

**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 September 30, 2015
(unaudited) and December 31, 2014 (audited) and for the nine-month
periods ended September 30, 2015 and 2014

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 September 30, 2015 and December 31, 2014

	Note	2015	2014		Note	2015	2014
		S/.(000)	S/.(000)			S/.(000)	S/.(000)
Assets				Liabilities and equity			
Current assets				Current liabilities			
Cash and short-term deposits	4	109,491	168,209	Trade payables	13	1,277,787	1,239,906
Trade receivables, net	5	43,597	58,410	Other payables	-	158,921	156,196
Other receivables, net	-	91,553	76,530	Accounts payable to related parties	20(b)	26,391	29,372
Accounts receivables from related parties	20(b)	34,879	40,774	Interest-bearing loans and borrowings	14	171,062	65,671
Inventories, net	6	860,358	803,821	Current income tax	15(b)	5,402	2,545
Available-for-sale investment	7	12,478	-	Deferred revenue	-	3,435	3,950
Prepayments	8	33,810	15,389	Total current liabilities		<u>1,642,998</u>	<u>1,497,640</u>
Total current assets		<u>1,186,166</u>	<u>1,163,133</u>	Accounts payable to related parties	20(b)	4,816	4,242
				Interest-bearing loans and borrowings	14	1,284,811	1,281,636
Non-current assets				Derivative financial instrument	-	-	-
Other receivables, net	-	12,948	8,758	Deferred revenue	-	16,079	16,744
Prepayments	8	22,083	22,541	Deferred income tax liabilities, net	15	<u>125,785</u>	<u>119,257</u>
Derivative Financial Instrument	9	30,864	-	Total non-current liabilities		<u>1,431,491</u>	<u>1,421,879</u>
Property, furniture and equipment, net	10	1,971,062	1,873,599	Total liabilities		<u>3,074,489</u>	<u>2,919,519</u>
Investment properties	11	17,352	17,729				
Intangible assets, net	12	1,181,589	1,175,874	Equity			
Deferred income tax assets	-	-	-	Capital stock	16	369,607	369,607
Total non-current assets		<u>3,235,898</u>	<u>3,098,501</u>	Capital premium		181,603	181,603
				Additional paid in capital		704,392	704,392
Investments at fair value through profit or loss				Unrealized results on financial instruments		333	-
				Other equity reserves		17,689	16,229
				Retained earnings		<u>73,951</u>	<u>70,284</u>
				Total equity		<u>1,347,575</u>	<u>1,342,115</u>
Total assets		<u>4,422,064</u>	<u>4,261,634</u>	Total liabilities and equity		<u>4,422,064</u>	<u>4,261,634</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 nine-month periods ended September 30, 2015 and 2014

	Note	2015 S/.(000)	2014 S/.(000)
Net sales of goods		4,589,558	4,157,951
Rental income		28,743	24,465
Rendering of services		28,379	17,134
Revenue		4,646,680	4,199,550
Cost of sales	18	(3,356,526)	(3,040,342)
Gross profit		1,290,154	1,159,208
Other operating income		9,507	33,485
Selling expenses	18	(973,543)	(871,494)
Administrative expenses	18	(116,213)	(107,625)
Other operating expenses		(4,028)	(20,371)
Operating profit		205,877	193,203
Finance income	19	2,941	3,477
Finance costs	19	(89,916)	(84,354)
Net exchange difference		(67,567)	(26,399)
Profit before income tax		51,335	85,927
Income tax expense	15	(46,208)	(42,787)
Net Profit		5,127	43,140

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 nine-month periods ended September 30, 2015 and 2014

	Note	2015 S/.(000)	2014 S/.(000)
Net profit		5,127	43,140
Other comprehensive income			
Unrealized gain (loss) on available-for-sale investments		(164)	852
Income tax effect		43	(256)
		<u>(121)</u>	<u>596</u>
(Loss) profit on hedging derivative financial instrument		638	(276)
Income tax effect		(184)	-
		<u>454</u>	<u>(276)</u>
Other comprehensive income for the period, net of income tax effects		<u>333</u>	<u>320</u>
Total comprehensive income for the period		<u>5,460</u>	<u>43,460</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
For the nine-month periods ended September 30, 2015 and 2014

