

**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 March 31, 2016
(unaudited) and December 31, 2015 (audited) and for the three-month
periods ended March 31, 2016 and 2015

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 March 31, 2016 and December 31, 2015

	<u>Note</u>	<u>2016</u>	<u>2015</u>		<u>Note</u>	<u>2016</u>	<u>2015</u>
		S/(000)	S/(000)			S/(000)	S/(000)
Assets				Liabilities and equity			
Current assets				Current liabilities			
Cash and short-term deposits	4	118,097	188,235	Trade payables	13	1,326,243	1,424,541
Trade receivables, net	5	33,784	63,472	Other payables	-	170,620	158,543
Other receivables, net	-	63,191	78,773	Accounts payable to related parties	20(b)	31,888	32,635
Accounts receivables from related parties	20(b)	30,444	23,363	Interest-bearing loans and borrowings	14	180,681	134,932
Inventories, net	6	923,960	891,355	Current income tax	15(b)	1,054	1,846
Available-for-sale investment	7	32,337	13,873	Deferred revenue	-	3,564	4,326
Prepayments	8	37,545	18,256	Total current liabilities		<u>1,714,050</u>	<u>1,756,823</u>
Total current assets		<u>1,239,358</u>	<u>1,277,327</u>	Accounts payable to related parties	20(b)	5,146	5,188
				Interest-bearing loans and borrowings	14	1,245,821	1,287,264
Non-current assets				Deferred revenue		26,122	17,341
Other receivables, net	-	14,450	14,374	Deferred income tax liabilities, net	15	<u>152,011</u>	<u>145,773</u>
Prepayments	8	25,770	26,270	Total non-current liabilities		<u>1,429,100</u>	<u>1,455,566</u>
Derivative Financial Instrument	9	33,358	32,692	Total liabilities		<u>3,143,150</u>	<u>3,212,389</u>
Property, furniture and equipment, net	10	2,034,316	2,014,053				
Investment properties	11	17,098	17,224	Equity			
Intangible assets, net	12	1,184,452	1,184,081	Capital stock		369,607	369,607
Total non-current assets		<u>3,309,444</u>	<u>3,288,694</u>	Capital premium	-	181,603	181,603
				Additional paid in capital		706,427	706,427
Investments at fair value through profit or loss				Advance performance		(5,307)	(3,560)
				Unrealized results on financial instruments		(3,268)	(13,582)
				Unrealized results on available-for-sale-investment		3,479	768
				Other equity reserves		20,405	17,689
				Retained earnings		<u>132,706</u>	<u>94,680</u>
				Total equity		<u>1,405,652</u>	<u>1,353,632</u>
Total assets		<u>4,548,802</u>	<u>4,566,021</u>	Total liabilities and equity		<u>4,548,802</u>	<u>4,566,021</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 income statements
For the three-month periods ended March 31, 2016 and 2015

	Note	2016 S/(000)	2015 S/(000)
Net sales of goods		1,646,593	1,504,410
Rental income		11,236	9,637
Rendering of services		7,092	6,007
Revenue		<u>1,664,921</u>	<u>1,520,054</u>
Cost of sales	18	(1,200,581)	(1,099,730)
Gross profit		<u>464,340</u>	<u>420,324</u>
Selling expenses	18	(350,045)	(315,203)
Administrative expenses	18	(41,572)	(37,228)
Income from joint venture		4,699	-
Other operating income		8,315	244
Other operating expenses		(6,142)	(955)
Operating profit		<u>79,595</u>	<u>67,182</u>
Finance income	19	1,392	1,303
Finance costs	19	(26,799)	(24,167)
Net exchange difference		9,721	(33,535)
Profit before income tax		<u>63,909</u>	<u>10,783</u>
Income tax expense	15	(23,167)	(11,019)
Net Profit		<u>40,742</u>	<u>(236)</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 three-month periods ended March 31, 2016 and 2015

	Note	2016 S/(000)	2015 S/(000)
Net profit		40,742	(236)
Other comprehensive income			
Unrealized gain on available-for-sale investments		2,895	-
Income tax effect		(184)	-
		<u>2,711</u>	<u>-</u>
Profit on hedging derivative financial instrument		-	-
Gain in derivative financial instrument		10,314	-
Income tax effect		-	-
		<u>10,314</u>	<u>-</u>
Other comprehensive income for the period, net of income tax effects		13,025	-
Total comprehensive income for the period		<u>53,767</u>	<u>(236)</u>

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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
For the three-month periods ended March 31, 2016 and 2015

	<u>Capital stock</u> S/(000)	<u>Additional paid in capital</u> S/(000)	<u>Capital premium</u> S/(000)	<u>Unrealized results on financial instruments</u> S/(000)	<u>Unrealized results on available for sale investments</u> S/(000)	<u>Legal reserve</u> S/(000)	<u>Retaining earnings</u> S/(000)	<u>Total</u> S/(000)
Balance as of January 1, 2015	369,607	704,392	181,603	-	-	16,229	70,284	1,342,115
Profit for the period	-	-	-	-	-	-	(236)	(236)
Other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	-	-	(236)	(236)
Capital contribution	-	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	-	-	-
Movements in additional paid in capital	-	-	-	-	-	-	-	-
Transfer to legal reserve	-	-	-	-	-	-	-	-
Balance as of March 31, 2015	<u>369,607</u>	<u>704,392</u>	<u>181,603</u>	<u>-</u>	<u>-</u>	<u>16,229</u>	<u>70,048</u>	<u>1,341,879</u>
Balance as of January 1, 2016	369,607	706,427	181,603	(13,582)	768	17,689	91,120	1,353,632
Profit for the period	-	-	-	-	-	-	40,742	40,742
Other comprehensive income	-	-	-	10,314	2,711	-	-	13,025
	-	-	-	10,314	2,711	-	40,742	53,767
Capital contribution	-	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	-	-	-
Movements in additional paid in capital	-	-	-	-	-	-	-	-
Advanced performance	-	-	-	-	-	-	(1,747)	(1,747)
Transfer to legal reserve	-	-	-	-	-	2,716	(2,716)	-
Balance as of March 31, 2016	<u>369,607</u>	<u>706,427</u>	<u>181,603</u>	<u>(3,268)</u>	<u>3,479</u>	<u>20,405</u>	<u>127,399</u>	<u>1,405,652</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 cash flows
For the three-month periods ended March 31, 2016 and 2015

