

**Patrimonio en Fideicomiso D.S. N°093-2002-EF-InRetail
Consumer and Supermercados Peruanos S.A. and Subsidiaries
and Eckerd Perú S.A. and Subsidiaries**

Interim combined financial statements as of December 31, 2014
(unaudited) and December 31, 2013 (audited) and for the years ended
December 31, 2014 and 2013

Patrimonio en Fideicomiso N°093-2002-EF-InRetail Consumer and Supermercados Peruanos S.A. and Subsidiaries and Eckerd Perú S.A. and Subsidiaries

Interim combined statements of financial position
As of December 31, 2014 and 2013

| | Note | 2014 S/.(000) | 2013 S/.(000) | | Note | 2014 S/.(000) | 2013 S/.(000) |
|--|--------|------------------|------------------|---------------------------------------|-------|------------------|------------------|
| Assets | | | | Liabilities and equity | | | |
| Current assets | | | | Current liabilities | | | |
| Cash and short-term deposits | 3 | 168,209 | 197,913 | Trade payables | 11 | 1,239,906 | 1,255,664 |
| Trade receivables, net | 4 | 58,410 | 58,675 | Other payables | | 156,196 | 170,268 |
| Other receivables, net | | 76,530 | 52,894 | Accounts payable to related parties | 18(b) | 29,372 | 30,686 |
| Accounts receivables from related parties | 18 (b) | 40,774 | 22,942 | Interest-bearing loans and borrowings | 12 | 65,671 | 151,403 |
| Inventories, net | 5 | 803,821 | 778,988 | Current income tax | | 2,545 | - |
| Available-for-sale investment | 6 | - | 17,171 | Deferred revenue | | 3,950 | 3,550 |
| Prepayments | 7 | 15,389 | 18,194 | Total current liabilities | | 1,497,640 | 1,611,571 |
| Total current assets | | 1,163,133 | 1,146,777 | Accounts payable to related parties | 18(b) | 4,242 | 3,642 |
| | | | | Interest-bearing loans and borrowings | 12 | 1,281,636 | 943,636 |
| Non-current assets | | | | Derivative financial instrument | | - | 2,747 |
| Other receivables, net | | 8,758 | 7,417 | Deferred revenue | | 16,744 | 9,432 |
| Prepayments | 7 | 22,541 | 19,358 | Deferred income tax liabilities, net | 13 | 134,774 | 148,113 |
| Property, furniture and equipment, net | 8 | 1,873,599 | 1,737,864 | Total non-current liabilities | | 1,437,396 | 1,107,570 |
| Investment properties | 9 | 17,729 | 18,229 | Total liabilities | | 2,935,036 | 2,719,141 |
| Intangible assets, net | 10 | 1,175,874 | 1,170,314 | Equity | | | |
| Deferred income tax assets | 13 | 15,517 | 14,732 | Capital stock | 14 | 369,607 | 360,789 |
| Total non-current assets | | 3,114,018 | 2,967,914 | Capital premium | | 181,603 | 142,470 |
| Investments at fair value through profit or loss | | | | Additional paid in capital | | 704,392 | 687,749 |
| | | | | Other equity reserves | | 16,229 | 16,274 |
| | | | | Retained earnings | | 70,284 | 188,268 |
| | | | | Total equity | | 1,342,115 | 1,395,550 |
| Total assets | | 4,277,151 | 4,114,691 | Total liabilities and equity | | 4,277,151 | 4,114,691 |

The accompanying notes are an integral part of these combined statements.

**Patrimonio en Fideicomiso D.S. N°093-2002-EF- InRetail Consumer and Supermercados
Peruanos S.A. and Subsidiaries and Eckerd Perú S.A. and Subsidiaries**

Interim combined income statements
For the years ended December 31, 2014 and 2013

| | Note | 2014 S/.(000) | 2013 S/.(000) |
|---------------------------------|------|--------------------|--------------------|
| Net sales of goods | | 5,771,044 | 5,077,293 |
| Rental income | | 34,999 | 29,176 |
| Rendering of services | | 26,458 | 36,004 |
| Revenue | | <u>5,832,501</u> | <u>5,142,473</u> |
| Cost of sales | 16 | <u>(4,224,586)</u> | <u>(3,747,279)</u> |
| Gross profit | | 1,607,915 | 1,395,194 |
| Other operating income | | 55,662 | 30,665 |
| Selling expenses | 16 | (1,193,894) | (1,033,821) |
| Administrative expenses | 16 | (141,175) | (130,439) |
| Other operating expenses | | (35,847) | (1,991) |
| Operating profit | | <u>292,661</u> | <u>259,608</u> |
| Finance income | 17 | 10,860 | 9,493 |
| Finance costs | 17 | (227,331) | (108,112) |
| Net exchange difference | | (58,374) | (75,046) |
| Profit before income tax | | <u>17,816</u> | <u>85,943</u> |
| Income tax expense | 13 | <u>(49,850)</u> | <u>(52,482)</u> |
| Net Profit (loss) | | <u>(32,034)</u> | <u>33,461</u> |

The accompanying notes are an integral part of these combined statements.

Patrimonio en Fideicomiso D.S. N°093-2002-EF- InRetail Consumer and Supermercados Peruanos S.A. and Subsidiaries and Eckerd Perú S.A. and Subsidiaries

Interim combined statements of comprehensive income
For the years ended December 31, 2014 and 2013

| | Note | 2014 | 2013 |
|---|------|-----------------|----------------|
| | | S/.(000) | S/.(000) |
| Net profit (loss) | | (32,034) | 33,461 |
| Other comprehensive income | | | |
| Unrealized gain (loss) on available-for-sale investments | | (719) | (2,613) |
| Income tax effect | | - | 784 |
| | | <u>(719)</u> | <u>(1,829)</u> |
| | | | |
| (Loss) profit on hedging derivative financial instrument | | (276) | 530 |
| Income tax effect | | - | (514) |
| | | <u>(276)</u> | <u>16</u> |
| | | | |
| Other comprehensive income for the period, net of income tax effects | | (995) | (1,813) |
| | | | |
| Total comprehensive income for the period | | <u>(33,029)</u> | <u>31,648</u> |

The accompanying notes are an integral part of these combined statements.

**Patrimonio en Fideicomiso D.S. N°093-2002-EF-InRetail Consumer and Supermercados
Peruanos S.A. and Subsidiaries and Eckerd Perú S.A. and Subsidiaries**

Interim combined statements of changes in equity
As of December 31, 2014 and 2013

| | Capital stock | Additional paid in capital | Capital premium | Unrealized results on financial instruments | Unrealized results on available for sale investments | Legal reserve | Retaining earnings | Total |
|---|----------------------|-----------------------------------|------------------------|--|---|----------------------|---------------------------|------------------|
| | S/.(000) | S/.(000) | S/.(000) | S/.(000) | S/.(000) | S/.(000) | S/.(000) | S/.(000) |
| Balance as of January 1, 2013 | 350,133 | 657,371 | 95,175 | 260 | 2,548 | 9,511 | 260,575 | 1,375,573 |
| Profit for the period | - | - | - | - | - | - | - | - |
| Other Comprehensive income | - | - | - | 16 | (1,829) | - | 33,461 | 33,461 |
| Total comprehensive income | - | - | - | 16 | (1,829) | - | 33,461 | (1,813) |
| Capital contribution | 10,656 | - | 47,295 | - | - | - | - | 57,951 |
| Expenses related to the share issuance | - | - | - | - | - | - | - | - |
| Dividends | - | - | - | - | - | - | (100,000) | (100,000) |
| Movements in additional paid in capital | - | 30,378 | - | - | - | - | - | 30,378 |
| Others | - | - | - | - | - | 5,678 | (5,678) | - |
| Balance as of December 31, 2013 | 360,789 | 657,371 | 142,470 | 276 | 2,548 | 15,189 | 188,358 | 1,395,550 |
| Balance as of January 1, 2014 | 360,789 | 687,749 | 142,470 | 276 | 719 | 15,279 | 188,268 | 1,395,550 |
| Profit for the period | - | - | - | - | - | - | (32,034) | (32,034) |
| Other comprehensive income | - | - | - | (276) | (719) | - | - | (995) |
| | - | - | - | (276) | (719) | - | (32,034) | (33,029) |
| Capital contribution | 8,818 | - | 39,133 | - | - | - | - | 47,951 |
| Dividends | - | - | - | - | - | - | (85,000) | (85,000) |
| Movements in additional paid in capital | - | 29,370 | - | - | - | - | - | 29,370 |
| Others | - | - | - | - | - | 950 | (950) | - |
| Restructuring adjustment | - | (12,727) | - | - | - | - | - | (12,727) |
| Balance as of December 31, 2014 | 369,607 | 704,392 | 181,603 | - | - | 16,229 | 70,284 | 1,342,115 |

The accompanying notes are an integral part of these combined statements.