	<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, 2014	360,789	687,749	142,470	276	719	15,279	188,268	1,395,550
Profit for the period	-	-	-	-	-	-	43,140	43,140
Other Comprehensive income	-	-	-	(276)	596	-	-	320
Total comprehensive income	-	-	-	(276)	-	-	43,140	43,460
Capital contribution	8,818	-	39,132	-	-	-	-	47,950
Dividends	-	-	-	-	-	-	(85,000)	(85,000)
Movements in additional paid in capital	-	13,494	-	-	-	-	-	13,494
Transfer to legal reserve	-	-	-	-	-	950	(950)	-
Balance as of September 30, 2014	<u>369,607</u>	<u>687,749</u>	<u>181,602</u>	<u>-</u>	<u>719</u>	<u>16,229</u>	<u>145,458</u>	<u>1,415,454</u>
Balance as of January 1, 2015	369,607	704,392	181,603	-	-	16,229	70,284	1,342,115
Profit for the period	-	-	-	-	-	-	5,127	5,127
Other comprehensive income	-	-	-	454	(121)	-	-	333
	-	-	-	454	(121)	-	5,127	5,460
Capital contribution	-	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	-	-	-
Movements in additional paid in capital	-	-	-	-	-	-	-	-
Transfer to legal reserve	-	-	-	-	-	1,460	(1,460)	-
Restructuring adjustment	-	-	-	-	-	-	-	-
Balance as of September 30, 2015	<u>369,607</u>	<u>704,392</u>	<u>181,603</u>	<u>454</u>	<u>(121)</u>	<u>17,689</u>	<u>73,951</u>	<u>1,347,575</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 nine-month periods ended September 30, 2015 and 2014

	2015	2014
	S/. (000)	S/. (000)
Operating activities		
Revenue	4,659,218	4,185,914
Payments to suppliers of goods and services	(3,923,458)	(3,675,469)
Payments to employees for salaries and social benefits	(439,850)	(404,477)
Taxes paid	(71,168)	(71,211)
Other payments, net	(10,683)	(1,074)
Net cash flows from operating activities	<u>214,059</u>	<u>33,683</u>
Investing activities		
Sales of properties, furniture and equipment	69	32,819
Purchase of available for sale investment	(12,320)	-
Collection of loan to related parties	19,652	36,529
Purchase of property, furniture and equipment, net of acquisitions through leasing contracts	(157,228)	(129,509)
Purchase and development of intangible assets	(13,723)	(10,793)
Net cash flows used in investing activities	<u>(163,550)</u>	<u>(70,954)</u>
Financing activities		
Proceeds from interest-bearing loans and borrowings	644,807	180,718
Capital contribution	-	47,950
Additional paid in capital	-	13,494
Payment of interest-bearing loans and borrowings	(342,539)	(35,712)
Interest payment	(58,636)	(48,123)
Call spread's guaranty deposit	(6,446)	-
Payments of bonds	(346,413)	(121,119)
Dividends payment	-	(85,000)
Net cash flows used in financing activities	<u>(109,227)</u>	<u>(47,792)</u>
Net decrease of cash and short-term deposits	<u>(58,718)</u>	<u>(85,063)</u>
Cash and short-term deposits at the beginning of the period	<u>168,209</u>	<u>197,913</u>
Cash and short-term deposits at the end of the period	<u>109,491</u>	<u>112,850</u>
Non-cash transactions		
Fixed assets purchased through leasing and others financial obligation	41,699	33,983
Fixed assets acquired pending payment	-	31,855

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 September 30, 2015 (unaudited), December 31, 2014 (audited) and September 30, 2015 and 2014 (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 (see Note 1(c)). As of September 30, 2015 and December 31, 2014, the representative shares of capital stock of Supermercados Peruanos S.A. and Subsidiaries and Eckerd Perú 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 September 30, 2015 and December 31, 2014, 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 September 30, 2015, it owns a chain of 102 stores, composed of 62 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 (61 hypermarkets, 37 supermarkets and 3 stores that operate under other legacy brands as of December 31, 2014). 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 related to health protection and recovery through its "InkaFarma" pharmacy chain. As of September 30, 2015 and December 31, 2014 it operates 874 and 837 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 related to 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 September 30, 2015 and December 31, 2014, and for the nine-month periods ended September 30, 2015 and 2014:

	Supermercados Peruanos S.A. and Subsidiaries		Eckerd Perú S.A. and Subsidiaries	
	As of September 30, 2015	As of December 31, 2014	As of September 30, 2015	As of December 31, 2014
	S/.(000)	S/.(000)	S/.(000)	S/.(000)
Consolidated statements of financial position				
Total assets	2,558,189	2,526,580	742,855	650,241
Total liabilities	1,653,963	1,624,278	626,902	524,139
Equity	904,226	902,302	115,953	126,102
	Balance as of September 30, 2015	Balance as of September 30, 2014	Balance as of September 30, 2015	Balance as of September 30, 2014
	S/.(000)	S/.(000)	S/.(000)	S/.(000)
Consolidated income statements				
Operating profit	82,344	75,922	124,142	117,282
Net profit (loss)	1,924	927	85,013	77,774

The combined financial statements as of September 30, 2015 were approved by management of InRetail Perú Corp. on November 13, 2015.