	2016	2015
	S/(000)	S/(000)
Operating activities		
Revenue	1,707,997	1,532,875
Payments to suppliers of goods and services	(1,541,779)	(1,266,450)
Payments to employees for salaries and social benefits	(153,915)	(145,126)
Taxes paid	(23,310)	(32,248)
Other payments, net	10,098	(58,178)
Net cash flows from operating activities	<u>(909)</u>	<u>30,873</u>
Investing activities		
Sales of properties, furniture and equipment	2,884	5
Sales of available for sale investment	-	-
Purchase of available for sale investment	(15,492)	(7,537)
Collection of loan to related parties	-	19,652
Bonds repurchase (Including nominal value and repurchase premium)	-	-
Purchase of property, furniture and equipment, net of acquisitions through leasing contracts	(53,944)	(33,574)
Purchase and development of intangible assets	(3,572)	(5,340)
Net cash flows used in investing activities	<u>(70,124)</u>	<u>(26,794)</u>
Financing activities		
Proceeds from interest-bearing loans and borrowings	47,014	-
Capital contribution	-	-
Additional paid in capital	-	-
Payment of interest-bearing loans and borrowings	(34,744)	(21,011)
Interest payment	(9,628)	(10,980)
Call Spreads guarantee deposit	-	-
Advance performance	(1,747)	-
Net cash flows used in financing activities	<u>895</u>	<u>(31,991)</u>
Net decrease of cash and short-term deposits	<u>(70,138)</u>	<u>(27,912)</u>
Cash and short-term deposits at the beginning of the period	<u>188,235</u>	<u>168,209</u>
Cash and short-term deposits at the end of the period	<u>118,097</u>	<u>140,297</u>
Non-cash transactions		
Fixed assets purchased through leasing and others financial obligation	7,416	16,419

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 March 31, 2016 (unaudited), December 31, 2015 (audited) and as of March 31, 2016 and 2015 (unaudited)

1. Identification and business activities and reorganization and issuance process

(a) Identification.-

Patrimonio en Fideicomiso D.S. N°093-2002-EF-InRetail Consumer (a Special Purpose Entity-SPE, hereinafter "InRetail Consumer"), was incorporated in August 2014 by InRetail Perú Corp. only for the purpose of issuing debt in the local market and abroad. As of March 31, 2016 and December 31, 2015, the representative shares of capital stock of Supermercados Peruanos S.A. and Subsidiaries and Eckerd Peru S.A. and Subsidiaries are maintained in trust in this entity.

Supermercados Peruanos S.A. and Eckerd Perú S.A. were incorporated in June 1979 and August 1996, respectively, in Lima, Peru. As of March 31, 2016 and December 31, 2015, 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 March 31, 2016 and December 31, 2015, has a chain of stores operating under "Plaza Vea", "Plaza Vea Super", "Vivanda" and "Mass" brands, which are located in Lima and provinces, such as Trujillo, Chimbote, Piura, Cusco, Arequipa, Huancayo and others. Supermercados Peruanos S.A. holds 100 percent of: (i) Desarrolladora de Strip Centers S.A.C. (former Peruana de Tiquetes S.A.C.), and (ii) Plaza Vea Sur S.A.C.
- Eckerd Perú S.A. is dedicated to the commercialization of pharmaceutical products, cosmetic products, food for medical use and other elements related to health protection and recovery through its "InkaFarma" pharmacy chain. As of March 31, 2016 and December 31, 2015 it mainly operates in Lima and provinces, such as Lambayeque, La Libertad, Piura, Arequipa, Loreto, San Martín, Ucayali, Madre de Dios, among others. Eckerd Perú S.A. holds 100 percent of: (i) Eckerd Amazonía S.A.C. and (ii) Boticas del Oriente S.A.C.

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 March 31, 2016 and December 31, 2015, and for the three-month periods ended March 31, 2016 and 2015:

	Supermercados Peruanos S.A. and Subsidiaries		Eckerd Perú S.A and Subsidiaries	
	As of March 31, 2016	As of December 31, 2015	As of March 31, 2016	As of December 31, 2015
	S/(000)	S/(000)	S/(000)	S/(000)
Consolidated statements of financial position				
Total assets	2,665,337	2,700,467	778,432	792,122
Total liabilities	1,717,878	1,771,250	637,331	653,972
Equity	947,459	929,217	141,101	138,150
	Balance as of March 31, 2016	Balance as of March 31, 2015	Balance as of March 31, 2016	Balance as of March 31, 2015
	S/(000)	S/(000)	S/(000)	S/(000)
Consolidated income statements				
Operating profit	34,725	30,614	45,680	36,699
Net profit (loss)	18,242	(673)	31,932	24,836

The combined financial statements as of March 31, 2016 were approved by management of InRetail Perú Corp. on May 11, 2016

2. Summary of significant accounting policies

The significant accounting policies used in the preparation and presentation of the Companies 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 solely to comply with certain obligations as a result of the issuance made by InRetail Consumer. Likewise, the financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) effective as of March 31, 2016 and December 31, 2015.

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

The interim condensed combined financial statements do not include 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, 2015.

