Votorantim Cimentos
Life is made to last

Financial Statements

St. Marys Cement Inc. (Canada)
Consolidated Financial Statements at December 31, 2021 and 2020 (in thousands of U.S. dollars) and report of independent auditor

Independent auditor's report

To the Shareholder and Board of Directors of St. Marys Cement Inc. (Canada)

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of St. Marys Cement Inc. (Canada) and its subsidiaries (together, the Company) as at December 31, 2021 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited
The Company's consolidated financial statements comprise:

- the consolidated balance sheet as at December 31, 2021;
- the consolidated statement of income and comprehensive income for the year then ended;
- the consolidated statement of changes in shareholders' equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

Independence
We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

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Restriction on distribution and use

Our report is intended solely for the Company.

We acknowledge the disclosure of our report, in full only, by the Company at its discretion, to the Shareholder of the Company and Board of Directors of the Company without assuming or accepting any responsibility or liability to the Shareholder of the Company and Board of Directors of the Company or any other third party in respect of this report.

Our report should not be distributed to parties other than the Company or to the Shareholder of the Company and Board of Directors of the Company.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
February 22, 2022

St. Marys Cement Inc. (Canada)

Consolidated balance sheets
December 31, 2021 and 2020
In thousands of U.S. dollars

Assets	Note	31-Dec-21	Restated * 31-Dec-20
Current assets			
Cash and cash equivalents	E1	133,327	128,762
Trade receivables	E2	21,992	11,804
Inventories	E4	186,178	138,618
Income taxes recoverable	E14	54,101	-
Prepaid expenses	E5	13,052	11,208
Other assets		10,509	5,896
		419,159	296,288
Non-current assets			
Notes and capital related to SPE	E3	37,741	28,660
Prepaid expenses	E5	9,368	9,468
Advance to suppliers		182	1,547
Pension assets	E13	38,206	32,359
Financial assets at fair value through other comprehensive income		637	717
Deferred income tax asset	E14	100,757	1,559
Other assets		5,019	5,747
Investments accounted for using the equity method	E7	17,680	33,171
Property, plant and equipment	E8	1,327,553	693,529
Intangible assets and goodwill	E9	693,251	586,773
Right-of-use assets	E10	210,397	72,139
		2,440,791	1,465,669
Total assets		2,859,950	1,761,957

Liabilities and shareholders' equity	Note	31-Dec-21	Restated * 31-Dec-20
Current liabilities			
Accounts payable and accrued liabilities		224,217	175,463
Salaries and benefits		38,801	38,213
Indirect taxes payable		11,915	8,319
Income taxes payable		-	4,148
Borrowing	E11	12,068	12,322
Lease liabilities	E10	27,618	14,003
		314,619	252,468
Non-current liabilities			
Borrowing	E11	542,537	508,498
Lease liabilities	E10	184,925	60,770
Post-employment benefit obligations	E13	54,093	57,566
Deferred income tax liability	E14	150,161	59,584
Provisions	E12	54,664	48,614
Other liabilities		12,123	6,560
		998,503	741,592
Total liabilities		1,313,122	994,060
Shareholders' equity	E15		
Share capital		644,318	48,859
Retained earnings		656,528	476,800
Accumulated other comprehensive income		245,982	242,238
Total shareholders' equity		1,546,828	767,897
Total liabilities and shareholders' equity		2,859,950	1,761,957

* Note A4

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

St. Marys Cement Inc. (Canada)

Consolidated statements of income and comprehensive income
For the years ended December 31, 2021 and 2020
In thousands of U.S. dollars

	Note	2021	2020
Revenue from goods sold	B3	1,326,801	1,032,861
Cost of goods sold	E16	(1,024,250)	(775,065)
Gross income		302,551	257,796
Operating expense			
Selling	E16	(23,964)	(22,199)
General and administrative	E16	(65,130)	(52,271)
Other operating income (expense), net	E18	54,501	(10,946)
		(34,593)	(85,416)
Operating income before equity results and net financing expense		267,958	172,380
Investment results from equity share in joint ventures	E7	6,578	10,341
Financing expense, net	E19	(46,383)	(49,593)
Income before income tax expense		228,153	133,128
Provision for income tax expense	E14	(55,010)	(34,063)
Net income for the year ended		173,143	99,065
Other comprehensive income (loss):			
Items that will not be reclassified to profit or loss			
Remeasurements of post-employment pension benefit obligations	E13	9,797	2,500
Items that may be subsequent reclassified to profit or loss			
Accumulated foreign currency translation adjustment	E15	994	(11,454)
Changes in fair value of financial assets at fair value through other comprehensive income	E15	(83)	(502)
Conversion of preferred shares into common shares	E12		
Unrealized gain on net investment hedge, net of tax	D3.1	2,833	8,651
Other comprehensive income (loss) for the year ended		13,541	(805)
Total comprehensive income for the year ended		186,684	98,260

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

Consolidated statements of changes in shareholder' equity
For the years ended December 31, 2021 and 2020
In thousands of U.S. dollars

	Note	Share capital	Retained earnings	Accumulated other comprehensive income (Note E15c)	Total equity
Balance - December 31, 2019		47,912	368,222	245,544	661,678
Net income for the year ended		-	99,065	-	99,065
Other comprehensive loss		-	-	(805)	(805)
Comprehensive income for the year ended		-	99,065	(805)	98,260
Foreign currency translation		947	7,013		7,960
Transfer of remeasurements of post-employment pension benefit obligations	E13	-	2,500	(2,500)	-
Balance - December 31, 2020		48,859	476,800	242,238	767,897
Net income for the year ended		-	173,143	-	173,143
Other comprehensive income		-	-	13,541	13,541
Comprehensive income for the year ended		-	173,143	13,541	186,684
Capital contributions	E15	61,490	-	-	61,490
Return of capital	E15	(3,344)	(514)	-	(3,858)
Foreign currency translation		4,887	(4,646)	-	241
McInnis acquisition	E20	523,200	-	-	523,200
Conversion of preferred shares into common	E15	9,226	1,948		11,174
Transfer of remeasurements of post-employment pension benefit obligations	E13	-	9,797	(9,797)	-
Balance - December 31, 2021		644,318	656,528	245,982	1,546,828

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

St. Marys Cement Inc. (Canada)

Consolidated statements of cash flows
For the years ended December 31, 2021 and 2020
In thousands of U.S. dollars

	Note	2021	2020
Cash flows from operating activities			
Income before tax expense		228,153	133,128
Adjustments of items that do not represent changes in cash and cash equivalents:			
Depreciation, amortization and depletion	E16	133,193	98,369
Investment results from equity share in joint ventures	E7	(6,578)	(10,341)
Loss (gain) on sale of property, plant and equipment and intangible assets	E18	(1,048)	870
Gain on investment acquisition	E18	(70,712)	-
Allowance for expected credit loss	E2	91	317
Financing expense	E19	46,383	49,593
		329,482	271,936
Decrease (increase) in current assets			
Trade and other receivables		34,804	2,025
Inventories		112	12,583
Related parties		612	858
Other current assets		(841)	(3,787)
Increase (decrease) in current liabilities			
Accounts payable and accrued liabilities		(20,889)	8,441
Salaries and social charges		2,580	13,242
Related parties		(1,184)	(4,038)
Taxes payable		3,588	(1,254)
Change in non-current assets and liabilities			
Post-employment benefit obligations		(9,339)	(4,591)
Other		(6,559)	1,455
Cash provided by operating activities before interest and income tax		332,366	296,870
Interest paid on debt	E11	(30,197)	(31,180)
Interest paid on lease liabilities	E10	(8,138)	(3,120)
Income tax paid		(17,277)	(19,272)
Total cash provided by operating activities		276,754	243,298
Cash flows from investing activities			
Proceeds from disposals of property, plant and equipment and intangible assets		2,269	1,945
Dividends received	E6	7,859	8,180
Payment for acquisition of McInnis Cement Inc., net of cash received	E20(a)	(17,821)	-
Payment for acquisition of the net assets of Valley View Industries	E20(b)	(45,787)	-
Payment for acquisition of remaining 50% of Superior Materials LLC, net of cash	E20(c)	(34,651)	-
Capital contributions in affiliate companies		-	(650)
Acquisition of property, plant and equipment	E8	(111,497)	(79,651)
Acquisition of intangible assets	E9	(1,622)	(4,119)
Total cash used in investing activities		(201,250)	(74,295)
Cash flows from financing activities			
New loans and financing	E11	187,086	173,942
Payment of loans and financing	E11	(290,485)	(168,121)
Payment of lease liabilities	E10	(24,058)	(17,134)
Capital increase	E15	61,490	-
Return of capital	E15	(3,858)	-
Payment of long-term debt to related party	E6	-	(112,849)
Financial costs, except interest		(1,089)	(979)
Total cash used in financing activities		(70,914)	(125,141)
Increase in cash and cash equivalents		4,590	43,862
Effect of foreign exchange on cash		(25)	(184)
Cash and cash equivalents at the beginning of the period		128,762	85,084
Cash and cash equivalents at the end of the period		133,327	128,762

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

Section A – General information

1 Operational context

St. Marys Cement Inc. (Canada) ("the Company" or "SMCI") is a subsidiary controlled by Votorantim Cimentos International S.A.("VCI") which holds 83% of the capital of SMCI and is in turn directly controlled by Votorantim Cimentos S.A. ("VCSA"). McInnis Holding Limited Partnership ("McInnis Holding") owns 17% of the Company's capital. McInnis Holding Limited Partnership is indirectly controlled by Caisse Dépôt et Placement du Québec ("CDPQ").

St. Marys Cement Inc. (Canada) and its subsidiaries (together "the Group") manufactures and distributes heavy building materials, which includes cement, aggregates, ready- mix concrete and construction related materials. The Group has facilities in Canada and the United States. The address of its registered office is 55 Industrial St, Toronto, Ontario, Canada.

2 Approval of the consolidated financial statements

These consolidated financial statements for the year ended December 31, 2021 were approved by the Board of Directors of the Group on February 22, 2022.

3 Main events that occurred in the year

3.1 Acquisition of McInnis Cement Inc. ("McInnis")

On April 30, 2021, SMCI completed a business combination related to the acquisition of the cement business of McInnis, for a total consideration of USD 553,149. The transaction is reflected in these consolidated financial statements as of December 31, 2021 and is detailed in Note E20 (a).

3.2 Acquisition of Superior Materials, LLC ("Superior Materials")

On July 31, 2021 the Company completed the purchase of the remaining 50% interest in Superior Materials, LLC, a ready-mix concrete company located in Detroit-Michigan, for USD 38,500 paid in cash, bringing the company's ownership in Superior Materials to 100%. The transaction was accounted as a business combination is reflected in these consolidated financial statements as of December 31, 2021 and is detailed in Note E20 (c).

3.3 Acquisition of assets from Valley View Industries ("Valley View")

On August 15, 2021, VCNA Prairie LLC, a wholly owned subsidiary of the Company based in Chicago, Illinois, USA completed the acquisition of assets from Illinois based Valley View Industries, for a total consideration of USD 45,787. Even though this was an asset acquisition, the Company acquired Valley View's business, and therefore IFRS 3 – Business Combination was applied. The transaction is reflected in these consolidated financial statements as of December 31, 2021 and is detailed in Note E20 (b).

3.4 Committed credit facility

During 2021, the Company executed several additional withdrawals and repayments from the committed credit facility available.

The total amount drawn as at December 2021 was USD 45.8 million, and the remaining available for use of this credit facility totalled USD 244.2 million. The maturity of this committed credit facility is August 2024.

3.5 Global Revolving Credit Facility

VCSA and its main subsidiaries, including the Company, entered into a USD 500,000 Revolving Credit Facility agreement, maturing in August 2023. Borrowings can be made by any of its main subsidiaries in U.S. funds and are repaid and reborrowed at the borrower's discretion. During September 2021, the Group renewed this revolving credit facility decreasing its limit to USD 250,000 while extending its maturity to September 2026. As of December 31, 2021, this line of credit is 100% available to the Group and can be used at any time.

3.6 Coronavirus outbreak identified effects

3.6.1 Effects of the pandemic caused by the new coronavirus (COVID-19)

Due to the global pandemic declared by the World Health Organization (WHO) related to the new Corona virus (COVID-19) that has been affecting Canada, the USA and other countries around the world, presenting high risks to public health and impacting the global economy, the Company in accordance with its Risk Management Policy and approved by the VCSA Board of Directors and implemented by Company Management, has implemented through its Corporate Crisis Committee, a plan to manage through this crisis and has implemented preventive measures in an attempt to mitigate the impact of the pandemic. These preventative measures are aligned with the guidelines established by national and international health authorities. The Company expects to mitigate, as much as possible, the potential impact that the COVID-19 crisis has on the health and safety of its employees, relatives, associates and communities, and as well, to minimize the potential impact on the Company's operations.

The Corporate Crisis Committee has set up a multitasking team working closely in conjunction with the Company's Board to address the COVID-19 situation. One of their main tasks has been to determine the effects and consequences of the crisis on the Company's business, the clients, suppliers and other creditors.

As such, the Company has been monitoring the current effect that the COVID-19 crisis is having on its main estimates and critical accounting judgments, as well as other balances that have the potential to present uncertainty and impact the financial information disclosed. Since the last annual consolidated financial statement as of December 31st, 2020, no additional impacts to the analysis were identified as it relates to:

(i) Impairment of non-financial assets (Note C3.4);
(ii) Recoverability of deferred tax assets (Note C3.8);
(iii) Fulfillment of obligations related to debt contracts;
(iv) Risk matrix to the calculation of the allowance for doubtful accounts;
(v) Estimate of loss on inventory due to slow moving and changes in net realizable value;
(vi) Fulfillment of obligations with customers and suppliers.

At December 31, 2021, Votorantim Cimentos S.A. and its subsidiaries, which includes the Company, had a solid liquidity position, supported by available rotating credit lines, amounting to US$413 million considering events after the reporting period (Note E10 (c)). The average debt maturity is 8.5 years. This liquidity places the Company in a strong position to overcome the impacts of the COVID-19 crisis.