Patrimonio en Fideicomiso D.S. N°093-2002-EF-InRetail Consumer and Supermercados Peruanos S.A. and Subsidiaries and Eckerd Perú S.A. and Subsidiaries

Interim combined statements of cash flows
For the years ended December 31, 2014 and 2013

| | 2014 | 2013 |
|--|------------------|------------------|
| | S/.(000) | S/.(000) |
| Operating activities | | |
| Net income (loss) | (32,034) | 33,461 |
| Non-cash adjustment to reconcile profit before tax to net cash flows | | |
| Allowance for doubtful other accounts receivable, net of recoveries | 516 | - |
| Allowance for doubtful trade receivable, net of recoveries | 753 | 788 |
| Depreciation of property, furniture and equipment | 111,093 | 95,202 |
| Amortization of intangible assets | 9,911 | 8,287 |
| Amortization of key money | 1,032 | 900 |
| Provision for inventory impairment, net of recoveries | 5,526 | 6,179 |
| Net cost of disposal of property, furniture and equipment and intangible assets | 35,819 | - |
| Deferred income | (3,922) | (3,859) |
| Deferred income tax | (14,513) | (209) |
| Finance expenses | 199,250 | 91,387 |
| Net exchange difference | 68,079 | 75,046 |
| Others | 416 | 3,305 |
| Working capital adjustments | | |
| Increase in trade receivables | (488) | (4,214) |
| Increase (decrease) in other receivables | (68,957) | 1,748 |
| Increase in inventory | (27,762) | (183,205) |
| Increase (decrease) in prepayments | (1,135) | 2,004 |
| Increase in taxes recoverable | (10,013) | (25,666) |
| Increase (decrease) in trade payables | (15,758) | 236,448 |
| Increase (decrease) in income tax payable | 2,545 | (25,122) |
| Increase in deferred income | 10,248 | 552 |
| Increase in accounts receivables and payables to related parties | 17,498 | (11,705) |
| Increase (decrease) in other payables | (34,780) | 21,786 |
| Net cash flows from operating activities | <u>253,324</u> | <u>323,113</u> |
| Investing activities | | |
| Purchase bond | (917,905) | - |
| Sales of available for sales investment | 447,670 | 12,174 |
| Purchase of property, furniture and equipment, net of acquisitions through leasing contracts | (220,969) | (233,973) |
| Sales of properties, furniture and equipment | 53,477 | 178 |
| Purchase and development of intangible assets | (15,193) | (29,587) |
| Time deposits over three months maturity | - | 26,500 |
| Sales of fair value investment through profit and loss | - | 115,052 |
| Net cash flows used in investing activities | <u>(652,920)</u> | <u>(109,656)</u> |

Interim combined statements of cash flows (continued)

| | 2014 | 2013 |
|---|-----------------------|-----------------------|
| | S/.(000) | S/.(000) |
| Financing activities | | |
| Proceeds from bonds issuance, net of issuance cost and purchase own bonds | 1,076,937 | 66,280 |
| Payment of interest-bearing loans and borrowings | (482,593) | (105,052) |
| Payment of bonds payable | (121,119) | (9,772) |
| Interest payment | (95,654) | (91,719) |
| Capital contribution | 47,951 | 57,951 |
| Additional paid in capital | 29,370 | 30,378 |
| Dividends payment | (85,000) | (100,000) |
| Net cash flows (used in) from financing activities | <u>369,892</u> | <u>(151,934)</u> |
| Net (decrease) increase of cash and short-term deposits | (29,704) | 61,523 |
| Cash and short-term deposits at the beginning of the period | <u>197,913</u> | <u>136,390</u> |
| Cash and short-term deposits at the end of the period | <u><u>168,209</u></u> | <u><u>197,913</u></u> |
| Non-cash transactions | | |
| Fixed assets purchased through leasing and others financial obligation | 63,655 | 107,230 |

The accompanying notes are an integral part of these combined statements.

Notes to the combined financial statements

Patrimonio en Fideicomiso D.S. N°093-2002-EF-InRetail Consumer and Supermercados Peruanos S.A. and Subsidiaries and Eckerd Perú S.A. and Subsidiaries

Notes to the interim condensed combined financial statements

As of December 31, 2014 (unaudited), December 31, 2013 (audited) and December 31, 2014 (unaudited)

1. Identification and business activities

(a) Identification.-

On August 21, 2014, has been established The Patrimonio en Fideicomiso D.S. N°093-2002-EF-InRetail Consumer (hereinafter "InRetail Consumer"), a Peruvian financial trust, was formed as a special purpose entity (SPE), for the purpose of issuing Senior Guaranteed Notes (see Note 2). This entity owns no assets other than substantially all of the common shares of Supermercados Peruanos S.A. and Eckerd Peru S.A.

Supermercados Peruanos S.A. and Eckerd Perú S.A. were incorporated in June 1979 and August 1996, respectively, in Lima, Peru. As of December 31, 2014 and 2013, those companies are subsidiaries of InRetail Perú Corp., which is part of the Intercorp Perú Corp., InRetail Perú Corp. owns directly and indirectly the following percentages of ownership in these companies:

- 99.98% of Supermercados Peruanos S.A.
- 100% of Eckerd Perú S.A.

(b) Business activities –

The following is a description of the Companies activities:

- Supermercados Peruanos S.A. is dedicated to retail. As of December 31, 2014, it owns a chain of 101 stores, composed of 61 hypermarkets that operate under the "Plaza Veá" brand, 37 supermarkets that operate under the "Vivanda", "Plaza Veá Super" and "Plaza Veá Express" brands, and 3 stores that operate under other legacy brands (55 hypermarkets, 37 supermarkets and 6 stores that operate under other legacy brands as of December 31, 2013). Supermercados Peruanos S.A. holds 100 percent of: (i) Peruana de Tiquetes S.A.C. (a non-operating entity), and (ii) Plaza Veá Sur S.A.C. (is dedicated to retail).
- Eckerd Perú S.A. is dedicated to the commercialization of pharmaceutical products, cosmetic products, food for medical use and other elements aimed for health protection and recovery through its "InkaFarma" pharmacy chain. As of December 31, 2014 and 2013 it operates 837 and 725 stores respectively. Eckerd Perú S.A. holds 100 percent of: (i) Eckerd Amazonía S.A.C. and (ii) Boticas del Oriente S.A.C. These subsidiaries are dedicated to the commercialization of pharmaceutical and cosmetic products, food for medical use and other elements aimed for health protection and recovery through the "InkaFarma" brand in certain provinces of Perú.

Notes to the combined financial statements

The following is a summary of the main data of the financial statements of Supermercados Peruanos S.A. and Subsidiaries and Eckerd Perú S.A. and Subsidiaries as of December 31, 2014 and 2013, and for the years ended:

| | Supermercados Peruanos S.A. and Subsidiaries | | Eckerd Perú S.A and Subsidiaries | |
|--|--|--|--|--|
| | As of December 31, 2014 S/.(000) | As of December 31, 2013 S/.(000) | As of December 31, 2014 S/.(000) | As of December 31, 2013 S/.(000) |
| Consolidated statements of financial position | | | | |
| Total assets | 2,556,539 | 2,330,223 | 692,128 | 707,737 |
| Total liabilities | 1,654,237 | 1,672,149 | 566,026 | 570,313 |
| Equity | 902,302 | 658,074 | 126,102 | 137,424 |
| | | | | |
| | Balance as of December 31, 2014 S/.(000) | Balance as of December 31, 2013 S/.(000) | Balance as of December 31, 2014 S/.(000) | Balance as of December 31, 2013 S/.(000) |
| Consolidated income statements | | | | |
| Operating profit | 136,199 | 126,560 | 156,871 | 133,048 |
| Net profit (loss) | 14,436 | 8,136 | 98,678 | 88,717 |

The combined financial statements as of December 31, 2014 were approved by management of InRetail Perú Corp. on February 26, 2015.

2. Summary of significant accounting policies

The significant accounting policies used in the preparation and presentation of the Company's combined financial statements are described below:

(a) Basis of preparation and presentation –

The interim condensed combined financial statements of the Companies have been prepared and presented only for purposes of an offering memorandum of InRetail Consumer. in accordance with IAS 34 "Interim Financial Reporting".

The interim condensed combined financial statements have been prepared on a historical cost basis, except for derivative financial instrument, available-for-sale investment and other financial assets that have been measured at fair value. The interim condensed combined financial statements and other financial assets are presented in Nuevos Soles and all values are rounded to the nearest thousand (S/.(000)), except when otherwise indicated.

The interim condensed combined financial statements do not included all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Companies annual combined financial statements as of December 31, 2013.

