Supermercados Peruanos S.A. and Subsidiaries, InRetail Pharma S.A. and Subsidiaries, Agora Servicios Digitales S.A.C. and InDigital XP S.A.C.

Combined financial statements as of December 31, 2023 and 2022, together with the Independent Auditors' Report

Building a better working world

Supermercados Peruanos S.A. and Subsidiaries, InRetail Pharma S.A. and Subsidiaries, Agora Servicios Digitales S.A.C. and InDigital XP S.A.C.

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Tanaka, Valdivia & Asociados
Sociedad Civil de R. L

Independent Auditors' Report

Opinion

We have audited the combined financial statements of Supermercados Peruanos S.A. and Subsidiaries, InRetail Pharma S.A. and Subsidiaries, Agora Servicios Digitales S.A.C. and InDigital XP S.A.C. (hereinafter "the Companies"), which comprise the combined statement of financial position as of December 31, 2023, and the combined statements of income, comprehensive income, changes in equity and cash flows for the year then ended, as well as the notes to the combined financial statements, which include a summary of material accounting policies.

In our opinion, the accompanying combined financial statements present fairly, in all significant respects, the combined financial position of the Companies as of December 31, 2023, as well as its financial performance and combined statement of cash flows for the year then ended, in accordance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

Basis for opinion

We perform our audit in accordance with the International Standard for Auditing (ISA) approved for application in Peru by the Board of Peruvian Associations of Certified Public Accountants. Our responsibilities under these standards are described in more detail in the *Auditor's Responsibilities for the audit of the combined financial Statements* section of our report. We are independent of the Companies in accordance with the International Accounting Standards Board Code of Ethics for Accountants (IESBA Code) along with ethical requirements that are relevant to our audit of the combined financial statements in Peru, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained provides a sufficient and adequate basis for our opinion.

Responsibilities of management and those charged with governance of the Companies with respect to the combined financial statements

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

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In preparing the combined financial statements, Management is responsible for assessing the Companies' ability to continue as a going concern, disclosing as appropriate the matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Companies or to cease operations, or have no other realistic alternative to doing so.

Those responsible for the Companies corporate governance are responsible for supervising the Companies financial reporting process.

Auditor's responsibilities in connection with the audit of the combined financial statements

Our objectives are to obtain reasonable assurance as to whether the combined financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report that includes our opinion. Reasonable assurance is a high level of assurance but is does not a guarantee that an audit carrier out in accordance with ISAs approved for application in Peru will always detect a material misstatement when it exists. Inaccuracies may arise due to fraud or error and are considered material if, individually or cumulatively, they could reasonably be expected to influence the economic decisions of users take based on the combined financial statements.

As part of an audit in accordance with the International Standards on Auditing (ISAs) approved for application in Peru by the Board of Peruvian Associations of Certified Public Accountants, we exercise professional judgment and maintain professional skepticism throughout the Audit. Also:

- We identify and assess the risks of material misstatement in the combined financial statements, whether due to fraud or error, design and execute audit procedures that respond to those risks and obtain audit evidence that is sufficient and appropriate to provide us a basis for our opinion. The risk of not detecting a material misstatement due to fraud is greater than that resulting from an error, as fraud may involve collusion, falsification, intentional omissions, misrepresentations, or the overstepping the internal control system.
- We gained an understanding of the internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Internal control of the Companies.
- We evaluate the adequacy of the accounting policies used, the reasonableness of the accounting estimates and the respective disclosures made by management.
- We conclude on the suitability of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether there is material uncertainty related to events or conditions that may raise significant doubt about the Companies´s ability to continue as a going concern. If we conclude that material uncertainty exists, we are required to draw attention in our audit report to disclosures relating to the combined financial statements or, if such disclosures are inadequate, to modify our opinion. Conclusions are based on audit evidence obtained to date from our audit report. However, future events or conditions may cause the Companies to cease to continue as a going concern.

Independent Auditors' Report (continued)

- We evaluate the general presentation, structure, content of the combined financial statements, including disclosures, and whether the combined financial statements represent the underlying transactions and events in a manner that achieves a reasonable presentation.
- We obtained sufficient and adequate audit evidence in relation to the financial information of the entities or business activities that are part of the Companies, in order to express an opinion on the combined financial statements. We are responsible for the direction, supervision and execution of the Companies' s audit and therefore for our audit opinion.

We communicate to the responsible of the corporate governance of the Companies, among other matters, the planned scope and timing of the audit, the significant findings of the audit, as well as any significant internal control deficiencies identified in the course of the audit.

We also provide those responsible of the corporate governance of the Companies with a statement that we have complied with the applicable ethics requirements in relation to independence and that we have disclosed all relationships and other matters that could reasonably be expected to affect our independence and, where applicable, including the respective safeguards.

Among the matters that have been the subject of communication with those responsible of the corporate governance of the Companies, we determine those that have been of the greatest significance in the audit of the combined financial statements of the current period and, therefore, are the key audit matters. We have described such matters in our audit report unless legal or regulatory provisions prohibit public disclosure of the matter or, in extremely rare circumstances, we determine that a matter should not be communicated in our report because it would reasonably be expected that the adverse consequences of doing so would outweigh the public interest benefits of the report.

Lima, Peru
April 18, 2024

Signed by:

Tanaka, Valdivia & Asoc.

Stephanie Mc Lauchlan
C.P.C.C. Register No 33000

Combined statements of financial position

As of December 31, 2023 and 2022

	Note	2023 S/(000)	2022 S/(000)
Assets			
Current assets			
Cash and short-term deposits	3.2(g) and 5	803,376	714,651
Financial instruments at fair value through profit or loss	3.2(c) and 6	33,445	-
Trade accounts receivables, net	3.2(c) and 7	786,266	760,477
Other accounts receivables, net	3.2(c) and 8	336,882	412,460
Accounts receivables to related parties	3.2(c) and 26(b)	74,556	78,352
Inventories, net	3.2(h) and 9	2,535,110	2,608,889
Prepayments	3.2(i) and 11	23,656	19,799
Total current assets		4,593,291	4,594,628
Non-current assets			
Other accounts receivables, net	3.2(c) and 8	257,992	193,010
Financial instruments at fair value through other comprehensive income	3.2(c) and 10	51,350	47,915
Derivatives financials instruments	3.2(d) and 12	63,871	114,084
Property, installations, furniture and equipment, net	3.2(j) and 13(a)	4,795,483	4,665,680
Investment properties	3.2(l) and 14	196,877	224,677
Right-of-use assets, net	3.2(k) and 13(b.1)	1,866,455	1,687,415
Intangible assets, net	3.2(m) and 15	3,916,087	3,943,092
Other non-financial assets		2,407	2,499
Income tax related to special purpose entities	22(e)	9,139	4,580
Deferred income tax assets, net	3.2(s) and 20(a)	312,948	239,123
Total non-current assets		11,472,609	11,122,075
Total assets		16,065,900	15,716,703

	Note	2023 S/(000)	2022 S/(000)
Liabilities and equity			
Current liabilities			
Trade accounts payables	3.2(c) and 16	4,193,200	4,135,322
Other accounts payables	3.2(c) and 17	502,406	522,135
Interest-bearing loans and borrowings	3.2(c) and 18	443,296	746,880
Accounts payable to related parties	3.2(c) and 26(b)	104,609	104,504
Current income tax, net	3.2(t) and 20(e)	81,847	13,864
Deferred revenue	27	20,341	18,935
Lease liabilities	3.2(k) and 13(b.2)	331,433	317,016
Total current liabilities		5,677,132	5,858,656
Other accounts payables	3.2(c) and 17	55,171	27,634
Interest-bearing loans and borrowings	3.2(c) and 18	1,947,651	1,837,125
Accounts payable to related parties	3.2(c) and 26(b)	82,226	150,831
Senior notes issued	3.2(c) and 19	3,036,254	3,092,015
Lease liabilities	3.2(k) and 13(b.2)	1,722,886	1,576,137
Deferred revenue	27	28,438	30,630
Deferred income tax liabilities, net	3.2(s) and 20(a)	489,742	483,519
Total non-current liabilities		7,362,368	7,197,891
Total liabilities		13,039,500	13,056,547
Equity	21		
Capital stock		371,607	371,607
Capital premium		241,954	241,954
Treasury shares		(9)	(9)
Additional paid - in capital		706,427	706,427
Other equity reserves		904,713	909,260
Retained earnings		801,527	430,747
		3,026,219	2,659,986
Non-controlling interest		181	170
Total equity		3,026,400	2,660,156
Total liabilities and equity		16,065,900	15,716,703

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

Supermercados Peruanos S.A. and Subsidiaries, InRetail Pharma S.A. and Subsidiaries, Agora Servicios Digitales S.A.C. and InDigital XP S.A.C.