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 combined adjustments and intercompany eliminations are explained 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 12. Likewise, the deferred tax liability related to this commercial brand amounts to approximately S/111,916,000.
- (iii) Incorporation of costs related to the debt acquired by InRetail Perú Corp. due to the acquisition of Eckerd Perú S.A. and Subsidiaries (Senior Guaranteed Notes for US\$130,000,000). Accrued interest and exchange difference effects associated with the debt were incorporated in the combined financial statements in the retained earnings, which amount to S/173,964,000.

In addition, the combined adjustments include approximately S/15,189,000 corresponding to taxes recovered from the tax authorities for Eckerd Peru S.A. According to the purchase agreement, the taxes recovered would be returned to the former shareholders of Eckerd Peru S.A. by InRetail Peru Corp. At the date of this report, Eckerd Peru S.A. has recovered these taxes and were returned to its former shareholders in December 2014 and October 2015.

Notes to the combined financial statements

(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, 2015, except for the adoption of the new standards and interpretations as of January 1, 2016.

Standard adopted early

The Company uses derivative instruments to manage its variation in exchange rates. In order to manage these risks, the Company applies hedge accounting for transactions which meet specific criteria for this. At the beginning of the hedging relationship, the Company formally documents the relationship between the hedged item and the hedging instrument, including the nature of the risk, the objective and strategy for undertaking the hedge and the method that will be used to assess the effectiveness of the hedge.

The accounting treatment is established according to the nature of the hedged item and the fulfillment of the criteria for coverage. The effective portion of these hedges are recorded in other comprehensive income and then transferred to the hedged item when they affect results. The ineffective portion and the time value of the options are amortized linearly over the life of the option and are recognized as interest expense.

In order that the time value of the options is amortized linearly over the life of the option and avoid high volatility, the Company decided to adopt IFRS 9 in advance.

Standards not adopted early

The Companies decided not to early adopt the following standards and interpretations that have been issued by the IASB, but which are not effective as of January 01, 2016:

- IFRS 15 “Revenue from Contracts with Customers”–
IFRS 15 was issued in May 2014 and established a five-step model that will apply to income arising from contracts with customers. Under IFRS 15, income is recognized for an amount that reflects the contractual consideration agreed with the customer. The principles in IFRS 15 provide a more structured approach to measure and recognize revenues.

The new standard on revenue is applicable to all entities and replaces all revenue recognition requirements under IFRS. Complete or modified retrospective application for annual periods beginning on 1 January 2017 is required and early adoption is permitted. The Companies are currently assessing the impact of IFRS 15 and plans to adopt it when is effective.

As of the date of this report, the Companies are assessing the possible impact of the application of these standards on its consolidated financial statements.

Notes to the combined financial statements

3. Transactions in foreign currency

Transactions in foreign currency are carried out using exchange rates prevailing in the market as published by the Superintendence of Banks, Insurance and Pension Funds Administration. As of March 31, 2016, the weighted average exchange rates in the market for transactions in US Dollars were S/3.323 per US\$1 bid and S/3.328 per US\$1 ask (S/3.408 and S/3.413 per US\$1 bid and ask as of December 31, 2015).

As of March 31, 2016 and December 31, 2015, the companies held the following foreign currency assets and liabilities:

	As of March 31, 2016	As of December 31, 2015
	US\$(000)	US\$(000)
Assets		
Cash and short-term deposits	2,518	14,313
Available-for-sale investment	9,717	4,065
Trade receivables, net	479	4
Other receivables, net	2,940	4,574
Accounts receivable from related parties	787	1,336
	<u>16,441</u>	<u>24,292</u>
Liability		
Trade payables	(13,123)	(15,565)
Other payables	(21,647)	(14,521)
Accounts payable to related parties	-	(217)
Interest - bearing loans and borrowings	(197,827)	(188,612)
	<u>(232,597)</u>	<u>(218,915)</u>
Call spread	100,000	100,000
Net liability position	<u>(116,156)</u>	<u>(94,623)</u>

As of March 31, 2016 and December 31, 2015, InRetail Consumer and its Subsidiaries, decided to reduce its exchange rate risk by entering into a hedging operation through a Call Spread written over its "Senior Notes Unsecured", which is considered an effective hedging instrument. The Call Spread is written over a nominal amount of US\$100,000,000 and will be effective until maturity of the "Senior Notes Unsecured". The net position in the derivatives related to the currency Call Spread agreement correspond to an exchange operation (Soles exchanged for US Dollars) with notional amounts of approximately US\$100,000,000. See further detail in Note 9.

Notes to the combined financial statements

4. Cash and short-term deposits

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

	As of March 31, 2016 S/(000)	As of December 31, 2015 S/(000)
Cash	21,776	9,152
Current accounts (b)	17,236	60,131
Time deposits (c)	70,994	102,837
Other	8,091	16,115
Total	118,097	188,235

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

(c) As of March 31, 2016, time deposits in local currency and US dollars are freely available and are kept in Soles, in local banks, have maturities up to a month since inception and bear annual interest of 4.05 percent annual in local currency and 0.15 percent annual in US dollars. As of December 31, 2015, this amount corresponded to time deposits freely available in Soles in local financial institutions that generate annual interest of 4.00 in Soles and 0.20 in US dollars and matured up to a month since inception.

5. Trade receivables, net

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

	As of March 31, 2016 S/(000)	As of December 31, 2015 S/(000)
Trade accounts receivable (c)	19,356	27,167
Credit card operations (d)	4,969	22,031
Rent receivable (e)	7,697	8,161
Others	7,426	11,603
Total	39,448	68,962
Provision for doubtful accounts (f)	(5,664)	(5,490)
	33,784	63,472

(b) Trade receivables are denominated in 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.