Considering the ongoing uncertainty surrounding Covid, management remains vigilant and prepared to implement new measures should they be needed.

The Company and its subsidiaries did not identify any other relevant Covid-19 impacts on the consolidated financial statements of the Company as of December 31, 2021 for disclosure, and did not identify any impacts or accounting evidence related to COVID-19 requiring signficant revisions of the critical accounting estimates and judgments, or related to the policies disclosed in Note C of the December 31, 2021 annual consolidated financial statements.

In thousands of U.S. dollars, unless otherwise stated

4 Correction of prior period error in presentation of pension assets and post-employment benefit obligations

In Q1 2021, the Company changed its presentation of assets and liabilities of various post-employment benefit plans on the balance sheet to conform with the IFRS requirements. There is no was no significant impact to the financial statements taken as a whole. The prior year balance sheet presentation has been revised as follows:

	31-Dec-20	Reclassification	Restated 31-Dec-20
Pension assets	-	32,359	32,359
Total assets	1,729,598	32,359	1,761,957
Post-employment benefit obligations	25,207	32,359	57,566
Total liabilities	961,701	32,359	994,060

In thousands of U.S. dollars, unless otherwise stated

Section B – Supplementary information

1 Adjusted EBITDA

The operating and reportable segments used for decision-making, and regularly reviewed by the "Chief Operating Decision Maker" (CODM) defined as the CEO, are organized by geographical area, with one reportable segment based on the locations of the Company's assets, located in North America.

The main source of information for the assessment of the financial performance of the reportable segments is the adjusted EBITDA, which is reported on a monthly basis). The adjusted EBITDA is calculated on the basis of net income, plus/minus financial income and expenses, plus/minus income tax, plus depreciation, amortization and depletion, plus/less equity in the results of investees, plus dividends received from investees and less unusuall non-cash items. Non-cash items considered by Management as unusuall are excluded from the adjusted EBITDA measurement. The supplementary information included in this Note is not intended to be in accordance with and is not required by the accounting practices adopted in Canada or by IFRS.

The following table reconciles the twelve months adjusted EBITDA from the profit for the period:

	Last twelve months ended 12/31/2021	Last twelve months ended 12/31/2020
Revenue from contracts with customers	1,326,801	1,032,861
Profit (loss) for the year	173,143	99,065
Profit before income tax and social contribution	228,153	133,128
Depreciation, amortization and depletion	133,193	98,369
Financial results, net	46,383	49,593
EBITDA	407,729	281,090
Equity in the results of associates and joint ventures	(6,578)	(10,341)
Dividends received	7,859	8,180
Adjusted EBITDA items		
COVID-19 costs	805	2,568
Investment acquisition costs	15,231	-
Fair value gain resulting from remeasurement of previously owned interest (Note E20 (c))	(24,124)	-
Gain on investment acquisition (Note E20 (a))	(46,588)	-
Adjusted EBITDA	354,334	281,497

2 Capital management

The company's objective when managing capital is to safeguard its ability to continue as a going concern in order to provide returns for shareholders, benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.

In thousands of U.S. dollars, unless otherwise stated

In order to maintain or adjust the capital structure, the company may amend or may propose to shareholders to amend when their approval is required, the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The company monitors capital on the basis of the leverage ratio (which corresponds to net debt divided by Adjusted EBITDA for the last 12 months). Net debt is calculated as total borrowings (including 'bank indebtedness' and 'long-term debt' as shown in the consolidated statement balance sheet) less cash and cash equivalents. The ratios at December 31, 2021 and December 31 2020 were as follows:

	31-Dec-21	31-Dec-20
Borrowing	554,605	520,820
Lease liabilities	212,543	74,773
Cash and cash equivalents	(133,327)	(128,762)
Net debt - (A)	633,821	466,831
Adjusted EBITDA - (B)	354,334	281,497
Financial leverage ratio - (A/B)	1.79	1.66

3 Net revenue by product line

	01/1/2021 to 12/31/2021	01/1/2020 to 12/31/2020
Cement	660,943	448,315
Ready-mix	544,965	485,342
Aggregates	99,686	84,754
Other	21,207	14,450
	1,326,801	1,032,861

Section C – Presentation of Financial Statements

1 Changes in accounting policies and disclosures

1.1 Amendments to accounting standards adopted by the Company

The following amendment to standard issued by the International Accounting Standards Board (IASB) were adopted for the first time for the period beginning on January 1st, 2021:

(i) Interbank offered rates (IBORs) reform: amendments to IFRS 9 "Financial Instruments", IAS 39 "Financial Instruments – Recognition and Measurement", IFRS 7 "Financial Instruments: Disclosures", IFRS 4 "Insurance Contracts" and IFRS 16 "Leases".

The Company analyzed the amendment to the accounting standard mentioned above and did not identify impacts on its operating and accounting policies.

In line with the LIBOR and other IBORs transition project, the Company has assessed its LIBOR-indexed borrowings and derivatives and has been discussing fallback language with financial institutions with which it has relationship. The Company intends to apply the practical expedient in IFRS 9 and recognize the change in the rate without a gain or loss impact in profit or loss. Upon the actual renegotiation of contracts, the Company will assess whether the practical expedient remains applicable.

Other standards and amendments were effective for annual periods commencing on or after January 1, 2021. The adoption of these new standards did not have an impact on the Company's financial statements.

1.2 Amendments to accounting standards not yet adopted by the Company

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for December 31, 2021 reporting periods and have not been early adopted by the Group. According to a preliminary analysis the Company identified that the amendment to IAS 12 – “Income Taxes” could impact its current accounting policies. This amendment requires companies to recognize deferred taxes on transactions that on initial recognition give rise to equal amounts of taxable and deductible temporary differences, such as lease agreements or asset retirement obligations. The amendment is effective for periods beginning January 1, 2023, and not yet endorsed by the IASB. Nevertheless, the Company is currently analyzing in detail the potential impacts, in accordance with local tax regulations.

2 Basis of presentation

2.1 Consolidated financial statements

The consolidated financial statements of the Group have been prepared and are being presented in accordance with IFRS and International Financial Reporting Interpretation Committee (“IFRIC”) interpretations as issued by the IASB and detailed in Part I of the Chartered Professional Accountants Canada Handbook. These consolidated financial statements disclose all (and only) the applicable significant information related to the financial statements, which is consistent with the information used by management in the performance of its duties.

The consolidated financial statements have been prepared under the historical cost convention as modified by the revaluation of available-for-sale financial assets and financial assets and liabilities at fair value through comprehensive income.

The accounting policies applied to the consolidated financial statements are consistent with those adopted and disclosed in the consolidated financial statements of the prior year, as per information presented in Note C1. Accounting policies of subsidiaries and joint ventures are changed where necessary to ensure consistency with the policies adopted by the Group.

The significant accounting policies for understanding the consolidated financial statements are included in the respective notes, with a summary of the basis of recognition and measurement used by the Group.

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note C3.

2.2 Functional and presentation currency of the consolidated financial statements

Management, after analysis of operations and business, concluded that the functional currency of the entities within the Group is either Canadian (“$CDN”) or U.S. (“$US”) dollars and is determined as the currency of the primary economic environment in which each entity operates, based on analysis of the following indicators:

a. the currency that has significant influence over prices of products and services;

b. the currency of the country where competition and regulations have a significant influence in the determination of prices of products and services;

c. the currency that has a significant influence over labour, material and other costs of products or services;

d. the currency which supports most of the financial activities; and

e. the currency which supports most of the operating activities.

The functional currency of the Company is the Canadian dollar. All amounts in these financial statements are presented in thousands of U.S. dollars unless otherwise stated, since that is the common currency for the industry in North America.

2.3 Translation from foreign currency

Transactions in currencies other than the functional currency are translated to the functional currency at the exchange rates in effect at the transaction dates. The foreign exchange gains and losses resulting from the settlement of these transactions and from the conversion of monetary assets and liabilities denominated in foreign currency at the exchange rates in effect at the consolidated balance sheet dates are recognized in net income, except when deferred in other comprehensive income as qualifying net investment hedges.

2.4 Controlled entities with different functional currency from the Group

The results and financial position of all entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

a. assets and liabilities for each consolidated balance sheet presented are translated at the closing rate at the date of that consolidated balance sheet;

b. income and expenses for each consolidated statement of income and comprehensive income are translated at average exchange rates (unless); and

c. all resulting exchange differences are recognized as a separate component of equity, in “Accumulated other comprehensive income”.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to equity. When a foreign operation is completely or partially disposed of or sold, exchange differences that were recorded in equity are recognized in the consolidated statements of income and comprehensive income as part of the gain or loss on sale.

The amounts presented in the Consolidated statement of cash flow are extracted from the translated assets, liabilities and income and expenses movements.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing exchange rate.

The functional currency of the subsidiaries included in consolidation are disclosed in note C2.5 below.

In thousands of U.S. dollars, unless otherwise stated

2.5 Consolidation

Companies included in the consolidated financial statements are as follow:

		Percentage of total and voting capital			
	Note	31-Dec-21	31-Dec-20	Place of operation	Main activity
St. Marys Cement Inc. (Canada)		100.00	100.00	Canada	Cement, ready-mix concrete, aggregates
Ciment McInnis Inc.	E20 (a)	100.00	-	Canada	Cement
Carrières McInnis Inc.	E20 (a)	100.00	-	Canada	Cement
S.E.C. Ciment McInnis	E20 (a)	100.00	-	Canada	Cement
Rosedale Securities, Ltd		100.00	100.00	Canada	Holding
2339097 Ontario Limited		100.00	100.00	Canada	Holding
2377482 Ontario Inc.		100.00	100.00	Canada	Holding
2377962 Ontario Inc.		100.00	100.00	Canada	Holding
St. Marys Cement Inc. (US)		100.00	100.00	USA	Cement
McInnis USA Inc.	E20 (a)	100.00	-	USA	Cement
VCNA Prairie LLC		100.00	100.00	USA	Ready-mix concrete and aggregates
VCNA Prairie Aggregate Holdings Illinois, Inc.		100.00	100.00	USA	Holding
VCNA US, Inc.		100.00	100.00	USA	Holding
Votorantim Cimentos North America, Inc.		100.00	100.00	USA	Head Office
313 Ready Mix, LLC		100.00	100.00	USA	Ready-mix concrete and aggregates
VCNA United Materials LLC	A 3.2	100.00	100.00	USA	Concrete
VCNA United Materials Builders LLC	A 3.2	100.00	100.00	USA	Retail
Superior Materials Holdings, LLC	E20 (c)	100.00	50	USA	Ready-mix concrete

2.5.1 Subsidiaries

Subsidiaries are all entities over which the Company has control. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date that control ceases.

Balances and transactions between related parties and any unrealized income or expenses derived from transactions between related parties are eliminated. Unrealized gains arising from transactions with investees recognized under the equity method are eliminated against the investment in the proportion of the Group's interest on the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

The Company treats transactions with non-controlling interests as transactions with equity owners of the Company. For purchases from non-controlling interests, the difference between any consideration paid and the proportion acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded directly in equity.

When the Company ceases to have control, any retained interest is re-measured to its fair value, with the change in carrying amount recognized in profit or loss. The amounts previously recognized in other comprehensive income are reclassified to profit or loss.

2.5.2 Joint arrangements

Joint arrangements are classified as either joint ventures or joint operations, depending on the contractual rights and obligations of each investor.

Joint ventures are accounted for using the equity method, where the interests in joint ventures are initially recognized at cost and adjusted thereafter to recognize the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognize further losses unless it has incurred obligations or made payments on behalf of the joint ventures.
Unrealized gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealized losses are also eliminated unless the transaction

provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

Joint operations arise when a joint operator has rights to assets and obligations for the liabilities relating to the arrangement and therefore accounts for its interest in assets/liabilities, revenue and expenses.

Intercompany transactions and balances, as well as unrealized gains and losses, are eliminated on consolidation. The accounting policies of the joint operations were adjusted, when necessary, to ensure consistency with the accounting policies adopted by the Group.

2.6 Revenue recognition

Revenue is determined based on the amount that the Company expect to receive from the sale of products and services rendered in the normal course of the entity's business, less expected losses, and less any events that may impact the measurement of the transaction amount. Revenue is shown net of value added tax, returns, rebates and discounts and, in the consolidated financial statements, after eliminating sales among consolidated companies.

The Group recognize revenue when: (i) there is a contract and/or any agreement for the Company to satisfy a performance obligation; (ii) the contract performance obligation is identifiable; (iii) the amount of revenue can be reliably measured and it can be allocated to each performance obligation; (iv) it is probable that future economic benefits will result from the transaction; (v) the performance obligations agreed with the counterparty are fulfilled and control over the goods or services is transferred to the counterparty; and (vi) specific criteria have been met for each of the activities of the Group.

The general practice of the Group is to recognize the revenue, and the associated costs, upon delivery of the products or rendering of services to its customers, or when the control is transferred to the customer:

(i) Contracts with customers related to the sale of cement, aggregates, mortar and other include the performance obligation to deliver products to the customer. Thus, revenue is recognized when the performance obligation is fulfilled, i.e., at a point of time when the product is delivered to the customer;

(ii) Concrete pouring services include the performance obligation to deliver ready-mix concrete according to specifications in relation to concrete resistance levels specified in the contract. Revenue is recognized when the performance obligation is fulfilled over time upon actual delivery of ready-mix concrete to the customer.

A contract liability is recognized when the Group has an obligation to transfer products or services to a customer from whom the aforementioned consideration has already been received. The recognition of the contractual liability occurs at the time when the consideration is received and settled, and when the entity complies with the performance obligation, against Revenue. Such contract liabilities are presented as advances from customers.

