of the parties sharing control.

Company investments in its subsidiaries, associated companies, investment fund and joint venture are accounted for using the equity method. According to this method, the investment in its subsidiaries, associated companies, investment fund and joint venture are initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Company's share of the net assets of its subsidiaries, associates, business investment fund and set the date of acquisition. Goodwill and fair value adjustments related to the acquisition of subsidiaries are included in the carrying amount of the investment. This goodwill is not individually tested for impairment.

The separate income statement reflects the participation of the Company in the results of operations of its subsidiaries, associated companies, investment fund and joint venture, after giving effect to the adjustments made at the time of purchase. Any change in other comprehensive income of its subsidiaries, associates, investment fund and joint venture is presented as part of other comprehensive income of the Company. Furthermore, if he had recognized directly in equity changes its subsidiaries, associates, investment fund and joint venture, the Company recognized its share of any such changes, as applicable, in the statement of changes in equity. Gains and losses with third parties arising from transactions between the Company and its subsidiaries, associates, investment fund and joint venture are eliminated to the extent of participation of the Company in its associates subsidiaries, investment funds and joint venture.

The participation of the Company in the results of its subsidiaries, associates, and business investment fund set is presented in a single line in the income statement.

The financial statements of subsidiaries, associates companies, investment fund and joint venture are prepared for the same reporting period as the Company. If necessary, appropriate to its accounting policies conform to the accounting policies of the Company adjustments.

(f) Investment properties –
Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value, which reflects market conditions at the reporting date. Gains and losses arising from changes in fair values of investment properties are included in profit or loss in the period in which they occur, net of the related tax effect. Fair values are determined based on an annual evaluation performed by an accredited external independent valuer.

Investment properties are derecognized either when they have been disposed of or when the investment property is withdrawn from use permanently no economic benefit is expected from its sale. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the income statement in the period of derecognition.

Transfers are made to (or from) investment property only when there is a change in use of the asset. For a transfer from investment property to a component of property, plant and equipment, the deemed cost for subsequent accounting is the fair value of the asset at the date of change in use. If a component of property, plant and equipment is transferred to investment property, the Company accounts for such property in accordance with established policy for property, plant and equipment up to the date of change in use.

(g) Leases -

The determination of whether an arrangement is or includes 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 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.

The Company as lessee -

Leases that transfer substantially all the risks and rewards incidental to ownership to the Company is classified as finance leases and is capitalized at the lease term, either by the fair value of the leased property or the present value of the minimum lease payments, whichever is less. Lease payments are apportioned between finance charges and reduction of the lease liability, so as to determine a constant rate of interest on the remaining balance of the debt. Financial charges are recognized as financial expenses in the separate statement of income.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company 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.

The Company as lessor -

Leases where the Company 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 income statement 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.

(h) Impairment of non-financial assets -
The net book value of non-financial assets are reviewed to determine if there is evidence of impairment at the end of each reporting period. If such indication exists, the Company 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 is considered to be impaired.

The recoverable amount is the amount obtainable from the sale of an asset in a free market, while 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 discount rate pre-tax that reflects the current market assessments of the time value of money, and risks specific to the asset.

When there are new events, or changes in existing circumstances evidencing previously recognized impairment losses no longer exist or have decreased, excluding goodwill, the Company 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't 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 separate income statement. After completion of the reversal, the depreciation charge is adjusted in future periods distributing the carrying amount over its remaining useful life.

(i) 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 as 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 the periods 2015 and 2014, the Company did not maintain current assets qualifying of financing costs.

(j) Income tax -

Current income tax -

The income tax for the current period is calculated from the separate financial statements and the amount expected to be paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, as of the date of the financial statements.

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 taxing and accounting bases of assets and liabilities at the date of the separate 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 it 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 statement of financial position separately 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. Unrecognised deferred tax assets are reviewed at each date of the statement 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.

(k) Recognition of income and costs and expenses -

Revenues are recognized to the extent that it is probable that the economic benefits will flow to the Company. Revenue is measured at the fair value of the consideration received or receivable, excluding discounts, taxes and other sales-related concepts.

Rentals -

Rental income arising from operating leases less initial direct costs from holding such contracts are recognized on a straight line basis over the lease term.

Costs and expenses -

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

(l) Provisions –

General:

A provision is recognized only when the Company 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 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 Company expects some or all of the 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 income statement, net of reimbursement.

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

(m) 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.

As of December 31, 2015 and December 31, 2014, the Company has no financial instruments that produce dilutive effects, so that the basic and diluted earnings per share are the same.

(n) 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 Company. As well, the fair value of a liability reflects their risk of default.

When available, the Company measures the fair value of an instrument using the trading price in an active market for this instrument. A market is considered active if the transaction for the assets or liabilities is carried out with sufficient frequency and volume to provide pricing information on a continuous basis.

All assets and liabilities for which fair values are determined or disclosed in the separate financial statements are classified within the fair value hierarchy, described below, based on the lowest level of the used data that are significant for the measurement of the reasonable 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 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 separate 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.

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

For purposes of the disclosures of fair value, the Company has determined classes of assets and liabilities on the basis of their nature, characteristics and risks and the level of fair value hierarchy as explained above.

(o) Subsequent events -

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

(p) Discontinued operations -

Discontinued operations are excluded from the results of continuing operations and presented as a single amount of net profit or tax loss from discontinued operations separately in the separate income statement.

Additional disclosures are provided in note 21. All other notes to the financial statements include amounts from continuing operations, unless otherwise indicated.

(q) Segment -

An operating segment is a component of an entity that: (i) 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) the result operating is regularly reviewed by management to make decisions about resources to be allocated to the segment and assess its performance, and (iii) for which the financial and operational information is displayed available.

2.3 Significant accounting judgments, estimates and assumptions –

The preparation of the Company'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 financial statements, and the reported amounts of revenues and expenses.

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

Significant judgments and estimates are considered by Management is preparing separate financial statements are:

(a) Judgments -

In applying the accounting policies of the Company, Management has made the following judgments that have significant effect on the amounts recognized in these separate financial statements:

- Operating leases –

  The Company as lessor, note 2.2. (g)

  Company has entered into commercial leases on its investment property portfolio. The Company has determined, based on an evaluation of the terms and conditions of the agreements, such as the lease term not constituting substantial part of the economic life of the asset, or when it retains substantially all the risks and rewards of ownership of these assets. In these cases, the Company has posted these contracts as operating leases.

(b) Estimates and assumptions -

The key assumption concerning the future and other 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. These changes are considered in the estimates at the time in which known.

Revaluation of investment properties (land), Note 2.2 (f)

The Company measures its land at revalued amounts and changes in fair value are recognized in other comprehensive income. The Company has hired an independent valuation specialist to determine the fair values at December 31, 2015 for land appraised.

For land, the appraiser was based on objective evidence of the market, using comparable prices adjusted by specific factors such as the nature, location and condition of the property.