Notes to the combined financial statements

- (e) Corresponds to accounts receivable for the lease of commercial premises to concession holders inside the stores of Supermercados Peruanos S.A.
- (f) The movements in the provision for doubtful accounts receivable for the three-month periods ended March 31, 2016 and 2015, were as follows:

	2016	2015
	S/(000)	S/(000)
Balance at the beginning of the year	5,490	2,770
Provision recognized as year expense, Note 18 (a)	177	-
Write offs and recoveries	(3)	(4)
Exchange foreign currency	-	-
Balance at the end of the period	<u>5,664</u>	<u>2,766</u>

As of March 31, 2016 and December 31, 2015, the amount of trade receivables past due but not impaired amounted to approximately S/ 12,512,000 and S/20,848,000, respectively.

The overdue items which have a payment agreement by the customer, are not considered impaired.

In the opinion of Management, the provision for doubtful accounts receivable as of March 31, 2016 and December 31, 2015 appropriately covers the credit risk of this item at those dates.

6. Inventories, net

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

	As of March 31, 2016	As of December 31, 2015
	S/(000)	S/(000)
Goods	899,851	876,298
In transit inventories (b)	14,252	9,599
Miscellaneous supplies	14,486	15,055
Total	<u>928,589</u>	<u>900,952</u>
Minus		
Provision for impairment of inventories (c)	(4,629)	(9,597)
Total	<u>923,960</u>	<u>891,355</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 three-month periods ended as of March 31, 2016 and 2015 were as follows:

	2016 S/(000)	2015 S/(000)
Balance at the beginning of the year	9,597	9,001
Provision of the period, Note 18(a)	2,418	239
Write-off/recovery	(7,386)	(4,208)
Balance at the end of the period	<u>4,629</u>	<u>5,032</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 periodic evaluations performed by the Management.

7. Available-for-sale investment

As of March 31, 2016 and December 31, 2015, available for sale investments correspond to notes issued by a related company of Intercorp Group of approximately US\$2,367,000 equivalent to S/7,879,000 (US\$2,318,000 equivalent to S/7,910,000 as of December 31, 2015).

Additionally, as of March 31, 2016, the Company has other investments available for sale for an amount US\$5,305,000 equivalent to S/17,657,000.

8. Prepayments

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

	As of March 31, 2016 S/(000)	As of December 31, 2015 S/(000)
Key money	16,183	16,452
Prepaid rent	17,582	19,048
Insurance	8,695	272
Others	20,855	8,754
Total	<u>63,315</u>	<u>44,526</u>
Current	37,545	18,256
Non current	25,770	26,270
Total	<u>63,315</u>	<u>44,526</u>

Notes to the combined financial statements

9. Derivative financial instrument

As of March 31, 2016 and December 31, 2015, this item comprises of a principal Call Spread contract designated to hedge cash flows from exchange rate variations and recorded at its fair value. The detail of this operation is as follows:

Counterparty	Nominal value US\$(000)	Due	Pay fix at %	2016		
				Book value of the hedged item S/(000)	Fair value assets S/(000)	Fair value liability S/(000)
Deutsche Bank A.G.	100,000	October 2021	1.56	332,800	33,358	32,692
					33,358	32,692

The financial instrument covers 33 percent of the exposure to foreign currency risk arising from international bond issue of October 2014, see note 14 (c). This Call Spread covers variations in the exchange rate from S/.3.220 to S/.3.75 per US\$1.00 and the price of the premium was funded in installments, generating a liability for the same. See Note 14.

10. Property, furniture and equipment, net

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

	As of March 31, 2016 S/(000)	As of December 31, 2015 S/(000)
Cost		
Initial balance	2,747,557	2,547,374
Additions (b)	61,360	317,973
Disposals and/or sales (c)	(10,902)	(117,853)
Transfer to investment properties	-	63
Final balance	2,798,015	2,747,557
Accumulated depreciation		
Initial balance	733,504	673,775
Additions 18 (a)	34,956	131,320
Disposals and/or sales	(4,761)	(71,598)
Transfer to investment properties	-	7
Final balance	763,699	733,504
Net book value	2,034,316	2,014,053

(b) Additions for the periods ended March 31, 2016 and December 31, 2015 correspond mainly to the construction and equipment for the new premises of 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 has been included in the "Other operating income" or "Other operating expenses" caption of the combined income statement, respectively.

Notes to the combined financial statements

- (d) As of March 31, 2016, the cost and corresponding accumulated depreciation of assets acquired through finance leases was approximately S/561,695,000 and S/152,962,000 respectively (S/548,464,000 and S/143,108,000 respectively, as of December 31, 2015).
- (e) The Companies maintain insurance policies on their main assets in accordance with policies established by Management.

11. Investment properties

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

	As of March 31, 2016	As of December 31, 2015
	S/. (000)	S/. (000)
Cost of buildings	19,567	19,567
Less: Accumulated depreciation	2,469	2,343
	17,098	17,224
	17,098	17,224

- (b) As of March 31, 2016 and December 31, 2015, investment properties include three properties located in Lima, Tacna and Puno held to earn income.
- (c) In Management's opinion, the book value of investment properties as of March 31, 2016, and December 31, 2015 is not significantly different from its corresponding fair value since these properties were acquired, completed or implemented during 2014 and 2013.
- (d) As of March 31, 2016 and December 31, 2015, Management of the Companies performed an evaluation of their investment properties, and has not found any indication of impairment.

12. Intangible assets, net

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

	As of March 31, 2016	As of December 31, 2015
	S/(000)	S/(000)
Cost		
Initial balance	1,248,027	1,228,786
Additions	3,572	19,555
Disposal and/or sales	-	(314)
Final balance	1,251,599	1,248,027
Accumulated amortization		
Initial balance	63,946	52,912
Additions 18 (a)	3,201	11,060
Disposals and/or sales	-	(26)
Final balance	67,147	63,946
Net, book value	1,184,452	1,184,081

Notes to the combined financial statements

- (b) As of March 31, 2016 and December 31, 2015, 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 “saving 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.