Notes to the combined financial statements

(b) Basis of combination –

The interim condensed combined financial statements comprise the consolidated financial statements of the Companies and their Subsidiaries, which have been prepared under IFRS; see Note 1. For purposes of these consolidated financial statements, subsidiaries are fully consolidated from the date of acquisition; being the date on which Supermercados Peruanos S.A. or Eckerd Perú S.A. obtained control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same period as the parent company, using consistent accounting policies. All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends are eliminated in full.

The combined financial statements result from the addition of the balances of all the accounts of the companies consolidated financial statements; however, there is not any relationship as a parent and subsidiaries. The significant transaction among the Companies balances and profit and losses have been eliminated. The combined financial statements are prepared using uniform accounting policies for similar transactions and events, which are described in the following notes to the combined financial statements.

Additionally, the combined financial statements include some assets, liabilities and results as a consequence of transactions made by InRetail Perú Corp. that are directly related to the Companies. The main of combined adjustments and intercompany eliminations is presented below:

- (i) Intercompany eliminations of balances and transactions, that mainly corresponds to commercial transactions between the Companies (rental and/or rights of use of property, sale of merchandise vouchers, key money, etc.)
- (ii) The “InkaFarma” commercial brand and goodwill recorded in the consolidated financial statement of InRetail Perú Corp. and Subsidiaries as a consequence of the acquisition of Eckerd Perú S.A. and Subsidiaries in January 2011 for approximately S/.373,054,000 and S/.709,472,000, respectively; see Note 10. Likewise, the deferred tax liability related to this commercial brand amounts to approximately S/.96,994,000.

Notes to the combined financial statements

- (iii) The debt obtained by InRetail Perú Corp. for the acquisition of Eckerd Perú S.A. and Subsidiaries (Senior Guaranteed Notes for US\$130,000,000 As of December 31, 2013; see Note 12 (f). Likewise, interests payable related to this debt amount to approximately S/.4,188,000 as of December 31, 2013, and the accrued interests during the twelve-month period ended December 31 2014, amount to approximately S/.25,183,000 (approximately S/.31,542,000 for the year ended December 31, 2013). Likewise, for the twelve-month period ended December 31, 2014, this debt has generated a loss from exchange rate of S/.13,190,000 from this debt (loss for approximately S/.31,850,000 during the twelve-month period ended December 31,2013).

Additionally, combined adjustments related to “Other payables” include approximately S/.15,189,000 which correspond to recoverable taxes from the Tax Authority maintained by Eckerd Perú S.A. to the date of its purchase. According to the Sale Agreement, if these taxes are recovered, must be returned to the Eckerd Perú S.A. former shareholders by InRetail Perú Corp. S.A. To the date of this report, Eckerd Perú S.A. has recovered approximately S/. 13,154,000 of such taxes and, have been returned to its former shareholders in December 2014.

- (c) New standards, interpretations and amendments –

The accounting policies adopted in the preparation of the interim condensed combined financial statements are consistent with those followed in the preparation of the Companies annual combined financial statements for the year ended December 31, 2013, except for the adoption of the new standards and interpretations as of January 1, 2014 noted below, which did not have any impact on the accounting policies, financial position or performance of the Companies:

The nature and impact of each new standard or amendment is described below:

- Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)
These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10 Consolidated Financial Statements. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. These amendments have no impact to the Companies, since none of the entities in the Group qualifies to be an investment entity under IFRS 10.
- Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32
These amendments clarify the meaning of “currently has a legally enforceable right to set-off” and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. These amendments have no impact on the Companies.
- Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39

Notes to the combined financial statements

These amendments provide criteria to discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments have no impact on the Companies.

- IFRIC 21 Levies

IFRIC 21 is effective for annual periods beginning on or after January 1, 2014 and is applied retrospectively. It is applicable to all levies imposed by governments under legislation, other than outflows that are within the scope of other standards (e.g., IAS 12 Income Taxes) and fines or other penalties for breaches of legislation. The adoption of IFRIC 21 did not have a significant impact on the interim condensed combined financial statements of the Companies.

The companies have not yet early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

(d) Seasonality of operations

As is indicated in Note 1(b), the Companies are organized into the supermarket and drugstore segments. Due to the seasonal nature of these segments, higher revenues and operating profits are usually expected in the second half of the year rather than the first six months. Higher sales during the period from July to August are mainly attributed to the increase consumer's purchasing power in Peru for legal and other bonuses to the workers, as well as in December, due to increased demand for retail products during the peak Christmas season. This information is provided to allow for a proper appreciation of the results; however, Management has concluded that these results are not highly seasonal as defined in IAS 34 "Interim Financial Reporting".

3. Cash and short-term deposits

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

| | As of December 31, 2014 S/.(000) | As of December 31, 2013 S/.(000) |
|-----------------------|--|--|
| Cash | 4,754 | 12,583 |
| Current accounts (b) | 58,107 | 52,830 |
| Time deposits (c) | 100,102 | 132,500 |
| Other | 5,246 | - |
| Total | 168,209 | 197,913 |

(b) The Companies maintain current accounts in local banks in Nuevos Soles and US Dollars that do not accrue interest and are freely available.

Notes to the combined financial statements

- (c) As of December 31, 2014, time deposits in local currency are freely available and are kept in Nuevos Soles, in local banks, have maturities up to a month since inception and bear annual interest between 3.90 and 3.95 percent. As of December 31, 2013, this amount corresponded to time deposits freely available in Nuevos Soles in local financial institutions that generated interest between 3.00 and 4.40 annual percent and matured between 1 and 3 months since inception.

4. Trade receivables, net

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

| | As of December 31, 2014 S/.(000) | As of December 31, 2013 S/.(000) |
|-------------------------------------|--|--|
| Trade accounts receivable (c) | 30,118 | 32,228 |
| Credit card operations (d) | 19,617 | 21,766 |
| Rent receivable (e) | 8,974 | 6,386 |
| Others | <u>2,471</u> | <u>313</u> |
| Total | 61,180 | 60,693 |
| Provision for doubtful accounts (f) | <u>(2,770)</u> | <u>(2,018)</u> |
| | <u>58,410</u> | <u>58,675</u> |

- (b) Trade receivables are denominated in Nuevos Soles and US Dollars, have current maturities and do not bear interest.
- (c) Corresponds mainly to trade receivable from sales of inventories and from the sale of merchandise vouchers to various companies and public institutions. At the date of this report, these balances are mostly collected.
- (d) Corresponds mainly to pending deposits in favor of Supermercados Peruanos and Eckerd Group for the last day of the month, respectively, held by credit card operators and originated from the sales of goods with credit cards in the different stores of Supermercados Peruanos and Eckerd.
- (e) Corresponds to accounts receivable for the lease of commercial premises to concession holders inside the stores of Supermercados Peruanos S.A.

Notes to the combined financial statements

- (f) The movements in the provision for doubtful accounts receivable for the years ended December 31, 2014 and 2013, were as follows:

| | 2014 | 2013 |
|---|--------------|--------------|
| | S/.(000) | S/.(000) |
| Balance at the beginning of the year | 2,018 | 1,230 |
| Provision recognized as year expense, Note 16 (a) | 753 | 788 |
| Write offs and recovery's | (1) | - |
| Balance at the end of the period | <u>2,770</u> | <u>2,018</u> |

As of December 31, 2014 and 2013, the amount of trade receivables past due but not impaired amounted to approximately S/. 34,289,000 and S/.26,079,000, respectively.

The overdue items which has a payment agreement by the customer, is not considered impaired.

In the opinion of Management, the provision for doubtful accounts receivable as of December 31, 2014 and 2013 appropriately covers the credit risk of this item at said dates.

5. Inventories, net

- (a) The composition of this item is presented below:

| | As of December 31, 2014 | As of December 31, 2013 |
|--|------------------------------------|------------------------------------|
| | S/.(000) | S/.(000) |
| Goods | 777,051 | 774,040 |
| In transit inventories (b) | 27,942 | 6,410 |
| Miscellaneous supplies | <u>7,829</u> | <u>10,539</u> |
| Total | 812,822 | 790,989 |
| Minus | | |
| Provision for impairment of inventories (c) | (9,001) | (12,001) |
| Total | <u>803,821</u> | <u>778,988</u> |

- (b) Corresponds to goods and miscellaneous supplies imported by the Companies.

Notes to the combined financial statements

- (c) The changes in the provision for inventory impairment for the years ended as of December 31, 2014 and 2013 were as follows:

| | 2014 S/.(000) | 2013 S/.(000) |
|---|-------------------------|-------------------------|
| Balance at the beginning of the year | 12,001 | 6,797 |
| Provision of the period, Note 16(a) | 5,526 | 6,179 |
| Write-off/recovery | (8,526) | (975) |
| Balance at the end of the period | <u>9,001</u> | <u>12,001</u> |

The provision for inventory impairment is determined based on stock turnover, discounts granted for the liquidation of the merchandise and other characteristics based on period evaluations performed by the Management.