The determined fair value for the land is extremely sensitive to any change in the estimated yield and the rate of long-term occupation. The key assumptions used to determine the fair value of investment properties are explained in Note 8.

Impairment of non-financial assets, note 2.2 (h)

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

The value in use calculation is based on a model of discounted cash flows (DFC). Cash flows arising from the budget for the next ten years, excluding restructuring activities to which the Company 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 extremely sensitive to any change in the discount rate used for the DCF model, as well as the expected future cash-inflows, and the growth rate used in long-term extrapolation.

Taxes on current and deferred income, Note 2.2 (j) -

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 Company calculates provisions based on reasonable estimates, for possible consequences of inspections conducted 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 audits and differing interpretations of the tax rules made by the taxable entity and the tax authority.

Fair value of financial instruments, note 2.2 (a) -
When the fair value of financial assets and financial liabilities recorded in the separate statement of financial position cannot be measured based on quoted prices in active markets, fair value is determined using valuation techniques including a model of discounted cash flows.

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 judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. For more details, see note 20.6.

2.4 New accounting pronouncements -

The Company decided not to early adopt the following standards and interpretations that were issued by the IASB, which are considered relevant by the company, but are not effective as of 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 Company, but no impact on the classification and measurement of financial liabilities. The Company is evaluating the impact of IFRS to decide the date of this 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 provide a more structured approach to measurement and revenue recognition approach. The new standard of income is applicable to all entities and replaces all current requirements for revenue recognition under IFRS. Full or modified retrospective application is required for annual periods beginning on or after January 1, 2018, early adoption is permitted. The Company is evaluating the impact of NIIF15 and plan to adopt the new standard in the requested effective date.

During 2015, the Company has been conducting a preliminary assessment of IFRS 15, which is subject to changes arising from further ongoing analysis. The Company also is considering the clarifications issued by the IASB in a draft of July 2015.

- 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 onwards, and early adoption is permitted. Management believes that these amendments will not have a significant impact on the Company.

3. Foreign currency transactions

Transactions in foreign currency are made at the exchange rate of the open market published by the Superintendencia de Banca y Seguros y AFPs. As of December 31, 2015, the exchange rates of the open market for transactions in U.S. Dollars, published by this institution were 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 Company had the following assets and liabilities in U.S. dollars:

	2015 US$(000)	2014 US$(000)
Assets		
Cash and cash equivalent	21,739	773
Trade accounts receivable, net	72	1,191
Other accounts receivable, net	716	1,230
Accounts receivable from related companies	233,472	225,513
	255,999	228,707
Liabilities		
Other financial liabilities	(303,890)	(343,155)
Trade accounts payable	(141)	(117)
Other accounts payable	(764)	(1,205)
	(304,795)	(344,477)
Net liabilities position	(48,796)	(115,770)

As of December 31, 2015, the Company recorded a net loss difference upshift approximately S/42,653,000 (S/25,181,000 during 2014), which is presented in the "Difference in net change" caption of the separate state results and are freely available.

4. Cash and cash equivalent

(a) This item is made up as follows:

	2015 S/(000)	2014 S/(000)
Petty cash	18	17
Bank deposits (b)	7,785	4,506
Timed deposits (c)	68,860	-
	76,663	4,523

(b) Bank deposits are maintained in local and foreign banks in local currency and in U.S. dollars, are freely available and has non-interest.

(c) As of December 31, 2015, the balance corresponds to two time deposits with original maturity less than 30 days, deposited in local banks of first level, bearing interest at market rates.

5. Trade accounts receivable, net

(a) This item is made up as follows:

	2015 S/(000)	2014 S/(000)
Invoices (b)	5,566	7,970
Comercial letters (b)	33,376	36,005
Related companies, note 18(b)	2,749	2,556
Unearned interest	(4)	(30)
	41,687	46,501
Less - Allowance for doubtful accounts receivable (d)	(38,344)	(42,090)
	3,343	4,411
Less:		
Non-current portion	(54)	(117)
Current portion	3,289	4,294

(b) Trade receivables are denominated in local and foreign currency, without interest applied, except for the letters receivable bearing an annual interest rating between 14 and 20 percent.

(c) As of December 31, 2015 and 2014, the trade receivables aging was as follows:

	No impaired S/(000)	Impaired S/(000)	Total S/(000)
As of December 31, 2015			
Current	76	-	76
Past due			
- Up to 1 month	2,915	-	2,915
- From 1 to 3 months	175	-	175
- From 3 to 6 months	117	41	158
- More tan 6 months	60	38,303	38,363
Total	3,343	38,344	41,687

	No impaired S/(000)	Impaired S/(000)	Total S/(000)
As of December 31, 2014			
Current	3,182	88	3,270
Past due			
- Up to 1 month	253	77	330
- From 1 to 3 months	386	58	444
- From 3 to 6 months	124	132	256
- More tan 6 months	466	41,735	42,201
Total	4,411	42,090	46,501

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

	2015 S/(000)	2014 S/(000)
Beginning balance at January 1	42,090	37,515
Provision	431	5,364
Exchange differences	5,113	2,328
Recoveries	(2,288)	(2,717)
Write-offs	(7,002)	(400)
Ending balance at December 31	38,344	42,090

In Management's opinion, the allowance for doubtful accounts adequately cover the credit risk at December 31, 2015 and 2014.

6. Other accounts receivable, net

(a) This item is made up as follows:

	2015 S/(000)	2014 S/(000)
Tax credit for income tax (b)	11,732	6,293
Accounts receivable from Domingo Rodas S.A. (c)	4,487	5,079
Accounts receivable drawdowns to the Tax Administration	2,626	1,476
Accounts receivable from employees	698	244
Other minor	757	1,174
	20,300	14,266
Less:		
Allowance for other doubtful accounts receivable (d)	(2,741)	(2,442)
	17,559	11,824
Less:		
Non-current portion	(1,283)	(1,659)
	16,276	10,165

(b) The income tax receivables include in advance payments of such tax incurred during the year, corresponding to the same tax credit for income tax.

(c) This receivable arose in previous years, the Company provided a loan to Domingo Rodas SA (former subsidiary) for an amount of S/5,150,000 made in 2008. In 2010, the Company signed a transfer of shares held in Domingo Rodas SA to a subsidiary of a leading agricultural business company group in the country. As a consequence, new shareholders acknowledged the debt payable to the Company, which was refinanced and is being paid on a quarterly basis since 2012. This receivable bears interest at the annual rate of 7.55 percent and has no specific guarantees. This receivable is being recovered according to the payment schedule entered into by the Company and Domingo Rodas S.A. Additionally, it has mortgage guarantee.