13. Trade payables

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

	As of March 31, 2016 S/(000)	As of December 31, 2015 S/(000)
Bills payable for purchase of goods	1,202,811	1,259,258
Bills payable for commercial services	123,432	165,283
Total	<u>1,326,243</u>	<u>1,424,541</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 their suppliers access to an accounts payable service 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

14. Interest-bearing loans and borrowings

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

Type of obligation	Original currency	Interest rate %	Final maturity	Original amount		Total		Current		Non-current	
				US\$ (000)	S/(000)	2016	2015	2016	2015	2016	2015
				S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)
Notes Senior Unsecured (e)											
Notes Senior Unsecured (c)	USD	5.250	2021	300,000	-	568,164	582,122	-	-	568,164	582,122
Notes Senior Unsecured (d)	PEN	6.813	2021	-	250,000	249,225	249,197	-	-	249,225	249,197
				<u>300,000</u>	<u>250,000</u>	<u>817,389</u>	<u>831,319</u>	<u>-</u>	<u>-</u>	<u>817,389</u>	<u>831,319</u>
Leasing (b)											
Related entities											
Banco Internacional del Perú-Interbank	PEN	7.850	2019	-	27,412	19,472	21,083	5,177	5,184	14,295	15,899
Banco Internacional del Perú-Interbank	PEN	Between 11.240 and 11.430	2020	-	145,277	68,999	74,627	27,687	27,375	41,312	47,252
Non-related entities											
Hewlett Packard S.A.	USD	2.963	2018	7,855	-	16,269	16,076	7,572	7,357	8,697	8,719
IBM Perú SAC	USD	2.930	2018	839	-	379	545	212	357	167	188
Banco de Crédito del Perú	PEN	Between 6.590 and 7.761	2021	-	-	61,946	61,502	16,370	14,467	45,576	47,035
BBVA Banco Continental	PEN	Between 5.960 and 10.850	2018	-	69,850	11,433	12,617	4,966	4,669	6,467	7,948
BBVA Banco Continental	USD	4.370	2017	4,658	-	275	316	176	172	99	144
Banco Scotiabank	PEN	Between 6.750 and 7.760	2020	-	57,972	40,613	41,270	9,337	7,458	31,276	33,812
				<u>13,352</u>	<u>300,511</u>	<u>219,386</u>	<u>228,036</u>	<u>71,497</u>	<u>67,039</u>	<u>147,889</u>	<u>160,997</u>
Loans (b)											
Related entities											
Banco Internacional del Perú-Interbank	PEN	6.350	2020	-	60,000	54,246	56,848	10,900	10,614	43,346	46,234
Non-related entities											
Banco Scotiabank (f)	PEN	Between 6.350 and 6.950	2022	-	240,000	212,894	223,103	41,143	40,714	171,751	182,389
BBVA Banco Continental	PEN	Between 5.580 and 5.680	2016	-	40,000	40,000	-	40,000	-	-	-
Banco de Crédito del Perú	PEN	6.35	2020	-	40,182	36,467	38,216	7,334	7,133	29,133	31,083
				<u>-</u>	<u>380,182</u>	<u>343,607</u>	<u>318,167</u>	<u>99,377</u>	<u>58,461</u>	<u>244,230</u>	<u>259,706</u>
Foreign loans											
Deutsche Bank	USD	1.560	2021	9,366	-	28,931	29,670	4,754	4,875	24,177	24,795
				<u>9,366</u>	<u>-</u>	<u>28,931</u>	<u>29,670</u>	<u>4,754</u>	<u>4,875</u>	<u>24,177</u>	<u>24,795</u>
Other obligations to third parties (b)											
Hewlett Packard S.A.	USD	Between 1.69 and 6.840	2018	11,549	-	17,129	14,563	4,993	4,116	12,136	10,447
IBM Perú SAC	USD	Between 1.69 and 7.220	2016	6,441	-	60	441	60	441	-	-
				<u>17,990</u>	<u>-</u>	<u>17,189</u>	<u>15,004</u>	<u>5,053</u>	<u>4,557</u>	<u>12,136</u>	<u>10,447</u>
Total				<u>340,708</u>	<u>930,693</u>	<u>1,426,502</u>	<u>1,422,196</u>	<u>180,681</u>	<u>134,932</u>	<u>1,245,821</u>	<u>1,287,264</u>

Notes to the combined financial statements

- (b) 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 9(d). Such obligations do not have any special conditions that must be complied with covenants or restrictions affecting the operations of the Companies.
- (c) On October 2014, the Company issued through InRetail Consumer, an offering in the local market and abroad of "Senior Notes Unsecured" for US\$300,000,000 equivalent to approximately S/998,400,000 as of March 31, 2016 (S/1,023,900,000 approximately as of December 31, 2015), due in 2021 at an 5.25 percent nominal interest rate. This borrowing was recorded in the consolidated financial statements at their amortized cost at a 5.823 percent effective interest rate, after considering the respective up-front fees for approximately US\$4,752,000, equivalent to a total amount of approximately S/15,814,000 as of March 31, 2016 (US\$4,933,000 equivalent to approximately S/16,836,000 as of December 31, 2015). Additionally, as of March 31, 2016, the balance is presented net of US\$124,552,000 equivalent to a total amount of approximately S/414,422,000 as of March 31, 2016 (US\$124,526,000 equivalent to a total amount of approximately S/424,942,000 as of December 31, 2015) corresponding to notes of these issuance acquired by the Company itself. As of March 31, 2016 and December 31, 2015 the balance of this loan is S/568,164,000 and S/582,122,000, respectively.
- (d) Also, in October 2014 the Company issued through InRetail Consumer, an offering in the local market and abroad of "Senior Notes Unsecured" for S/250,000,000, due in 2021 at an 6.8125 percent nominal interest rate. This borrowing was recorded in the consolidated financial statements at their amortized cost at a 6.8805 percent effective interest rate, after considering the respective up-front fees for approximately S/775,000, as of March 31, 2016 (S/803,000, as of December 31, 2015). As of March 31, 2016 and December 31, 2015 the balance of this loan is S/249,225,000 and S/249,197,000, respectively.
- (e) The funding was mainly used to:
- Purchase of "Senior Secured Notes" issued and placed in 2011 by InterCorp Retail Inc. through InterCorp Retail Trust, acquiring a total of 277,277,000, of such notes, and payment of the premium for repurchase the bonds.