6. Available-for-sale investment

As of December 31, 2013, available for sale investment corresponds to notes of the issuance made abroad describe in Note 12(f).

7. Prepayments

- (a) The table below presents the composition of this caption:

| | As of December 31, 2014 S/.(000) | As of December 31, 2013 S/.(000) |
|--------------|--|--|
| Key money | 17,532 | 18,469 |
| Prepaid rent | 12,550 | 10,394 |
| Insurance | 293 | 5,342 |
| Others | 7,555 | 3,347 |
| Total | <u>37,930</u> | <u>37,552</u> |
| Current | 15,389 | 18,194 |
| Non.current | 22,541 | 19,358 |
| Total | <u>37,930</u> | <u>37,552</u> |

Notes to the combined financial statements

8. Property, furniture and equipment, net

(a) The table below presents the changes and composition of this caption:

| | As of December 31, 2014 | As of December 31, 2013 |
|-----------------------------------|----------------------------|----------------------------|
| | S/.(000) | S/.(000) |
| Cost | | |
| Initial balance | 2,328,635 | 2,003,924 |
| Additions (b) | 284,624 | 341,203 |
| Disposals and/or sales (c) | (65,885) | (15,832) |
| Transfer to Investment properties | - | (660) |
| Final balance | <u>2,547,374</u> | <u>2,328,635</u> |
| Accumulated depreciation | | |
| Initial balance | 590,771 | 508,808 |
| Additions (d) | 111,093 | 95,202 |
| Disposals and/or sales | (28,089) | (13,223) |
| Transfer to Investment properties | - | (16) |
| Final balance | <u>673,775</u> | <u>590,771</u> |
| Net book value | <u>1,873,599</u> | <u>1,737,864</u> |

- (b) Additions for the year ended December 31, 2014 and 2013 correspond mainly to the construction of and equipment for the new premises for Supermercados Peruanos S.A. and the Eckerd Group.
- (c) Corresponds mainly to assets sold and to the disposal of unusable assets as a result of the process of changing formats in some premises. The resulting income or expense had been included in the "Other operating income" or "Other operating expenses" caption of the combined income statement, respectively.
- (d) As of December 31, 2014, the cost and corresponding accumulated depreciation of assets acquired through finance leases was approximately S/.438,017,000 and S/.67,275,000 respectively (S/.383,939,000 and S/.44,631,000 respectively, as of December 31,2013).
- (e) The Companies maintain insurance policies on their main assets in accordance with policies established by Management.

Notes to the combined financial statements

9. Investment properties

(a) The table below presents the composition of this caption

| | As of December 31, 2014 S/. (000) | As of December 31, 2013 S/. (000) |
|--------------------------------|---|---|
| Cost of buildings | 19,567 | 19,558 |
| Less: Accumulated depreciation | 1,838 | 1,329 |
| | 17,729 | 18,229 |

- (b) As of December 31, 2014 and 2013, investment properties include three properties located in Lima, Tacna and Puno held to earn income. As indicated in note 8 (a), during 2013 approximately S/.660,000 was transferred from the caption "Property, furniture and equipment" to this caption as a consequence of work on these properties.
- (c) In Management's opinion, the book value of investment properties as of December 31, 2014 and 2013 is not significantly different from its corresponding fair value since these properties were acquired, completed or implemented during 2014 and 2013.
- (d) As of December 31, 2014 and 2013, Management of the Companies performed an evaluation of their investment properties, and has not found any indication of impairment.

10. Intangible assets, net

(a) The table below presents the changes and composition of this caption:

| | As of December 31, 2014 S/.(000) | As of December 31, 2013 S/.(000) |
|---------------------------------|--|--|
| Cost | | |
| Initial balance | 1,222,602 | 1,195,622 |
| Additions (c) | 15,193 | 29,587 |
| Disposal and/or sales | (9,009) | (2,607) |
| Final balance | 1,228,786 | 1,222,602 |
| Accumulated amortization | | |
| Initial balance | 52,288 | 44,014 |
| Additions (d) | 9,911 | 8,287 |
| Disposals and/or sales | (9,287) | (13) |
| Final Balance | 52,912 | 52,288 |
| Net, book value | 1,175,874 | 1,170,314 |

Notes to the combined financial statements

- (b) As of December 31, 2014 and 2013, this caption mainly includes approximately S/.373,054,000 and S/.709,472,000 corresponding to the brand “InkaFarma” and goodwill respectively, resulting from applying the purchase method at the moment of the acquisition of Eckerd Perú S.A. in 2011. Both assets have been assigned to the cash generating unit “Drugstores”, which is an operating segment reportable for the impairment tests.

Management of the Companies estimated the fair value of the brand by applying the saving from-royalty method. The principle behind relief from royalty method is that a brand holding company owns the brand avoiding payments of royalties for the use of the brand, to another hypothetical owner, therefore, the economic value of the brand is represented by the avoided royalties.

11. Trade payables

- (a) The table below presents the composition of this caption:

| | As of December 31, 2014 S/.(000) | As of December 31, 2013 S/.(000) |
|--------------------------------------|--|--|
| Bills payable for purchase of goods | 1,103,965 | 1,151,112 |
| Bill payable for commercial services | 135,941 | 104,552 |
| Total | <u>1,239,906</u> | <u>1,255,664</u> |

- (b) This caption mainly includes obligations to non-related local and foreign suppliers, denominated in local currency and US Dollars, with current maturities and do not bear any interest. There have been no liens granted on these obligations.

The Companies offer to their supplier’s access to an accounts payable services arrangement provided by third-party financial institutions. This service allows the suppliers to sell their receivables to the financial institutions in an arrangement separately negotiated by the supplier and the financial institution, enabling suppliers to better manage their cash flow and reduce payment processing costs. The Companies have no direct financial interest in these transactions. All of the Companies obligations, including amounts due, remain due to its suppliers as stated in the supplier agreements.

Notes to the combined financial statements

12. Interest-bearing loans and borrowings

(a) The table below presents the composition of interest-bearing loans and borrowings:

| Type of obligation | Original currency | Interes rate % | Maturity final | Original amount | | Total | | Corriente | | No corriente | |
|--|----------------------|------------------------|-------------------|-----------------|----------------|------------------|-----------------|-----------------|-----------------|------------------|-----------------|
| | | | | US\$ (000) | S/(000) | 2014 S/(000) | 2013 S/(000) | 2014 S/(000) | 2013 S/(000) | 2014 S/(000) | 2013 S/(000) |
| | | | | | | | | | | | |
| Subordinated bonds (b) | | | | | | | | | | | |
| Issued for the restructuring of the financial position | | | | | | | | | | | |
| 1st Issuance | USD | 7.50 | 2014 | 12,000 | - | - | 33,552 | - | 33,552 | - | - |
| 2nd Issuance | USD | 8.04 | 2014 | 7,005 | - | - | 19,586 | - | 19,586 | - | - |
| 3rd Issuance | PEN | 8.49 | 2014 | - | 21,540 | - | 21,540 | - | 21,540 | - | - |
| | | | | <u>19,005</u> | <u>21,540</u> | <u>-</u> | <u>74,678</u> | <u>-</u> | <u>74,678</u> | <u>-</u> | <u>-</u> |
| Corporate bonds (c) (d) | | | | | | | | | | | |
| 1st Issuance | PEN | 6.70 | 2016 | - | 28,437 | - | 12,187 | - | 4,062 | - | 8,125 |
| 2nd Inssuance | PEN | 7.75 | 2019 | - | 57,090 | - | 34,254 | - | 5,709 | - | 28,545 |
| | | | | <u>-</u> | <u>85,527</u> | <u>-</u> | <u>46,441</u> | <u>-</u> | <u>9,771</u> | <u>-</u> | <u>36,670</u> |
| Notes Senior Unsecured | | | | | | | | | | | |
| Notes Senior Unsecured | USD | 5.250 | 2021 | 300,000 | - | 850,411 | - | - | - | 850,411 | - |
| Notes Senior Unsecured | PEN | 6.8125 | 2021 | - | 250,000 | 249,088 | - | - | - | 249,088 | - |
| | | | | <u>300,000</u> | <u>250,000</u> | <u>1,099,499</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,099,499</u> | <u>-</u> |
| Leasing (e) | | | | | | | | | | | |
| Related entities | | | | | | | | | | | |
| Banco Internacional del Perú-Interbank | PEN | 7.85 | 2014 | - | 28,355 | 25,889 | 25,153 | 4,806 | 13,072 | 21,083 | 12,081 |
| Banco Internacional del Perú-Interbank | PEN | Between 6.85 and 11.43 | 2019 | - | 145,277 | 84,671 | 99,152 | 26,700 | 23,366 | 57,971 | 75,786 |
| Non-related entities | | | | | | | | | | | |
| Hewlett Packard S.A. | USD | 2.93 | 2017 | 3,678 | - | 10,967 | 7,485 | 4,241 | 2,499 | 6,726 | 4,986 |
| IBM Perú SAC | USD | 2.93 | 2016 | 664 | - | 947 | 1,724 | 700 | 839 | 247 | 885 |
| Banco de Crédito del Perú | PEN | Entre 6.59 y 7.76 | 2018 | - | 17,424 | 53,687 | 47,367 | 8,675 | 3,035 | 45,012 | 44,332 |
| BBVA Banco Continental | PEN | Entre 5.96 y 10.85 | 2018 | - | 69,850 | 19,818 | 32,326 | 7,201 | 12,509 | 12,617 | 19,817 |
| BBVA Banco Continental | USD / PEN | 7.00 | 2017 | 4,658 | 9,244 | 912 | 2,035 | 596 | 1,123 | 316 | 912 |
| Banco Interamericano de Finanzas | PEN | 8.35 | 2014 | - | 6,628 | - | 512 | - | 512 | - | - |
| Banco Scotiabank | PEN | 7.79 | 2018 | - | 21,864 | 33,371 | 19,122 | 5,822 | 3,040 | 27,549 | 16,082 |
| Banco Scotiabank | USD | 4.70 | 2014 | 264 | - | - | 2 | - | 2 | - | - |
| | | | | <u>9,264</u> | <u>298,642</u> | <u>230,262</u> | <u>234,878</u> | <u>58,741</u> | <u>59,997</u> | <u>171,521</u> | <u>174,881</u> |