Combined income statements

For the years ended December 31, 2023 and 2022

	Note	2023 S/(000)	2022 S/(000)
Net sales of goods	3.2(r) and 1(b)	19,653,649	18,691,308
Rental income	3.2(r) and 1(b)	194,409	170,710
Rendering of services	3.2(r) and 1(b)	325,736	297,909
Revenue		20,173,794	19,159,927
Cost of sales and services	3.2(r(iv) and 23(a)	(14,717,716)	(14,023,662)
Gross profit		5,456,078	5,136,265
Changes in fair value of investment properties	3.2 (l), 14(b) and 14(d)	953	(6,593)
Fair value effect of investment properties distributed to associates	3.2 (l) and 26(c)	(1,702)	6,673
Selling expenses	3.2(r(iv)) and 23(a)	(3,336,608)	(3,296,349)
Administrative expenses	3.2(r(iv)) and 23(a)	(582,765)	(525,416)
Other income	24	182,241	91,407
Other expenses	24	(143,801)	(56,117)
Operating profit		1,574,396	1,349,870
Finance income	25	28,796	24,967
Finance expenses	25	(507,559)	(462,490)
Exchange difference, net	4	23,746	49,468
Profit before income tax		1,119,379	961,815
Income tax expense	3.2(s) and 20(c)	(392,879)	(344,585)
Net profit		726,500	617,230
Attributable to:			
Supermercados Peruanos S.A., InRetail Pharma S.A., Agora Servicios Digitales S.A.C. and InDigital XP S.A.C. shareholders		726,451	609,709
Non-controlling interests		49	7,521
		726,500	617,230

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

Supermercados Peruanos S.A. and Subsidiaries, InRetail Pharma S.A. and Subsidiaries, Agora Servicios Digitales S.A.C. and InDigital XP S.A.C.

Combined statements of other comprehensive income

For the years ended December 31, 2023 and 2022

	Note	2023 S/(000)	2022 S/(000)
Net profit		726,500	617,230
Other comprehensive income			
To be reclassified to the combined income statements in subsequent periods:			
Unrealized results on derivative financial instruments	3.2(d) and 12(b)	67,972	50,223
Exchange differences on translation of foreign operations		336	(513)
Unrealized loss on actuarial valuation		(98)	(265)
Deferred income tax	3.2(s) and 20(b)	(19,239)	(13,915)
		48,971	35,530
That will not be reclassified to the combined Income statements in subsequent periods:			
Updated on the fair value through other comprehensive income	3.2(c) and 10(c)	3,435	(5,106)
Deferred income tax related to other comprehensive income	3.2(s) and 20(b)	(1,013)	1,506
		2,422	(3,600)
Other comprehensive income for the year, net of income tax effects		51,393	31,930
Total comprehensive income for the year		777,893	649,160
Attributable to:			
Supermercados Peruanos S.A., InRetail Pharma S.A., Agora Servicios Digitales S.A.C. and InDigital XP S.A.C. shareholders		777,840	641,636
Non-controlling interests		53	7,524
		777,893	649,160

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

Combined statements of changes in equity

For the years ended December 31, 2023 and 2022

	Attributable to owners of Supermercados Peruanos S.A. and Subsidiaries and InRetail Pharma S.A. and Subsidiaries														
	Capital stock					Other equity reserves									
	Issued S/(000)	Pending to issue S/(000)	Additional paid -in capital S/(000)	Capital premium S/(000)	Treasury shares S/(000)	Legal reserve S/(000)	Other reserves S/(000)	Unrealized results on derivative financial instruments S/(000)	Unrealized income on financial instruments at fair value through other comprehensive income S/(000)	Unrealized results on foreign currency translation S/(000)	Unrealized gain for actuarial update S/(000)	Retained earnings S/(000)	Total S/(000)	Non-controlling interest S/(000)	Total equity S/(000)
Balances as of January 1, 2022	360,734	8,817	706,427	181,507	(9)	91,569	821,498	(108,902)	12,180	3,561	643	373,313	2,451,338	54,851	2,506,189
Net income	-	-	-	-	-	-	-	-	-	-	-	609,709	609,709	7,521	617,230
Other comprehensive income	-	-	-	-	-	-	-	36,305	(3,600)	(513)	(265)	-	31,927	3	31,930
Total comprehensive income	-	-	-	-	-	-	-	36,305	(3,600)	(513)	(265)	609,709	641,636	7,524	649,160
Dividends paid, note 21(c)	-	-	-	-	-	-	-	-	-	-	-	(465,675)	(465,675)	-	(465,675)
Dividends for non-controlling interests, note 21(c)	-	-	-	-	-	-	-	-	-	-	-	-	-	(29,520)	(29,520)
Transfers to legal reserve, note 21(d)	-	-	-	-	-	57,520	-	-	-	-	-	(57,520)	-	-	-
Effect of change in participation in Subsidiary	2,056	-	-	60,447	-	4,476	-	(7,076)	1,817	531	96	(29,662)	32,685	(32,685)	-
Other	-	-	-	-	-	-	-	-	-	(580)	-	582	2	-	2
Balances as of December 31, 2022	362,790	8,817	706,427	241,954	(9)	153,565	821,498	(79,673)	10,397	2,999	474	430,747	2,659,986	170	2,660,156
Net income	-	-	-	-	-	-	-	-	-	-	-	726,451	726,451	49	726,500
Other comprehensive income	-	-	-	-	-	-	-	48,729	2,422	336	(98)	-	51,389	4	51,393
Total comprehensive income	-	-	-	-	-	-	-	48,729	2,422	336	(98)	726,451	777,840	53	777,893
Dividends paid, note 21(c)	-	-	-	-	-	-	-	-	-	-	-	(411,687)	(411,687)	-	(411,687)
Dividends for non-controlling interests, note 21(c)	-	-	-	-	-	-	-	-	-	-	-	-	-	(42)	(42)
Transfers to legal reserve, note 21(d)	-	-	-	-	-	(55,936)	-	-	-	-	-	55,936	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	80	80	-	80
Balances as of December 31, 2023	362,790	8,817	706,427	241,954	(9)	97,629	821,498	(30,944)	12,819	3,335	376	801,527	3,026,219	181	3,026,400

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

Supermercados Peruanos S.A. and Subsidiaries, InRetail Pharma S.A. and Subsidiaries, Agora Servicios Digitales S.A.C. and InDigital XP S.A.C.