It should be noted that of the 277,277,000 "Senior Secured Notes" were offset or settled as follows:

- (i) 130,000,000 were offset with the promissory note held by the Company with InterCorp Retail Trust.
- (ii) 117,277,000 were settled in cash, so that during 2014 the Company received US \$ 117,277,000
- (iii) 30,000,000 were purchased on behalf of InterCorp Retail Inc.

Notes to the combined financial statements

- Restructuring of their liabilities, purchases properties and investments in new projects for the Company's subsidiaries.

Likewise, 100 percent of the "Senior Unsecured Notes" is guaranteed by the Supermercados Peruanos S.A. and Eckerd Perú S.A.'s shares.

As a result of these issuances certain obligations and restrictive clauses must be complied until their maturity of cancellation.

The financial ratio required to the issuer and to the subsidiaries that guarantee these borrowings is "Financial debt, net of cash / EBITDA," which presents the followings limits:

- No greater than 3.75 times until September 2016
- No greater than 3.25 times between October 2016 and September 2017; y,
- No greater than 2.75 times after October 2017

In Management's opinion, these clauses do not limit the operations of Supermercados Peruanos and Subsidiaries and Eckerd Perú S.A. and Subsidiaries as of March 31, 2016 and December 31, 2015.

- (f) On June and September 2015, Supermercados Peruanos S.A. received two loans from Scotiabank , each of S/120,000,000, bearing an annual effective interest rate of 6.95 and 6.35 percent respectively, percent and with maturities in May 2022 and September 2020, respectively. These loans are secured with Company properties.
- (g) 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.
- (h) Debts and interest – bearing loans payable are as follows:

	As of March 31, 2016	As of December 31, 2015
	S/(000)	S/(000)
2016	180,505	134,932
2017	103,022	141,274
2018	118,708	118,505
2019	95,851	85,348
2020 onwards	928,416	942,137
Total	1,426,502	1,422,196

Notes to the combined financial statements

15. Deferred income tax

- (a) The amounts presented in the statement of financial position as of March 31, 2016 and December 31, 2015, as well as the statements of comprehensive income for the three-month periods ended March 31, 2016 and 2015 are shown below:

Statements of financial position	Deferred liability, net	
	As of March 31, 2016 S/ (000)	As of December 31, 2015 S/(000)
Deferred income tax asset	52,729	54,801
Deferred income tax liability	<u>(204,740)</u>	<u>(200,574)</u>
Deferred income tax liability, net	<u>(152,011)</u>	<u>(145,773)</u>

Statements of comprehensive income	Income tax for the three-month periods ended March 31, 2016 and 2015	
	2016 S/ (000)	2015 S/(000)
Current	(17,399)	(11,550)
Deferred	<u>(5,768)</u>	<u>531</u>
	<u>(23,167)</u>	<u>(11,019)</u>

- (b) As of March 31, 2016 and December 31, 2015 the income credit tax, net of provision for current income tax payable, amounts to approximately S/1,054,000 and S/1,846,000, respectively.

Notes to the combined financial statements

16. Equity

(a) Capital stock –

Company	N° issued common shares		Nominal value	Accounting balance of issued capital	
	As of March 31, 2016	As of December 31, 2015		As of March 31, 2016	As of December 31, 2015
				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/47,951,000. 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, the issuance of 8,398,000 new shares in relation to this cash contribution is pending.

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 the issuance of 10,148,861 new shares in relation to this cash is pending.

(b) Additional paid-in capital –

As of March 31, 2016 and December 31, 2015, 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 12(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

17. 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 March 31, 2016 and December 31, 2015, the statutory Income Tax rate was 28 percent on taxable income.

According to Law N° 30296 the rate of income tax will be, 27 percent for 2017 and 2018, and 26 percent as of the year 2019.

Entities and individuals not domiciled in Perú are subject to retention of an additional tax on dividends received. In this regard, attention to Law N° 30296, published on December 31, 2014 and effective from January 1, 2015, the additional tax on dividend income generated is as follows:

- 4.1 percent of the profits generated until December 31, 2014
- For the profits generated from 2015, whose distribution is made after that date, shall be:
 - For 2015 and 2016 will be 6.8 percent.
 - For 2017 and 2018 will be 8.0 percent
 - For 2019 onwards will be 9.3 percent.

- (b) According to the text of the Law on Income Tax, as amended by Law N° 29663 and 29757, as of year 2012, among the transactions subject to capital duty, are those obtained by the indirect sale of shares of Peruvian Companies. For these purposes, an indirect transfer is set when two instances occur together:

- First, 10 percent on more of the shares of non-resident must be sold in any twelve months period (assumed effective from February 16, 2011); and,
- Second, the market value of the shares of the Peruvian society must represent 50 percent or more the market value of non-domiciled, in any period of twelve months (assumed effective from July 22, 2011);.

- (c) For purposes of determining the Income 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. 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 be any significant contingencies for the Companies as of March 31, 2016 and December 31, 2015.

- (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 was submitted.

Notes to the combined financial statements

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

	Income Tax	Value added tax
Supermercados Peruanos S.A.	From 2011 to 2015	From 2011 to 2015
Eckerd Perú S.A.	From 2013 to 2015	From 2013 to 2015
Eckerd Amazonia S.A.C.	From 2012 to 2015	From 2012 to 2015
Boticas del Oriente S.A.C.	From 2012 to 2015	From 2012 to 2015

According to Peruvian law, InRetail Consumer is not considered income taxpayers due to its status as a trust. InRetail Consumer attributes 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 March 31, 2016 and December 31, 2015.