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

	2015 S/(000)	2014 S/(000)
Balance as of Janurary 1	2,442	2,306
Exchange differences	299	136
Balance as of December 31	2,741	2,442

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

7. **Investments in subsidiaries, associates and joint venture**

(a) The composition of this item is as follows:

	Main activity	Percentage of capital participation 2015 %	2014 %	Equity 2015 S/(000)	2014 S/(000)	Book value 2015 S/(000)	2014 S/(000)
Common shares in subsidiaries							
Ferreyros S.A., see note 7(e)	Purchase - sale of machinery and spare parts and workshop services	99.99	99.99	880,830	800,898	861,808	800,898
Inti Inversiones Interamericanas Corp. and Subsidiaries (a.1)	Holding Company business in Central America	100.00	100.00	215,542	179,135	215,542	179,135
Unimaq S.A. and Subsidiary	Purchase - sale of machinery and spare parts and workshop services	99.99	99.99	131,472	133,886	131,467	133,881
Inmobiliaria CDR S.A.C.	Real state	99.99	99.99	72,901	72,736	72,898	72,733
Fargoline S.A.	Storage services	99.91	99.91	66,086	65,778	66,026	65,718
Motored S.A.	Purchase - sale of automotive line, spare part and automotive services	99.99	99.99	31,014	57,484	31,014	57,485
Trex Latinoamérica SpA and Subsidiaries (e) y (a.2)	Holding Company business in South America	100.00	100.00	54,680	40,576	54,680	40,576
Orvisa S.A. and Subsidiaries	Purchase - sale of machinery and spare parts and workshop services	99.37	99.37	37,761	41,830	37,496	41,534
Mega Representaciones S.A. and Subsidiaries	Representative and distributor of tires and lubricants	99.99	99.99	40,617	40,703	40,616	40,702
Fiansa S.A. (common share and investment)	Metalworking services	99.76	99.76	27,449	37,738	27,472	37,734
Cresko S.A.	Purchase – sale of machinery, equipment and chemical supply	99.99	99.99	8,394	12,699	8,394	12,699
Soluciones Sitech Perú S.A.	Marketing software and technology related equipment	99.80	99.80	(11)	1,923	(11)	1,923
Forbis Logistics S.A.	Bulking agent	99.98	99.98	3,569	914	3,569	913
Investment fund							
Compass Fondo de Inversión de Arrendamiento Operativo	Investment fund	100.00	100.00	17,986	15,948	17,986	15,947
Associates							
La Positiva Seguros y Reaseguros S.A.	General Insurance	14.96	14.96	305,083	283,704	45,633	37,070
La Positiva Vida Seguros y Reaseguros S.A.	Life Insurance	3.01	3.01	318,166	195,010	9,561	5,554
Joint venture:							
Ferrenergy S.A.	Generation and power supply	50.00	50.00	20,973	8,519	10,487	9,454
Other investments:							
Other						898	899
						1,635,536	1,554,855

(a.1) This Holding mainly includes the subsidiaries in Central and North America, which are: Compañía General de Equipos S.A. (El Salvador), Corporación General de Tractores S.A. (Guatemala) and General Equipment Company (Belize), Mercado Central de Lubricantes S.A. (Nicaragua) and Forbis Logistics Corp. (USA). The activities of the subsidiaries that conform the Inti Group are the purchase and sale of machinery and spare parts, and workshop service. On the other hand, during the month of July 2015 it acquired 100 percent of shares entitled to vote of Transportes Pesados S.A. de C.V. (El Salvador), the activity of the subsidiary is the marketing of parts for heavy transport in El Salvador.

(a.2) This Holding mainly includes the subsidiaries in South America, wich are: Trex Latinoamerica SpA, which is the parent of Equipos y Servicios Trex SpA that in turn has a subsidiary Trex Overseas Investment SA parent of a Company located in Ecuador and Colombia.

(b) In the General Meeting of Shareholders held between the months of March and December 2015, several subsidiaries approved the distribution of dividends to be collected by the Company for a total of S/172,476,000 (S/75,958,000 to December 31, 2014).

(c) During 2015, the Company made cash contributions to its subsidiaries for approximately S/23,274,000. Also during 2014 the subsidiary companies received capital contributions of approximately S/13,303,000 and debt capitalization of approximately S/33,500,000.

(d) On June 1, 2014, Ferreycorp S.A.A. acquired 100 percent of the shares entitled to vote Trex Group (Chile). As of December 31 2014 the Group made a business organization and created the Compañia Trex Latinoamericana SpA, parent company of Equipos y Servicios Trex SpA de Chile, who in turn has a subsidiary Trex Overseas Investment S.A., parent of a subsidiary in Ecuador and Colombia. By this acquisition, the Company paid approximately US$16,965,000 (equivalent to S/47,519,000 at the acquisition date).

(e) The book value of investments in subsidiaries, associates, investment fund, and joint venture has had the following transactions during 2015 and 2014:

	2015 S/(000)	2014 S/(000)
Book value of investments in subsidiaries, associates and joint venture as of January 1	1,554,855	1,403,535
Plus-		
Equity in income of subsidiaries, associates and joint venture	212,345	124,766
Cash contribution in subsidiaries, note 7 (c)	23,274	13,303
Lower utility assets by decreasing transfer of fixed assets to Ferreyros S.A., note 8 (d)	(19,025)	-
Acquisition investment, note 7 (d)	-	47,519
Debt capitalization, note 7 (c)	-	33,500
Effect of change in tax rates on equity investments	-	5,345
Participation in the changes in equity of subsidiaries, associates and joint venture (*):		
- Results from exchange rate of foreign subsidiaries	28,109	12,708
- Other equity reserves	8,454	(9,863)
Less-		
Dividends declared, Note 7 (b)	(172,476)	(75,958)
Book value of investments in subsidiaries, investment fund, associates and joint venture as of 31 December	1,635,536	1,554,855

(*) Includes: equity items from local and foreign subsidiaries.

8. Investment properties, net

(a) This item is made up as follows:

Description	2015				2014
	Land S/(000)	Buildings and other constructions S/(000)	Work in progress S/(000)	Total S/(000)	Total S/(000)
Cost					
Balance as of 1 January	229,938	163,180	5,000	398,118	393,188
Additions (c)	61,948	-	1,105	63,053	4,930
Disposals and / or sales (d)	(31,345)	(35,244)	(28)	(66,617)	-
Transfers	-	4,602	(4,602)	-	-
Balance as of December 31	260,541	132,538	1,475	394,554	398,118
Accumulated depreciation					
Balance as of 1 January	-	51,954	-	51,954	46,270
Additions, note 15	-	5,245	-	5,245	5,684
Disposals and/or sales	-	(10,833)	-	(10,833)	-
Balance as of December 31	-	46,366	-	46,366	51,954
Allowance for impairment					
Balance as of 1 January	-	87	-	87	87
Balance as of December 31	-	87	-	87	87
Net book value	260,541	86,085	1,475	348,101	346,077

(b) Investment property includes mainly land and buildings of the Company, which are located in Lima and provinces and are intended for operational and administrative rental of locations to its subsidiaries and associates. These properties are recorded at fair value based on valuation work performed by an independent expert. During 2015, the Company performed an assessment of its investment properties through projected cash flows in order to verify that their carrying amount does not differ from their fair values. This evaluation indicated that their carrying values are similar to their fair values.