For some contracts with customers, the Group provides retrospective volume rebates, which are settled in the form of cash or products to be delivered free of charge to said customers when certain established purchase volumes are reached. The Group applies the expected value method to estimate the variable consideration in the contract. The Group then applies the requirements on constraining estimates of variable consideration to determine the amount of variable consideration that can be included in the transaction price and recognized as revenue. A refund liability is recognized for the expected future rebates (i.e., the amount not included in the transaction price), according to the amount that the entity estimates to deliver to the customer. The Group bases its estimates on past history, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. The Group updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each reporting period.

3 Critical accounting estimates and assumptions

Based on assumptions, the Group makes estimates concerning the future. By definition, accounting estimates and judgments are continually reviewed and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are recognized prospectively.

The accounting estimates will seldom match the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next year are addressed below:

3.1 Fair value of financial instruments (Note D4):

The following are the levels in a hierarchy that is based on significance of the inputs used in making the measurements of financial assets and liabilities that are recognized on the consolidated balance sheets at fair value:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets and liabilities; and

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
Specific valuation techniques used to measure assets and liabilities at fair value include:

a. quoted market prices or quotations from financial institutions or brokers for similar instruments;

b. the fair value of interest rate swaps calculated at the present value of the estimated future cash flows based on the yield curves adopted by the market;

c. the fair value of future foreign exchange contracts determined based on future exchange rates at the reporting date, with the resulting amount discounted to present value; and

d. analysis of discounted cash flow.

3.2 Expected credit losses (Note E2):

The methodology for calculating expected credit losses on financial assets measured at amortized cost is based on a risk matrix, which was based on historical credit loss experience, the economic environment and the forecasts of future economic conditions for the all aging list, including the receivables still to fall due. In this sense, the Group's treasury department: (i) analyzes the average historical credit recovery of the last four years; and (ii) analyzes the prospective loss risk based on customer events established in statistical modeling (logistic regression) according to internal and external information. The result of this analysis establishes the annual risk matrix and, consequently, the financial amount to be accounted for as impairment by aging list.

3.3 Estimated useful lives of property, plant and equipment and intangible assets (Notes E8 and E9):

The useful lives of the assets that are used in the Group's activities are evaluated whenever events or changes indicate that the depreciation rates applied do not reflect the degree of natural deterioration of the asset due to use. In these circumstances, the useful life of an asset or group of assets is adjusted to reflect the new thresholds.

3.4 Impairment of non-financial assets (Notes E8, E9 and E10):

The Group and its subsidiaries review their assets for impairment on an annual basis or whenever events or changes in economic, operating or technological circumstances indicate that their carrying amounts may not be recoverable. An impairment loss is recognized when the carrying amount of the asset or cash-generating unit ("CGU") exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value, less selling costs (net sales value) and its value in use.

The value in use is determined by the projection of future free operating cash flows discounted to present value, using a discount rate that reflects current market assessments, based on the financial budgets approved by management for the next five years. All market projections are based on trade associations, economic consulting and research and statistics institutes from the countries in which the Group operates. The fair value is obtained from the sale of an asset or a CGU on an arm's length basis, between knowledgeable and willing parties, less estimated costs to make the sale.

For the purposes of assessing impairment, assets are grouped at the lowest level for which there is separately identifiable cash flow (CGU level). If there are new prospective indicators of recovery of the carrying amount of impaired assets, except for goodwill, they are tested again and may have their provision for impairment reversed at the consolidated balance sheet date.

An impairment loss is recognized in profit or loss for the period, in the amount by which the asset's carrying amount exceeds its recoverable amount.

COVID has reached different levels of infection in the various regions where the Company operates. The uncertainty surrounding the forecast of future impacts and the recovery speed of the economy are still high. The Company performed a full impairment test for year-end 2021, in line with its annual impairment policy and no impairment indicators were identified.

3.5 Asset retirement obligation - ARO (Note E12):

The Group recognizes an obligation at the fair value of the asset retirement when it is probable that cash outflow will be required, against the respective intangible assets. The Group considers the use of accounting estimates related to the recovery of degraded areas and the costs to close a mine as critical accounting practices, since they involve significant provision amounts. These estimates involve various assumptions such as interest rates, inflation, regulatory requirements and the useful life of the asset, considering the current depletion stage, the costs involved, and the dates established for the depletion of each mine. These estimates are annually reviewed by the Group.

3.6 Provisions for tax, civil, labour and environmental contingencies (Note E12):

The Group is a party to ongoing tax, civil, labour and environment lawsuits arising in the normal course of business that are pending at the reporting date. The provision recognized to cover potential losses arising from ongoing lawsuits is established and updated based on management's evaluation, is supported by the opinions of external legal advisors and requires a high level of judgment.

3.7 Employee benefits (Note E13):

The present value of the pension obligations or rights depends on a number of factors that are determined on an actuarial basis using several assumptions. Among the assumptions used in determining the net cost for actuarial obligations or rights is the discount rate, computed based on the return rates offered by the government. The actuarial obligations are held in the currency in which the benefits will be paid and that has maturity approximating the maturities of the respective healthcare and defined benefit plan obligations.

3.8 Income taxes (Note E14):

The income tax benefit or expense for the year comprise the current and deferred taxes. These taxes are calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the entities operate and generate taxable income, and are recognized in the statement of income, except to the extent that they relate to items recognized directly in equity.

The current income tax is presented net, separated by taxpaying entity, in liabilities when there are amounts payable, or in assets when the amounts prepaid exceed the total amount due on the reporting date.

Deferred tax liabilities are recognized on temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The deferred taxes and contributions are determined based on the rates in effect at the reporting date and that should be applied when they are realized or settled.

The Company also recognizes deferred income tax assets on the recoverable balances of tax losses. Deferred tax assets are periodically analyzed to check their recoverability.

Section D – Risk management

1 Seasonality of cement operations

The demand for cement, ready-mix concrete, aggregates and other construction materials is seasonal, due to cyclical activity in the construction sector affected by climatic conditions. This has a direct impact in the Company's operating performance throughout the year.

The Company's market is located in North America, therefore the operating sales usually suffer a decrease during the first quarter of the year and the month of December as well, reflecting the negative winter effects, and an increase in the second and third quarters of the year, reflecting the positive effects of summer season. This seasonality can be particularly visible in severe winter seasons.

2 Environment risk management

The Group and its subsidiaries and associates operate in various segments and, consequently, their activities are subject to local, state, national and international environmental laws and regulations, treaties and conventions, regarding the regulation of activities, establishing measures of mitigation, compensation, management and monitoring, including those that regulate the obligations of the owner of the venture and/or activity relating to environmental protection. The violations of the environmental regulations in force expose the violator(s) to administrative assessments, such as significant fines and penalties, and may require technical measures or investment to ensure the compliance with the mandatory environmental standards.

The Group reviews periodically its environmental risk assessment and addresses the risks, either through risk mitigation actions or cost estimation actions, to clear the risks identified. These risks are usually recorded as asset retirement obligations (Note E12).

3 Financial risk management

The Company does not have relevant risk related to the gain or loss involving currency and interest rate risk, credit risk and liquidity risk apart from a debt held in US dollars.

3.1 Hedging of net investments in foreign operations

(a) Accounting policies

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges.

Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognized in equity in the account Accumulated Other Comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in the consolidated statements of income and comprehensive income. Gains and losses accumulated in equity are included in the consolidated statements of income and comprehensive income when the foreign investment is realized or sold.

In thousands of U.S. dollars, unless otherwise stated

The Group annually formalizes the hedge documentation regarding the designation of the transaction. Net investment hedge transactions are designated when the Group identifies an economic relationship between the hedged item and the hedging instrument by determining a hedge ratio that represents the hedge relationship existing at the time of designation.

On a quarterly basis, the effectiveness of net investment hedge transactions are prospectively evaluated using the dollar offset method comparing the numerical effects of a change in the spot rate on the value of the hedge instrument, net of deferred income tax on the exchange variation of the debt, and the value of the hedged item. The critical terms of the hedging instrument are identical to the terms of the hedged item, and therefore only one scenario is evaluated through projections of future rates available in the market.

(b) Analysis

								01/1/2021 to 12/31/2021
Investor		Hedged item				Instrument		
Entity	Currency	Investment	Currency	Percentage designated	Underlying investment USD	Currency	Original amount	Gain recognized in other comprehensive income
St. Marys Cement Inc. (Canada)	CAD	VCNA US, Inc.	USD	44.41%	1,125,990	USD	500,000	2,833
								2,833

								01/1/2020 to 12/31/2020
Investor		Hedged item				Instrument		
Entity	Currency	Investment	Currency	Percentage designated	Underlying investment USD	Currency	Original amount	Gain recognized in other comprehensive income
St. Marys Cement Inc. (Canada)	CAD	VCNA US, Inc.	USD	44.00%	1,125,990	USD	500,000	8,651
								8,651

The designated hedge transaction was effective, and therefore no translation gain or loss was recognized in the current consolidated statement of income and comprehensive income.

The gain or loss recognized in other comprehensive income presented above is net of income tax, as detailed in Note 15(c).

3.2 Liquidity risk

The amounts below represent the contractual undiscounted and future estimated cash flows, which include interest to be incurred and, accordingly, do not reconcile directly with the amounts presented in the balance sheet.

	Less than one year	Between one and three years	Between three and five years	Over 5 years	Total
At December 31, 2021					
Borrowing	29,183	104,504	54,645	514,236	702,567
Lease liabilities	35,036	25,682	48,784	138,438	247,940
Trade payables	224,217	-	-	-	224,217
Salaries and payroll charges	38,801	-	-	-	38,801
	327,237	130,186	103,429	652,674	1,213,525

In thousands of U.S. dollars, unless otherwise stated

	Less than one year	Between one and three years	Between three and five years	Over 5 years	Total
At December 31, 2020					
Borrowings	29,149	57,631	68,289	541,256	696,326
Lease liabilities	14,003	16,307	25,255	31,947	87,512
Trade payables	175,463	-	-	-	175,463
Salaries and payroll charges	38,213	-	-	-	38,213
Related parties	1,446	-	-	-	1,446
	258,274	73,938	93,544	573,203	998,959

4 Financial instruments

4.1 Classification, recognition and measurement

The Group classifies its financial assets based on the business model for which the financial assets were acquired and determines their classification upon initial recognition, in the following categories:

(i) Financial instruments at amortized cost

These are financial instruments held for the purpose of receiving contractual cash flows, with payments related exclusively to principal and interest. The instruments under this classification are measured at amortized cost.

(ii) Financial instruments at fair value through other comprehensive income

Financial instruments where the contractual cash flows are solely payments of principal and interest and the objective of the Group's business model is achieved both by collecting contractual cash flows and selling financial assets. The instruments in this classification are measured at fair value through other comprehensive income.

(iii) Financial instruments at fair value through profit or loss

All financial instruments that do not fall under the above definitions are classified in this category. The instruments under this classification are measured at fair value through profit or loss.

4.2 Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount presented in the consolidated balance sheets when there is a legally enforceable right to offset the recognized amounts and when there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

In thousands of U.S. dollars, unless otherwise stated

4.3 Analysis

The financial instruments of the Group are classified as follows:

31-Dec-21

	Note	Amortized cost	Fair value through other comprehensive income	Total
Current assets				
Cash and cash equivalents	E1	133,327	-	133,327
Trade receivables	E2	21,992	-	21,992
		155,319	-	155,319
Non-current assets				-
Notes and capital related to SPE	E4	37,741	-	37,741
Financial investments		-	637	637
		37,741	637	38,378
Current liabilities				
Borrowing	E11	12,068	-	12,068
Lease liabilities	E10	27,618	-	27,618
Accounts payable and accrued liabilities		224,217	-	224,217
Salaries and benefits		38,801	-	38,801
		302,704	-	302,704
Non-current liabilities				
Borrowing	E11	542,537	-	542,537
Lease liabilities	E10	184,925	-	184,925
		727,462	-	727,462

31-Dec-20

	Note	Amortized cost	Fair value through other comprehensive income	Total
Current assets				
Cash and cash equivalents	E1	128,762	-	128,762
Trade receivables	E2	11,804	-	11,804
		140,566	-	140,566
Non-current assets				
Notes and capital related to SPE	E4	28,660	-	28,660
Financial investments		-	717	717
		28,660	717	29,377
Current liabilities				
Borrowing	E11	12,322	-	12,322
Lease liabilities	E10	14,003	-	14,003
Accounts payable and accrued liabilities		175,463	-	175,463
Salaries and benefits		38,213	-	38,213
		240,001	-	240,001
Non-current liabilities				
Borrowing	E11	508,498	-	508,498
Lease liabilities	E10	60,770	-	60,770
		569,268	-	569,268

In thousands of U.S. dollars, unless otherwise stated

4.4 Fair value of financial instruments

	Note	Fair value measured based on		31-Dec-21
		Price quoted in an active market	Valuation technique supported by observable prices	
		Level 1	Level 2	Fair value
Assets				
Financial investments		637	-	637
		637	-	637
Liabilities				
Borrowing	E11	-	617,684	617,684
		-	617,684	617,684

	Note	Fair value measured based on		31-Dec-20
		Price quoted in an active market	Valuation technique supported by observable prices	
		Level 1	Level 2	Fair value
Assets				
Financial investments		717	-	717
		717	-	717
Liabilities				
Borrowing	E11	-	609,124	609,124
		-	609,124	609,124

All the financial instruments not included in the table above are measured at amortized cost and the Company believes their carrying amount and their fair value are materially the same. The fair value of these financial instruments is determined by observable price (Level 2) in arms-length transactions or equivalent, in the case of intercompany transactions. There was no transfer between the levels during the periods.

Section E – Relevant notes

1 Cash and cash equivalents

(a) Accounting policies

Cash and cash equivalents include cash on hand, deposits held with banks and other highly liquid investments and which are readily convertible into a known amount of cash and subject to immaterial risk of change in value.