18. Operating expenses

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

	2016	2015
	S/(000)	S/(000)
Cost of sales	1,200,581	1,099,730
Selling expenses	350,045	315,203
Administrative expenses	<u>41,572</u>	<u>37,228</u>
	<u>1,592,198</u>	<u>1,452,161</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

	2016			
	Cost of sales	Selling expenses	Administrative expenses	Total
	S/(000)	S/(000)	S/(000)	S/(000)
Initial balance of goods	868,050	-	-	868,050
Purchase of goods	1,241,729	-	-	1,241,729
Final balance of goods, note 6(a)	(911,616)	-	-	(911,616)
Impairment of inventories, note 6(c)	2,418	-	-	2,418
Packing and packaging	-	10,140	57	10,197
Personnel expenses	-	131,186	22,729	153,915
Depreciation, note 10(a)	-	31,509	3,447	34,956
Amortization, note 12(a)	-	1,859	1,342	3,201
Key money amortization	-	376	-	376
Services provided by third parties (b)	-	59,807	6,700	66,507
Advertising	-	18,134	-	18,134
Rental of premises	-	52,717	2,312	55,029
Taxes	-	6,614	594	7,208
Provision for doubtful trade receivables, note 5(f)	-	177	-	177
Provision for doubtful other account receivables,	-	-	-	-
Insurance	-	2,630	196	2,826
Other charges (c)	-	34,896	4,195	39,091
	1,200,581	350,045	41,572	1,592,198

	2015			
	Cost of sales	Selling expenses	Administrative expenses	Total
	S/(000)	S/(000)	S/(000)	S/(000)
Initial balance of goods,	785,299	-	-	785,299
Purchase of merchandise	1,101,418	-	-	1,101,418
Final balance of goods	(787,226)	-	-	(787,226)
Impairment of inventories,	239	-	-	239
Packing and packaging	-	9,914	119	10,033
Personnel expenses	-	124,238	20,888	145,126
Depreciation, note 10(a)	-	27,610	3,599	31,209
Amortization, note 12(a)	-	1,611	914	2,525
Key money amortization	-	321	-	321
Services provided by third parties (b)	-	52,713	5,866	58,579
Advertising	-	18,958	-	18,958
Rental of premises	-	43,084	1,842	44,926
Taxes	-	5,559	570	6,129
Provision for doubtful trade receivables, note 5(f)	-	(4)	-	(4)
Insurance	-	2,130	139	2,269
Other charges (c)	-	29,041	3,291	32,332
	1,099,730	315,203	37,228	1,452,161

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

(c) Mainly include general expenses in stores.

Notes to the combined financial statements

19. Income and Finance costs

The table below presents the components of this caption:

	Balance as of March 31, 2016 S/. (000)	Balance as of March 31, 2015 S/. (000)
Finance income		
Interest and others	1,392	1,080
Realized gain on sales of corporate bonds	-	223
	<u>1,392</u>	<u>1,303</u>
Finance cost		
Interest on loans, borrowings and bonds payable	21,612	14,426
Expenses on derivatives instruments	1,149	-
Other financial costs	4,038	9,741
	<u>26,799</u>	<u>24,167</u>

20. Transactions with related parties

(a) The following table provides the total amount of transactions with related parties for the relevant financial periods ended March 31, 2016 and 2015:

	2016 S/(000)	2015 S/(000)
Income		
Sales	1,144	1,371
Rental income	4,062	3,156
Services income	3,443	1,500
Others	5,807	5,212
	<u>14,456</u>	<u>11,239</u>
Expenses		
Renting of premises and land	9,459	9,249
Reimbursements of expenses	4,717	3,693
Commissions	31	61
Interest	862	7,719
Others	2,811	3,575
	<u>17,880</u>	<u>24,297</u>

Notes to the combined financial statements

- (b) As a result of the transactions with related companies, the Companies recorded the following balances of receivables and payables as of March 31, 2016 and December 31, 2015:

	As of March 31, 2016 S/(000)	As of December 31, 2015 S/(000)
Receivables		
Home Centers Peruanos S.A	1,234	1,157
Financiera Uno	3,287	3,701
Banco Internacional del Perú S.A.A. – Interbank	2,819	2,360
Tiendas Peruanas S.A.	1,627	1,359
Intercorp Retail Inc.	104	44
Bembos	1,658	1,597
Cineplex S.A.	152	230
Urbi	210	217
Others	19,353	12,698
	<u>30,444</u>	<u>23,363</u>

	As of March 31, 2016 S/(000)	As of December 31, 2015 S/(000)
Payables		
Interproperties Holding (f)	-	7,300
Interseguro Compañía de Seguros S.A.	-	554
Financiera Uno (d)	16,343	21,828
Home Centers Peruanos S.A	9,290	-
Banco Internacional del Perú S.A.A. – Interbank:		
Line of credit and others	370	202
Deposit in guarantee (e)	5,146	5,188
Horizonte Global Opportunities Perú S.A.	37	35
Cineplex S.A.	586	6
Others	5,262	2,710
	<u>37,034</u>	<u>37,823</u>
Remunerations payable to key management	-	-
	<u>37,034</u>	<u>37,823</u>
Current portion	31,888	32,635
Non-current portion	5,146	5,188
Total	<u>37,034</u>	<u>37,823</u>

Notes to the combined financial statements

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 note 14. There have been no guarantees provided or received for any related party receivables or payables. For the three month periods end March 31, 2016 and 2015, 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 March 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". This contract allows that Financiera Uno S.A. can exclusively operate its "Oh!" credit card in the Supermercados Peruanos stores.

Likewise, as a consequence of such contract, as of March 31, 2016 and December 31, 2015, Supermercados Peruanos S.A. holds accounts payable to Financiera Uno S.A. for approximately S/16,324,000 and S/21,485,000 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.