(c) Reorganization and issuance processes

As indicated in paragraph (a) above and Note 14 (c) y (d), during the year 2014 InRetail Consumer issued an offering in "Senior Notes Unsecured" for US\$300,000,000 and S/.250,000,000. The funding was mainly used for the restructuring of long-term liabilities and investments in new projects for the Companies.

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 September 30, 2015 and December 31, 2014.

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 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 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, 2014.

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/.96,994,000.
- (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 September 30, 2014). The, interests payable accrued for the nine-months ended as of September 30, 2014, related to this debt and included in the combined income statements, amount to approximately S/.24,245,000. Also during the same period there wasn't difference in change associated with the debt.

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. at the date of its purchase. According to the Sale Agreement, if these taxes are recovered, they must be returned by InRetail to former shareholders of Eckerd Perú S.A. former shareholders by InRetail Perú Corp. S.A. To the date of this report, Eckerd Perú S.A. has recovered such taxes and, has been 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, 2014, except for the adoption of the new standards and interpretations as of January 1, 2015.

Standard adopted early

The Company uses derivative instruments to manage its exposure to 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 September 30, 2015:

- Annual Improvements (Cycle 2010-2012) –
These improvements are effective since July 1, 2014 and it is not expected that these have a material impact on the Companies. These improvements are related to IFR 2 “Share-based Payments” (clarifies several issues related to performance conditions and accrual of benefits), IFRS 3 “Business Combinations” (classifications of liabilities arising on business combinations and subsequent fair value measurement), IFRS 8 “Operating Segments” (further disclosure is required on segments aggregation criteria) and IAS 24 “Related Party Disclosures” (further disclosure is required and clarifies that an entity that provides management services is a related party).

- Annual improvements (Cycle 2011-2013) –
These improvements are effective since July 1, 2014, and it is not expected that these have a material impact on the Companies. These improvements are related to IFRS 3 “Business Combinations” (establishes that joint arrangements are outside of its scope) and IAS 40 “Investment Property” (supplementary services will differentiate between investment property and owner-occupied property).

Notes to the combined financial statements

- 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.

- Amendment to IAS 27: Method of equity in the separate financial statements –
The amendment will allow entities to use the equity method to record the investments in subsidiaries, joint arrangements and associates in their separated financial statements. Entities which had been applying IFRS and choose to switch to equity method in its separate financial statements will have to apply the change retroactively. The amendments are effective for annual periods beginning on January 1, 2016 and early adoption is permitted.

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.

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 September 30, 2015, the weighted average exchange rates in the market for transactions in US\$ Dollars were S/.3.220 per US\$1 bid and S/.3.223 per US\$1 ask (S/.2.981 and S/.2.989 per US\$1 bid and ask as of December 31, 2014).

As of September 30, 2015 and December 31, 2014, the companies held the following foreign currency assets and liabilities:

	As of September 30, 2015 US\$(000)	As of December 31, 2014 US\$(000)
Assets		
Cash and short-term deposits	15,851	4,133
Available-for-sale investment	3,791	-
Trade receivables, net	68	426
Other receivables, net	5,111	2,826
Accounts receivable from related parties	6,362	5,806
	31,183	13,191
Liability		
Trade payables	(17,550)	(20,464)
Other payables	(18,468)	(8,483)
Accounts payable to related parties	(1,643)	(1,486)
Interest - bearing loans and borrowings	(195,305)	(287,008)
	(232,966)	(317,441)
Call spread	100,000	-
Net liability position	(101,783)	(304,250)

Notes to the combined financial statements

As of September 30, 2015, InRetail Consumer and its Subsidiaries has 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 exchange operation (Nuevos Soles exchanged for US\$ dollars) with notional amounts of approximately US\$100,000,000 equivalent to S/.322,300,000 as of September 30, 2015. See further detail in Note 9.

4. Cash and short-term deposits

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

	As of September 30, 2015	As of December 31, 2014
	S/.(000)	S/.(000)
Cash	8,490	4,754
Current accounts (b)	37,388	58,107
Time deposits (c)	45,376	100,102
Other	18,237	5,246
Total	<u>109,491</u>	<u>168,209</u>

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

(c) As of September 30, 2015, time deposits in local currency and dollars are freely available and are kept in Nuevos Soles, in local banks, have maturities up to a month since inception and bear annual interest of 3.95 percent annual in local currency and 0.10 percent annual in dollars. As of December 31, 2014, this amount corresponded to time deposits freely available in Nuevos Soles in local financial institutions that generate interest between 3.95 and 6.59 annual percent and matured up to a month since inception.