(c) During March 2015 , the Company acquired a land of an area of 176,493.32 m2 in the district of Punta Negra at an acquisition cost of approximately US$19,414,000 (equivalent to S/61,135,000). This land is free of liens, and will be used for performing various operational and commercial activities of the Company.

(d) During the months of September and November 2015, the Company made the transfer of five wickets and four buildings to its subsidiary Ferreyros S.A., the result generated by such transfer was recognized as a decrease in investment remains at Ferreyros S.A. amounting to approximately S/19,025,000 and an effect on deferred income tax of approximately S/3,915,000 and a current income tax of S/5,327,000, see note 12 (a) and (c).

(e) In Management's opinion, the Company has insurance policies to adequately cover all of its investment properties.

(f) As of December 31, 2015 and 2014, the Company does not maintain mortgages on the investment properties.

(g) Depreciation expense of buildings and other constructions were recorded in full as cost rental service.

(h) Income and costs incurred as a result of investment properties are as follows:

	2015 S/(000)	2014 S/(000)
Income from rental services (*)	29,839	24,092
Cost of rental service, note 15	(6,357)	(6,488)
	23,482	17,604

(*) This category includes the following items:

	2015 S/(000)	2014 S/(000)
Lease-related and third parties:		
Ferreyros S.A.	29,021	23,387
Fima Industrial S.A.C.	383	637
Caterpillar International Services S.A.	376	32
Asociación sin Fines de Lucro Ferreyros	23	21
Motored S.A.	25	15
Orvisa Servicios Técnicos	11	-
	29,839	24,092

9. Other financial liabilities

(a) This item is made up as follows:

Creditor	Maturity	Original currency	Annual effective interest rate %	2015 Current portion S/(000)	2015 Non-current portion S/(000)	2015 Total S/(000)	2014 Non-current portion S/(000)	2014 Current portion S/(000)	2014 Total S/(000)
Bonds									
Corporative Bonds – Rule 144, note (9b)	Up to April 2020	US$	4.934	-	1,012,052	1,012,052	-	882,522	882,522
Notes with local and foreign institutions									
Banco de Crédito del Perú S.A.	Up to November 2015	US$	4.080	-	-	-	11,956	-	11,956
Banco de Crédito del Perú S.A.	Up to August 2016	US$	5.550	-	-	-	12,753	10,029	22,782
Banco Internacional del Perú S.A. – Interbank	Up to March 2019	US$	4.880	-	-	-	5,553	21,658	27,211
Banco Internacional del Perú S.A. – Interbank	Up to April 2019	US$	4.880	-	-	-	11,106	43,316	54,422
Banco de Crédito del Perú S.A.	Up to September 2016	S/	4.880	30,000	-	30,000	-	-	-
Banco de Crédito del Perú S.A.	Up to August 2016	S/	4.550	10,531	-	10,531	-	-	-
Banco Internacional del Perú S.A. – Interbank	Up to March 2019	S/	6.750	12,041	33,779	45,820	-	-	-
Finance leases (e)									
Banco de Crédito del Perú S.A.	Up to January 2015	US$	6.800	-	-	-	291	-	291
				52,572	1,045,831	1,098,403	41,659	957,525	999,184

(b) On April 19, 2013, the first international issuance of corporate bands was listed. The New York Mellon Bank was named as a trustee. The issuance of the bonds was regulated under Rule 144A and Regulation S of the U.S. Securities Act of 1993 and a public offering for institutional investors in Peru. That bond issue was for a total of U.S. $ 300 million (S/834,900,000 at that time) at a nominal annual interest rate of 4.875 percent (4.934 percent equivalent annual effective) and a 7-year term with final maturity in April 24, 2020. The total redemption of the bonds will be take place at the maturity date. Funds have been used for repaying debt and for general corporate purposes.

The bonds are secured with general warranty over the Company's equity and comply with the following ratios:

- Maintain a Leverage Ratio (Consolidated Total Debt / EBITDA) no greater than 3.5.
- An interest coverage rate (EBITDA / interest) of a least 3.0

Compliance with the obligations described are overseen by the Company's management and validated by the representative of bondholders. In case of default of the above covenants, early termination will be incurred. In the opinion of management, the Company was in compliance with these obligations at December 31, 2015.

(c) Interest expense accrued for the years ended December 31, 2015 and 2014 , related to other financial liabilities , amounting to approximately S/56,226,000 and S/49,758,000, respectively, which are presented in the caption "Financial expenses" in the separate statement of income, note 17. The accrued interest outstanding as of December 31, 2015 amounts approximately to S/9,515,000 (S/8,658,000 as of December 31, 2014), see note 11.

(d) As of December 31, 2015, the Company had credit lines with most banks for working capital up to S/1,740,630,000 in the financial system, which are intended for short-term financing.

(e) Correspond to the financial lease contracts signed by the Company with the Banco de Credito del Peru S.A., for properties located in the district of Santiago de Surco, these contracts expired in January 2015.

(f) Minimum payments on finance leases are as follows:

	2014 S/(000)
Finance lease - Minimum lease payments	
Up to 1 year	292
	292
Future financial charges on finance leases	(1)
	291

(g) As of December 31, 2015 and 2014, the repayment schedule of the non-current portion of long-term debt was as follows:

Year	2015 S/(000)	2014 S/(000)
2016	-	27,500
2017	12,854	18,325
2018	13,721	20,869
2019	7,204	8,309
2020	1,012,052	882,522
	1,045,831	957,525

10. Trade accounts payable

(a) This item is made up as follows:

	2015 S/(000)	2014 S/(000)
Invoices (b)	1,356	549
Related parties, note 18 (b)	1,356	-
	2,712	549

(b) Trade payables are denominated in local and foreign currency and arose mainly for acquisitions and other services for the Company. The trade payables have current maturities with no guarantees and do not accrue interest.

11. Other accounts payables

(a) This item is made up as follows:

	2015 S/(000)	2014 S/(000)
Accounts payable to Horseshoe (b)	13,618	12,328
Interest payable, note 9 (c)	9,515	8,658
Provision for contingencies (d) and note 19	8,097	8,097
Salaries payable (e)	6,833	3,622
Liabilities for various expenses (f)	5,281	6,267
Value added tax payable	2,332	2,059
Devolution to the clients	1,906	4,023
Bonus to employees	530	297
Provision for compensation for time service	202	101
Other taxes	147	425
Dividends payable	-	98
	48,461	45,975

(b) Corresponds to a loan received by an unrelated, which will be repaid in the second half of 2016.