Notes to the combined financial statements

| Type Obligation | Original currency | Interest rate % | Maturity final | Original amount | | Total | | Corriente | | No corriente | |
|---|-------------------|-------------------|----------------|-----------------------|-----------------------|-------------------------|-------------------------|----------------------|-----------------------|-------------------------|-----------------------|
| | | | | US\$ (000) | S/(000) | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| | | | | S/(000) | S/(000) | S/(000) | S/(000) | S/(000) | S/(000) | | |
| Foreing loans | | | | | | | | | | | |
| Intercorp Retail Trust (f) | USD | 10.134 | 2018 | 130,000 | - | - | 351,181 | - | - | - | 351,181 |
| Intercorp Retail Trust (f) | USD | 10.13 | 2018 | 140,000 | - | - | 372,870 | - | - | - | 372,870 |
| | | | | <u>270,000</u> | <u>-</u> | <u>-</u> | <u>724,051</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>724,051</u> |
| Obligations to third parties (g) | | | | | | | | | | | |
| Intercorp Retail Trust (f) | USD | Entre 2.23 y 8.00 | 2014 | 11,549 | - | 15,671 | 11,465 | 5,570 | 5,129 | 10,101 | 6,336 |
| Intercorp Retail Trust (f) | USD | 8.00 | 2015 | 6,441 | - | 1,875 | 3,526 | 1,360 | 1,828 | 515 | 1,698 |
| | | | | <u>17,990</u> | <u>-</u> | <u>17,546</u> | <u>14,991</u> | <u>6,930</u> | <u>6,957</u> | <u>10,616</u> | <u>8,034</u> |
| Total | | | | <u>616,259</u> | <u>655,709</u> | <u>1,347,307</u> | <u>1,095,039</u> | <u>65,671</u> | <u>151,403</u> | <u>1,281,636</u> | <u>943,636</u> |

- (b) The General Shareholders Meeting of Supermercados Peruanos S.A. held on March 28, 2007 approved the general terms and conditions of the issuance of the First Program of Subordinated Bonds of Supermercados Peruanos S.A., up to a maximum of US\$30,000,000 or its equivalent in Nuevos Soles.

During 2007, Supermercados Peruanos S.A. conducted public auctions of its Subordinated Bonds for US\$12,000,000, US\$7,005,000 and S/.21,540,000, corresponding to the first, second and third issuances, respectively. The principal amounts of this issuances was paid at maturity on July 2014.

Notes to the combined financial statements

- (c) As of December 31, 2013, Supermercados Peruanos S.A. had outstanding corporate bonds for S/.46,441,000, which accrued annual interest rates that fluctuated between 6.70 and 7.75 percent, and whose maturities were between 2015 and 2019. As of December 31, 2014, these bonds were paid fully.
- (d) During the years ended December 31, 2014 and 2013, these bonds issued accrued interest which is recorded in the "Financial costs" caption of the combined income statements. Also, as of December 31, 2014 and 2013, there is a balance of interest payable which is recorded in the "Other payables" caption of the combined statements of financial position.
- (e) Promissory notes and bank loans are used to fund working capital and do not have any specific guarantee. Leasing operations are guaranteed by the assets related to them; see Note 8. Such obligations do not have any special conditions that must be complied with covenants or restrictions affecting the operations of the Companies.
- (f) In November 2011, Intercorp Retail Inc. issued through Intercorp Retail Trust, a financial trust incorporated in the Cayman Island with the purpose of performing this issuance, an offering of US\$300,000,000 in Senior Guaranteed Notes due in November 2018 at an 8.875 percent nominal annual interest rate. From this issuance, US\$270,000,000 was channeled to InRetail Perú Corp. through a promissory note in favor of Intercorp Retail Trust subscribed by InRetail Perú Corp. and to Supermercados Peruanos S.A. through a Loan Agreement in favor of Bank of America subscribed by Supermercados Peruanos S.A. The consolidated amount of said loans amounted to \$270,000,000 (equivalent to S/.754,920,000 as of December 31, 2013), which accrued interests at an 8.875 percent nominal annual interest rate. Said loans were recorded in the consolidated financial statements at their amortized cost and at a 10.134 percent effective interest rate after considering the respective up-front fees that amounted to S/.9,293,000 and a guarantee deposit of S/.35,997,000 (equivalent to US\$13,312,000), which is not refundable and will be applied to the principal related to Bank of America at the maturity date. InRetail Group allocated the funding, mainly, to the cancellation of a loan previously obtained for the acquisition of Eckerd Perú S.A., promissory notes and commercial premises for its Subsidiaries.

As of December 31, 2013, said financial obligations are presented net of the aforementioned initial charges and the guarantee deposit. The combined net balance of these borrowing as of December 31, 2013 S/.724,051,000.

The 100 percent of the senior notes was guaranteed by the Subsidiaries Supermercados Peruanos S.A. and Eckerd Perú S.A., as well as other related entities which are subsidiaries of Intercorp Retail Inc.

On October 6, 2014, InRetail Consumer, successfully completed the process of private tender offer (Tender Offer) of bonds issued and placed in 2011 by Intercorp Retail Trust "8.875% Senior Guaranteed Notes due 2018", achieving an acceptance of the offer to purchase approximately 92.43 percent of the bonds issued. During December 2014 had been acquired the balance of 7.57 percent. This way said bonds was paid fully.

Notes to the combined financial statements

- (g) On October 10, 2014, InRetail Consumer issued, a private offering of \$ 300,000,000 of senior unsecured notes, maturing in October 2021, at a nominal rate of 5.25 percent.

Said financial obligation was recorded in the consolidated financial statement at amortized cost at a 5.5823 percent annual effective interest rate after considering the respective issuance costs, to date have a balance accrued of US\$5,558,000 (equivalent to S/.16,613,000). Also it is present net of own issued bonds purchase by InRetail Consumer for US\$9,928,000 (equivalent to S/.29,675,000). The net balance of this borrowing as of December 31, 2014, amounted S/.837,220,000.

The funds from the bond issue were used to pay for the purchase of bonds "8.875% Senior Guaranteed Notes due 2018".

This offer private and positioned in the international market is guaranteed by Supermercados Peruanos S.A. and Eckerd Perú S.A.

- (h) Also, in October 2014, InRetail Consumer culminated the process of placing its private offering of S/.250,000,000 of senior unsecured notes, maturing in October 2021, at a nominal rate of 6.8125 percent.

Said financial obligation was recorded in the consolidated financial statement at amortized cost at a 6.8805 percent annual effective interest rate after considering the respective up-front fees that amounted to S/.912,000. The net balance of this borrowing as of December 31, 2014, amounted S/.249,088,000.

The proceeds of such financing will be used to restructure debt and payment of fee and expenses relates to that issue.

This offer private and positioned in the international market is guarantee by Supermercados Peruanos S.A. and Eckerd Perú S.A.

- (i) InRetail Consumer and those Subsidiaries that guarantee these loans must comply, until the maturity and cancellation of the notes, with certain obligations and restrictive clauses that require compliance with financial ratios for the incurrence of additional debt, the use and application of funds, conditions on dividends distribution and other administrative matters. The financial ratios required are as follows:

At the level of the subsidiaries that guarantee these loans:

Financial debt, net of cash / EBITDA ratio:

- Not higher than 3.75 until September 2015
- Not higher than 3.25 between October 2015 and September 2016
- Not higher than 2.75 after October 2017

In opinion of Management of the InRetail Consumer and his subsidiaries, these clauses do not limit their operations and have been complied with as of December 31, 2014 and 2013.