5. Trade receivables, net

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

	As of September 30, 2015	As of December 31, 2014
	S/.(000)	S/.(000)
Trade accounts receivable (c)	18,199	30,118
Credit card operations (d)	17,089	19,617
Rent receivable (e)	4,575	8,974
Others	6,523	2,471
Total	<u>46,386</u>	<u>61,180</u>
Provision for doubtful accounts (f)	<u>(2,789)</u>	<u>(2,770)</u>
	<u>43,597</u>	<u>58,410</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.

Notes to the combined financial statements

- (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.
- (f) The movements in the provision for doubtful accounts receivable for the nine-month periods ended September 30, 2015 and 2014, were as follows:

	2015	2014
	S/.(000)	S/.(000)
Balance at the beginning of the year	2,770	2,018
Provision recognized as year expense, Note 18 (a)	19	32
Write offs and recoveries	-	-
Exchange foreign currency	-	-
Balance at the end of the period	<u>2,789</u>	<u>2,050</u>

As of September 30, 2015 and December 31, 2014, the amount of trade receivables past due but not impaired amounted to approximately S/. 43,592,000 and S/.34,289,000, 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 September 30, 2015 and December 31, 2014 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 September 30, 2015	As of December 31, 2014
	S/.(000)	S/.(000)
Goods	826,748	777,051
In transit inventories (b)	27,608	27,942
Miscellaneous supplies	<u>13,896</u>	<u>7,829</u>
Total	868,252	812,822
Minus		
Provision for impairment of inventories (c)	(7,894)	(9,001)
Total	<u>860,358</u>	<u>803,821</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 nine-month periods ended as of September 30, 2015 and 2014 were as follows:

	2015 S/.(000)	2014 S/.(000)
Balance at the beginning of the year	9,001	12,001
Provision of the period, Note 18(a)	3,866	3,713
Write-off/recovery	(4,973)	(8,526)
Balance at the end of the period	<u>7,894</u>	<u>7,188</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 September 30, 2015, available for sale investments correspond to notes issued by a related company of Intercorp Group of approximately US\$2,383,000 (equivalent to S/.7,687,000). It also, includes the value of the shares acquired from its parent InRetail Peru Corp. for an amount of US\$1,488,000 (equivalent to S/.4,791,000).

8. Prepayments

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

	As of September 30, 2015 S/.(000)	As of December 31, 2014 S/.(000)
Key money	16,722	17,532
Prepaid rent	12,563	12,550
Insurance	893	293
Others	25,715	7,555
Total	<u>55,893</u>	<u>37,930</u>
Current	33,810	15,389
Non current	22,083	22,541
Total	<u>55,893</u>	<u>37,930</u>

Notes to the combined financial statements

9. Derivative financial instrument

As of September 30, 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 %	2015		
				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	322,300	30,864	-
					30,864	-

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 3.22 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 September 30, 2015 S/.(000)	As of December 31, 2014 S/.(000)
Cost		
Initial balance	2,547,374	2,328,635
Additions (b)	198,927	284,624
Disposals and/or sales (c)	(65,483)	(65,885)
Transfer to Investment properties	63	-
Final balance	2,680,881	2,547,374
Accumulated depreciation		
Initial balance	673,775	590,771
Additions 18 (a)	96,535	111,093
Disposals and/or sales	(60,498)	(28,089)
Transfer to Investment properties	7	-
Final balance	709,819	673,775
Net book value	1,971,062	1,873,599

(b) Additions for the periods ended September 30, 2015 and December 31, 2014 correspond mainly to the construction and equipment for the new premises of Supermercados Peruanos S.A. and the Eckerd Group.

Notes to the combined financial statements

- (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.
- (d) As of September 30, 2015, the cost and corresponding accumulated depreciation of assets acquired through finance leases was approximately S/.523,474,000 and S/.89,160,000 respectively (S/.438,017,000 and S/.67,275,000 respectively, as of December 31,2014).
- (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 September 30, 2015 S/. (000)	As of December 31, 2014 S/. (000)
Cost of buildings	17,729	19,567
Less: Accumulated depreciation	377	1,838
	17,352	17,729

- (b) As of September 30, 2015 and December 31, 2014, 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 September 30, 2015, and December 31, 2014 is not significantly different from its corresponding fair value since these properties were acquired, completed or implemented during 2014 and 2013.
- (d) As of September 30, 2015 and December 31, 2014, Management of the Companies performed an evaluation of their investment properties, and has not found any indication of impairment.