(c) These balances have any current maturities and have no specific no guarantees.

(d) Correspond mainly to claims of the Tax Authority related expenses from trust equity for the year 2004, which belonged to the Company. As of December 31, 2015, these contingencies are in the process of claim.

(f) This balance mainly includes provisions for bonuses and vacation payable.

(f) This balance mainly includes provisions for tax contingencies which are estimated by the Company, on the basis of the expenditure that would be required to settle obligations to the date of the statement of financial position.

13. Deferred Income tax liabilities, net

(a) The deferred income tax asset and liability as of December 31, 2015 and 2014 are as follows:

	As of January 1, 2014 S/(000)	(Debit)/credit to the statement of income S/(000)	(Debit)/credit to the statement changes in equity due to rate changes S/(000)	As of December 31, 2014 S/(000)	(Debit)/credit to the statement of income S/(000)	(Debit)/credit to the statement changes in equity, see note 8(d) S/(000)	As of December 31, 2015 S/(000)
Deferred Assets							
Provisions for various expenses	1,030	36	-	1,066	76	-	1,142
Difference in depreciation rates	(1,470)	(241)	-	(1,711)	(568)	-	(2,279)
Allowance for doubtful accounts receivable	8,250	(666)	-	7,584	(648)	-	6,936
Carry forward tax losses	8,642	4,560	-	13,202	921	-	14,123
Vacations	-	14	-	14	229	-	243
Estimation of the impairment inventories and fixed assets	26	(4)	-	22	-	-	22
Others	409	(54)	-	355	-	-	355
	16,887	3,645	-	20,532	10	-	20,542
Deferred liabilities							
Surplus revaluation of land	58,718	-	(7,829)	50,889	(5,549)	3,915	49,255
Revaluation of buildings and constructions	7,592	(1,381)	-	6,211	376	-	6,587
Financial leases	5,621	(955)	-	4,666	(293)	-	4,373
Gain on deferred sales, net	209	(177)	-	32	(32)	-	-
Other provisions	412	(146)	-	266	(22)	-	244
	72,552	(2,659)	(7,829)	62,064	(5,520)	3,915	60,459
Total deferred tax liabilities, net	(55,665)	6,304	7,829	(41,532)	5,530	(3,915)	(39,917)

As of December 31, 2015 due to a decrease the income tax rate referred to in note 19 (a), there has been a decrease in S/592,000 liabilities deferred tax earnings (As of December 2014 decreased 31 S/2,441,000 and S/1,601,000 in the asset and liabilities deferred for income tax, respectively), this net effect is a decrease in liabilities of approximately S/840,000, registered within income tax in the separate statement of income.

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

	2015 S/(000)	2014 S/(000)
Income tax		
Deferred	(5,530)	(6,304)
Other	(3)	96
Benefit from income tax	(5,533)	(6,208)
Income tax from discontinued operation, note 21	306	936
Income tax from continued operation	(5,227)	(5,272)

(c) The following is the reconciliation of the effective rate of income tax with the tax rate:

	2015		2014	
	S/(000)	%	S/(000)	%
Income before income tax	158,285	100.00	91,651	100.00
Income tax according to tax rate	44,320	28.00	27,495	30.00
Effect on (income) nondeductible expenses				
Income from untaxed investments	(57,569)	(36.37)	(35,000)	(38.19)
Income from transfer of fixed assets, see Note 8 (d)	5,327	3.37	-	-
Non-deductible expenses	1,797	1.14	457	0.49
Effect of exchange rates, Note 2.2 (j)	592	0.37	840	0.92
Discontinued operations	306	0.19	936	1.02
Benefit from income tax	(5,227)	(3.30)	(5,272)	(5.76)

13. Equity

(a) Issued capital -

The issued capital of the Company is represented by 1,014,326,000 common shares with a nominal value of each S/1.00, subscribed and paid in December 31, 2015 and 2014.

As of December 31, 2015, the shareholding structure of the Company was as follows:

Percentage of individual share capital	Number of shareholders	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 portfolio, for a total amount up to S/ 35,166,000, the difference between these amounts 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 contribution received and the nominal value of the shares issued by the Company in 2012, which remains in equity as additional capital net of capitalizations. 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 -

According to the General Law of Corporations, it is required that at least 10 percent of the distributable income of each year, after deducting income tax, is transferred to a legal reserve until it equals 20 percent of the share capital . The legal reserve can offset losses or may be capitalized, existing in both cases the obligation to replace it. As of December 31, 2015, the Shareholders 'Meeting of March 30, 2015 approved the transfer of S/13,108,000 of retained earnings to the legal reserve (as of December 31, 2014 results the Shareholders' Meeting of May 29, 2014 approved the transfer of S/10,333,000 of retained earnings to the legal reserve).

(e) Other reserves -

Corresponds mainly to revaluation surplus, net of the related deferred income tax. It also includes the net gains and losses from changes in the estimated fair value of derivative hedging cash flow (swap), where the change in value is initially disclosed in equity, net of tax deferred income. As of December 31, 2015, said derivatives were canceled.

(f) Foreign currency translation -

Corresponds to the exchange difference resulting from the financial statements translation for foreign operations to the presentation currency of the Company.

(g) Distribution of dividends -

In General Meeting of March 30, 2015, payment of cash dividends was approved for S/60,860,000. In the General Meeting of March 26, 2014, payment of cash dividends was approved for S/55,797,000 and the capitalization on the results of 2013 by S/37,199,000.

(h) Unrealized gains -

Corresponds to the equity adjustments of certain subsidiaries and associates under the equity method. It also includes the gains of available-for sale investment at their fair value net of tax deferred income.

14. Earnings per share

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

The calculation of earnings per share is a follows:

	2015	2014
Weighted average of common shares (in thousands of units)	991,536	1,014,326
Basic and diluted earnings per common share		
Net income for the year used in the calculation (in thousands of soles)	161,766	91,981
Basic and diluted earnings per common share (in soles)	0.163	0.091
Basic and diluted earnings per common share from continuing operations:		
Net income from continuing operations	163,512	96,923
Basic and diluted earnings per common share from continuing operations (S/)	0.165	0.096
Basic and diluted earnings per common share from discontinued operations:		
Net loss from discontinued operations	(1,746)	(4,942)
Basic loss per common share from operations (S/)	(0.002)	(0.005)

The weighted average number of shares in 2015, taking into account the effect of the weighted average of the repurchase of shares held in treasury, explained in note 13 (b).