Notes to the combined financial statements

- (j) Corresponds to the debt that Supermercados Peruanos S.A. incurred with IBM del Perú S.A.C. to purchase computer equipment. Likewise, Hewlett Packard S.A. signed a promissory note with Supermercados Peruanos S.A. to finance the payment of the balances owed to SAP Andina del Caribe S.A. for the development of the SAP system. Said contracts do not have any specific guarantee.

Notes to the combined financial statements

(k) Debts and interest – bearing loans payable are as follows:

| | As of December 31, 2014 S/.(000) | As of December 31, 2013 S/.(000) |
|--------------|--|--|
| 2013 | - | 66,954 |
| 2014 | 55,328 | 142,433 |
| 2015 | 62,875 | 110,977 |
| 2016 onwards | 1,229,104 | 774,675 |
| Total | 1,347,307 | 1,095,039 |

13. Deferred income tax

(a) The amounts presented in the statement of financial position as of December 31, 2014 and 2013, as well as the statements of comprehensive income for the years ended December 31, 2014 and 2013 are shown below:

| Statements of financial position | Deferred liability, net | |
|------------------------------------|--|--|
| | As of December 31, 2014 S/. (000) | As of December 31, 2013 S/.(000) |
| Deferred income tax asset | 15,517 | 14,732 |
| Deferred income tax liability | (134,774) | (148,113) |
| Deferred income tax liability, net | <u>(119,257)</u> | <u>(133,381)</u> |
| | Income tax for the years ended December 31, 2014 and 2013 | |
| Statements of comprehensive income | 2014 S/. (000) | 2013 S/.(000) |
| Current | (64,363) | (52,691) |
| Deferred | <u>14,513</u> | <u>209</u> |
| | <u>(49,850)</u> | <u>(52,482)</u> |

(b) As of December 31, 2014 the income credit tax, net of provision for current income tax payable, amounts to approximately S/ .2,545,000.

Notes to the combined financial statements

14. Equity

(a) Capital stock –

| Company | N° issued common shares | | Nominal value | Accounting balance of issued capital | |
|--|-------------------------|-------------------------|---------------|--------------------------------------|-------------------------|
| | As of December 31, 2014 | As of December 31, 2013 | | As of December 31, 2014 | As of December 31, 2013 |
| | | | | S/. (000) | S/. (000) |
| Supermercados Peruanos S.A. and Subsidiarias (*) | 320,332,671 | 320,332,671 | 1.05 | 336,349 | 336,349 |
| Eckerd Perú S.A. y subsidiarias | 13,783,428 | 13,783,428 | 1.00 | 13,784 | 13,784 |

(*) From May to December 2014, a cash contribution by InRetail Peru Corp. (shareholder of this Company) was approved, for a total of approximately S/.45,951,000. Consequently, an increase in capital for approximately S/.8,818,000 and a capital premium of approximately S/.39,133,000 were recorded. At the date of this report is pending the issuance of 8,398,000 new shares in relation to this cash contribution.

Between August and December 2013, the company received capital contribution by approximately S/.57,951,000. Consequently, an increase in capital for approximately S/.10,656,000 and a capital premium of approximately S/.47,295,000 were recorded. At the date of this report is pending the issuance of 10,148,861 new shares in relation to this cash.

(b) Additional paid-in capital –

As of December 31, 2014 and 2013, the “Additional paid-in capital” caption includes the net effect of the adjustments related to the acquisition of Eckerd Perú S.A. and Subsidiaries at said dates; see Note 2(b).

(c) Legal reserve –

As provided in the Corporation Act, it is required that a minimum of 10 percent of distributable income for each year is transferred to a legal reserve until such reserve equals 20 percent of the capital. The legal reserve can absorb losses or be capitalized, but in both cases it must be replenished. The legal reserve is appropriated when the General Shareholders’ Meeting approves the same.

Notes to the combined financial statements

- (d) Dividends declared and paid –

The Board of Shareholders on June 2014 agreed to distribute dividends from profits available of S/.85,000,000, which were paid during the nine month of the year. (S/.100,000,000, during the nine months periods and was paid in full in 2013).

15. Tax Situation

- (a) The Companies are subject to the Peruvian Tax System and they calculate their income Tax on the basis of their individual financial statements. As of December 31, 2014 and 2013, the statutory Income Tax rate was 30 percent on taxable income.

According to Law No 30296 the rate of income tax will be 28 percent for 2015 and 2016, 27 percent for 2017 and 2018, and 26 percent as of the year 2019.

- (b) Law No. 29663, later amended by Law No. 29757, which are considered established Peruvian source income to those obtained by the indirect sale of shares representing the capital of companies domiciled in the country.

To this end, consider an indirect sale occurs when shares or shares representing the capital of a legal person not domiciled in the country which, in turn, owns are sold – directly or through one or more other legal persons – shares representing the capital or of one or more legal persons domiciled in the country, provided certain conditions established by law occur. In this regard, it also defines the circumstances under which the issuer is jointly liable.

- (c) For purposes of determining the Income Tax and Value added Tax, transfer pricing of transactions with related companies and companies domiciled in territories with low or no taxation must be supported with documentation and information on assessment methods applied and criteria considered. As of August 2012, has eliminated the application of transfer pricing rules for purposes only of value Added Tax. Based on the analysis of the operations of the Group, Management and its legal advisors consider that as consequence of the application of the regulation in force, there will not emerge any significant contingencies for the Companies as of December 31, 2014 and 2013.
- (d) The tax authority is legally entitled to review and, if necessary, adjust the Income Tax computed during a term of four years following the year in which the tax declaration has been submitted.

Following are the years subject to review by the tax authority of the Companies:

| | Income Tax | Value added tax |
|-----------------------------|---------------------------|---------------------------|
| Supermercados Peruanos S.A. | From 2010 to 2014 | From 2010 to 2014 |
| Eckerd Perú S.A. | From 2012 to 2014 | From 2012 to 2014 |
| Eckerd Amazonia S.A.C. | 2010, 2012, 2013 and 2014 | 2010, 2012, 2013 and 2014 |
| Boticas del Oriente S.A.C. | 2010, 2012, 2013 and 2014 | 2010, 2012, 2013 and 2014 |

Notes to the combined financial statements

According to Peruvian law, InRetail Consumer is not considered income taxpayers due to its status as a trust. InRetail Consumer attribute its generated results, the net losses and Income Tax credits on foreign source income, to the holders of its certificates of participation or whoever holds those rights.

Due to possible interpretations that the authority may give to legislation, it is not possible to determine, to date, whether the reviews will result in liabilities for the Companies. Therefore, any major tax or surcharge that may result from eventual revisions by the tax authority would be charged to the combined statements of comprehensive income of the period in which said tax or surcharge is determined.

Management's opinion as well as its legal advisors opinion, any eventual additional tax settlement would not be significant to the combined financial statements as of December 31, 2014 and 2013.

16. Operating expenses

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

| | 2014 | 2013 |
|-------------------------|------------------|------------------|
| | S/.(000) | S/.(000) |
| Cost of sales | 4,224,586 | 3,747,279 |
| Selling expenses | 1,193,894 | 1,033,821 |
| Administrative expenses | <u>141,175</u> | <u>130,439</u> |
| | <u>5,559,655</u> | <u>4,911,539</u> |

The table below presents the components of operating expenses included in cost of sales, sales and administrative expenses captions:

Notes to the combined financial statements

| | 2014 | | | |
|---|----------------------|-------------------------|--------------------------------|------------------|
| | Cost of sales | Selling expenses | Administrative expenses | Total |
| | S/.(000) | S/.(000) | S/.(000) | S/.(000) |
| Initial balance of goods | 774,040 | - | - | 774,040 |
| Purchase of goods | 4,222,071 | - | - | 4,222,071 |
| Final balance of goods, Note 5(a) | (777,051) | - | - | (777,051) |
| Impairment of inventories note 5 (c) | 5,526 | - | - | 5,526 |
| Packing and packaging | - | 39,272 | 1,124 | 40,396 |
| Personnel expenses | - | 472,059 | 83,646 | 555,705 |
| Depreciation, Note 8(a) | - | 97,522 | 13,571 | 111,093 |
| Amortization, Note 10(a) | - | 5,491 | 4,420 | 9,911 |
| Key money amortizacion | - | 1,032 | - | 1,032 |
| Services provided by third parties (b) | - | 182,252 | 24,422 | 206,674 |
| Advertising | - | 77,386 | - | 77,386 |
| Rental of premises | - | 143,476 | 7,178 | 150,654 |
| Taxes | - | 24,502 | 3,107 | 27,609 |
| Provision for doubtful trade receivables, Note 4(f) | - | 753 | - | 753 |
| Provision for doubtful other account receivables, | - | 516 | - | 516 |
| Insurance | - | 9,219 | 566 | 9,785 |
| Other charges (c) | - | 140,414 | 3,141 | 143,555 |
| | 4,224,586 | 1,193,894 | 141,175 | 5,559,655 |