Combined statements of cash flows

For the years ended December 31, 2023 and 2022

	Note	2023 S/(000)	2022 S/(000)
Operating activities			
Collections from customers		20,012,086	18,885,117
Payments to suppliers of goods and services		(16,112,125)	(15,197,376)
Payments to employees for salaries and social benefits		(1,476,787)	(1,499,710)
Taxes paid		(448,082)	(464,891)
Other collections, net		23,819	48,944
Net cash flows from operating activities		1,998,911	1,772,084
Investing activities			
Sale of investment property		29,771	-
Sale of property, installations, furniture and equipment	24	70,640	19,615
Sale of financial instruments at fair value with change in profit or loss		710	75,235
Purchase of property, installations, furniture and equipment, net of acquisition through leasing contracts	13(a)	(488,499)	(780,542)
Purchase and development of intangibles assets	15(a)	(53,912)	(71,387)
Purchase of financial instruments at fair value with change in profit or loss		(33,050)	(36,966)
Purchase of investment properties	14(b)	(831)	(13,756)
Net cash flows used in investing activities		(475,171)	(807,801)

Combined statements of cash flows (continued)

	Note	2023 S/(000)	2022 S/(000)
Financing activities			
Proceeds from interest-bearing loans and borrowings, net of structuring cost		2,178,246	2,625,952
Payment of financial obligations		(2,407,812)	(2,378,159)
Interest paid for financial obligations and senior notes issued		(278,637)	(254,322)
Payment of leases and interest	13(b.2)	(514,044)	(465,514)
Payment of premium for repurchase of bonds issued		-	-
Dividends paid	21(c)	(411,729)	(495,195)
Rent payments and key money paid in advance		(1,039)	(206)
Net cash flows used in financing activities		(1,435,015)	(967,444)
Net increase (decrease) of cash and short-term deposits		88,725	(3,161)
Cash and short – term deposits at the beginning of the year		714,651	717,812
Cash and short – term deposits at the end of the year	5(a)	803,376	714,651
Non-cash transactions			
Fixed assets acquired through leasing	13(a)	48,617	54,856
Addition of right-of-use assets	13(b.1)	622,295	614,968
Acquisition of non-controlling interest		-	32,685

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

1. Identification and business activities

(a) Identification -

Patrimonio en Fideicomiso D.S. N ° 093-2002-EF-InRetailConsumer (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 or abroad, when it will be necessary. As of December 31, 2023 and 2022, the representative shares of capital stock of Supermercados Peruanos S.A. and Subsidiaries, InRetail Pharma S.A. and Subsidiaries, Agora Servicios Digitales S.A.C. and InDigital XP S.A.C were transferred. It should be noted that InRetail Perú Corp. has common control over the entities included in the combined financial statements.

Supermercados Peruanos S.A. and Subsidiaries, InRetail Pharma S.A. and Subsidiaries, Agora Servicios Digitales S.A.C. and InDigital XP S.A.C. (hereinafter "the Companies") were incorporated in June 1979, August 1996, Junio 2019 and October 2019, respectively, in Lima, Peru. As of December 31, 2023 and 2022, those companies are subsidiaries of InRetail Perú Corp., which is a subsidiary of Intercorp Retail Inc., a subsidiary of Intercorp Perú Ltd. (holding company incorporated in The Bahamas, hereinafter "Intercorp Perú"), which is the ultimate parent and holds 100 percent of Intercorp Retail Inc.'s capital stock. As of those dates, InRetail Perú Corp. owns directly and indirectly the following percentages of ownership in these Companies:

	Participation	
	2023	2022
	%	%
Company		
Supermercados Peruanos S.A.	99.98	99.98
InRetail Pharma S.A.	100.00	100.00
Agora Servicios Digitales S.A.C.	100.00	100.00
InDigital XP S.A.C.	100.00	100.00

(b) Business activities -

Supermercados Peruanos S.A. is mainly dedicated to retail. As of December 31, 2023 and 2022, it has a chain of stores operating under "Plaza Vea", "Plaza Vea Súper", "Plaza Vea Express, "Vivanda", "Mass" and "Makro" brands, located in Lima and provinces. Supermercados Peruanos S.A. holds 100 percent of: (i) Desarrolladora de Strip Center S.A.C.; (ii) Plaza Vea Oriente S.A.C. created in 2018, (iii) Operadora de Servicios Logísticos S.A.C.; (iv) Compañía Hard Discount S.A.C.; (v) Compañía Food Retail S.A.C., (vi) Administradora Food Retail S.A.C., (vii) Supermercados Sur Perú S.A.C. created in 2021, (viii) Makro Supermayoristas S.A. and (ix) JOKR Perú S.A.C. During 2022, Supermercados Peruanos S.A. transferred by means of spin-off of blocks assets and liabilities to the companies created in 2021 to start operations.

Supermercados Peruanos S.A.'s legal address and where its administrative offices are located is Calle Morelli N°181, San Borja, Lima, Perú.

InRetail Pharma S.A. is dedicated to the commercialization of pharmaceutical products, cosmetic products, food for medical use and other elements aimed for health protection and recovery through its "Inkafarma" and " Mifarma" pharmacy chains, it is also dedicated, to the Distribution of pharmaceutical products. As of December 31, 2023 and 2022, it operates in Perú, Ecuador and Bolivia. InRetail Pharma S.A owns 100 percent of: (i) Farmacias Peruanas S.A.C., (ii) Mifarma S.A.C. and Subsidiaries, detailed below: Jorsa de Selva S.A.C., (iii) Química Suiza S.A.C., (iv) Boticas IP S.A.C., (v) FP Servicios Generales S.A.C and (vi) Quicorp S.A. and Subsidiaries, which are detailed below (hereinafter "Grupo Quicorp"): Quimiza Ltda., Quifatex S.A. and Subsidiaries, detailed below: Vanttive Cía Ltda. and

InRetail Pharma S.A.'s legal address and where its administrative offices are located at is Av. Defensores del Morro N°1277, Chorrillos, Lima, Perú.

In December 2023, the merger of Vanttive S.A.C. with Boticas IP S.A.C., in which the latter would act as absorbing company, so Vanttive S.A.C. would be extinguished without the need to be dissolved or liquidated.

Finally, in August 2022, the merger of Droguería InRetail Pharma S.A.C. with InRetail Pharma S.A., in which the latter would act as absorbing company, so Droguería InRetail Pharma S.A.C. would be extinguished without the need to be dissolved or liquidated.

Agora Servicios Digitales S.A.C. is a company established in June 2019, which mainly manages and operates digital payments and services through a digital platform. The legal domicile of Agora Servicios Digitales S.A.C., where its administrative offices are located, is located at Calle Morelli N 181, San Borja, Lima, Peru.

InDigital XP S.A.C., is a company established in October 2019, which manages, operates and provides support in digital commerce services to the subsidiaries of the InRetail Group. The legal domicile of InDigital XP S.A.C., where its administrative offices are located, is located at Calle Morelli N 139, San Borja, Lima, Peru.

The following is the summary of the main data of the Companies' financial statements used in the preparation of the combined financial statements as of December 31, 2023 and 2022, and for the years then ended:

	Supermercados Peruanos S.A. and Subsidiaries	
	2023 S/(000)	2022 S/(000)
Total assets	8,591,700	8,319,023
Total liabilities	7,542,032	7,333,796
Equity	1,049,668	985,227
Operating profit	731,450	667,187
Net profit	288,884	311,541

	InRetail Pharma S.A. and Subsidiaries	
	2023 S/(000)	2022 S/(000)
Total assets	6,093,410	6,147,134
Total liabilities	5,384,389	5,621,010
Equity	709,021	526,124
Operating profit	919,565	773,216
Net profit	506,953	402,307

	Agora Servicios Digitales S.A.C.	
	2023 S/(000)	2022 S/(000)
Total assets	102,456	69,886
Total liabilities	64,218	36,213
Equity	38,238	33,673
Operating loss	(58,919)	(76,398)
Net loss	(57,670)	(76,533)

	InDigital XP S.A.C.	
	2023 S/(000)	2022 S/(000)
Total assets	19,614	16,421
Total liabilities	8,147	5,983
Equity	11,467	10,438
Operating profit	1,884	7,308
Net profit	1,029	4,819

The combined financial statements as of December 31, 2023 and 2022 were approved and authorized to be issued by Management of InRetail Perú Corp. on March 27, 2024.