(b) Analysis

	31-Dec-21	31-Dec-20
$CDN Cash at bank and on hand	15,376	19,995
$US Equivalent	12,149	15,697
$US Cash at bank and on hand	121,178	113,065
	133,327	128,762

In thousands of U.S. dollars, unless otherwise stated

2 Trade receivables

(a) Accounting policies

Accounts receivable corresponds to the amounts receivable from sales made in the course of the Group's normal business. It is recognized at fair value and subsequently measured at amortized cost using the effective interest rate method, less allowance for expected credit loss.

(b) Analysis

	31-Dec-21	31-Dec-20
Trade accounts receivable	22,512	10,645
Non-trade accounts receivable	1,512	1,731
Due from related parties (Note E6)	613	31
	24,637	12,407
Provision for expected credit loss	(2,645)	(603)
	21,992	11,804

The fair value of current accounts receivable approximates their carrying amount due to their short-term nature.

(c) Changes in the allowance for expected credit loss

	31-Dec-21	31-Dec-20
Balance at the beginning of the period	603	949
Provision for receivables expected credit loss	91	317
Superior acquisition	801	-
McInnis acquisition	1,146	-
Transfer of United Materials balance to securitization	-	(667)
Currency translation adjustments	4	4
Balance at the end of the period	2,645	603

The creation and release of allowance for expected credit loss have been included in "selling, general and administrative expenses" in the consolidated statements of income and comprehensive income. Amounts charged to the allowance for expected credit loss are generally written off when there is no expectation of recovering additional cash.

3 Securitization

(a) Accounting policies

On March 31, 2016, the Group entered into a revolving receivables securitization transaction with financial institutions for the sale of trade receivables to a special purpose entity ("SPE") which was established specifically for this purpose and which is not controlled by the Group. The SPE finances the initial acquisition of the receivables and classifies it by the grade of the receivable based on its transaction history, by means of: (i) senior notes; (ii) senior subordinated note; (iii) intermediate subordinated certificates; and (iv) junior subordinated certificates. In March 2019, the Group renewed the transaction until March 2022. In September and December 2021, the Company extended its maturity from March 2022 to March 2024 and increased its facility amount to $225M (December 2020 - $150M) to allow for M&A and growth in the business.

The Group sells the trade receivables to the SPE on a daily revolving basis. When the Group transfers its receivables to the SPE, it derecognizes the receivables in exchange for cash and notes receivables

In thousands of U.S. dollars, unless otherwise stated

from the SPE (Note E6). The SPE charges the Group discount interest when the SPE buys the receivables (Note E19).
The Group manages, through a service provider on behalf of the SPE, the collections of the receivables included in the transaction. The fees charged to the SPE are disclosed in Note E6.

The SPE is not included in the consolidated financial statements since the Group does not control the SPE for accounting purposes as determined in accordance with the criteria of IFRS 10, Consolidated Financial Statements, and therefore balances of the Group with the SPE are shown on the consolidated Financial Statements in the related party note (Note E6).

The Group has neither transferred nor retained substantially all the risks and rewards of ownership of the transferred assets and has retained control of the transferred assets as the SPE does not have the practical ability to sell the transferred assets. The receivables are recognized on the consolidated balance sheets to the extent of the Group's continuing involvement and recognized as an associated liability (Note E12). The extent of the Group's continuing involvement in the transferred assets is the extent to which it is exposed to changes in the value of the transferred assets. The net carrying amount of the partially transferred assets and associated liabilities reflects the rights and obligations that the Group has retained.

(b) Analysis

	31-Dec-21	31-Dec-20
Notes continuing to be recognized	29,908	24,879
Capital contribuition in the SPE	7,833	3,781
Notes and capital related to the SPE (Note E6)	37,741	28,660
Security guarantee	(14,029)	(10,272)
Junior note guarantee losses	(2,791)	(4,463)
Junior subordinated note (Note E12)	(16,820)	(14,735)
Net carrying amount of the continuing involvement	20,921	13,925

4 Inventories

(a) Accounting policies

Inventories are stated at the lower of cost and net realizable value. Inventories are determined using the standard cost method. The cost of finished goods and work in progress comprises design costs, raw materials, direct labor, other direct and indirect costs and related production overheads (based on normal operating capacity).

Net realizable value is the estimated selling price in the ordinary course of business, less conclusion costs and selling expenses. Imports in transit are stated at the accumulated cost of each import.

The Group and its investees, at least once a year, carry out a physical inventory. Inventory adjustments are recorded under Cost of goods sold and services rendered.

In thousands of U.S. dollars, unless otherwise stated

(b) Analysis

	31-Dec-21	31-Dec-20
Raw materials	60,831	21,829
Fuels	12,594	14,790
Semi-finished product	53,074	48,649
Finished product	36,931	17,506
Spare parts / maintenance materials	40,242	49,894
Less: Provision for obsolescence	(17,494)	(14,050)
	186,178	138,618

(c) Changes in the provision for inventory losses

	31-Dec-21	31-Dec-20
Balance at the beginning of the period	14,050	11,463
Addition	8,625	9,322
Reversals / write-off	(5,225)	(6,839)
Translation differences	44	104
Balance at the end of the period	17,494	14,050

5 Prepaid expenses

(a) Accounting policies

An asset is recognized in the consolidated balance sheets when future economic benefits are likely to be generated for the Group and its cost or value can be reliably measured. This is presented in the consolidated balance sheets based on the current and non-current classification.

An asset is classified as current when: (i) it is expected to be realized or consumed in the normal operating cycle; (ii) it is held mainly for trade; and (iii) it is expected to be realized within 12 months after the reporting period. All other assets are classified as non-current.

(b) Analysis

	31-Dec-21	31-Dec-20
Current assets		
Prepaid insurance	$ 9,828	$ 8,501
Licences, fees and dues	2,240	1,934
Prepaid - IT	327	312
Barge prepaid	576	380
Prepaid rent	81	81
	13,052	11,208
Non-current assets		
Prepaid royalties	5,847	5,733
Prepaid rent	799	870
Demolition cost	2,722	2,865
	9,368	9,468
	$ 22,420	$ 20,676

In thousands of U.S. dollars, unless otherwise stated

6 Related party transactions

(a) Accounting policies

Related party transactions are carried out by the Group under similar conditions to other transactions, considering the usual market prices and conditions and, therefore, do not generate any undue benefit to counterparties or losses to the Group. In the normal course of operations, the Group enters into agreements with related parties (associates, joint ventures and shareholders) related to the purchase and sale of products, loans, sale of raw materials and services.

(b) Analysis

	Receivables		Liabilities	
	31-Dec-21	31-Dec-20	31-Dec-21	31-Dec-20
Sister companies, associates or joint ventures				
Votorantim Cimentos EAA Inversiones, S.L.	41	-	-	36
Votorantim Cimentos Trading	-	-	-	1,411
VCNA SPE, LLC (Note E3)	37,741	28,660	-	-
Hutton Transport Limited	31	31	-	-
Superior Materials Holdings, LLC	-	-	-	2,069
Midway Group, LLC	541	-	966	657
	38,354	28,691	966	4,173
Current	613	31	966	4,173
Non-current	37,741	28,660	-	-
	38,354	28,691	966	4,173

	Sales		Purchases		Financial expense (income)	
	31-Dec-21	31-Dec-20	31-Dec-21	31-Dec-20	31-Dec-21	31-Dec-20
Parent company						
Votorantim Cimentos International S.A.	-	-	-	-	-	4,477
Sister companies, associates or joint ventures						
VCNA SPE, LLC	-	-	-	-	(29)	2,937
RMC Leasing, LLC	-	-	1,410	1,206	-	-
Hutton Transport Limited	-	-	33,517	27,842	-	-
Superior Materials Holdings, LLC	14,816	21,405	-	-	-	-
Midway Group, LLC	8,503	6,163	-	-	-	-
	23,318	27,568	34,927	29,048	(29)	7,414

(c) Debts issued by related parties guaranteed by the Group

				31-Dec-21		31-Dec-20	
Instrument	Debtor	Guarantor	Percentage guaranteed by the Company	Debt	Amount guaranteed	Debt	Amount guaranteed
4131 Loan to September, 2024	Votorantim Cimentos N/NE S.A.	St. Marys Cement Inc. (Canada)	100%	-	-	75,000	75,000
4131 Loan to February, 2025	Votorantim Cimentos S.A.	St. Marys Cement Inc. (Canada)	100%	100,000	100,000	100,000	100,000
4131 Loan to March, 2025	Votorantim Cimentos N/NE S.A.	St. Marys Cement Inc. (Canada) & Votorantim Cimentos S.A	100%	50,000	50,000	50,000	50,000
4131 Loan to March, 2025	Votorantim Cimentos S.A.	St. Marys Cement Inc. (Canada)	100%	50,000	50,000	50,000	50,000
Committed credit facility	Votorantim Cimentos Internacional S.A., Votorantim Cimentos EAA Inversiones, SL and St. Marys Cement Inc. (Canada)	St. Marys Cement Inc. (Canada) & Votorantim Cimentos S.A	100%	45,803	45,803	11,776	11,776
				245,803	245,803	286,776	286,776

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

In thousands of U.S. dollars, unless otherwise stated

(d) Debts issued by the Company and its subsidiaries guaranteed by related parties

Instrument	Guarantor	Percentage guaranteed by the Company	31-Dec-21	31-Dec-20
Voto 2027	Votorantim Cimentos S.A.	100%	512,139	512,139
Committed credit facility	Votorantim Cimentos S.A.	100%	45,803	11,776
			557,942	523,915

(e) Key management compensation

The Group's management includes the Board of Directors and the Board of Executive Officers. The expenses for key management compensation, including all benefits, are summarized as follows:

	31-Dec-21	31-Dec-20
Salaries and remuneration	$ 5,769	$ 4,020
Post-employment benefits	415	359
Statutory contributions	171	161
	$ 6,355	$ 4,540

7 Investments accounted for using the equity method

(a) Accounting policies

The accounting policies for investments are presented in Note C2.5.

(b) Analysis

	Information as at December 31, 2021			Income from investments		Balance	
	Net equity	Net income for the period	Percentage of voting and total capital (%)	01/1/2021 to 12/31/2021	01/1/2020 to 12/31/2020	31-Dec-21	31-Dec-20
Joint ventures							
Hutton Transport Limited (i)	12,653	5,428	25.00	1,357	1,146	5,497	4,731
Superior Materials Holdings, LLC (Note 20 (c))	-	6,114	50.00	3,057	7,259	-	16,666
Midway Group, LLC	15,195	4,152	50.00	2,076	1,899	7,597	7,276
RMC Leasing, LLC	9,172	176	50.00	88	37	4,586	4,498
				6,578	10,341	17,680	33,171

(i) The investment in Hutton Transport Limited considers, as at December 31, 2021, the amount of $2,179 (2020 - $2,179) relating to the goodwill recognized on the acquisition of the investment.

(c) Changes in the investments

	01/1/2021 to 12/31/2021	01/1/2020 to 12/31/2020
Balance at the beginning of the period	$ 33,171	$ 30,271
Income from investments	6,578	10,341
Approved dividends	(7,859)	(8,180)
Currency translation	166	89
Superior acquisition (Note E20 (c))	(14,376)	-
Capital contribuition - RMC Leasing, LLC	-	650
Balance at the end of the period	$ 17,680	$ 33,171

In thousands of U.S. dollars, unless otherwise stated

(d) Information on investees

Below is a summary of the selected financial information of the Group's joint ventures for the years ended:

				31-Dec-21
	Hutton Transport Limited	Superior Materials Holdings, LLC	Midway Group, LLC	RMC Leasing, LLC
Place of operation	**Canada**	**USA**	**USA**	**USA**
Main activity	Transportation services	Ready-mix concrete	Ready-mix concrete	Lease holding
Ownership %	25%	100% (Note 20(c))	50%	50%
Financial position				
Current assets	$ 12,962	$ -	$ 10,578	$ 1,454
Non-current assets	6,434	-	7,150	7,718
Current liabilities	3,398	-	2,533	-
Non-current liabilities	3,345	-	-	-
Shareholders' equity	12,653	-	15,195	9,172
Income				
Revenue	24,285	66,534	34,814	-
Cost of goods sold	(18,301)	(57,556)	(30,680)	(1,207)
Other income (expense)	(672)	(2,864)	18	1,383
Financial results, net	116	-	-	-
Current period profit	$ 5,428	$ 6,114	$ 4,152	$ 176

(i) As at Dec 31, 2021 Superior Materials Holdings LLC is fully consolidated as a result of the acquisition of remaining 50% (Note 20 (c)).

				31-Dec-20
	Hutton Transport Limited	Superior Materials Holdings, LLC	Midway Group, LLC	RMC Leasing, LLC
Place of operation	**Canada**	**USA**	**USA**	**USA**
Main activity	Transportation services	Ready-mix concrete	Ready-mix concrete	Lease holding
Ownership %	25%	50%	50%	50%
Financial position				
Current assets	$ 9,271	$ 36,326	$ 11,640	$ 2,140
Non-current assets	7,225	14,992	6,772	6,855
Current liabilities	3,224	17,986	3,861	-
Non-current liabilities	3,682	-	-	-
Shareholders' equity	9,589	33,332	14,551	8,995
Income				
Revenue	19,271	116,898	31,406	-
Cost of goods sold	(14,245)	(97,663)	(27,341)	(1,064)
Other income (expense)	(633)	(4,714)	(254)	1,137
Financial results, net	193	(5)	(12)	-
Current period profit	$ 4,586	$ 14,516	$ 3,799	$ 73

8 Property, plant and equipment

(a) Accounting policies

Property, plant and equipment are stated at historical cost of acquisition or construction less accumulated depreciation. Historical cost includes borrowing costs related to the acquisition or construction of qualifying assets.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with these costs will flow to the Group and can be measured reliably. The carrying amount of the replaced items or parts is derecognized.

All other repairs and maintenance are charged to the consolidated statements of income and comprehensive income during the financial period in which they are incurred. The cost of major refurbishments is included in the carrying value of the asset when the future economic benefits exceed the performance initially expected for the existing asset. Refurbishment expenses are depreciated over the remaining useful life of the related asset.