| | 2013 | | | |
|---|----------------------|-------------------------|--------------------------------|------------------|
| | Cost of sales | Selling expenses | Administrative expenses | Total |
| | S/.(000) | S/.(000) | S/.(000) | S/.(000) |
| Initial balance of goods, | 591,800 | - | - | 591,800 |
| Purchase of merchandise | 3,923,340 | - | - | 3,923,340 |
| Final balance of goods | (774,040) | - | - | (774,040) |
| Impairment of inventories, | 6,179 | - | - | 6,179 |
| Packing and packaging | - | 37,061 | 747 | 37,808 |
| Personnel expenses | - | 402,955 | 76,809 | 479,764 |
| Depreciation, Note 8(a) | - | 81,121 | 14,081 | 95,202 |
| Amortization, Note 10(a) | - | 5,285 | 3,002 | 8,287 |
| Key money amortizacion | - | 900 | - | 900 |
| Services provided by third parties (b) | - | 159,534 | 20,453 | 179,987 |
| Advertising | - | 77,951 | - | 77,951 |
| Rental of premises | - | 113,331 | 5,752 | 119,083 |
| Taxes | - | 20,853 | 2,017 | 22,870 |
| Provision for doubtful trade receivables, Note 4(f) | - | 788 | - | 788 |
| Insurance | - | 2 | 3 | 5 |
| Other charges (c) | - | 7,846 | 570 | 8,416 |
| | 3,747,279 | 907,627 | 123,434 | 4,778,340 |

(b) Correspond mainly to expenses for electricity, water, telephone, premises maintenance services and transport services.

(c) Mainly include general expenses in stores.

Notes to the combined financial statements

17. Finance costs

The table below presents the components of this caption:

| | Balance as of December 31, 2014 S/. (000) | Balance as of December 31, 2013 S/. (000) |
|--|---|---|
| Finance income | | |
| Interest and others | 5,139 | 7,440 |
| Interest for derivate instruments | 5,721 | - |
| Gain on sales corporate bonds | - | 2,053 |
| | <u>5,139</u> | <u>7,440</u> |
| Finance cost | | |
| Interest on loans, borrowing and bonds payable | 102,696 | 91,387 |
| Interest from derivate instruments | 1,227 | 2,454 |
| Tender offer expenses | 96,554 | - |
| Others financial cost | 26,854 | 14,271 |
| | <u>227,331</u> | <u>108,112</u> |

Notes to the combined financial statements

18. Transactions with related parties

- (a) The following table provides the total amount of transactions with related parties for the relevant financial periods 2014 and 2013:

| | 2014 S/.(000) | 2013 S/.(000) |
|------------------------------|------------------|------------------|
| Income | | |
| Sales | 4,083 | 8,286 |
| Rental income | 12,619 | 8,229 |
| Rendering of services | 11,165 | 5,453 |
| Others | - | 30,000 |
| | <u>27,867</u> | <u>51,968</u> |
| Expenses | | |
| Renting of premises and land | - | - |
| Reimbursements of expenses | 10,511 | 25,543 |
| Commissions | 33,116 | 8,612 |
| Other services | 196 | 420 |
| Interest | - | 250 |
| Others | 10,193 | 6,509 |
| | <u>54,016</u> | <u>41,334</u> |

- (b) As a result of the transactions with related companies, the Companies recorded the following balances of receivables and payables as of December 31, 2014 and December 2013:

| | As of December 31, 2014 S/.(000) | As of December 31, 2013 S/.(000) |
|---|--|--|
| Receivables | | |
| Home Centers Peruanos S.A | 2,724 | 976 |
| Financiera Uno | 4,964 | 7,983 |
| Banco Internacional del Perú S.A.A. – Interbank | 4,443 | 6,535 |
| Tiendas Peruanas S.A. | 3,227 | 1,494 |
| Bembos | 1,134 | 1,299 |
| Cineplex S.A. | 746 | 800 |
| Urbi | 186 | 0 |
| Otros | 5,416 | 3,855 |
| | <u>40,774</u> | <u>22,942</u> |

Notes to the combined financial statements

| | As of December 31, 2014 | As of December 31, 2013 |
|--|----------------------------|----------------------------|
| | S/.(000) | S/.(000) |
| Payables | | |
| Interproperties Holding (f) | 9,872 | - |
| Financiera Uno (d) | 15,813 | 9,021 |
| Intercorp Retail Inc. | - | 13,245 |
| Banco Internacional del Perú S.A.A. – Interbank: | | |
| Credit line and othes | 471 | 1,214 |
| Guarantee deposit (e) | 4,242 | 3,642 |
| Horizonte Global Opportunities Perú S.A. | 545 | 554 |
| Cineplex S.A. | 35 | 32 |
| Otros | 2,636 | 6,499 |
| | <u>33,614</u> | <u>34,207</u> |
| Remunerations payable to key management | - | 121 |
| | <u>33,614</u> | <u>34,328</u> |
| Current portion | 29,372 | 30,686 |
| Non-current portion | 4,242 | 3,642 |
| Total | <u>33,614</u> | <u>34,328</u> |

The policy of the InRetail Group is to make transactions with related companies at terms equivalent to those that prevail in arm's length transactions.

- (c) Outstanding balances at the year-end are unsecured and interest free, except for the financial obligations explained in this note. There have been no guarantees provided or received for any related party receivables or payables. For the nine month periods end December 31, 2014 and 2013, the Companies have not recorded any impairment of receivables relating to amounts owed by related parties. This assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.
- (d) On June 30, 2013, Supermercados Peruanos S.A. and Financiera Uno S.A., a related entity, signed the "Contract of Issuance and Administration of the "Oh!" credit card". Said contract established that Financiera Uno S.A. would pay Supermercados Peruanos S.A. an amount of S/.30,000,000 plus VAT, in order that Financiera Uno S.A. can exclusively operate its "Oh!" credit card in the Supermercados Peruanos stores, instead of the "Vea" credit card of Banco Internacional del Perú S.A.A. – Interbank, which was operating until that moment. Said amount was entirely collected by Supermercados Peruanos S.A. during 2013.

Likewise, as a consequence of such contract, as of December 31, 2014 and 2013, Supermercados Peruanos S.A. holds accounts payable to Financiera Uno S.A. for approximately 15,813,000 and S/.9,021,000 respectively, which corresponded mainly to the collection of installments to users of the "Oh!" credit card, which normally are transferred to Financiera Uno S.A. the day following of its collection.

Notes to the combined financial statements

- (e) Supermercados Peruanos S.A. and Banco Internacional del Perú S.A.A. –Interbank signed contracts on leases of financial stores for 15 and 7 years in October 2004 and September 2009, respectively. Said contracts amount to approximately S/.27,212,000 (equivalent to approximately US\$8,000,000) and S/.14,788,000 (equivalent to approximately US\$5,016,000) which were collected in advance by Supermercados Peruanos S.A. and are presented in the “Deferred revenue” caption in the Combined statements of financial position. Additionally, and only in the case of the 2004 contract, Supermercados Peruanos S.A. received from Banco Internacional del Perú S.A.A. – Interbank US\$2,000,000 as collateral for the contract. As of December 31, 2014 and 2013, Supermercados Peruanos S.A. has credited the update of the present value of this deposit in the “Financial income” caption. The net present value of the balances related to guarantee deposit amount to S/.4,242,000 and S/.3,642,000 respectively, as of December 31, 2014 and December 31, 2013, and is accounted for in the “Other Payable” in the Combined statement of financial position.

In relation to said contracts, during 2014 Supermercados Peruanos S.A. recognized accrued rental income that amounted to approximately S/.3,183,000, equivalent to US\$1,060,000 (S/.3,743,000, equivalent to US\$1,156,000, during 2013), which are recorded in the “Rental income” caption in the Combined income statements.

As of December 31, 2014, Supermercados Peruanos S.A. maintains deferred revenue that amounts to approximately S/.6,889,000 (S/.9,407,000 as of December 31, 2013) which will be recognized as income in upcoming periods.

- (f) Correspond to account payable generated by the construction of two new stores for Supermercados Peruanos S.A., whose construction was realized by Interproperties Holding.