Notes to the combined financial statements

12. Intangible assets, net

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

	As of September 30, 2015	As of December 31, 2014
	S/.(000)	S/.(000)
Cost		
Initial balance	1,228,786	1,222,602
Additions (c)	13,723	15,193
Disposal and/or sales	(187)	(9,009)
Final balance	1,242,322	1,228,786
Accumulated amortization		
Initial balance	52,912	52,288
Additions 18 (a)	7,846	9,911
Disposals and/or sales	(25)	(9,287)
Final Balance	60,733	52,912
Net, book value	1,181,589	1,175,874

- (b) As of September 30, 2015 and December 31, 2014, 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 September 30, 2015	As of December 31, 2014
	S/.(000)	S/.(000)
Bills payable for purchase of goods	1,136,970	1,103,965
Bill payable for commercial services	140,817	135,941
Total	1,277,787	1,239,906

- (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	Interes rate %	Final maturity	Original amount		Total		Current		Non-current	
				US\$ (000)	S/(000)	2015	2014	2015	2014	2015	2014
				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	-	581,629	850,411	-	-	581,629	850,411
Notes Senior Unsecured (d)	PEN	6.8125	2021	-	250,000	249,168	249,088	-	-	249,168	249,088
				<u>300,000</u>	<u>250,000</u>	<u>830,797</u>	<u>1,099,499</u>	<u>-</u>	<u>-</u>	<u>830,797</u>	<u>1,099,499</u>
Leasing (b)											
Related entities											
Banco Internacional del Perú-Interbank	PEN	8.000	2019	-	27,412	22,318	25,889	5,086	4,806	17,232	21,083
Banco Internacional del Perú-Interbank	PEN	Between 6.590 and 11.430	2020	-	60,000	75,682	84,671	28,474	26,700	47,208	57,971
Non-related entities											
Hewlett Packard S.A.	USD	2.963	2017	7,855	-	14,642	10,967	6,454	4,241	8,188	6,726
IBM Perú SAC	USD	2.963	2016	839	-	418	947	387	700	31	247
Banco de Crédito del Perú	PEN	Between 6.590 and 7.761	2021	-	43,682	61,286	53,687	13,238	8,675	48,048	45,012
BBVA Banco Continental	PEN	Between 5.960 and 10.850	2018	-	12,500	14,464	19,818	5,467	7,201	8,997	12,617
BBVA Banco Continental	USD/PEN	4.000	2017	-	4,658	357	912	169	596	188	316
Banco Scotiabank	USD/PEN	Between 4.700 and 7.790	2020	-	-	36,123	33,371	7,326	5,822	28,797	27,549
				<u>8,694</u>	<u>148,252</u>	<u>225,290</u>	<u>230,262</u>	<u>66,601</u>	<u>58,741</u>	<u>158,689</u>	<u>171,521</u>
Loans											
Related entities											
Banco Internacional del Perú-Interbank	PEN	6.000	2020	-	60,000	60,000	-	10,568	-	49,432	-
Non-related entities											
Banco Scotiabank (f)	PEN	Between 6.350 and 6.950	2020	-	235,714	235,714	-	41,143	-	194,571	-
BBVA Banco Continental - préstamo	PEN	4.000	2015	-	12,500	12,500	-	12,500	-	-	-
Banco de Crédito del Perú	PEN	Between 5.150 and 6.350	2020	-	43,862	43,862	-	29,000	-	14,862	-
				<u>-</u>	<u>352,076</u>	<u>352,076</u>	<u>-</u>	<u>93,211</u>	<u>-</u>	<u>258,865</u>	<u>-</u>
Foreing loans											
Deutsche Bank	USD	1.56	2021	9,366	-	31,961	-	6,346	-	25,615	-
				<u>9,366</u>	<u>-</u>	<u>31,961</u>	<u>-</u>	<u>6,346</u>	<u>-</u>	<u>25,615</u>	<u>-</u>
Other obligations to third parties (b)											
Hewlett Packard S.A.	USD	Between 2.230 and 8.001	2018	11,549	-	14,942	15,671	4,105	5,570	10,837	10,101
IBM Perú SAC	USD	8.000	2016	6,441	-	807	1,875	799	1,360	8	515
				<u>17,990</u>	<u>-</u>	<u>15,749</u>	<u>17,546</u>	<u>4,904</u>	<u>6,930</u>	<u>10,845</u>	<u>10,616</u>
Total				<u>336,050</u>	<u>750,328</u>	<u>1,455,873</u>	<u>1,347,307</u>	<u>171,062</u>	<u>65,671</u>	<u>1,284,811</u>	<u>1,281,636</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/.966,900,000 as of September 30, 2015 (S/.896,700,000 approximately as of December 31, 2014), 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\$5,116,000, equivalent to a total amount of approximately S/.16,488,000 as of September 30, 2015 (US\$5,558,000 equivalent to approximately S/.16,614,000 as of December 31, 2014). Additionally, as of September 30, 2015, the balance is presented net of US\$114,422,000 equivalent to a total amount of approximately S/.368,783,000 as of September 30, 2015 (US\$9,928,000 equivalent to a total amount of approximately S/.29,675,000 as of December 31, 2014) corresponding to notes of these issuance acquired by the Company itself. As of September 30, 2015 and December 31, 2014 the balance of this loan is S/.581,629,000 and S/.850,411,000, 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/.832,000, as of September 30, 2015 (S/.912,000, as of December 31, 2014). As of September 30, 2015 and December 31, 2014 the balance of this loan is S/.249,168,000 and S/.249,088,000, 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 repurchases 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. The total amount was US \$ 130,000,000 offset (approximately equivalent to S/.379.340,000 as of the offsetting date).
- (ii) 117,277,000 were settled in cash, so that during 2014 the Company received US \$ 117,277,000 (equivalent to approximately S / 347,726,000 as of the settlement date). A part of this amount was used to pay off the loan related to the Bank of America: and
- (iii) 30,000,000 were purchased on behalf of InterCorp Retail Inc. generating a receivable to that entity for S/.105,118,000 at December 2014 values. As of September 30, 2015 this amount was fully collect.