15. Cost of rental services

This item is made up as follows:

	2015 S/(000)	2014 S/(000)
Depreciation, note 8(a)	5,245	5,684
Property taxes	587	597
Insurance on properties	472	205
Building maintenance	53	2
	6,357	6,488

16. Administrative expenses

(a) This item is made up as follows:

	2015 S/(000)	2014 S/(000)
Personnel expenses (b)	23,738	11,407
Advisory and consultancy services	1,667	2,382
Travel expenses and mobility	508	368
Rental property	436	234
Business support provided by Ferreyros S.A.	243	-
Expenses related to management actions	213	-
Business information services	210	45
Security and vigilance	209	-
Service fees	189	123
Advertising ads and publications	169	55
Legal, notary and registration costs	162	2,228
Energy	137	33
Subscriptions	132	104
Personal service hired	111	-
Pricing service	84	-
Maintenance of vehicles and equipment	76	-
Papery and office supplies	23	26
Donations	22	25
Others	67	1
	28,396	17,031

(b) The detail of personnel expenses is as follows:

	2015 S/(000)	2014 S/(000)
Salaries	14,144	7,890
Legal bonuses	7,258	2,752
Employers' contributions	1,332	577
Vacations	828	62
Workers' profit sharing	112	115
Training	64	11
	23,738	11,407

(c) The average number of employees in the Company was 78 in 2015 and 34 in 2014.

17. Financial expenses

This item is made up as follows:

	2015 S/(000)	2014 S/(000)
Interest on corporate bonds, note 9 (c)	50,663	44,595
Interest on long-term loans, note 9 (c)	5,342	5,134
Tax on financial transactions	2,590	2,201
Interest on loans, note 9 (c)	221	29
Interest on loans from subsidiaries	-	152
Other financial expenses	586	860
	59,402	52,971

18. Balances and transactions with related companies

(a) The principal related party transactions are as follows:

	2015 S/(000)	2014 S/(000)
Loans granted	255,477	185,501
Interest on loans granted	20,886	43,963
Buildings rentals	29,057	23,402
Business support	10,635	4,940
Management expense	226	2,666
Capital contribution	-	863
Interest for borrowings	-	727
Purchase of services	-	7
Purchase of goods	151	1
Other income	1,502	11

Management believes that the Company conducts its operations with related companies under the same conditions as those made with third parties when no similar transactions in the market, so that, as applicable, there is no difference in pricing policies or tax settlement base. Regarding the payment, they do not differ from policies granted to third parties.

(b) Accounts receivable and payable from related parties as of the December 31, 2015 and 2014 is as follows:

	2015 S/(000)	2014 S/(000)
Trade accounts receivable current portion (c), Note 5 (a)		
Ferreyros S.A.	2,746	2,545
Motored S.A.	3	11
	2,749	2,556
Other accounts receivable current portion (d)		
Motored S.A.	42,859	24,830
Inti Inversiones Interamericanas Corp.	13,924	15,557
Mega Representaciones S.A.	12,789	7,158
Orvisa S.A.	11,022	6,163
Transportes Pesados S.A. de C.V.	6,834	-
Fiansa S.A.	5,118	2,419
Inmobiliaria CDR S.A.C.	3,213	12,704
Fargoline S.A.	2,515	3,160
Ferreyros S.A.	1,795	110,327
Cresko S.A.	1,725	7,720
Unimaq S.A.	175	45,008
Ferrenergy S.A.	1	-
Others	4,252	2,446
	106,222	237,492
Other accounts receivable non -current portion (d)		
Ferreyros S.A.	290,702	254,457
Unimaq S.A.	143,136	113,402
Inti Inversiones Interamericanas Corp.	116,379	27,035
Motored S.A.	57,936	50,079
Orvisa S.A.	32,376	22,470
Mega Representaciones S.A.	31,354	32,351
Cresko S.A.	20,448	14,856
Fiansa S.A.	4,075	3,643
Inmobiliaria CDR S.A.C.	-	2,794
Fargoline S.A.	-	2,482
	696,406	523,569
Trade accounts payable – current portion (c),nota 10 (a)		
Ferreyros S.A.	1,356	-
	1,356	-
Trade accounts payable non – current portion (e)		
Ferreyros S.A.	936	120
Trex Latinoamerica SpA	-	863
	936	983

(c) Accounts receivable and trade payables arising from sales and / or services provided and received by the Company are considered to be current, non-interest bearing and no specific guarantees, see Note 5 (a) and 10(a).

(d) The accounts receivable for loans granted to its subsidiaries bears interest rates from 4.5 to 9.3 percent and have a maturity ranging between 2 and 7 years.

(e) Such payables associated with borrowings from its subsidiaries bear interest rates of 2-6 percent and have short-term maturities.

(f) Compensation to key personnel -
The total remuneration paid to Directors and key management officers during 2015 amounted approximately to S/8,623,000 (approximately to S/4,076,000 in 2014), which include short – term benefits and compensation for time service.

19. Commitments, tax situation and contingencies

Commitments -

As of December 31, 2015, the Company had commitments endorsements for US$81,375,000 and US$1,005,000, which guarantee credit operations of subsidiaries and affiliates, and third-party transactions of third, respectively, with various maturities.

Tax situation -

(a) The Company is subject to Peruvian tax law. As of December 31, 2015, the income tax rate is 28 percent on taxable income, after deducting workers' profit sharing which is calculated at a rate of 8 percent on taxable income.

Beginning fiscal 2015, pursuant to the Act 30296, as of December 31, 2014 and effective from January 1, 2015, the tax rate on taxable income, after deducting the workers' profit sharing is as follows:

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

Legal individuals not domiciled in Peru and individuals are subject to retention of an additional tax on dividends received. In this regard, pursuant to Act 30296, at December 31, 2015 and effective from January 1, 2015, the additional tax on dividend income is as follows:

- For profits for the year 2015, whose distribution is made after such date, shall be:

  - 2016 and 2016: 6.8 percent.
  - 2017 and 2018: 8 percent.
  - 2019 onwards: 9.3 percent.

(b) For purposes of determining income tax, transfer pricing transactions with related companies and companies residing in areas of low or no taxation must be supported with documentation and information on current valuation methods and with criteria used for its calculation. Based on the Company's operations, Management, and its legal counselors, the application of these standards will not result in significant contingencies for the Company as of December 31, 2015 and 2014.

(c) The Tax Authority 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 2012 to 2015 are pending audit by the Tax Authority. The sworn statements for the years 2000 to 2009 were reviewed by the Tax Authority. The Tax Administration is in the process of audit of 2010.

Due to the possible interpretation that the tax authority can give legal norms can't be determined, to date, if the reviews will result on liabilities to the Company, so any higher tax or surcharge that may result of any tax revisions would be applied to the year in which it is determined. In the opinion of management of the Company, any such additional tax would not be significant for the separate financial statements as of December 31, 2015 and 2014.

Contingencies -

(a) As of December 31, 2015, the Company has tax processes of appeal or administrative litigation lawsuit amounting to approximately S/111,589,000 (including fines for S/14,452,000 and interest for S/75,051,000). These processes are pending administrative or judicial decision, and relate to observations made by the Tax Administration affidavits of: (i) income tax (including prepayments) of the tax years 2001 to 2008 for S/102,388,000; (ii) general sales tax for taxable years 2001 to 2006 by S/3,030,000; and (iii) income tax non-domiciled for tax years 2002, 2003, 2005 and 2006 for S/6,172,000.