2. Acquisition and disposal of subsidiaries

(a) Acquisition of JOKR Perú S.A.C.-

On April 1, 2023, Inretail Consumer acquired through Supermercados Peruanos S.A. (subsidiary of the Company) to JOKR Perú S.A.C. for a value of US$1,102,000 equivalent to S/4,288,000. to a related company.

(b) Acquisition of minority interest in InRetail Pharma S.A.-

On July 26, 2022, InRetail Consumer acquired 12.98 percent of the shares representing the capital stock of InRetail Pharma S.A. (subsidiary of the Company), for a value of S/901,920,000, this acquisition was contributed by its shareholders Inretail Peru Corp. In this sense, on July 26, 2022, the Company directly owns 100 percent of the shares representing the capital stock of InRetail Pharma S.A.

3. Summary of significant accounting policies

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

3.1 Basis of preparation and presentation

The combined financial statements of InRetail Consumer (a SPE; see note 1(a)) have been prepared and originally presented for purposes of its incorporation in an offering memorandum, and subsequently are presented for the compliance with the requirements included in the offering memorandum and for the information of the bond holders. The issuance of the combined financial statements of InRetail Consumer will be applicable until the maturity or full cancellation of the bonds issued, whichever occurs first.

Likewise, the combined 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 December 31, 2023 and 2022, respectively.

The information contained in these combined financial statements is the responsibility of the Companies' Corporate Management, who explicitly manifest that principles and criterion included on IFRS, as issued by the IASB are fully applied as of the date of combined financial statements.

The combined financial statements have been prepared on a historical cost basis, except for financial instruments at fair value through profit or loss, financial instruments at fair value through other comprehensive income, investment properties and derivative financial instruments ("Call Spread" and "Range Principal Only Swap") that have been measured at fair value. The combined financial statements are presented in Soles and all values are rounded to the nearest thousand (S/(000)), except when otherwise indicated.

3.2 Summary of significant accounting policies

(a) Basis of combination -

The combined financial statements comprise the respective consolidated financial statements of the Companies and their Subsidiaries, which have been prepared under IFRS, see note 1. For purposes of these combined financial statements, subsidiaries are fully consolidated from the date of their acquisition, being the date on which Supermercados Peruanos S.A., InRetail Pharma S.A., Agora Servicios Digitales S.A.C. and InDigital XP S.A.C. 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 transactions 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.

The non-controlling interests have been determined in proportion to the participation of minority shareholders in the equity and the results of the Companies in which they hold participation, and they are presented separately in the combined statements of financial position, the combined income statements and the combined statements of other comprehensive income.

Losses in a subsidiary are attributed proportionately to the non-controlling interests even if that results in a deficit balance. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

Considering that InRetail Consumer is a Special Purpose Entity – SPE that was incorporated only for the purpose of issuing debt in the local market or abroad; 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 business or the Companies included in the combination, and which will guarantee the debt to be issued.

(b) Business combinations and goodwill -

Acquisitions are recorded using the purchase method of accounting, as defined in IFRS 3 "Business Combinations", applicable to the date of each transaction. Assets and liabilities are recorded at their estimated market values at the date of purchase, including identified intangible assets not recognized in the statements of financial position of each entity acquired. Acquisition costs incurred are registered as expenses and are included in the caption "Administrative expenses" of the combined financial statements.

When the Companies acquire a business, they assess the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in combined income statements as profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Companies cash-generating units that are expected to benefit from the combination.

(c) Financial instruments - Initial recognition and subsequent measurement -

As of the date of the combined financial statements, the Companies classify their financial instruments in the following categories defined on IFRS 9 (2018 version): (i) financial assets at amortized cost, (ii) financial assets at fair value through other comprehensive income, (iii) financial assets at fair value through profit or loss, (iv) financial liabilities at amortized cost or (v) financial liabilities at fair value through profit or loss.

The main criteria of IFRS 9 are described below:

(i) Financial assets –

Initial recognition and measurement –

The Companies determine the classification of financial assets at initial recognition. All financial assets are initially recognized at their fair value plus the incremental costs related to the transaction that are directly attributable to the purchase, except for financial assets at fair value through profit or loss.

The Companies' financial assets include cash and short-term deposits, financial instruments at fair value through profit or loss, financial instruments at fair value through other comprehensive income, trade receivables, other receivables and accounts receivable from related parties.

Subsequent measurement -
The Companies classifies its financial assets into the following four categories:

- Financial assets at amortized cost (debt instruments).
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments).
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments).
- Financial assets at fair value through profit or loss.

The classification depends on the Companies' business model and the financial asset's contractual cash flow characteristics.

Financial assets are not reclassified after initial recognition, except if the Companies changes its business model for their management.

As of December 31, 2023 and 2022, the Companies only maintain financial assets classified in the following categories:

Financial assets at amortized cost -Debt instruments -
The Companies measure financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest method (EIR) and are subject to impairment. These assets generate income from interest accrued prior to maturity of disposal. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

Such category includes cash and cash equivalents, trade accounts receivable, other accounts receivable and accounts receivable from related parties.

Financial assets at fair value with changes in other comprehensive income
Debt Instruments:
The Companies measure debt instruments at fair value with changes in other comprehensive income if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

As of December 31, 2023 and 2022, the Companies has not designated financial assets at fair value with changes in other comprehensive income.

Financial assets at fair value through profit or loss -
Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value.

Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments and financial assets with cash flows that are not solely payments of principal and interest with independence of the business model.

Financial assets with changes in results are carried in the combined statement of financial position at fair value, and net changes in such fair value are presented as financial expenses (net negative changes in fair value) or financial income (net positive changes in fair value) in the combined statement of income.

In this category, the Companies only has mutual funds, which are presented in “Financial instruments at fair value through profit or loss” in the combined statement of financial position. The changes in fair value are recorded in the combined income statement in the caption “Financial income”.

Derecognition -
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized when:

(i) The rights to receive cash flows from the asset have expired; or

(ii) Contractual rights have been transferred on the cash flows generated by the asset, or an obligation has been assumed to pay all of these cash flows to a third party without a significant delay, through a transfer agreement ("Pass-through arrangement"), and (a) substantially all the risks and benefits of the asset have been transferred; or (b) substantially all the risks and benefits of the asset have not been transferred or retained, but control over it has been transferred.

The Companies will continue to recognize the asset when it has transferred its rights to receive the cash flows generated by the asset, or has entered into an intermediation agreement, but has not transferred or retained substantially all the risks and benefits of the asset and has held the asset control over it. In this case, the Companies will recognize the asset transferred based on its continuous involvement and will also recognize the related liability.

The transferred asset and the related liability will be measured on a basis that reflects the rights and obligations retained by the Companies.

Impairment of financial assets
The Companies recognize an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Companies expect to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements.

For trade receivables and contract assets, the Companies applies a simplified approach in calculating ECLs. Therefore, the Companies does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Companies has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

(ii) Financial liabilities -
Initial recognition and measurement -
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and payables, net of directly attributable transaction costs.

The Companies' financial liabilities include trade payables, other payables, accounts payable to related parties, interest-bearing loans and borrowings, lease liabilities and senior notes issued.

Subsequent measurement -
The measurement of financial liabilities depends on their classification, as described below:

Loans and borrowings -
After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in the combined income statement when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium upon acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as financial costs in the combined income statement.

In this category are trade payables, other payables, accounts payable to related parties, interest-bearing debts and loans, lease liabilities and senior notes issued.

Financial liabilities at fair value through profit or loss -
Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as fair value through profit or loss.

Financial liabilities are classified as held for trading if they are contracted for the purpose of trading them in the near future; gains or losses related to these liabilities are recognized in results. This category also includes derivative financial instruments entered into by the Companies that are not designated as hedging instruments in hedge relationships as defined by IFRS 9.

As of December 31, 2023 and 2022, the Companies have not designated any financial liability at fair value through profit or loss.