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 2015
- No greater than 3.25 times between October 2015 and September 2016; 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 September 30, 2015 and December 31, 2014.

- (f) On June and September 2015, Supermercados Peruanos S.A. received two loans from Scotiabank , by amount to S/.115,714,000 and S/.120,000,000, respectively, bearing an annual effective interest rate 6.95 and 6.35, respectively, percent and matures in May 2022 and September 2020, respectively, these loans are secured with Company's 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 September 30, 2015	As of December 31, 2014
	S/.(000)	S/.(000)
2015	159,605	65,671
2016	160,926	61,905
2017	125,815	69,565
2018 onwards	1,009,527	1,150,166
Total	1,455,873	1,347,307

Notes to the combined financial statements

15. Deferred income tax

- (a) The amounts presented in the statement of financial position as of September 30, 2015 and December 31, 2014, as well as the statements of comprehensive income for the nine-month periods ended September 30, 2015 and 2014 are shown below:

Statements of financial position	Deferred liability, net	
	As of September 30, 2015 S/. (000)	As of December 31, 2014 S/.(000)
Deferred income tax asset	55,481	15,517
Deferred income tax liability	<u>(181,266)</u>	<u>(134,774)</u>
Deferred income tax liability, net	<u>(125,785)</u>	<u>(119,257)</u>

Statements of comprehensive income	Income tax for the nine-month periods ended September 30, 2015 and 2014	
	2015 S/. (000)	2014 S/.(000)
Current	(39,821)	(39,076)
Deferred	<u>(6,387)</u>	<u>(3,711)</u>
	<u>(46,208)</u>	<u>(42,787)</u>

- (b) As of September 30, 2015 and December 31, 2014 the income credit tax, net of provision for current income tax payable, amounts to approximately S/.5,402,000 and S/.2,545,000, 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 September 30, 2015	As of December 31, 2014		As of September 30, 2015	As of December 31, 2014
				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 September 30, 2015 and December 31, 2014, 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

- (d) Dividends declared and paid –
The Board of Shareholders agreed to distribute dividends from profits available of S/.85,000,000, which were paid during the nine-month periods of the year 2014.

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 September 30, 2015 and December 31, 2014, the statutory Income Tax rate was 28 and 30 percent on taxable income, respectively.

According to Law No 30296 the rate of income tax will be 28 percent for 2016, 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 No. 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.
- (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 September 30, 2015 and December 31, 2014.
- (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 2010 to 2014	From 2010 to 2014
Eckerd Perú S.A.	From 2013 to 2014	From 2013 to 2014
Eckerd Amazonia S.A.C.	2012, 2013 and 2014	2012, 2013 and 2014
Boticas del Oriente S.A.C.	2012, 2013 and 2014	2012, 2013 and 2014

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 September 30, 2015 and December 31, 2014.

18. Operating expenses

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

	2015	2014
	S/.(000)	S/.(000)
Cost of sales	3,356,526	3,040,342
Selling expenses	973,543	871,494
Administrative expenses	<u>116,213</u>	<u>107,625</u>
	<u>4,446,282</u>	<u>4,019,461</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

	2015			
	Cost of sales	Selling expenses	Administrative expenses	Total
	S/.(000)	S/.(000)	S/.(000)	S/.(000)
Initial balance of goods	771,051	-	-	771,051
Purchase of goods	3,408,357	-	-	3,408,357
Final balance of goods, note 6(a)	(826,748)	-	-	(826,748)
Impairment of inventories, note 6(c)	3,866	-	-	3,866
Packing and packaging	-	31,273	332	31,605
Personnel expenses	-	376,719	63,131	439,850
Depreciation, note 10(a)	-	85,484	11,051	96,535
Amortization, note 12(a)	-	4,757	3,089	7,846
Key money amortization	-	959	-	959
Services provided by third parties (b)	-	154,472	18,535	173,007
Advertising	-	55,958	-	55,958
Rental of premises	-	134,077	5,062	139,139
Taxes	-	18,342	1,804	20,146
Provision for doubtful trade receivables, note 5(f)	-	19	-	19
Provision for doubtful other account receivables,	-	1,653	-	1,653
Insurance	-	6,671	366	7,037
Other charges (c)	-	103,159	12,843	116,002
	3,356,526	973,543	116,213	4,446,282