In thousands of U.S. dollars, unless otherwise stated

Except for land that is not depreciated, the depreciation of assets is calculated using the straight-line method to reduce their cost to their residual values over their estimated useful lives. The assets' residual values and useful lives are reviewed annually and adjusted if appropriate.

An asset's carrying amount is written down immediately to its recoverable amount when it is greater than its estimated recoverable amount, in accordance with the criteria adopted by the Group in order to determine the recoverable amount (note C3.4).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within "Other operating income (expense), net" in the consolidated statements of income and comprehensive income (Note E18).

(b) Analysis

	Land	Land improvements & buildings	Equipment	Vehicles	Construction in progress	01/1/2021 to 12/31/2021	01/1/2020 to 12/31/2020
Balance at the beginning of the period							
Cost	94,541	291,743	879,013	195,025	63,692	1,524,014	1,449,197
Accumulated depreciation	-	(161,469)	(541,366)	(127,650)	-	(830,485)	(771,043)
Net balance	94,541	130,274	337,647	67,375	63,692	693,529	678,154
Acquisitions	1,345	6,014	57,370	24,880	21,888	111,497	79,651
McInnis acquisition (Note E20 (a))	2,647	308,873	271,536	346	-	583,402	-
Superior acquisition (Note E20 (c))	5,682	2,005	12,898	9,775	-	30,360	-
Valley View acquisition (Note E20 (b))	1,910	-	8,166	4,558	-	14,634	-
Disposals	(1,102)	-	(15)	(103)	-	(1,220)	(2,226)
Depreciation (i)	-	(19,418)	(53,141)	(14,193)	-	(86,752)	(67,242)
Translation differences	(145)	(1,125)	(16,886)	(110)	369	(17,897)	5,192
Balance at the end of the period	104,878	426,623	617,575	92,528	85,949	1,327,553	693,529
Cost	104,878	876,793	1,675,745	233,706	85,949	2,977,071	1,524,014
Accumulated depreciation		(450,170)	(1,058,170)	(141,178)	-	(1,649,518)	(830,485)
Net balance	104,878	426,623	617,575	92,528	85,949	1,327,553	693,529
Average annual depreciation rates %		18	15	7			

(i) Depreciation expense of $82,300 is included in "cost of sales" and $4,500 is included in "general and administrative expenses".

(c) Construction in progress

	31-Dec-21	31-Dec-20
Sustaining (i)	$ 40,705	$ 37,758
Modernization (ii)	39,260	19,802
Health & Safety	4,933	5,546
Expansion (iii)	1,051	586
	$ 85,949	$ 63,692

(i) Sustaining investments relate to the acquisition or replacement of industrial machinery and equipment linked to the operation of plants, mobile equipment and mines, with the purpose of improving reliability and continuity with the application of the same or new technologies.

(ii) Investments in industrial modernization mainly related to the use of new technologies or to the optimization of equipment and processes to generate improved financial benefits (reduced costs, improved revenue generation, improved return on investment and cashflow).

(iii) Expansion related investments are mainly related to the construction of, growth in, or improvement of the Company's assets in order to increase of the installed capacity, bring new products to markets or to enter new markets.

9 Intangible assets

(a) Accounting policies

(i) Goodwill

Goodwill is measured by the difference between the amount paid and/or payable for the acquisition of a business and the net amount of the fair value of the assets and liabilities of the entity acquired. Goodwill on acquisitions of subsidiaries is recorded as Intangible assets in the consolidated financial statements. Goodwill on acquisition of joint ventures and other investments accounted for through equity method are recorded together with the Investment balances (Note E7). Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to CGUs for the purpose of impairment testing. The allocation is made to those CGUs or groups of CGUs that are expected to benefit from the business combination in which the goodwill arose.

(ii) Exploration rights

Exploration costs, including any material costs incurred prior to securing the legal right to explore properties, are expensed in the period in which they are incurred. Exploration rights purchased through acquisition or expenses incurred following the issuance of a legal right to explore properties that are intangible in nature are capitalized as an intangible asset. Exploration rights capitalized are amortized over the expected life of the extractable reserves. These rights are assessed for impairment following the guidance of IFRS 6 and IAS 36.

(iii) Computer software

The costs of acquiring software are capitalized and amortized using the straight-line method over their estimated useful lives. Costs associated with maintenance are recognized as expenses as incurred. Currently, the Group does not have internal software development projects.

(iv) Contractual customer relationships and non-competition agreements

Contractual customer relationships and non-compete agreements acquired in a business combination are recognized at fair value at the acquisition date. The contractual customer relations and non-compete agreements have a finite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method over the estimated useful life, being 15 years for customer relationships and 5 years for non-compete agreements.

(v) Asset retirement obligation

The Group has decommissioning obligations as a result of their natural resources extraction activities. The accounting policies related to the liability entry of the Asset Retirement Obligations are disclosed in Note E12.

The decommissioning costs, equivalent to the present value of the obligation (liability), are capitalized as part of the carrying amount of the mining asset. The asset is amortized on a straight-line basis over the remaining useful life of the mine. The Company periodically reviews the useful lives of its mines and the estimated future value necessary for the recovery of the explored area.

In thousands of U.S. dollars, unless otherwise stated

(b) Analysis

	Goodwill	Computer software	Exploration rights	ARO	Customer relationships and non-compete	01/1/2021 to 12/31/2021	01/1/2020 to 12/31/2020
Balance at the beginning of the period							
Cost	279,174	28,372	337,990	39,591	72,483	757,610	743,669
Accumulated depreciation	-	(23,833)	(70,550)	(15,546)	(60,908)	(170,837)	(156,701)
Net balance	279,174	4,539	267,440	24,045	11,575	586,773	586,968
Acquisitions	-	267	1,355	-	-	1,622	4,119
McInnis acquisition (Note E20 (a))	-	244	36,415	15,417	727	52,803	-
Superior acquisition (Note E20 (c))	8,695	-	-	-	25,138	33,833	-
Valley View acquisition (Note E20 (b))	7,492	-	1,600	-	18,780	27,872	-
Disposals	-	-	-	-	-	-	(589)
Adjustments	-	-	-	(1,302)	-	(1,302)	8,092
Amortization (i)	-	(1,997)	(7,711)	(2,164)	(6,303)	(18,175)	(13,000)
Translation differences	-	29	9,944	(148)	-	9,825	1,183
Balance at the end of the period	295,361	3,082	309,043	35,848	49,917	693,251	586,773
Cost	295,361	30,913	480,302	54,157	121,274	982,007	757,610
Accumulated depreciation	-	(27,831)	(171,259)	(18,309)	(71,357)	(288,756)	(170,837)
Net balance	295,361	3,082	309,043	35,848	49,917	693,251	586,773
Average annual amortization rates %		5	2	12	10		

(i) Amortization expense of $17,300 is included in “cost of sales” and $900 is included in “general and administrative expenses”.

10 Lease

(a) Accounting policies

For the agreements considered as scope of the leasing standard, the Group recognized liability at the date at which the leased asset is available for use by the group, a lease liability that reflects the future payments and a right-of-use asset. The asset is amortized monthly according to the lease term, which is defined based on the combination of the non-cancellable term, term covered by the option of extension, term covered by the option of termination and, mainly, management’s intention as to the term of stay in each contract. The liability is adjusted to the present value of the obligation based on the internal rate of the contract or the incremental rate, which should reflect the acquisition cost by the Group of debt with characteristics similar to those determined by the agreements. Settlement of liabilities occurs according to the flow of payments made to the lessor.

As permitted by the standard, the following are disregarded of the scope: (i) short-term leases (less than 12 months); and (ii) contracts with amounts below $5. When identifying rights-of-use assets within the scope of identified contracts, the following are also disregarded: (i) contracts with variable payments; (ii) contracts in which the lease asset was considered as non-identifiable; (iii) contracts in which the Group is not entitled to obtain substantially all the economic benefits arising from the use of the asset; and (iv) contracts in which the Group does not have substantial control over the definition of the use of the asset. For these leases, the accounting occurs on a monthly basis with the right to use the leased asset directly in the consolidated statements of income and comprehensive income.

The amortization of the right-of-use asset is recognized as part of cost of sales or as general and administrative expenses, according to the characteristics of the asset, and the interest expense for updating the present value of the lease liability is recorded in the financial result.

In thousands of U.S. dollars, unless otherwise stated

(b) Right-of-use assets

Balance at the beginning of the period	Land & Buildings	Machinery & Equipment	Vehicles	Barges	01/1/2021 to 12/31/2021	01/1/2020 to 12/31/2020
Cost	18,428	2,783	24,207	61,758	107,176	103,631
Accumulated depreciation	(3,788)	(2,286)	(14,528)	(14,435)	(35,037)	(17,235)
Net balance	14,640	497	9,679	47,323	72,139	86,396
Acquisitions	1,242	3,185	547	9,042	14,016	4,246
McInnis acquisition (Note E20 (a))	38,341	4,747	3,314	99,468	145,870	-
Superior acquisition (Note E20 (c))	995	1,510	6,500	-	9,005	-
Disposals	-	-	(876)	-	(876)	(413)
Amortization (i)	(1,936)	(4,855)	(7,143)	(14,332)	(28,266)	(18,127)
Currency translation adjustment	(971)	32	387	(939)	(1,491)	37
Balance at the end of the period	52,311	5,116	12,408	140,562	210,397	72,139
Cost	61,987	15,153	34,742	188,208	300,090	107,176
Accumulated depreciation	(9,676)	(10,037)	(22,334)	(47,646)	(89,693)	(35,037)
Net balance	52,311	5,116	12,408	140,562	210,397	72,139
Average annual amortization rates %	10	5	5	9		

(i) Amortization expense of $28,300 is included in “cost of sales”.

(c) Lease liabilities

	01/1/2021 to 12/31/2021	01/1/2020 to 12/31/2020
Balance at the beginning of the period	$ 74,773	$ 88,021
Additions	14,016	4,246
Disposal	(876)	(413)
Payments	(24,058)	(17,134)
Interest expense	8,138	3,120
Interest paid	(8,138)	(3,120)
McInnis acquisition (Note E20 (a))	145,870	-
Superior acquisition (Note E20 (c))	9,005	-
Exchange variations	(6,187)	53
Balance at the end of the period	212,543	74,773
Current	27,618	14,003
Non-current	184,925	60,770
	$ 212,543	$ 74,773

The schedule of repayments of the Group’s lease liabilities is as follows:

	31-Dec-21		31-Dec-20	
	Amortized	Balance	Amortized	Balance
12 months or less	12.99%	$ 27,618	18.73%	$ 14,003
1-5 years	31.17%	66,251	43.72%	32,692
Over 5 years	55.84%	118,674	37.55%	28,078
	100.00%	$ 212,543	100.00%	$ 74,773

In thousands of U.S. dollars, unless otherwise stated

11 Borrowings

(a) Accounting policies

Borrowings are recognized initially at fair value, net of transaction costs incurred, and subsequently carried at amortized cost. Any difference between the proceeds (net of transaction costs) and the total amount payable is recognized in the consolidated statements of income and comprehensive income over the period of the borrowings using the effective interest rate method.

Borrowing costs directly related to the acquisition, construction or production of a qualifying asset that requires a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of that asset when it is probable that future economic benefits associated with the item will flow to the Group and costs can be measured reliably. The other borrowing costs are recognized as finance expenses in the period in which they are incurred.

(b) Analysis

		Current		Non-current		Total	
Type	Average annual cost	31-Dec-21	31-Dec-20	31-Dec-21	31-Dec-20	31-Dec-21	31-Dec-20
Canada							
CAD Revolver	CDOR + 0.96%	-	-	20,000	15,000	20,000	15,000
USD Revolver	Libor + 0.96%	-	-	30,000	-	30,000	-
USD Equivalent				45,803	11,776	45,803	11,776
Total Revolver		-	-	45,803	11,776	45,803	11,776
Bond Payable	5.8%	10,784	10,864	493,531	492,175	504,315	503,039
Mortgages Payable	3.6%	1,284	1,458	3,203	4,547	4,487	6,005
		12,068	12,322	542,537	508,498	554,605	520,820

(i) On October 3, 2016, St. Marys Cement Inc. (Canada) issued bonds totalling $500,000. The bonds mature in January 2027 and bear interest at a rate of 5.75% per annum, payable on a semi-annual basis. The issuance was guaranteed by VCSA.

(ii) The mortgages payable relates to the purchase of several aggregate properties between 2004 and 2021. The agreements allow the Group to defer a portion of the payments until such time as the aggregate is extracted from the ground.