In all cases, as of December 31, 2015, the Company is advised by specialists on these issues, who had determined, together with Management, that approximately S/8,097,000 (S/8,097,000 as of 31 December 2014), could be considered as probable loss. The Company has recorded a provision for such amount as of December 31, 2015 and 2014, which is presented in caption "other accounts payable" in the separate statement of financial position, see note 11.

Management, together with its legal and tax advisors consider that the Company has technical and legal resources that estimate that the Tax Court in Peru will resolve favorably to the Company; in that sense, they expect future resolutions of these processes will not result in significant liabilities and, therefore, it is not necessary to register any liability as of December 31, 2015.

20. Financial risk management

For the nature of its activities, the Company is exposed to credit, interest rate, liquidity, exchange rates and operational risks, which are managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This risk management process is critical to the Company's continued 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, which are monitored through the Company'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:

(i) Board of Directors

The Board 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-derivative.

(ii) 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 develop its annual work plan and the operational areas are actively participating. This supervision is done through regular meetings where the risks area reports the status of the plan's implementation.

(iii) 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 .

(iv) Department of finance
Is responsible for managing the Company's assets and liabilities and the overall financial structure. It is primarily responsible for managing the Company's funds and liquidity risks; assuming liquidity, interest rate and exchange rate risks, under the policies and limits currently effective.

(v) Corporate risk division
Is responsible for providing comprehensive risk management based on methodology established, to define the work schedule with the operational areas of the entire corporation and support them in the process to identify, assess, respond , control and monitor their major risks . The operational areas of each subsidiary of Ferreycorp S.A.A. are responsible for meeting and executing the work schedule as well as the implementation of approved action plans on risks that may have a material impact on individual companies and Ferreycorp S.A.A.

Also as part of the risks of the Company's strategic planning process, for which the Company set action plans to mitigate these risks, which comprises, risks of competition, recruitment, retention equipment's availability products failure social conflict and global financial crisis.

(b) Risk Mitigation -
As part of its overall risk management, the Company uses derivatives (interest rate swaps) and other instruments to manage exposures resulting from changes in interest rates, foreign exchange, equity risk and credit risk. The risk profile is assessed before entering into hedging transactions, which are authorized by the appropriate level of seniority within the Company. The other critical business risks are addressed through action plans executed by each Company management.

(c) Risk concentration -
As of December 31 2015 and 2014 the concentration of credit risk identified by the Company is controlled and monitored continuously.

20.1. Credit risk

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 . Regarding deposits in banks the Company as of December 31, 2015 concentrates 90 percent (by 2014 had deposits are not in installments) of its balance of cash and cash equivalents in financial institutions.

Credit risk related with a financial instruments and deposits with banks: the credit risks of balances bank are managed by Management in accordance with Company's policies. The investments of cash surpluses are made with first class financial institutions. The maximum exposure to credit risk as of December 31, 2015 and 2014 is the carrying value of balances cash and cash equivalents shown in note 3.

Consequently, in the Management's opinion, the Company has no concentration which represents a significant risk of credit as of December 31, 2015 and 2014.

20.2. Interest rate risk

The Company's operating cash flows are substantially independent of changes in market interest rate ; due to individual credit rating of the Company , this can get competitive interest rates in local markets . It should be noted that the Company has not made significant financial operations rates variable interest , therefore , in the opinion of management of the Company has no significant exposure to interest rates.

The following table shows the Company's exposure to interest rate risk is summarized . Financial instruments of the Company are shown to their book values, classified according to their different contractual deadlines:

	As of December 31, 2015					
	Up to 3 months S/(000)	From 3 to 12 months S/(000)	From 1 to 5 years S/(000)	No interest accrues S/(000)	Total S/(000)	Average interest rate in 2015 %
Assets						
Cash and cash equivalents	68,860	-	-	7,803	76,663	-
Trade accounts receivable, net	-	-	-	3,343	3,343	-
Other accounts receivable, net (*)	-	1,181	1,283	737	3,201	7.55
Accounts receivable from related entities	-	106,222	696,406	-	802,628	Between 1.67 y 9.30
Total Assets	68,860	107,403	697,689	11,883	885,835	
Liabilities						
Trade accounts payable	-	-	-	2,712	2,712	-
Other accounts payable (**)	-	-	-	46,129	46,129	-
Accounts payable to related entities	-	-	-	936	936	-
Other financial liabilities	-	22,572	1,075,831	-	1,098,403	Between 4.08 y 6.80
Total Liabilities	-	22,572	1,075,831	49,777	1,148,180	
Marginal gap	68,860	84,831	(378,142)	(37,894)	(262,345)	
Acumulative gap	68,860	153,691	(224,451)	(262,345)	-	

	Al 31 de diciembre de 2014					
	Up to 3 months S/(000)	From 3 to 12 months S/(000)	From 1 to 5 years S/(000)	No interest accrues S/(000)	Total S/(000)	Average interest rate in 2014 %
Assets						
Cash and cash equivalents	-	-	-	4,523	4,523	-
Trade accounts receivable, net	-	-	-	4,411	4,411	-
Other accounts receivable, net (*)	-	-	2,637	1,418	4,055	7.55
Accounts receivable from related entities	97,303	70,189	523,569	70,000	761,061	Between 1.67 y 9.30
Total assets	97,303	70,189	526,206	80,352	774,050	
Liabilities						
Trade accounts payable	-	-	-	549	549	-
Other accounts payable (**)	-	-	-	43,916	43,916	-
Accounts payable to related entities	-	-	-	983	983	-
Other financial liabilities	-	41,659	957,525	-	999,184	Between 4.08 y 6.80
Total liabilities	-	41,659	957,525	45,448	1,044,632	
Marginal gap	97,303	28,530	(431,319)	34,904	(270,582)	
Acumulative gap	97,303	125,833	(305,486)	(270,582)	-	

(*) As of December 31, 2015, the "other accounts receivable" included in this table does not consider the amount of S/11,732,000 (S /6,293,000 as of December 31, 2014) for the tax credit for income tax for an amount up to S/2,626,000 (S/1,476,000 at December 31, 2014) which corresponds to the value added tax, which, according to International financial Reporting Standards, does not qualify as a financial instrument.

(**) At December 31, 2015, the "other accounts payable" included in this table do not consider a rising amount S/2,332,000 (S/2,059,000 as of December 31, 2014) for the value added tax, which according to Information Financial Reporting Standars, do not qualify as financial instruments.