Derecognition
A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the combined income statement.

(iii) Offsetting of financial instruments -
Financial assets and financial liabilities are offset, and the net amount is reported in the combined statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

As of December 31, 2023 and 2022, the Companies does not present any financial assets or liabilities for gross amounts subject to offsetting of financial instruments.

(d) Derivative financial instruments and hedging accounting –
Negotiation –
Derivatives financial instruments for negotiation are initially recognized in the combined statements of financial position at cost and subsequently are recognized at fair value. The fair value is obtained based on the prices, exchange rates, and market interest rates. All the derivatives are considered as assets when the fair value is positive and as liabilities when the fair value is negative. The gains and losses arisen by the changes in the fair value are recognized in the combined income statements.

As of December 31, 2023 and 2022, the Companies does not maintain derivatives financial instruments classified as negotiation.

Hedging -
Derivatives are initially recognized at the fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. All derivatives are recognized as assets when the fair value is positive and as liabilities when they are negative.

Derivatives can be designated as hedging instruments under hedge accounting if they qualify as such. Depending upon the nature of the hedged item, the method for recognizing gains or losses from changes in fair value will be different. These derivatives, which are used to hedge exposures to risk or modify the characteristics of financial assets and liabilities and which meet IFRS 9 criteria are recognized as hedging accounting.

In accordance with IFRS 9, to qualify for hedge accounting, all the following conditions must be met:

(i) The hedging relationship consists of only hedging instruments and eligible hedged items.
(ii) At the inception of the hedge, there is formal designation and documentation of the hedging relationship and the entity's risk management objective and strategy for undertaking the hedge. This documentation will include the identification of the hedging instrument, the hedged item, the nature of the risk being hedged and the way the entity will assess if the hedging relationship meets the hedge effectiveness requirements.

(iii) The hedging relationship meets all the following hedge effectiveness requirements:

- There is an economic relationship between the hedged item and hedging instrument.
- The effect of the credit risk does not dominate the value changes that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the entity hedges and the quantity of the hedging instrument that the entity uses to hedge that quantity of hedged item.

IFRS 9 has three categories for hedge accounting: fair value hedge, cash flow hedge and net investment hedge for foreign operations. The Companies only uses derivatives as cash flow hedging instruments.

For designated derivatives that qualify as a cash flow hedge, the effective portion of the gains or losses on the derivative is recognized in other comprehensive income for cash flow hedges and is reclassified to profit or loss in the same period or periods in which the hedge transaction affects the profit or loss. The part of gain or loss on derivatives that represents the ineffective portion, or the components of the hedge excluded from the effectiveness evaluation is recognized immediately in the period's profit or loss. The amounts originally recorded in other comprehensive income and subsequently reclassified to profit, or loss are recorded in the corresponding expense or income lines in which the hedged item is reported.

When a hedging instrument expires or is sold, when a hedge no longer meets the criteria for hedge accounting and also when the Companies re-designates a hedge, any cumulative loss or gain existing in other comprehensive income is retained and recognized as income or expense when the hedged item is ultimately recognized in the combined income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss recognized in other comprehensive income is immediately transferred to the combined income statement.

(e) Fair value of financial instruments -
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Companies. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Companies uses valuation techniques that are appropriate in the circumstances and for which enough data is available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements at fair value on a recurring basis, the Companies determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization at the end of each reporting period.

Management determines the policies and procedures for both recurring and non-recurring fair value measurement. At each reporting date, the Valuation Committee analyses the movements in the values of assets and liabilities which are required to be remeasured or re-assessed as per the Company’s accounting policies.

For the purpose of fair value disclosures, the Companies has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above. The fair value of financial instruments measured at amortized cost it presented in note 31.

(f) Foreign currency transactions -

(i) Functional and presentation currency -

The Companies has determined that it’s functional and presentation currency is the Sol, because it reflects the economic substance of the underlying events and circumstances relevant to the Companies, insofar as its main operations and/or transactions, sales, cost of sales, obtained financing and an important percentage of purchases are established and paid in Soles. Management assessed and determined the functional currency for every subsidiary; as a result, it concluded that, in all cases, they are the currencies of the countries where subsidiaries operate.

Companies have a functional currency different from the Sol, its balances were translated for combined purposes using the methodology established by IAS 21 “The Effects of Changes in Foreign Exchange Rates”, as follows:

- Assets and liabilities at the closing rate at the date of each combined statements of financial position.
- Income and expenses at the average exchange rate for each month.

As a result of the translation, as of December 31, 2023 and 2022, the Companies has recorded the difference in the item “Unrealized losses on foreign currency translation” of the combined statement of comprehensive income.

(ii) Transactions and balances in foreign currency –

Transactions in foreign currency are those that have been performed in currencies different than the functional currency. Transactions in foreign currencies are initially recorded by the entities at the functional currency using the exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currency are retranslated at the functional currency using the spot rate of exchange prevailing at the reporting date of combined statement of financial position.

Exchange rate gains or losses resulting from restating the monetary assets and liabilities into foreign currency at the exchange rates prevailing at the combined statements of financial position date or at their settlement date are recorded in “Exchange difference” of the combined income statements.

Non-monetary assets and liabilities denominated in foreign currency are translated into the functional currency at the exchange rate prevailing at the transaction date.

(g) Cash and short-term deposits -

Cash and short-term deposits in the combined statements of financial position comprise bank deposits, balances held in cash in different stores of the retail sector, remittance in transit and short-term deposits with an original maturity of three months or less.

(h) Inventories -

Inventories are valued at the lower of cost or net realizable value. Commercial discounts, price reductions and other similar items decrease the acquisition cost. Cost is determined by applying the average cost method, except in the case of inventory in transit, which is presented at its specific acquisition cost.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.

The reduction of inventories' carrying amounts to their net realizable value are conducted based on the specific analyses and are recorded as provision for inventory impairment in the item "Costs of sales and services" of the combined income statement for the period such reductions are made.

The provision for reductions is calculated based on the average historical losses incurred during the year, including the last physical inventory made before the year ended. This provision is recorded as inventory impairment in the combined income statement.

Discounts, price reduction and other discounts obtained according to the volume of purchases are deducted from goods on the date the discounts are granted by suppliers, and from the sale cost when related goods are sold.

As there are different types of discounts, the Companies needs to estimate the distribution of discounts among the goods sold and the inventory held to the date of the combined statement of financial position. Management carries out said estimations based on the daily discounts effectively granted by suppliers and the turnover ratio per type of product.

(i) Prepaid expenses -

The criteria adopted to record these items are the following:

- Insurances are recorded at the value of the premium paid for the coverage of the different assets and are amortized applying the straight-line method during the policy term.
- Advance payments for advertising and others are recorded as an asset and recognized as expenses when the service is accrued.

(j) Property, installations, furniture and equipment -

Property, installations, furniture and equipment are stated at cost, net of the accumulated depreciation and/or accumulated impairment losses, if any. The historical acquisition cost includes expenses that are directly attributable to the acquisition of assets. Such cost includes the cost of replacing component parts of the property, furniture and equipment and borrowing costs for long-term construction projects if the recognition criteria are met.

When significant parts of property, installations, furniture and equipment are required to be replaced at intervals, the Companies derecognizes the replaced part, and recognizes the new part with its own associated useful life and depreciation. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in the income statements as incurred. The present value of the expected cost for the decommissioning of the asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Lands are not depreciated. Depreciation is calculated on a straight-line basis over the estimated useful lives described in note 13.

An item of property, installations, furniture and equipment and any significant part initially recognized is derecognized when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statements when the asset is derecognized.

The asset's residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

Work in progress represents buildings in construction and is recorded at cost. This includes the construction cost and other direct costs. Work in progress is not depreciated until relevant assets are concluded and operative.

As indicated in the following paragraph (l), for the transfers made from investment properties to property, plant and equipment, the attributed cost considered for the subsequent recognition is the asset's fair value at the date the use changes.