- (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 March 31, 2016 and 2015, 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/5,146,000 and S/5,188,000 respectively, as of March 31, 2016 and December 31, 2015, and is accounted for in the "Other Payables" in the Combined statement of financial position.

In relation to the contracts, during 2016 Supermercados Peruanos S.A. recognized accrued rental income that amounted to approximately S/690,000, equivalent to US\$230,000 (S/753,000, equivalent to US\$251,000, during 2015), which are recorded in the "Rental income" caption in the Combined income statements.

As of March 31, 2016, Supermercados Peruanos S.A. maintains deferred revenue that amounts to approximately S/3,673,000 (S/4,552,000 as of December 31, 2015) which will be recognized as income in upcoming periods.

Notes to the combined financial statements

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

21. Deferred revenue

The table below presents the components of this caption:

	As of March 31, 2016 S/(000)	As of December 31, 2015 S/(000)
Leases to financial modules	3,674	4,551
Other leases	<u>26,012</u>	<u>17,116</u>
Total	<u>29,686</u>	<u>21,667</u>
Current portion	3,564	4,326
Non-current portion	<u>26,122</u>	<u>17,341</u>
Total	<u>29,686</u>	<u>21,667</u>

22. Commitments and contingencies

Commitments –

The main commitments assumed are presented below:

- (a) As of March 31, 2016 and December 31, 2015, 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 based on sales, whichever is highest. The total commitments assumed up until 2044.
- (b) As of March 31, 2016 and December 31, 2015, the Companies agreed with several financial entities on the issuance of solidary and irrevocable letters of guarantee to comply with the payment of goods purchased to foreign suppliers.
- (c) During 2014, InRetail Consumer, issued and US\$300,000,000 and S/250,000,000 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 March 31, 2016 and December 31, 2015.

Notes to the combined financial statements

- (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/12,000,000. As of March 31, 2016 and December 31, 2015, Eckerd Perú S.A. holds liabilities with this supplier for approximately S/5,000,000; and in opinion of Eckerd Perú S.A., it would be the maximum amount it would pay.
- (c) 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, 2009 and 2010. 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 March 31, 2016 and December 31, 2015, respectively.

23. 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 and 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 three-month periods ended March 31, 2016 and 2015:

	Supermarkets S/(000)	Pharmacies S/(000)	Total segments S/(000)	Holding accounts, combination adjustments and intercompany eliminations S/(000)	Combined S/(000)
For the three-month periods ended March 31, 2016					
Revenue					
External income	1,035,510	629,411	1,664,921	-	1,664,921
Inter-segment	2,857	-	2,857	(2,857)	-
Total revenue	1,038,367	629,411	1,667,778	(2,857)	1,664,921
Cost of sales	(770,644)	(429,937)	(1,200,581)	-	(1,200,581)
Gross profit	267,723	199,474	467,197	(2,857)	464,340
Other operating income	12,912	102	13,014	-	13,014
Selling expenses	(213,717)	(139,185)	(352,902)	2,857	(350,045)
Administrative expenses	(26,323)	(14,439)	(40,762)	(810)	(41,572)
Other operating expenses	(5,870)	(272)	(6,142)	-	(6,142)
Operating profit	34,725	45,680	80,405	(810)	79,595
Net, Exchange difference	5,761	(342)	5,419	4,302	9,721
Finance income	815	711	1,526	(134)	1,392
Finance costs	(13,242)	(767)	(14,009)	(12,790)	(26,799)
Profit before income tax	28,059	45,282	73,341	(9,432)	63,909
Income tax expense	(9,817)	(13,350)	(23,167)	-	(23,167)
Profit for the year	18,242	31,932	50,174	(9,432)	40,742

Notes to the combined financial statements

	Supermarkets S/(000)	Pharmacies S/(000)	Total segments S/(000)	Holding accounts, combination adjustments and intercompany eliminations S/(000)	Combined S/(000)
For the three-month periods ended March 31, 2015					
Revenue					
External income	970,325	549,729	1,520,054	-	1,520,054
Inter-segment	2,493	-	2,493	(2,493)	-
Total revenue	<u>972,818</u>	<u>549,729</u>	<u>1,522,547</u>	<u>(2,493)</u>	<u>1,520,054</u>
Cost of sales	<u>(722,313)</u>	<u>(377,417)</u>	<u>(1,099,730)</u>	<u>-</u>	<u>(1,099,730)</u>
Gross profit	250,505	172,312	422,817	(2,493)	420,324
Other operating income	39	205	244	-	244
Selling expenses	(196,056)	(121,640)	(317,696)	2,493	(315,203)
Administrative expenses	(23,013)	(14,084)	(37,097)	(131)	(37,228)
Other operating expenses	<u>(861)</u>	<u>(94)</u>	<u>(955)</u>	<u>-</u>	<u>(955)</u>
Operating profit	30,614	36,699	67,313	(131)	67,182
Net, exchange difference	(17,861)	(460)	(18,321)	(15,214)	(33,535)
Finance income	710	148	858	445	1,303
Finance costs	<u>(12,220)</u>	<u>(594)</u>	<u>(12,814)</u>	<u>(11,353)</u>	<u>(24,167)</u>
Profit before income tax	1,243	35,793	37,036	(26,253)	10,783
Income tax expense	<u>(1,916)</u>	<u>(10,957)</u>	<u>(12,873)</u>	<u>1,854</u>	<u>(11,019)</u>
Profit for the year	<u>(673)</u>	<u>24,836</u>	<u>24,163</u>	<u>(24,399)</u>	<u>(236)</u>

Notes to the combined financial statements

Geographic information –

As of March 31, 2016 and December 31, 2015, 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.

24. 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 other 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 three-month periods ended March 31, 2016 and 2015. 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.