The following chart shows the sensitivity to a possible change in interest rates, with all other variables held constant, in the separate income statement before income tax. The sensitivity in the separate income statement is the effect of the changes in interest rates on net interest income for one year before income tax, based on the financial assets and financial liabilities exposed to changes in interest rates as of December 31, 2015 and 2014:

	2015		2014	
Currency	**Changes in basis points**	**Sensitivity in net profit** S/(000)	**Changes in basis points**	**Sensitivity in net profit** S/(000)
Soles	+/-50	457	+/-50	208
Soles	+/-100	914	+/-100	417
Soles	+/-200	1,829	+/-200	833
Soles	+/-300	2,743	+/-300	1,250

The interest rate sensitivity shown in the chart above are illustrative only and is based on simplified scenarios. The figures represent the effect of the pro forma movements in net interest income based on the projected scenarios of the yield curve and the interest rate risk profile. However, this effect does not include actions that would be taken by Management to mitigate the impact of these interest rates risks. Furthermore, the Company proactively seeks to change the interest rates risk profile to minimize losses and optimize net income. The projections above also assume that interest rates 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 also include assumptions to simplify calculations, including, that all positions are held to maturity or, if they mature within the year, are renewed for the same amount.

20.3. Liquidity risk

Liquidity risk is the risk that the Company may not meet its payment obligations associated with financial liabilities when due and to replace funds when they are withdrawn. The consequence would be the non-payment of its obligations to third parties.

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

The main sources of the Company is income are cash collections from sales of imported merchandise. The average payment period to its suppliers was 60 days for the years 2015 and 2014. The Company believes that the management of collection and payment terms tends to improve due to improvements made in their collection management policies.

In the event that the Company may not have, at any given time, the necessary resources to meet its obligations in the short term, it has credit lines with financial institutions, and due to its economic solvency it has given short and medium term loans at market rates.

The following chart presents the cash flows payable by the Company in accordance with the contractual maturities at dates the financial position. The amounts are the undiscounted cash flows based on contractual terms including their respective interest:

	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:					
Amortizaion of capital	-	22,572	1,075,831	-	1,098,403
Amortization of interest	1,231	16,898	51,762	-	69,891
Trade accounts payable	2,712	-	-	-	2,712
Other accounts payable	34,843	13,618	-	-	48,461
Accounts payable to related entities	936	-	-	-	936
Total	39,722	53,088	1,127,593	-	1,220,403

	From 1 to 3 months S/(000)	From 3 to 12 months S/(000)	From 1 to 5 years S/(000)	5 years onwards S/(000)	Total S/(000)
As of December 31, 2014					
Other financial liabilities:					
Amortizaion of capital	-	29,331	87,331	882,522	999,184
Amortization of interest	12,279	36,087	195,041	-	243,407
Trade accounts payable	549	-	-	-	549
Other accounts payable	45,975	-	-	-	45,975
Accounts payable to related entities	983	-	-	-	983
Total	59,786	65,418	282,372	882,522	1,290,098

20.4. Exchange rate risk

The Company 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.

Lending and borrowing transactions are conducted primarily in local currency. Transactions in foreign currency are carried at rates of supply and demand and are detailed in note 3.

The Company manages the risk of foreign exchange by monitoring and controlling the values of the position not maintained in Soles (functional currency) and which are exposed to movements in exchange rates. The Company measures its performance in soles so that if the position of foreign exchange is positive, any devaluation of the U.S. dollar would adversely affect the statement of financial position of the Company. The current position comprises transactions in foreign currency which are stated at the exchange rate, see note 3. Any devaluation/revaluation of foreign currency affect the separate statement of income.

The following table sets out the sensitivity analysis of the U.S. dollar, the currency to which the Company has significant exposure over its assets and liabilities and its forecast cash flows at 31 December 2015 and 2014. The analysis determines the effect of a reasonably possible change in the exchange rate of the U.S. dollar, with all other variables held constant in the separate income statement before income tax.

A negative amount discloses a potential net reduction in the statement of comprehensive income, while a positive amount reflects a net potential increase:

Sensitivity analysis	**Variation in exchange rates**	**2015**	**2014**
	%	S/(000)	S/(000)
Devaluation -			
Soles	5	8,391	17,393
Soles	10	16,782	34,787
Revaluation -			
Soles	5	(8,391)	(17,393)
Soles	10	(16,782)	(34,787)

20.5. Capital management

The Company actively manages a capital base to hedge inherent risks in its activities. The capital adequacy of the Company is monitored through using, among other measures, the ratios established by Management.

The objectives of the Company when managing capital, which is a broader concept than the "Equity" shown in the statement of financial position are: (i) to safeguard the Company's ability to continue to operate so as to continue to provide returns shareholders and benefits for other stakeholders, and (ii) maintain a strong capital base to support the development of their activities.

In addition, the Company also monitors its capital based 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	1,098,403	999,184
Less: Cash and cash equivalents	(76,663)	(4,523)
Net financial debt	1,021,740	994,661
Equity	1,694,147	1,595,757
Leverage ratio	0.603	0.623

20.6. 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 believes that there are no significant differences between the book value and fair value of financial instruments of the Company at December 31, 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, Management has seen its fair value is not materially different from its carrying value.

- Trade accounts payable and other payables, due to its current maturity, the Company's Management believes that its accounting balance approximates its fair value.

Level 2 -

- For other financial liabilities, their fair values have been determined by comparing the market interest rates at the time of initial recognition with current market rates offered for similar financial instruments. A comparison between the carrying amounts and the fair values of these financial instruments is disclosed in the chart below:

	2015		2014	
	Carrying value S/(000)	Fair value S/(000)	Carrying value S/(000)	Fair value S/(000)
Other current financial liabilities	52,572	52,572	41,659	41,659
Other non-current financial liabilities	1,045,831	819,835	957,525	715,928

21. Discontinued operations

On March 28, 2012, as part of a simple reorganization, the Company transferred the assets and liabilities of the Automotive Online Caterpillar to its related Ferreyros S.A. and Motored S.A., respectively, so that the profit or loss generated by these businesses during 2012, are presented in a single line of the income statement (net income from discontinued operations) as required by IFRS 5. Statements of Income included in the line are as follows:

Separate statement of income

	2015 S/(000)	2014 S/(000)
Net sales	-	3,664
Cost of sales	-	(2,921)
Gross income	-	743
Operating expenses	(168)	(5,905)
Operating loss	(168)	(5,162)
Other income	(1,884)	(716)
Loss before income taxes	(2,052)	(5,878)
Income taxes	306	936
Net loss	(1,746)	(4,942)

Statement of financial position

	2015	2014
	S/(000)	S/(000)
Asset		
Cash and cash equivalents	-	4,523
Trade accounts receivables	-	4,411
Other accounts receivables	-	11,824
Prepaid expenses	-	1,073
Inventories		-
Total assets	-	21,831
Total liabilities	-	21,831

22. **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.

23. **Explanation added for English translation**

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

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