(k) Leases -

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date, whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

The Companies as lessees
The Companies as lessees applies a single recognition and measurement approach for all lease contracts, except for short-term and low-value contracts.

- Right-of-use asset -
  The Companies recognizes right-of-use assets at the lease commencement date (that is the date the underlying asset is available to be used). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and are adjusted for any re-measurement of lease labilities. The cost of right-of-use assets comprises the amount equal to the recognized lease liabilities, initial direct costs incurred, and lease payments made at or before the commencement date, less any lease incentives received. The Companies maintains as right-of-use assets: land, buildings and facilities, and vehicles. Land is not depreciated; buildings and facilities and vehicles are depreciated on a straight-line basis over the lease term and are presented in note 13(b).

  Lease payments are discounted using the interest rate implicit in the lease, the Companies uses its incremental lending rate.

  If ownership of the leased asset is transferred to the lessee at the end of the lease term or if the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

  Right-of-use assets are also subject to impairment, see note 3.2(n).

- Lease liabilities -
  The Companies recognizes lease liabilities measured at the present value of the lease payments to be made over the contract's term. Lease payments include fixed payments (less any lease incentives receivable), variable lease payments that depend on an index or rate and amounts expected to be payable under residual value guarantees. Lease payments also include the price to exercise a purchase option that the Companies is reasonably certain to exercise and the penalties for terminating the lease, if the lease term does not reflect that the Companies will exercise a termination option. Variable lease payments that do not depend on an index or rate are recognized as expenses in the period in which an event or condition causing the payment occurs. Lease payments are presented in note 13(b.2).

When calculating the present value of lease payments, the Companies applies the incremental borrowing rate which is applied on the lease commencement date, as the interest rate implicit in the lease is not readily determinable. After the commencement date, lease liabilities' carrying amounts are increased to reflect the accumulation of interests and reduced to reflect the lease payments made. In addition, lease liabilities' carrying amounts are remeasured if there is a modification due to changes in the lease term, the assessment of a purchase option, the amounts expected to be payable under a residual value guarantee, and future lease payments resulting from a change in an index or a rate.

The lease liabilities of the Company and its Subsidiaries are presented in the line item "Finance lease liability"; see note 13(b.2).

- Short-term leases and leases of low-value assets -
The Companies apply the short-term lease recognition exemption to their short-term leases (that is to say, leases with a lease term ending in 12 months or less as of the date of initial application and with no purchase option). It also applies the low-value asset recognition exemption to the office equipment leases that are considered of low value. Lease payments for short-term leases and leases of low-value assets are recognized as expense using a straight-line basis over the lease term.

The Companies *as lessors*
As of the date of adoption of IFRS 16, there were no substantial changes for lessor accounting in the adoption of IFRS 16. The Companies continues to classify leases as operating or financial using similar principles to those of IAS 17.

Leases in which the Companies do not substantially transfer all the risks and benefits related to the asset's ownership are classified as operating leases. Rental income obtained from investment properties is accounted on a straight-line basis over the lease term and is recorded as income in the combined income statement due to its operating nature, except for the contingent rental income, which is recognized when it arises. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income.

(l) Investment properties -
Investment property comprises completed property and property under construction or redevelopment held to earn rentals or for capital appreciation or both.

Investment properties are measured initially at cost, including transaction costs. Transaction costs include transfer taxes, professional fees for legal services and initial leasing commissions to bring the property to the condition necessary for it to be capable of operating.

Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the combined income statements in the period in which they arise. The fair value is evaluated annually by the Management.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the income statements in the period of derecognition. Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to component of property, furniture and equipment, the deemed cost for subsequent accounting is the fair value at the date of change. If a component of property, furniture and equipment becomes an investment property, the Companies accounts such property in accordance with the policy stated under property, furniture and equipment.

(m) Intangible assets -

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding development costs capitalized, are not capitalized and expenditure is reflected in the income statements in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite live are amortized over their useful economic lives (see note 15) and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense for intangible assets with finite lives is recognized in the combined income statements in the expense category consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the combined income statements when the asset is derecognized.

(n) Impairment of non-financial assets -
The Companies assesses at each end of year, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required (goodwill and intangible assets with indefinite useful lives), the Companies estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an assets or cash generating units (CGU) fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate any cash inflows that are largely independent of those from other assets or group of assets.

When the carrying amount of an asset or CGU exceeds its recoverable value, the asset is considered impaired, and its value is reduced to its recoverable amount. In calculating the value in use, the estimated cash flows are discounted to their present value using a discount rate that reflects current market conditions and the risks specific to the asset. Cash flows come from the budget for the asset's remaining economic life and do not include restructuring activities to which the Companies has not yet committed or significant future investments that would increase the performance of the good or the CGU being tested. In determining fair value less costs of disposal, recent market transactions are considered, if available. If no such transactions can be identified, an appropriate valuation model is used.

The Companies bases its impairment calculation, if needed, on detailed budgets and forecast calculations which are prepared separately for each of the Companies' cash generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

The recoverable amount is highly sensitive to the discount rate used for the discounted cash flow model and the expected future cash flows. Impairment losses are recognized in the combined income statement.

(o) Employees benefits –
Short term-
The Companies have short-term obligations corresponding to benefits to its employees that include wages, social contributions, bonuses, performance bonuses and employees' profit sharing. These obligations are recorded on a monthly basis with charge to the combined statement of comprehensive income as they accrue.

Long term -
According to the current legislation in Ecuador, an employer's retirement and resignation plan is maintained. The present value of the defined benefit obligations is determined annually based on actuarial studies performed by an independent expert, using the projected credit unit method, and it is presented under the "Other accounts payables" caption in the combined statement of financial position, see note 17. Fluctuations in the present value of the defined benefit obligations are recorded in the period's other comprehensive income; however, the amount of this fluctuations has not been significant during years 2023 and 2022.

(p) Provisions -
Provisions are recognized when the Companies has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Companies expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the combined income statements net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost in the combined income statements.

(q) Contingencies -
A contingent liability is disclosed when the existence of an obligation shall only be confirmed by future events or when the amount of the obligation cannot be measured with enough reliability. Contingent assets are not recognized but are nonetheless disclosed when it is probable that generates an income of economic benefits to the Companies.

Given their nature, contingencies shall only be settled when one or more future events occur or not. The determination of contingencies involves inherently the exercise of judgment and the calculation of estimates on the results of future events.

(r) Revenue from contracts with customers –
IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers. In this regard, that revenue will be recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Companies revenue mainly correspond to sale of goods. These sales occur at a point in time when control of the asset is transferred to the customer, generally on delivery of the goods. The Companies concluded that they act as the principal in their sales contracts, because they control the goods or services before they are transferred to their customers.

(i) *Sale of goods -*

For such revenue, the sale of goods is the only performance obligation. The revenue recognition occurs at a point in time when control of the asset is transferred to the customer, generally on delivery of the goods. Cost of sales, which is the cost of the products that the Companies sale, is recognized when goods are delivered, simultaneously with the recognition of revenue for the corresponding sale.

Otherwise, it has been identified that their only significant variable consideration corresponds to some contracts with customers that provide a right of return. When a contract with a customer provides a right of return in a specific period, the Subsidiaries recognize such right over a historical estimate of returns basis. Consequently, income related to the expected returns is adjusted with expense provisions in the combined statements of income, when they directly affect the revenue from contracts with customers.

(ii) *Rental income -*

Rental income obtained from investment properties is accounted for on a straight-line basis over the lease term and is recorded as income in the combined income statement due to its operating nature, except for the contingent rental income, which is recognized when it arises.

The lease term is the non-cancellable period, together with any other additional period for which the lessee has the option to extend the lease, if Management is reasonably certain, at the date of the commencement date, that the lessee will exercise that option.