(c) Maturity profile

		31-Dec-21		31-Dec-20
	Amortized	Balance	Amortized	Balance
6 months or less	2.18%	12,108	2.37%	12,358
6-12 months	-0.01%	(40)	-0.01%	(36)
1-5 years	7.67%	42,537	1.45%	7,543
Over 5 years	90.16%	500,000	96.19%	500,955
	100.00%	554,605	100.00%	520,820

In thousands of U.S. dollars, unless otherwise stated

(d) Movements

The changes for the period are as follows:

	01/1/2021 to 12/31/2021	01/1/2020 to 12/31/2020
Balance at the beginning of the period	520,820	509,489
New borrowings	187,086	173,942
McInnis acquisition (Note E20(a))	135,607	-
Exchange rate variations	288	4,289
Interest expense (Note E19)	30,211	31,202
Interest paid	(30,197)	(31,180)
Amortization of financing costs	1,275	1,199
Principal paid	(290,485)	(168,121)
Balance at the end of the period	554,605	520,820

(e) Credit line

Credit line	Company	Start date	Maturity	Credit limit	Amount outstanding	Amount available
Global Revolving Credit Facility	VCSA/VCI/VCEAA/St Marys	Sep/21	Sep/26	250,000	-	250,000
Committed Credit Facility	VCI/VCEAA/St Marys	Aug/19	Aug/24	290,000	(45,803)	244,197
					(45,803)	494,197

(f) New borrowings and repayments

The new borrowing and repayments occurred in the period were as follows:

New borrowings:

Date	Company	Type	Maturity	Currency	Principal (thousands)	Principal USD (thousands)	Cost
jan/21	St Marys Cement Inc. (Canada)	Syndicated loans/bilateral agreements	2024	CAD	20,000	15,649	CDOR + 0.96%
jan/21	St Marys Cement Inc. (Canada)	Syndicated loans/bilateral agreements	2024	USD	15,000	15,000	LIBOR + 0.96%
feb/21	St Marys Cement Inc. (Canada)	Syndicated loans/bilateral agreements	2024	CAD	25,000	19,620	CDOR + 0.96%
apr/21	St Marys Cement Inc. (Canada)	Syndicated loans/bilateral agreements	2024	CAD	60,000	48,752	CDOR + 0.96%
apr/21	St Marys Cement Inc. (Canada)	Syndicated loans/bilateral agreements	2024	USD	80,000	80,000	LIBOR + 0.96%
jun/21	St Marys Cement Inc. (Canada)	Syndicated loans/bilateral agreements	2024	CAD	10,000	8,065	CDOR + 0.96%
					210,000	187,086	

Repayments:

Date	Company	Type	Maturity	Currency	Principal (thousands)	Principal USD (thousands)	Cost
jan-jun/21	St Marys Cement Inc. (Canada)	Mortgage agreements	2023-2025	CAD	778	1,485	2-6%
apr/21	Ciment McInnis Inc. (Canada)	Syndicated loans/bilateral agreements	2021	CAD	36,999	30,063	Prime rate + 3.5%
apr/21	Ciment McInnis Inc. (Canada)	Syndicated loans/bilateral agreements	2021	USD	105,544	105,544	US base rate + 3.5%
may/21	St Marys Cement Inc. (Canada)	Syndicated loans/bilateral agreements	2024	CAD	25,000	20,714	CDOR + 0.96%
may/21	St Marys Cement Inc. (Canada)	Syndicated loans/bilateral agreements	2024	USD	15,000	15,000	LIBOR + 0.96%
jun/21	St Marys Cement Inc. (Canada)	Syndicated loans/bilateral agreements	2024	CAD	10,000	8,064	CDOR + 0.96%
jul/21	St Marys Cement Inc. (Canada)	Syndicated loans/bilateral agreements	2024	CAD	10,000	8,008	CDOR + 0.96%
sep/21	St Marys Cement Inc. (Canada)	Syndicated loans/bilateral agreements	2024	CAD	20,000	15,765	CDOR + 0.96%
sep/21	St Marys Cement Inc. (Canada)	Syndicated loans/bilateral agreements	2024	CAD	5,000	3,941	CDOR + 0.96%
oct/21	St Marys Cement Inc. (Canada)	Syndicated loans/bilateral agreements	2024	CAD	10,000	8,066	CDOR + 0.96%
oct/21	St Marys Cement Inc. (Canada)	Syndicated loans/bilateral agreements	2024	CAD	15,000	12,100	CDOR + 0.96%
oct/21	St Marys Cement Inc. (Canada)	Syndicated loans/bilateral agreements	2024	USD	35,000	35,000	LIBOR + 0.96%
nov/21	St Marys Cement Inc. (Canada)	Syndicated loans/bilateral agreements	2024	CAD	15,000	11,735	CDOR + 0.96%
nov/21	St Marys Cement Inc. (Canada)	Syndicated loans/bilateral agreements	2024	USD	15,000	15,000	LIBOR + 0.96%
					318,321	290,485	

12 Provisions

(a) Accounting policies

(i) Provision for legal claims

The Group is party to ongoing tax, civil, labour and environmental lawsuits and are contesting these matters both at the administrative and judicial levels.

Provision for legal claims is recognized when: (i) the Group has a present legal or constructive obligation as a result of past events; (ii) it is probable that an outflow of resources will be required to settle the obligation; and (iii) the amount can be reliably estimated. The losses classified as possible are not recorded in the consolidated balance sheets but are disclosed in the explanatory notes. The contingencies for which losses are classified as remote are not provisioned nor disclosed, except when, due to the visibility of the process, the Group considers its disclosure justified. The classification of losses as possible, probable or remote is supported by the advice of the Groups legal advisors.

Provision is measured at the present value of the expenditures expected to be required to settle the obligation that reflects current market assessments of the time value of money and the risks specific to the obligation, and these variations are recognized in the consolidated statements of income and comprehensive income. Provision does not include future operating losses.

(ii) Asset retirement and other obligations

The measurement of asset retirement obligations involves judgment on various assumptions. From an environmental point of view, this relates to future obligations to restore/recover the environment to conditions ecologically similar to those existing at the moment when the project was initiated or to take compensatory measures due to the impossibility of return to these pre-existing conditions. These obligations arise from the environmental degradation of the occupied area, object of the operation or from formal commitments assumed with the environmental agency, under which the degradation must be compensated. The retirement of an asset occurs when it is permanently retired through stoppage, sale or disposal.

Obligations consist mainly of costs associated with the termination of activities. As asset retirement obligations are long-term obligations, they are adjusted to present value using a discount rate. The asset retirement cost, equivalent to the present value of the obligation (liability), is capitalized as part of the carrying amount of the asset, which is depreciated over its useful life.

The asset retirement obligation is discounted to its present value using U.S. Treasury (20 year yield) and Bank of Canada (Long-term bond yield) rates, adding the country risk and inflation differential. The liability recorded is periodically updated based on these discount rates, which are annually reviewed by the Group.

The total undiscounted amount of the estimated cash flows required to restore/recover the environment is approximately $52,300. An average inflation factor of 1.86% has been applied to obtain the future value of the restore/recover costs, which has then been discounted at an average rate of 1.51% (2020 – 1.46%) to obtain the present value of the obligation.

In thousands of U.S. dollars, unless otherwise stated

(b) Analysis

	Asset retirement obligation	Preferred shares classified as a long-term liability (Note E15a)	A/R securitization (Note E3)	Total
Balance - December 31, 2019	17,317	10,816	15,885	44,018
Charged to the income statement	590	-	-	590
Change in provisions/estimates	8,063	-	(1,150)	6,913
Settlements	(3,393)	-	-	(3,393)
Exchange differences	272	214	-	486
Balance - December 31, 2020	22,849	11,030	14,735	48,614
Charged to the income statement	4,364	-	-	4,364
Change in provisions/estimates	1,508	-	2,085	3,593
McInnis acquisition (Note 20 (a))	15,417		-	15,417
Settlements	(6,335)	-	-	(6,335)
Exchange for common shares	-	(11,174)	-	(11,174)
Exchange differences	41	144	-	185
Balance - December 31, 2021	37,844	-	16,820	54,664

13 Pension plans

(a) Accounting policies

(i) Pension obligations

The Company and its subsidiaries participate in pension plans managed by a private pension entity, which provide post-employment benefits to employees determined through periodic actuarial calculations. The Company and its subsidiaries have defined benefit plans and defined contribution plans.

The liability in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of the plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using market interest rates, which are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension obligations. Actuarial gains and losses, also called remeasurements arising from changes in actuarial assumptions and amendments to pension plans, are recognized in Other comprehensive income.

Past service costs are recognized immediately in profit or loss, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, past service costs are amortized on a straight-line basis over the vesting period.

For defined contribution plans, the Company and its subsidiaries pay contributions to the managers of the pension plans on a compulsory, contractual or voluntary basis. The Company and its subsidiaries have no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expenses when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

(ii) Other post-employment obligations

Some group companies provide post-retirement healthcare benefits to their retirees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. These obligations are valued annually by independent qualified actuaries.

In thousands of U.S. dollars, unless otherwise stated

(b) Analysis

The table below shows how the balances and activities related to post-employment benefits are allocated in the Company and its subsidiaries' consolidated financial statements.

	31-Dec-21	Restated 31-Dec-20
Rights recorded in the consolidated balance sheets		
Defined pension benefits	$ 38,206	$ 32,359
Obligations recorded in the consolidated balance sheets		
Supplementary pension plans	13,467	14,610
Post-employment medical benefits	40,626	42,956
	54,093	57,566
Income statement charge included in operating profit for:		
Defined pension benefits	26	186
Post-employment medical benefits	2,460	2,396
	2,486	2,582
Remeasurements for:		
Defined pension benefits	(7,934)	(6,081)
Post-employment medical benefits	(4,137)	2,282
Deferred tax income	2,274	1,299
	$ (9,797)	$ (2,500)

(c) Defined benefit pension plans

The Company and its subsidiaries operate defined benefit pension plans in Canada and the U.S. based on employee pensionable remuneration and length of service. The majority of plans are externally funded. Plan assets are held in trusts, foundations or similar entities, governed by local regulations and practice in each country, as is the nature of the relationship between the Company and its subsidiaries and the trustees (or equivalent) and their composition.

The amounts recognized in the consolidated balance sheets are determined as follows:

	31-Dec-21	Restated 31-Dec-20
Present value of funded obligations	$ 142,957	$ 161,158
Fair value of plan assets	(181,163)	(193,517)
Surplus of funded plans	(38,206)	(32,359)
Present value of unfunded obligations	13,467	14,610
Net liability (asset) in the balance sheet	$ (24,739)	$ (17,749)

In thousands of U.S. dollars, unless otherwise stated

The movement in the defined benefit obligation and plan assets over the years ended December 31, 2021 and 2020 is as follows:

	Present value of obligation	Fair value of plan assets	Total
Balance - December 31, 2020	$ 175,768	$ (193,517)	$ (17,749)
Current service cost	85	-	85
Interest expense/(income)	4,295	(4,354)	(59)
	4,380	(4,354)	26
Remeasurement:			
Return on plan assets, excluding amounts included in interest expense/(income)	-	4,171	4,171
(Gain)/loss from change in demographic assumptions	8	-	8
(Gain)/loss from change in financial assumptions	(12,236)	-	(12,236)
Experience (gain)/loss	123	-	123
	(12,105)	4,171	(7,934)
Exchange differences	1,272	(1,383)	(111)
Contributions			
Employers	-	1,009	1,009
Payment from plans			
Benefit payments	(12,891)	12,911	20
Balance - December 31, 2021	$ 156,424	$ (181,163)	$ (24,739)

	Present value of obligation	Fair value of plan assets	Total
Balance - December 31, 2019	$ 173,758	$ (183,234)	$ (9,476)
Current service cost	91	-	91
Interest expense/(income)	4,925	(4,830)	95
	5,016	(4,830)	186
Remeasurement:			
Return on plan assets, excluding amounts included in interest expense/(income)	-	(12,328)	(12,328)
(Gain)/loss from change in demographic assumptions	(10)	-	(10)
(Gain)/loss from change in financial assumptions	9,806	-	9,806
Experience (gain)/loss	(3,549)	-	(3,549)
	6,247	(12,328)	(6,081)
Exchange differences	3,178	(3,832)	(654)
Contributions			
Employers	-	(1,824)	(1,824)
Payment from plans			
Benefit payments	(12,431)	12,531	100
Balance - December 31, 2020	$ 175,768	$ (193,517)	$ (17,749)

In thousands of U.S. dollars, unless otherwise stated

The defined benefit obligations and the plan assets are composed by country, as follows:

	Canada	USA	Total
Present value of defined benefit obligations	$ 166,749	$ 9,019	$ 175,768
Fair value of plan assets	(187,010)	(6,507)	(193,517)
Balance - December 31, 2020	(20,261)	2,512	(17,749)
Present value of defined benefit obligations	147,819	8,604	156,423
Fair value of plan assets	(173,991)	(7,171)	(181,162)
Balance - December 31, 2021	$ (26,172)	$ 1,433	$ (24,739)

The principal actuarial assumptions were as follows:

	31-Dec-21		31-Dec-20	
	Canada	USA	Canada	USA
Discount rate	3.1%	2.7%	2.5%	2.5%
Future salary increases	2.5%	-	2.5%	-
Healthcare cost trend rate	5.3%	5.4%	5.3%	5.6%

Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics and experience in each territory. These assumptions translate into an average life expectancy in years for a pensioner retiring at age 65:

	31-Dec-21		31-Dec-20	
	Canada	USA	Canada	USA
Retiring at the end of the reporting period:				
Male	21	22	21	22
Female	24	23	24	23
Retiring 20 years after the end of the reporting period:				
Male	22	23	22	23
Female	24	24	25	24

The sensitivity of post-employment benefit obligations, related to pension and medical plans, to changes in the weighted principal assumptions is:

	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.5%	$ (11,310)	$ 12,769
Salary growth rate	0.5%	1,636	(1,340)
Life expectancy	1 year	(2,363)	2,599
Pension growth rate	0.25%	N/A	N/A

Plan assets are comprised of:

	31-Dec-21		31-Dec-20	
	Quoted	%	Quoted	%
Investment funds				
Canadian equity	$ 20,746	11.7%	$ 20,706	10.7%
Global equity	24,647	13.9%	19,932	10.3%
Emerging markets equity	15,604	8.8%	17,223	8.9%
Bond funds	-		-	
Universe bond	10,816	6.1%	12,385	6.4%
Long bond	105,500	59.5%	123,271	63.7%
	$ 177,313	100.0%	$ 193,517	100.0%

Through its defined benefit pension plans, the Company and its subsidiaries are exposed to a number of risks, the most significant of which are detailed below:

Asset volatility: The plan liabilities are calculated using a discount rate set with reference to corporate bond yields; if plan assets underperform this yield, this will create a deficit. Both the Canada and U.S. plans hold a significant proportion of equities, which are expected to outperform corporate bonds in the long-term, while providing volatility and risk in the short-term. As the plans mature, the Company and its subsidiaries intend to reduce the level of investment risk by investing more in assets that better match the liabilities. See below for more details on the Company and its subsidiaries' asset-liability matching strategy.

Changes in bond yields: A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plan's bond holdings.

Salary risk: The present value of the benefit obligations is calculated by reference to the future salaries of plan participants, so salary increases of the plan participants greater than assumed will increase plan liabilities.