	2014			
	Cost of sales	Selling expenses	Administrative expenses	Total
	S/.(000)	S/.(000)	S/.(000)	S/.(000)
Initial balance of goods,	774,024	-	-	774,024
Purchase of merchandise	3,039,525	-	-	3,039,525
Final balance of goods	(776,920)	-	-	(776,920)
Impairment of inventories,	3,713	-	-	3,713
Packing and packaging	-	22,724	161	22,885
Personnel expenses	-	344,136	60,341	404,477
Depreciation, note 10(a)	-	70,404	9,734	80,138
Amortization, note 12(a)	-	4,321	3,025	7,346
Key money amortization	-	698	-	698
Services provided by third parties (b)	-	134,496	17,727	152,223
Advertising	-	58,628	-	58,628
Rental of premises	-	104,595	5,560	110,155
Taxes	-	17,881	2,046	19,927
Provision for doubtful trade receivables, note 5(f)	-	32	-	32
Insurance	-	6,825	391	7,216
Other charges (c)	-	106,753	8,640	115,393
	3,040,342	871,494	107,625	4,019,461

(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. Finance costs

The table below presents the components of this caption:

	Balance as of September 30, 2015 S/. (000)	Balance as of September 30, 2014 S/. (000)
Finance income		
Interest and others	2,941	3,477
	<u>2,941</u>	<u>3,477</u>
Finance cost		
Interest on loans, borrowings and bonds payable	63,394	71,761
Interest from derivate instruments	2,106	1,227
Other financial costs	24,416	11,366
	<u>89,916</u>	<u>84,354</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 September 30, 2015 and 2014:

	2015 S/.(000)	2014 S/.(000)
Income		
Sales	3,321	3,089
Rental income	9,572	9,184
Rendering of services	4,607	17,668
Sales of fixets assets	2	22,065
Others	19,696	5,360
	<u>37,198</u>	<u>57,366</u>
Expenses		
Renting of premises and land	34,443	24,021
Reimbursements of expenses	9,537	8,548
Commissions	134	179
Other services	-	-
Interest	24,096	6,737
Others	7,876	8,673
	<u>76,086</u>	<u>48,158</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 September 30, 2015 and December 31, 2014:

	As of September 30, 2015 S/.(000)	As of December 31, 2014 S/.(000)
Receivables		
Home Centers Peruanos S.A	2,510	2,724
InRetail Shopping Malls	16,764	-
Financiera Uno	3,214	4,964
Banco Internacional del Perú S.A.A. – Interbank	3,319	4,443
Tiendas Peruanas S.A.	1,864	3,227
Intercorp Retail Inc.	4	17,934
Bembos	1,331	1,134
Cineplex S.A.	176	746
Urbi	204	186
Others	5,493	5,416
	34,879	40,774

	As of September 30, 2015 S/.(000)	As of December 31, 2014 S/.(000)
Payables		
Interproperties Holding (f)	6,469	9,872
Interseguro Compañía de Seguros S.A.	8,541	-
Financiera Uno (d)	9,097	15,813
Banco Internacional del Perú S.A.A. – Interbank:	-	-
Líneas de crédito y otros	208	471
Depósito en garantía (e)	4,816	4,242
Horizonte Global Opportunities Perú S.A.	25	545
Cineplex S.A.	9	35
Others	2,042	2,636
	31,207	33,614
Remunerations payable to key management	-	-
	31,207	33,614
Current portion	26,391	29,372
Non-current portion	4,816	4,242
Total	31,207	33,614

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 14. 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.

Notes to the combined financial statements

- (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". 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 September 30, 2015 and December 31, 2014 and 2013, Supermercados Peruanos S.A. holds accounts payable to Financiera Uno S.A. for approximately S/.21,485,000 and S/.15,813,000 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 September 30, 2015 and 2014, 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/.4,816,000 and S/.4,242,000 respectively, as of September 30, 2015 and December 31, 2014, and is accounted for in the "Other Payables" in the Combined statement of financial position.

In relation to said contracts, during 2015 Supermercados Peruanos S.A. recognized accrued rental income that amounted to approximately S/.2,211,000, equivalent to US\$736,000 (S/.2,413,000, equivalent to US\$804,000, during 2014), which are recorded in the "Rental income" caption in the Combined income statements.