The amounts received from lessees to resolve rents or offset impairment of leased facilities are recorded as income in the combined income statement when the right to receive them arises.

Service charges, management charges and others recoverable expenses paid by lessees, and the income from expenses charged to lessees are recognized in the period in which the compensation becomes receivable. Service and management charges and other invoices are included in the gross rental income of related costs, as Management considers that the Companies acts as principal.

(iii) *Key money -*

The incentives granted by the lessees to enter into lease (key money) are distributed, agreements are recognized into income evenly over the lease term, even if the payments are not made on such a basis. The deferral term for incentives will correspond to the non-accrual period of the lease contract, as well as any other term for which the tenant has the option to extend the leasing contract and of which the Management of the Companies is certain the tenant will make use. These values are presented in "Deferred income" in the combined statement of financial position.

Amounts received from lessees to terminate leases or to compensate for wear and tear are recognized in the combined income statements when they arise.

The income related to service charges, management expenses and other expenses recoverable from tenants are recognized in the period in which such compensations are demandable. Management services charges and other income are included in the gross leasing income net of the related costs.

(iv) *Other income, costs and expenses -*

Other income, costs and expenses are recognized as they accrue, regardless of when they are paid, and recorded in the periods to which they relate.

(s) Taxes -

The income tax of the Companies is determined based on the non-consolidated financial statements of each subsidiary and the taxable income determined for taxing purposes.

Current income tax -

Assets and liabilities for income tax for the current period are measured by the amounts expected to be recovered or paid from or to the Tax Authority, based on the entity's financial statements. The tax rates and tax regulations used to compute said amounts are those that are approved, as of the date of the statement of financial position. According to Peruvian laws, employee profit sharing is calculated over the same basis used to calculate current income taxes and, in the case of Ecuador, over the basis of financial profit.

Current income tax relating to items recognized directly in combined equity is recognized in combined equity and combined statements of comprehensive income and not in the combined income statements. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax -

Deferred income tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, does not affect neither the accounting profit nor taxable profit or loss;

- In respect of taxable temporary differences associated with investments in Subsidiaries, associates and interests in joint ventures, when the timing of the reversal can be controlled, and it is probable that the temporary differences will not be reversed in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses. Deferred tax assets are recognized to the extent that it is probable taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

- In respect of deductible temporary differences associated with investments in Subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that enough taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized, or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date or whose approval procedure is about to be completed by that date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in combined equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Value added tax -
Income from ordinary activities, expenses and assets are recognized excluding the value added tax, except:

- When value added tax (VAT) incurred in an acquisition of assets or services is not recoverable from the tax authority, in which case the VAT is recognized as part of the acquisition cost of the asset or as part of the expense item, as appropriate.
- Accounts receivable and payable that are already expressed with the amount of the VAT included.

The net amount of the VAT that can be recovered from or payable to the tax authority is included as part of the other accounts receivable or payable in the combined statement of financial position.

(t) Customer loyalty programs –
Revenues related to the loyalty program "Inkaclub", “Monedero del Ahorro” and “Agora Club” are recognized according to the market value of the benefits delivered to the customers (considering historical information related to utilization and maturity). Deferred income related to this program is included into the caption "Deferred revenue" of the combined statement of financial position.

(u) Earnings per share -
Basic and diluted earnings per share amounts are calculated by dividing the net profit for the year attributable to ordinary equity holders of the Companies by the weighted average number of ordinary shares outstanding during the year. As of December 31, 2023 and 2022, the Companies does not have financial instruments with dilutive effect, therefore basic and diluted earnings per share are identical for the years reported.

(v) Segment reporting –
The Companies reports financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are a component of an entity for which separate financial information is available that is evaluated regularly by the entity’s Chief Operating Decision Maker (“CODM”) in making decisions about how to allocate resources and in assessing performance. Generally, financial information is reported on the same basis as it is used internally for evaluating operating segment performance and deciding how to allocate resources to segments, note 29.

(w) Capital premium -

Corresponds to the difference between the nominal value and the issuance price in the market of each share. The share premium is presented net of the expenses incurred in the shares' issuance.

(x) Subsequent events -

Subsequent events that provide additional information about the combined financial situation of the Companies as of the date of the combined statement of financial position (adjustment events) are included in the combined financial statements. Relevant subsequent events that are not adjustment events are disclosed in notes to the combined financial statements.

3.3 Changes in accounting policies and disclosures

Certain standards and amendments became effective in 2023; however, they did not have a material impact on the combined financial statements of Companies and therefore, have not been disclosed. The Companies has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

- Amendments to IAS 8 – Definition of accounting estimates
- Amendments to IAS 1 and the practice statement of IFRS 2 – Policy disclosure
- Amendments to IAS 12 – Deferred tax related to assets and liabilities that arising from a single transaction.

These modifications had no impact on the Companies' financial statements.

3.4 Significant accounting judgments, estimates and assumptions

The preparation of the combined financial statements requires Management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the combined financial statements, as well as the reported amounts of revenues and expenses for the years ended December 31, 2023 and 2022.

In the process of applying the Companies' accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the combined financial statements:

(i) Tax judgments -

The Companies is subject to income and capital gains taxes. Significant judgment is required to determine the total provision for current and deferred taxes.

There are many transactions and calculations for which the ultimate tax determination and timing of payment is uncertain. In particular, when calculating deferred taxation, the effective tax rate applicable on the temporary differences, mainly in investment properties, depends on the method by which the carrying amount of the assets or liabilities will be realized.

The Companies recognizes liabilities for current taxes based on estimates of whether additional taxes will be due. When the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income and deferred tax provisions in the period in which the determination is made. Deferred tax assets and liabilities are recognized on a net basis to the extent they are relating to the same fiscal unity and fall due in approximately the same period.

On the other hand, the most significant estimations and assumptions considered by Management in relation to the combined financial statements are as follows:

(ii) Provision for inventory losses (see note 3.2(h)) -
This provision is calculated considering the average historic values of losses incurred throughout the year and until the last physical inventory conducted before the year end. This provision is recorded as provision for inventory devaluation with charge to the combined income statements.

(iii) Discounts, price reductions and others obtained by purchasing volumes of goods (see note 3.2(h)) -
Discounts, price reduction and other discounts obtained through bulk purchasing are deducted from goods on the date the discounts are granted by suppliers, and from the sale cost when related goods are sold.

The different forms of such discounts require that the Companies estimates its distribution between the inventory that has been sold and the inventory remaining in stock at the date of the combined statements of financial position. Management performs such estimation on the basis of the daily discounts actually granted by suppliers and the rotation rates per item.

(iv) Depreciation method, estimated useful lives and residual value of property, plant and equipment (see note 3.2(j)) -
The determination of the depreciation method, the estimated useful lives and the residual value of property, plant and equipment involves judgments and assumptions that could be affected if the circumstances change. Management reviews periodically these assumptions and adjusts them in a prospective manner in case any changes are identified.

(v) Lease conditions in contracts with renewal and termination options - note 3.2(k)
The Companies as a lessee defines the lease term as the non-cancellable period, together with any other period covered by an option to extend the lease if it is exercised or any other period covered by an option to terminate the lease if it is not exercised. The Companies applied the judgement to evaluate the possibility of exercising the options to renew or terminate leases. Therefore, it considers all the facts that create an economic incentive to exercise either the renewal or the termination. After the commencement date, the Companies reassesses the lease term if a significant event or change in circumstances that is within its control affects its capacity to exercise or not the renewal or termination options (for instance, the realization of significant improvements for leases or customization of a leased asset).

(vi) Incremental borrowing rate (see note 3.2(k)) -
To determine the interest rate implicit in the lease, the Companies uses their incremental borrowing rate (IBR) to measure lease liabilities. IBR is the interest rate the Companies would have to pay to borrow, over a similar term and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. Therefore, IBR reflects how much the Companies "would have to pay", which requires an estimate when there are not observable prices or when they have to be adjusted to reflect the terms and conditions of a lease (for instance, when leases are not in the subsidiary's functional currency). The Companies estimates the IBR using observable inputs (such as market interest rates) when available and is obliged to make certain specific adjustments in the company (such as the subsidiary's independent credit evaluation, or in order to reflect the terms and conditions of the lease).