Life expectancy: The majority of the plans obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plans liabilities.

The Company and its subsidiaries ensure that the investment strategy is managed within an asset-liability matching ("ALM") framework that has been developed to achieve long-term investment objectives that align with meeting the obligations of the pension plan. Within this framework, The Company and its subsidiaries' ALM objective is to establish an investment strategy that allocates a prudent portion of the assets to a portfolio of fixed income securities with interest rate characteristics similar to the liability profile of the plan. Further, a portion of the assets are allocated to a well-diversified portfolio of equities to provide for long-term growth and inflation protection. The Company and its subsidiaries actively monitors the investment strategy and the expected long-term return vis-a-vis the liabilities. The Company and its subsidiaries have not changed the processes used to manage its risks from previous periods. The Company and its subsidiaries do not use derivatives to manage its risk. Investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets. The largest proportion of assets is invested in bonds in 2021 and 2020. The Company and its subsidiaries believe that bonds offer the best returns over the long term with an acceptable level of risk. The bonds are held in a diversified portfolio with a current target of 70%. The remaining 30% is invested in equities.

The registered pension plans are subject to statutory funding requirements that are reviewed every year or every three years depending on the financial position of the plan revealed in the previous required funding valuation. Any funding deficiencies must be funded over a period not exceeding those prescribed by applicable pension legislation. The funding valuations establish minimum and maximum permitted contributions; the Company and its subsidiaries will decide on the level of contributions within this prescribed range. There are also two non-registered plans, one is unfunded, and the other secured by a letter of credit arrangement.

Expected contributions to the pension arrangements for the year ending December 31, 2022 are ($1,300). The weighted average duration of the defined benefit obligation is 9 years.

The Company and its subsidiaries contribute to various defined benefit multi-employer pension plans that are accounted for as defined contribution plans. The contributions are made to the various plans on behalf of the members, which are party to various collective bargaining agreements with The Company and its subsidiaries. The collective bargaining agreements specify any required contributions and all such contributions have been made. The Company and its subsidiaries do not have sufficient information regarding the various plan assets and liabilities to account for these amounts on its consolidated balance sheet. Any deficits could affect future cash flows as a result of increased contribution rates, or in the event of a withdrawal event, to the extent permitted within its various collective bargaining agreements which contain multi-employer pension plan contributions. The Company and its subsidiaries have various participation rates in these plans depending on the plan.

In thousands of U.S. dollars, unless otherwise stated

(d) Post-employment medical benefits

The Company and its subsidiaries operate a number of post-employment medical benefit schemes. The method of accounting, assumptions and the frequency of valuations are similar to those used for defined benefit pension schemes. All of these plans are unfunded.

The amounts recognized in the consolidated balance sheets are determined as follows:

	31-Dec-21	31-Dec-20
Present value of funded obligations	$ -	$ -
Fair value of plan assets	-	-
Surplus of funded plans	-	-
Present value of unfunded obligations	40,626	42,956
Net liability in the consolidated balance sheets	$ 40,626	$ 42,956

The movement in the medical benefit obligation over the years ended December 31, 2021 and 2020 is as follows:

	31-Dec-21	31-Dec-20
Balance at the beginning of the period	$ 42,956	$ 39,104
Current service cost	1,345	1,191
Interest expense/(income)	1,115	1,205
	2,460	2,396
Remeasurements		
(Gain)/loss from change in demographic assumptions	40	(904)
(Gain)/loss from change in financial assumptions	(4,053)	3,082
Experience (gain)/loss	(124)	104
	(4,137)	2,282
Exchange differences	679	512
Payment from plans		
Benefit payments	(1,332)	(1,338)
Balance at the end of the period	$ 40,626	$ 42,956

(e) Defined benefit and post-employment medical benefits

Expected maturity analysis of undiscounted pension and post-employment medical benefits is as follows:

	Less than 1 year	Between 1-2 years	Between 2-5 years	Over 5 years	Total
Pension benefits	$ 10,293	$ 10,270	$ 29,573	$ 190,608	$ 240,744
Post - employment medical	1,380	1,440	4,435	100,448	$ 107,703
	$ 11,673	$ 11,710	$ 34,008	$ 291,056	$ 348,447

14 Current and deferred income tax

(a) Accounting policies

The tax expense for the period comprises current and deferred tax. Tax is recognized in the consolidated statements of income and comprehensive income, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.
The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the consolidated balance sheet date in the countries where the Group and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the consolidated balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Deferred income tax assets and liabilities are presented as non-current.

In thousands of U.S. dollars, unless otherwise stated

(b) Reconciliation of income tax

	01/1/2021 to 12/31/2021	01/1/2020 to 12/31/2020
Income before income tax expense	228,153	133,128
Statutory rate	25.25%	26.40%
Income tax at standard rates	(57,609)	(35,146)
Tax effects of:		
Equity results	1,661	2,730
Cost of investment acquisitions	(3,846)	-
Non-deductible expenses	(2,040)	(1,413)
Gain on investment acquisition (Note E20 (a))	11,763	-
Other	(4,940)	(234)
Income tax expense:	(55,010)	(34,063)
Current	39,278	(23,400)
Deferred	(94,288)	(10,663)
Income tax expense in the consolidated statements of income and comprehensive income	(55,010)	(34,063)
Effective rate - %	24.11	25.59

(c) Analysis of deferred tax balances

	31-Dec-21	31-Dec-20
Deferred tax assets:		
Accelerated tax depreciation	(43,099)	(73,904)
Net operating losses	126,210	62,307
Provisions	17,498	13,085
Other	149	71
	100,758	1,559
Deferred tax liabilities:		
Accelerated tax depreciation	(166,639)	(65,340)
Net operating losses	24,570	7,179
Provisions	(5,132)	(279)
Retirement benefit obligation	(394)	1,219
Foreign exchange gains	(2,577)	(2,373)
Other	10	10
	(150,162)	(59,584)
Deferred tax (net):	(49,404)	(58,025)
Net deferred tax assets	100,757	1,559
Net deferred tax liabilities	(150,161)	(59,584)

(d) Effects of deferred income tax on net income and comprehensive income

	31-Dec-21	31-Dec-20
Balance at the beginning of the period	$ (58,025)	$ (44,442)
Effect on income	(94,288)	(10,663)
Tax charged directly to other comprehensive income (Note E15(c))	(2,691)	(2,477)
Purchase Accounting Adjustment (Note E20 (a))	108,908	-
Exchange differences	(3,308)	(443)
Balance at the end of the period	$ (49,404)	$ (58,025)

(e) Realization of deferred income tax on net operating losses

As at December 31, 2021, the Group had income tax losses in the consolidated amount of $824,314 (2020: $284,257) for which there is a deferred tax income constituted amounting to $151,857 (2020: $69,846).

The recoverability of the balances is evaluated annually, based on the expectation of future taxable profits of the Group, and assets are constituted only for the portion of the tax losses on which the Group and its investees have projections of utilization within a term consistent with management's operational projections for the next six years.

(f) Income taxes recoverable

The Income taxes recoverable arose as a result of the integration of the acquired business McInnis (Note E20(a)) and it's expected to be recovered during 2022.

15 Shareholders' equity

(a) Accounting policies

(i) Share capital

Ordinary shares are classified as equity. Mandatorily redeemable preference shares in prior year were classified as other non-current liabilities (current year see Note 15b).

Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.
Where any Group company purchases the company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the company's equity holders until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the company's equity holders.

(ii) Retained earnings

This reserve's purpose is to preserve the undistributed balance of retained earnings in order to fund expansion projects pursuant to the Group's investment plan.

(iii) Other comprehensive income

Other comprehensive income includes:

a. cumulative translation adjustments on exchange differences arising from the translation of financial statements of foreign operations;
b. the effective portion of exchange differences on the Group's net investment hedge in a foreign operation; and
c. actuarial losses (gains) and measurement of retirement benefits.

(b) Share capital

During the first quarter of 2021, the Company reorganized its share capital structure. On February 26, 2021, Votorantim Cimentos S.A. contributed 12,000,000 preferred shares, being all of the issued and outstanding preferred shares of the Company, to Votorantim Cimentos International S.A. (VCI) resulting in VCI becoming 100% owner of all ordinary and preferred shares of the Company.

In thousands of U.S. dollars, unless otherwise stated

On March 31, VCI converted the preferred shares, which were classified as a liability (Note E12), for 5,619,763 common shares of the Company. As of March 31, 2021, VCI held 1,691,783,138 common shares being all of the issued and outstanding shares of the Company. The transaction resulted in an increase of $9,226 and $1,948 in share capital and retained earnings, respectively.

On March 31, 2021, the Company amended its Articles of Incorporation to cancel the preferred shares and create a new class of common shares (referred to as Class A Common Shares). The Company entered into a share exchange agreement with VCI exchanging all its 1,697,402,901 common shares for 830,000 Class A common shares with no changes in the total share capital amount.

On April 28, 2021, VCI made a capital contribution to the Company amounting to $56,900 with no issuance of new shares.

On April 30, 2021, the Company issued 170,000 Class A common shares to McInnis Holding as part of the consideration for the acquisition of McInnis (Note E20 (a)), resulting in a share capital increase of $523,200.

On July 16, 2021 VCI made a capital contribution to the Company in the amount of $4,590 with no issuance of new shares. On July 16, 2021 the Company returned capital VCI Company in the amount of $3,858 with no cancellation of shares.

As at December 31, 2021 the Company's fully subscribed and paid-up capital was $644,318 (December 31, 2020 – $47,912), consisting of 1,000,000 Class A Common Shares (December 31, 2020 – 1,691,783,138 common shares and 12,000,000 preferred shares).

(c) Other comprehensive income

	Accumulated foreign currency translation adjustment	Remeasurement actuarial gains on retirement benefits	Hedge accounting of net investments	Other comprehensive income	Total accumulated other comprehensive income
Balance - December 31, 2019	250,908		(3,948)	(1,416)	245,544
Unrealized gain on net investment hedge, net of tax	-	-	9,892	-	9,892
Changes in fair value of financial assets at fair value through other	-	-	-	(566)	(566)
Remeasurement acturial gains and losses on retirement benefits	-	3,799	-	-	3,799
Transfer of actuarial gains and losses on retirement benefits to retained earnings	-	(2,500)	-	-	(2,500)
Deferred taxes	-	(1,299)	(1,241)	63	(2,477)
Foreign currency translation	(11,454)	-	-	-	(11,454)
Balance - December 31, 2020	239,454	-	4,703	(1,919)	242,238
Balance - December 31, 2020	239,454		4,703	(1,919)	242,238
Unrealized gain on net investment hedge, net of tax	-	-	3,240	-	3,240
Changes in fair value of financial assets at fair value through other	-	-	-	(82)	(82)
Remeasurement acturial gains and losses on retirement benefits	-	12,080	-	-	12,080
Transfer of actuarial gains and losses on retirement benefits to retained earnings	-	(9,797)	-	-	(9,797)
Deferred taxes	-	(2,283)	(407)	(1)	(2,691)
Foreign currency translation	994	-	-	-	994
Balance - December 31, 2021	240,448	-	7,536	(2,002)	245,982

In thousands of U.S. dollars, unless otherwise stated

16 Expense by nature

	01/1/2021 to 12/31/2021	01/1/2020 to 12/31/2020
Employee benefit expense (Note E16)	290,987	240,864
Raw materials and consumables	154,312	116,952
Freight cost	181,226	110,568
Depreciation and amortization	133,193	98,369
Maintenance	97,027	66,535
Services, miscellaneous	53,665	43,110
Fuel costs	38,633	34,432
Electric power consumption	44,511	26,420
Taxes, fees and contributions	19,562	16,945
Provision for loss	5,050	11,838
Rents and leases	14,465	7,602
Insurance	8,460	4,850
Utilities	4,174	4,099
Other expenses	68,079	66,951
	1,113,344	849,535
Reconciliation		
Cost of sales	1,024,250	775,065
Selling	23,964	22,199
General and administrative	65,130	52,271
	1,113,344	849,535

17 Wages and employee benefits expense

(a) Accounting policies

Provision is recognized for the expenses related to employee profit sharing. This provision is calculated based on qualitative and quantitative targets established by management and is recorded as "Employee benefits", in the consolidated statements of income and comprehensive income.

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits at the earlier of the following dates: (i) when the Group can no longer withdraw the offer of those benefits; and (ii) when the entity recognizes costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

The Group recognizes a liability and an expense for bonuses, based on a formula that takes into consideration a combination of financial results and individual performance in relation to targets. The Group recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

In thousands of U.S. dollars, unless otherwise stated

(b) Analysis

	01/1/2021 to 12/31/2021	01/1/2020 to 12/31/2020
Direct remuneration	214,819	171,657
Social charges	53,750	48,623
Benefits	22,418	20,584
	290,987	240,864

18 Other operating income (expense)

	01/1/2021 to 12/31/2021	01/1/2020 to 12/31/2020
Gain (loss) on sale of property, plant and equipment	1,048	(870)
Rental income	1,334	1,323
Gain on investment acquisition (Note E20 (a))	46,588	-
Investment acquisition costs (Note E20 (a))	(13,993)	-
Investment acquisition costs (Note E20 (b))	(1,070)	-
Investment acquisition costs (Note E20 (c))	(168)	-
Inventory obsolescence	(4,127)	(9,470)
Recoveries (provisions)	3,504	2,306
Fair value gain resulting from remeasurement of previously owned interest (Note E20 (c))	24,124	-
Exploration costs	(3,136)	(2,317)
Costs related to COVID	(805)	(619)
Other	1,202	(1,299)
	54,501	(10,946)

19 Financing expense, net

(a) Accounting policies

The Group's finance income and expense comprise:

a. Interest income;
b. Interest expenses;
c. Net gains/losses on the disposal of available for sale financial assets;
d. Net gains/losses on financial assets at fair value through profit or loss;
e. Net gains/losses on foreign exchange variations on financial assets and liabilities;
f. Gains on the remeasurement of the fair value of existing equity interests in a company acquired in a business combination.
g. Fair value losses on contingent consideration classified as financial liability;
h. Impairment of financial assets (other than trade receivables);
i. Net gains/losses on hedge instruments not recognized in profit or loss; and
j. Reclassifications of net gains/losses previously recognized in other comprehensive income.