19. Deferred revenue

The table below presents the components of this caption:

| | As of December 31, 2014 S/.(000) | As of December 31, 2013 S/.(000) |
|-----------------------------|--|--|
| leases to financial modules | 6,890 | 7,128 |
| Other leases | <u>13,804</u> | <u>5,854</u> |
| Total | <u>20,694</u> | <u>12,982</u> |
| Current portion | 3,950 | 3,550 |
| Non-current portion | <u>16,744</u> | <u>9,432</u> |
| Total | <u>20,694</u> | <u>12,982</u> |

Notes to the combined financial statements

20. Commitments and contingencies

Commitments –

The main commitments assumed are presented below:

- (a) As of December 31, 2014 and 2013, the Companies have signed rental contracts with third parties for the premises in which some of its stores operate. The assumed commitments correspond to fixed and/or variable monthly rents base on sales, whichever is highest. The total commitments assumed up until 2052, calculated on the basis of the fixed rental amounts, were disclosed in the annual financial statements for the year ended as of December 31, 2013.
- (b) As of December 31, 2014, the Companies agreed with several financial entities on the issuance of jointly by and severally irrevocable letters of guarantee for compliance with the payment for purchase of goods to foreign suppliers.
- (c) During 2011, Intercorp Retail Inc. issued and US\$300,000,000 of “Senior Guaranteed Notes” which are guaranteed by the Companies’ equity and other related parties.

Contingencies –

- (a) Eckerd Amazonia S.A.C. is in the process of claim against the Tax Authority for determinations of debts and fines related to VAT for the period between January 2003 and June 2005. In opinion of Management and its legal advisors these contingencies are stated as “Possible” and significant liabilities will not arise as result of this contingency as of December 31, 2014 and 2013.
- (b) Eckerd Perú S.A. has a legal process with its supplier Ekalmi S.A. as consequence of disagreements on the services it provides. At the date of this report, Ekalmi S.A. has demanded Eckerd Perú S.A. a pending payment for approximately S/.10,000,000. As of December 31, 2014 and 2013, Eckerd Perú S.A. holds liabilities with this supplier for approximately S/.5,000,000; and in its opinion de Eckerd Perú S.A., it would be the maximum amount it would pay.

Supermercados Peruanos S.A. is a party to tax proceedings related of Income Tax returns and its monthly Value Added Tax presented in taxable years 2004, 2005, 2006, 2007, 2008 and 2009. As of the date of this report Supermercados Peruanos S.A. has challenged the Tax Administration for these resolutions and, In the opinion of Management as well as its legal advisors, Supermercados Peruanos has sufficient arguments supporting its case; hence it expects favorable results on the contingent issues explained above, and therefore has not recorded any provision for these processes as of December 31, 2014 and 2013, respectively.

Notes to the combined financial statements

21. Business segments

For management purposes, the Companies are organized into business units based on their products and services and they have two reportable segments i) supermarkets ii) drugstores. No operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the combined financial statements.

Transfer pricing between operating segments is on an arm's-length basis in a manner similar to all transactions with third parties.

Notes to the combined financial statements

The following table presents the financial information of Companies by business segments for the years ended December 31, 2014 and 2013:

| | Supermarkets S/.(000) | Pharmacies S/.(000) | Total segments S/.(000) | Holding accounts, consolidation adjustments and intercompany eliminations S/.(000) | Combined S/.(000) |
|---|--------------------------|------------------------|----------------------------|---|----------------------|
| For the year ended December 31, 2014 | | | | | |
| Revenue | | | | | |
| External income | 3,746,426 | 2,086,075 | 5,832,501 | - | 5,832,501 |
| Inter-segment | 10,227 | 12 | 10,239 | (10,239) | - |
| Total revenue | 3,756,653 | 2,086,087 | 5,842,740 | (10,239) | 5,832,501 |
| Cost of sales | (2,794,066) | (1,430,520) | (4,224,586) | - | (4,224,586) |
| Gross profit | 962,587 | 655,567 | 1,618,154 | (10,239) | 1,607,915 |
| Other operating income | 32,988 | 8,409 | 41,397 | 14,265 | 55,662 |
| Selling expenses | (753,843) | (450,290) | (1,204,133) | 10,239 | (1,193,894) |
| Administrative expenses | (83,972) | (56,794) | (140,766) | (409) | (141,175) |
| Other operating expenses | (21,561) | (21) | (21,582) | (14,265) | (35,847) |
| Operating profit | 136,199 | 156,871 | 293,070 | (409) | 292,661 |
| Net, Exchange difference | (32,108) | (589) | (32,697) | (25,677) | (58,374) |
| Finance income | 5,933 | 756 | 6,689 | 4,171 | 10,860 |
| Finance costs | (83,915) | (5,261) | (89,176) | (138,155) | (227,331) |
| Profit before income tax | 26,109 | 151,777 | 177,886 | (160,070) | 17,816 |
| Income tax expense | (11,673) | (53,099) | (64,772) | 14,922 | (49,850) |
| Profit for the year | 14,436 | 98,678 | 113,114 | (145,148) | (32,034) |
| Attributable to: | | | | | |

Notes to the combined financial statements

| | Supermarkets S/.(000) | Pharmacies S/.(000) | Total segments S/.(000) | Holding accounts, consolidation adjustments and intercompany eliminations S/.(000) | Combined S/.(000) |
|---|--------------------------|------------------------|----------------------------|---|----------------------|
| For the year ended December 31, 2013 | | | | | |
| Revenue | | | | | |
| External income | 3,318,828 | 1,823,645 | 5,142,473 | - | 5,142,473 |
| Inter-segment | 9,959 | 234 | 10,193 | (10,193) | - |
| Total revenue | 3,328,787 | 1,823,879 | 5,152,666 | (10,193) | 5,142,473 |
| Cost of sales | (2,480,034) | (1,267,479) | (3,747,513) | 234 | (3,747,279) |
| Gross profit | 848,753 | 556,400 | 1,405,153 | (9,959) | 1,395,194 |
| Other operating income | 30,128 | 537 | 30,665 | - | 30,665 |
| Selling expenses | (666,406) | (374,666) | (1,041,072) | 7,251 | (1,033,821) |
| Administrative expenses | (83,924) | (49,223) | (133,147) | 2,708 | (130,439) |
| Other operating expenses | (1,991) | - | (1,991) | - | (1,991) |
| Operating profit | 126,560 | 133,048 | 259,608 | - | 259,608 |
| Net, exchange difference | (41,610) | (1,586) | (43,196) | (31,850) | (75,046) |
| Finance income | 8,006 | 1,487 | 9,493 | - | 9,493 |
| Finance costs | (73,456) | (3,114) | (76,570) | (31,542) | (108,112) |
| Profit before income tax | 19,500 | 129,835 | 149,335 | (63,392) | 85,943 |
| Income tax expense | (11,364) | (41,118) | (52,482) | - | (52,482) |
| Profit for the year | 8,136 | 88,717 | 96,853 | (63,392) | 33,461 |

Notes to the combined financial statements

Geographic information –

As of December 31, 2014 and 2013, the operations of the Companies are concentrated in Peru, therefore, there are no revenues from external customers, or assets located in a foreign country as of those dates.

22. Fair value

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

When a financial instrument is traded in an active and liquid market, its quoted market price in an actual transaction provides the best evidence of its fair value. When a quoted market price is not available, or may not be indicative of the fair value of the financial instrument, other estimation techniques may be used to determine such fair value, including the current market value of another financial instrument that is substantially similar, discounted cash flow analysis or other techniques applicable, all of which are significantly affected by the assumptions used. Although Management uses its best judgment in estimating the fair value of these financial instruments, there are inherent weaknesses in any estimation technique. As a result, the fair value may not be indicative of the net realizable or settlement value.

The following methods and assumptions were used to estimate the fair value of the main financial instruments:

- (a) Financial instruments whose fair value are similar to book value –
Assets and liabilities that are liquid or have short maturities (less than three months), such as cash and short-term deposits, trade and other receivables, trade and another payables and other current liabilities, approximate to their carrying amounts largely due to the short-term maturities of these instruments.
- (b) Fixed-rate financial instruments –
The fair value of financial assets and liabilities at fixed interest rates and amortized cost is determined by comparing market interest rates at their initial recognition to current market rates related to similar financial instruments. The estimated fair value of interest-bearing deposits is determined through discounted cash flows by using market interest rates in the prevailing currency with similar maturities and credit risks.
- (c) Available-for-sale investment –
Fair value of available-for-sale financial assets is derived from quoted market prices in active markets, if available. Fair value of unquoted available-for-sale financial assets is estimated using a discounted cash flow technique.

Notes to the combined financial statements

Fair value hierarchy –

The Companies use the following hierarchy to record or disclose, as required by the IFRS, the fair value of the financial instruments and investment properties recorded in the combined statements of financial position:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
- Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

The Companies have not performed transfers of financial instruments from Level 3 to Level 1 or to Level 2 during the years 2014 and 2013. The financial instruments and its level of hierarchy for the determination of the fair value, to record or disclose, are the following:

- Available-for-sale investments which fair value was determined under level 1 hierarchy.
- Derivative instrument which fair value was determined under level 2 hierarchy.
- Bonds issued, and debts and loans that accrue interests, whose exposure fair values were determined through the Level 2 hierarchy.