As of September 30, 2015, Supermercados Peruanos S.A. maintains deferred revenue that amounts to approximately S/.5,055,000 (S/.6,889,000 as of December 31, 2014) which will be recognized as income in upcoming periods.

- (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.

Notes to the combined financial statements

21. Deferred revenue

The table below presents the components of this caption:

	As of September 30, 2015 S/.(000)	As of December 31, 2014 S/.(000)
Leases to financial modules	5,155	6,890
Other leases	<u>14,359</u>	<u>13,804</u>
Total	<u>19,514</u>	<u>20,694</u>
Current portion	3,435	3,950
Non-current portion	<u>16,079</u>	<u>16,744</u>
Total	<u>19,514</u>	<u>20,694</u>

22. Commitments and contingencies

Commitments –

The main commitments assumed are presented below:

- (a) As of September 30, 2015 and December 31, 2014, 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 2044, calculated on the basis of the fixed rental amounts, were disclosed in the annual financial statements for the year ended as of December 31, 2014.
- (b) As of September 30, 2015 and December 31, 2014, 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 September 30, 2015 and December 31, 2014.
- (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 September 30, 2015 and December 31, 2014, 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.

Notes to the combined financial statements

- (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 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 September 30, 2015 and December 31, 2014, 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 nine-month periods ended September 30, 2015 and 2014:

	Supermarkets S/.(000)	Pharmacies S/.(000)	Total segments S/.(000)	Holding accounts, combination adjustments and intercompany eliminations S/.(000)	Combined S/.(000)
For the nine-month periods ended September 30, 2015					
Revenue					
External income	2,920,780	1,725,900	4,646,680	-	4,646,680
Inter-segment	7,540	11	7,551	(7,551)	-
Total revenue	2,928,320	1,725,911	4,654,231	(7,551)	4,646,680
Cost of sales	(2,176,711)	(1,179,815)	(3,356,526)	-	(3,356,526)
Gross profit	751,609	546,096	1,297,705	(7,551)	1,290,154
Other operating income	8,813	694	9,507	-	9,507
Selling expenses	(601,745)	(378,519)	(980,264)	6,721	(973,543)
Administrative expenses	(72,546)	(43,888)	(116,434)	221	(116,213)
Other operating expenses	(3,787)	(241)	(4,028)	-	(4,028)
Operating profit	82,344	124,142	206,486	(609)	205,877
Net, Exchange difference	(36,890)	(108)	(36,998)	(30,569)	(67,567)
Finance income	2,308	1,490	3,798	(857)	2,941
Finance costs	(38,274)	(1,867)	(40,141)	(49,775)	(89,916)
Profit before income tax	9,488	123,657	133,145	(81,810)	51,335
Income tax expense	(7,564)	(38,644)	(46,208)	-	(46,208)
Profit for the year	1,924	85,013	86,937	(81,810)	5,127

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 nine-month periods ended September 30, 2014					
Revenue					
External income	2,654,849	1,544,701	4,199,550	-	4,199,550
Inter-segment	7,503	9	7,512	(7,512)	-
Total revenue	<u>2,662,352</u>	<u>1,544,710</u>	<u>4,207,062</u>	<u>(7,512)</u>	<u>4,199,550</u>
Cost of sales	(1,981,911)	(1,058,431)	(3,040,342)	-	(3,040,342)
Gross profit	<u>680,441</u>	<u>486,279</u>	<u>1,166,720</u>	<u>(7,512)</u>	<u>1,159,208</u>
Other operating income	32,826	659	33,485	-	33,485
Selling expenses	(550,307)	(328,699)	(879,006)	7,512	(871,494)
Administrative expenses	(66,673)	(40,951)	(107,624)	(1)	(107,625)
Other operating expenses	(20,365)	(6)	(20,371)	-	(20,371)
Operating profit	<u>75,922</u>	<u>117,282</u>	<u>193,204</u>	<u>(1)</u>	<u>193,203</u>
Net, exchange difference	(14,296)	(788)	(15,084)	(11,315)	(26,399)
Finance income	3,099	378	3,477	-	3,477
Finance costs	(56,730)	(3,379)	(60,109)	(24,245)	(84,354)
Profit before income tax	<u>7,995</u>	<u>113,493</u>	<u>121,488</u>	<u>(35,561)</u>	<u>85,927</u>
Income tax expense	(7,068)	(35,719)	(42,787)	-	(42,787)
Profit for the year	<u>927</u>	<u>77,774</u>	<u>78,701</u>	<u>(35,561)</u>	<u>43,140</u>

Notes to the combined financial statements

Geographic information –

As of September 30, 2015 and December 31, 2014, 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 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 nine-month periods ended September 30, 2015 and 2014. 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.