Interest income and expense are recognized in profit or loss using the effective interest rate.

In thousands of U.S. dollars, unless otherwise stated

(b) Analysis

	01/1/2021 to 12/31/2021	01/1/2020 to 12/31/2020
Financial income		
A/R securitization fees income	5,511	4,107
Interest income	1,751	617
Financial expense		
Interest expense, third party loans (Note E11)	(30,211)	(31,202)
A/R securitization fees expenses	(5,482)	(7,044)
Interest expense, related party loan (Note E6)	-	(4,477)
Interest expense, leasing (Note E10)	(8,138)	(3,120)
Bank charges and other financial results	(3,730)	(3,002)
Amortization of prepaid financing costs	(1,372)	(1,599)
Net foreign exchange	(4,712)	(3,873)
	(46,383)	(49,593)

20 Business combination

a) McInnis Cement Inc. acquisition

As detailed in the year end 2020 consolidated financial statements, on December 10, 2020 the Company entered into an agreement to acquire McInnis Cement Inc (“McInnis”) and combine it with the Company’s existing business. McInnis is involved in the manufacture, distribution and sale of cement along the Great Lakes, in the Northeast US and in Central and Eastern Canada. Its business assets include a recent and modern plant in Port-Daniel-Gascons, Quebec, Canada, with an annual capacity of 2.2 million tons, as well as a deep-water marine terminal, adjacent to the plant, and a distribution network consisting of 10 terminals (marine, rail and truck).

The completion of this business combination was subject to customary closing requirements, including the approval by regulatory authorities in Brazil, Canada, and the United States. Approvals and other conditions precedent were obtained, and the business combination was consummated on April 30, 2021. As a result of the transaction, the Company issued 170,000 shares to McInnis Holding in consideration for the purchase of McInnis.

Details of these purchase consideration, the net asset acquired is as follows:

Cash paid for McInnis acquisition	2,000
Price adjustment (working capital and net-debt)	21,585
Promissory note to be paid in 2025	6,364
Issuance of shares (170,000 common shares (Note E15))	523,200
Total purchase consideration	553,149

In thousands of U.S. dollars, unless otherwise stated

The provisional assets and liabilities recognised as a result of the acquisition are as follows:

	Provisional balances	As previously reported in Q3 2021	Fair value adjustments
Cash	5,763	5,763	-
Receivables	47,579	44,789	2,790
Prepaid expenses and other current assets	4,174	10,903	(6,729)
Inventories	40,263	39,209	1,054
Deferred taxes - NOLs and other tax differences	108,908	101,464	7,444
Property, plant and equipment	583,401	562,116	21,285
Right-of-use assets	145,870	145,870	(0)
Intangible assets	52,804	89,716	(36,912)
Accounts payable and accrued liabilities	(71,896)	(58,534)	(13,362)
Long-term debt	(135,607)	(135,607)	-
Lease liabilities	(145,870)	(145,870)	-
Other financial liabilities	(35,652)	(51,681)	16,029
Net identifiable assets acquired	599,737	608,138	(8,401)
Gain on investment acquisition	(46,588)	(56,072)	9,484
Total assets and liabilities	553,149	552,066	1,084

The gain on investment acquisition recognized related to the acquisitions arises from the Company's valuation of McInnis based on its fair value.

As stated in IFRS 3, the Company has 1 year to fullfill the purchase price allocation ("PPA") of the acquired assets and liabilities.

For the quarter ended on December 31, 2021, the Company updated the balances related to the McInnis acquisition based on the fair values included in the report from a third party engaged by the Company to assist with the valuations. The change to the balances previously reported related to fair value adjustments. As a result, the gain on investment acquisition decreased to $46,588.

i) Acquisition-related costs

Acquisition-related costs of $13,993 are included in "Other operating income (expense), net" (Note E18) in profit or loss.

ii) Revenue and profit contribution

The acquired businesses contributed revenues of $149,800 and a net loss of $11,300 to the group for the period from April 30, 2021 to December 31, 2021.

iii) Acquired receivables

The fair value of acquired trade receivables is USD 47,579. The gross contractual amount for trade receivables due is USD 48,725, with a loss allowance of USD 1,146 recognized on acquisition.

b) Valley View Industries acquisition

On August 9, 2021, VCNA Prairie LLC, a wholly owned subsidiary of the Company based in Chicago, Illinois, USA completed a purchase agreement to acquire the main operational assets from Illinois based Valley View Industries Inc., for a total consideration of $45,787. Management accounted for the transaction as a business combination in accordance with IFRS 3 – Business Combinations. This transaction is aligned with the Company's growth and positioning strategy and will allow for the increase in our capacity to supply aggregates to clients from the construction and agriculture sectors in the state of Illinois.

In thousands of U.S. dollars, unless otherwise stated

The acquired business consists of five operating units all located in the state of Illinois. It produces aggregates, farm limestone, gravel, shale and other products for the construction and roadway sectors and agricultural market.

Details of these purchase consideration, the net asset acquired is as follows:

Purchase consideration	
Cash paid	45,000
Price adjustment (working capital)	787
Total purchase consideration	45,787

The provisional assets and liabilities recognised as a result of the acquisition are as follows:

	Provisional balances	As previously reported in Q3 2021	Fair value adjusments
Accounts receivable	1,775	4,171	(2,396)
Inventories	1,760	1,010	750
Prepaid expenses	83	-	83
Property, plant and equipment	14,634	14,634	-
Intangible assets	20,380	-	20,380
Accounts payable and accrued liabilities	(337)	(167)	(170)
	38,295	19,648	18,647
Goodwill and intangible assets on acquisition	7,492	25,352	(17,860)
Total assets and liabilities	45,787	45,000	787

As stated in IFRS 3, the Company has 1 year to fullfill the purchase price allocation ("PPA") of the acquired assets and liabilities.

For the quarter ended on December 31, 2021, the Company updated the balances related to the Valley View acquisition based on the fair values included in the report from a third party engaged by the Company to assisst with the valuations. The change to the balances previously reported related to fair value adjustments.

The goodwill is attributable to the workforce and the profitability of the acquired business.

i) Acquisition-related costs

Acquisition-related costs of $1,070 are included in "Other operating income (expense), net" (Note E18) in profit or loss.

ii) Revenue and profit contribution

The acquired businesses contributed revenues of $6,200 and a net profit of $280 to the group for the period from July 15, 2021 to December 31, 2021.

In thousands of U.S. dollars, unless otherwise stated

c) Superior Materials acquisition

On July 31, 2021, the Company completed the purchase of the remaining 50% interest in Superior Materials, a ready-mix concrete company located in Detroit-Michigan, for $38,500. Consequently, the Company became 100% owner of this entity.

This transaction will strengthen the Company's presence in the Detroit market and is aligned with the group's value creation strategy.

The Company remeasured its previously owned interest to its fair value according to IFRS 3 – Business Combination and as a result, a gain amounting to $24,124 was recognized in "Other operation income (expense), net" (Note E18). The difference between fair values for consideration transferred and previously owned interest and the fair value of assets acquired, and liabilities assumed was recorded according to the PPA report.

Details of these purchase consideration, the net asset acquired is as follows:

Purchase consideration	
Cash paid	38,500
Net book value of previously owned interest	14,376
Fair value gain resulting from remeasurement of previously owned interest	24,124
Total purchase consideration	77,000

The provisional assets and liabilities recognised as a result of the acquisition are as follows:

	Provisional balances	As previously reported in Q3 2021	Fair value adjusments
Cash	3,849	3,849	-
Receivables	22,067	21,855	212
Inventories	5,228	5,317	(89)
Prepaid expenses and other current assets	921	960	(39)
Property, plant and equipment	30,360	15,653	14,707
Intangible assets	25,138	320	24,818
Right-of-use assets	9,005	9,005	-
Other assets	43	41	2
Accounts payable and accrued liabilities	(19,301)	(19,243)	(58)
Lease liabilities	(9,005)	(9,005)	-
Net identifiable assets acquired	68,305	28,752	39,553
Goodwill and intangible assets on acquisition	8,695	48,248	(39,553)
Total assets and liabilities	77,000	77,000	0

As stated in IFRS 3, the Company has 1 year to fullfill the purchase price allocation ("PPA") of the acquired assets and liabilities.

For the quarter ended on December 31, 2021, the Company updated the balances related to the Superior acquisition based on the fair values included in the report from a third party engaged by the Company to assisst with the valuations. The change to the balances previously reported related to fair value adjustments.

The goodwill is attributable to the workforce and the profitability of the acquired business.

i) Acquisition-related costs

Acquisition-related costs of $170 are included in “Other operating income (expense), net” (Note E18) in profit or loss.

ii) Revenue and profit contribution

The acquired businesses contributed revenues of $51,100 and a net profit of $2,500 to the group for the period from July 31, 2021 to December 31, 2021.

iii) Acquired receivables

The fair value of acquired trade receivables is USD 22,067. The gross contractual amount for trade receivables due is USD 22,868, with a loss allowance of USD 0,801 recognized on acquisition.

21 Contingencies

The Group has contingent liabilities in respect of legal claims arising in the ordinary course of business. It is not anticipated that any material liabilities will arise from the contingent liabilities other than those already provided for.

22 Insurance

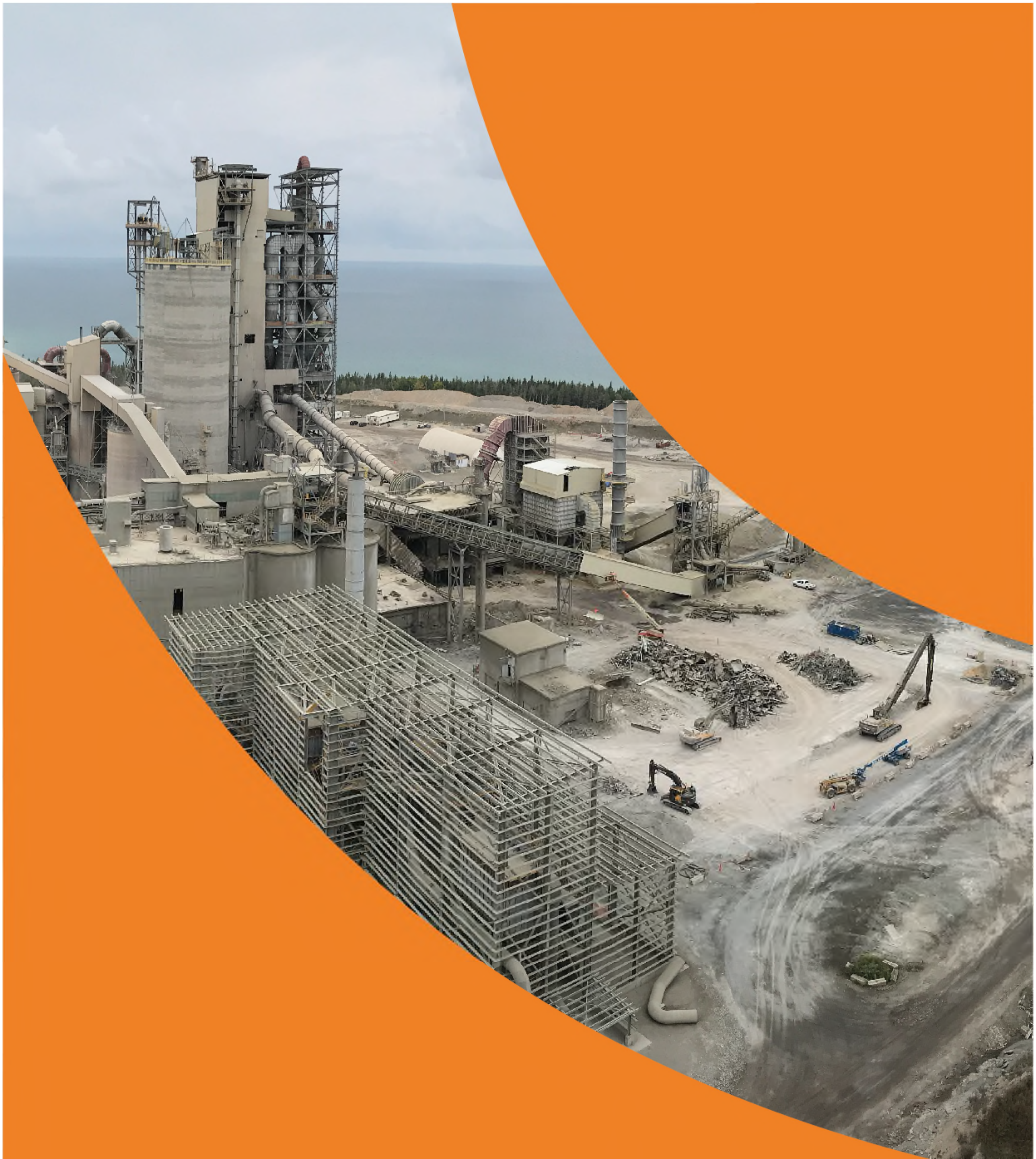
The Group contracts different types of insurance, such as property risk and civil liability, to protect its assets against losses due to production interruptions and damage caused to third parties. Such policies have coverage and conditions considered by management as appropriate to the risks involved. For the main plants in Canada and the U.S., an All Risk policy is contracted for all the Group’s assets, including coverage for losses due to production interruptions. The Group also has insurance for the civil liability of directors and officers at amounts considered appropriate by management.

23 Events after the reporting period

a) Committed Credit Facility Withdraw

During January, 2022, the Company withdrew CAD 45 million (USD 35 million) and USD 10 million of its committed credit facility available.

The total amount drawn after these withdraws is USD 91 million, and the remaining available for use of this credit facility totalled USD 199 million.



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