(vii) Fair value of investment properties (see note 3.2(l)) -
The fair value of completed investment property (shopping centers and properties) is determined by Management of the Companies using the Discounted Cash Flow Method.

Investment property held to operate in the future is also valued at fair value as determined through appraisals performed by an accredited external independent value. The external appraiser uses the sales comparison approach, according to which the fair value of a property is valued based on similar transactions; the unit of comparison applied is the price per square meter. In the exceptional cases when a fair value cannot be reliably determined, such properties are recorded at cost.

The determination of the fair value of investment property requires the use of estimates such as future cash flows from assets (such as leases, tenants' sales, fixed rents to be charged to different types of tenants, variable rent as a percentage of sales, operating costs, building costs (CAPEX), maintenance CAPEX and discount rates applicable to those assets). In addition, development risks (such as construction and letting risks) are also taken into consideration when determining the fair value of investment properties under construction.

Volatility in the financial system is reflected in commercial real estate markets. Therefore, in arriving at their estimates of market values as of the statements of financial position, the Management and appraisers used their market knowledge and professional judgment and did not rely solely on historical transactional comparable. In these circumstances, there was a greater degree of uncertainty than which exists in a more active market in estimating the market values of investment property.

The significant methods and assumptions used in estimating the fair value of investment property are set out in note 14(d).

Techniques used for valuing investment property -
The Discounted Cash Flow Method involves the projection of a series of periodic cash flows either from an operating property or a development property. To this projected cash flow series, an appropriate, market-derived discount rate is applied to establish an indication of the present value of the income stream associated with the property. The calculated periodic cash flow is typically estimated as net rental income minus operating expenses/outgoings. A series of periodic net operating incomes, along with an estimate of the terminal value (which uses the traditional valuation approach) anticipated at the end of the projection period, are discounted to present value. The aggregate of the net present values equals the market value of the property.

(viii) Impairment of non-financial assets (see note 3.2(n)) -
The Companies assesses, on each reporting date, if there is sign that an asset may be impaired. If there is sign of it or whenever the annual impairment test of an asset is required (indefinite-life intangible assets), the Companies estimates the recoverable amount of the asset, as it mentioned in note 3.2(n).

For non-financial assets except for goodwill, an assessment is performed on each date of presentation of combined financial statements to know if there is sign that the permanent impairment loss previously recognized no longer exists or has decreased. If such sign exists, the Companies estimates the recoverable amount. An impairment loss previously recognized for an asset is only reversed if there was a change in the estimates used to determine the asset’s recoverable amount since the last impairment loss was recognized.

The reversal is limited in such a way that the asset’s carrying amount may not exceed its recoverable amount or the carrying amount that it would have been determined had no impairment loss been recognized in prior periods. Said reversal is recorded in the combined income statement.

(ix) Recovery of deferred tax assets (see note 3.2(s)) -
Deferred tax assets require Management to evaluate the probability that the Companies generates taxable income for future periods in order to use the deferred tax assets. The estimates of future taxable income are based on the projections of cash flows from operations and the application of the tax legislation in force. As the future cash flows and the taxable income differ significantly from the estimates, it might have an impact on the capability of the Companies to realize the net deferred tax assets recorded at the reporting date of combined financial statements.

Additionally, future changes in tax legislation might limit the capability of the Companies to obtain tax deductions in future periods. Any difference between the estimations and the later actual payments is recorded in the year in which it occurs.

(x) Fair value measurement of derivative financial instruments (see note 12) -
When the fair values of financial assets and financial liabilities recorded in the combined statements of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values.

Judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments, see note 30.

(xi) Obligations from long-term employee benefits (see note 17) -
The present value of the obligations from pension plans is determined through actuarial valuations. Actuarial valuations involve several assumptions that may be different from the events that actually occur in the future. These assumptions include the setting of the discount rate, the future increase in salaries, mortality rates and future increase of pensions.

(xii) Taxes estimation (see notes 20 and 22) -
Uncertainty exists with regard to the interpretation of complex tax regulations, the changes in the tax norms and the amount and opportunity in which future taxable income is generated. The subsidiaries of the Company calculate provisions, on the basis of reasonable estimations for the possible consequences derived from the inspections performed by the Tax Authority. The amount of these provisions is based on several factors such as the experience in previous tax examinations, and on the different interpretations about the tax regulations made by the Subsidiaries of the Company and their advisers.

These differences in interpretation can arise in a great variety of questions, depending on the circumstances and existing conditions in the place of domicile of the Companies.

In the Management's opinion, these judgments, estimations and assumptions were performed on the basis of their best knowledge of the relevant facts and circumstances at the date of preparation of the combined financial statements; nevertheless, the final results could differ from the estimations included in the combined financial statements. Management of the Companies does not expect that the changes, provided they occur, will have significant effect on the combined financial statements.

3.5 New accounting standards

The standards that have been issued but are not yet effective at the date of presentation of the combined financial statements are detailed below. This list of issued standards and interpretations include those that the Companies plans to apply in the future. The Companies aims to adopt such standards once they are effective and will not adopt them early:

- Amendment to IFRS 16: "Lease liability on a sale with a subsequent lease" – In September 2022, the IASB issued amendments to IFRS 16 to specify the requirements that a seller-lessee uses when measuring the lease liability that arises in a sale-leaseback transaction, to ensure that the seller-lessee does not recognize any amount of the gain or loss, which relates to the right of use it retains.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2024, and should be applied retrospectively to subsequent sale and lease transactions entered into after the initial application date of IFRS 16. Early application is allowed, and that fact must be disclosed.

- Amendments to IAS 1 "Presentation of Financial Statements: Classification of Liabilities as Current or Non-Current"
  In January 2020, the IASB issued amendments of IAS 1 to paragraphs 69–76 of with the purpose of specifying the requisites for the classification of liabilities as current or non-current. The amendments clarify:

  - What is meant by a right to defer a settlement arrangement.
  - That a right to defer must exist at the end of the reporting period.
  - That liability classification unaffected by the likelihood that an entity will exercise its deferral right.
  - That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

- Supplier Financing Agreements - Modifications to IAS 7 and IFRS 7.
  In May 2023, the IASB issued amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures to clarify the characteristics of supplier financing arrangements and require additional information about such arrangements to be disclosed. The objective of the disclosure requirements imposed by the amendments is to help users of financial statements have a better understanding of the effects of supplier financing arrangements on liabilities, cash flows and exposure to liquidity risk. of an entity.

The amendments will be effective for annual periods beginning on or after January 1, 2024. Early application is permitted as long as this fact is disclosed.

As of the date of this report, the Management is assessing these amendments to determine their impact on the combined financial statements, however, in Management's opinion, these standards, will not have a significant impact on the combined financial statements of the Companies.

4. Transactions in foreign currency

Transactions in foreign currency are carried out using exchange rates prevailing in the market as published by the Superintendencia de Banca, Seguros y AFP. As of December 31, 2023, and 2022, the main operations in foreign currency of the Companies were denominated in U.S. Dollars (US$), Bolivianos (B$), Euros (EUR) and Swiss Francs (CHF). Current exchange rate for transactions in foreign currency at those dates was:

Units in foreign currency for each Sol	**2023**	**2022**
US Dollars (US$)	0.269	0.262
Bolivians (B$)	1.874	1.822
Euros (EUR)	0.228	0.229
Swiss Franc (CHF)	0.197	0.230

As of December 31, 2023 and 2022, the Companies held the following foreign currency assets and liabilities:

	2023		2023		2022		2022	
	US$(000)	B$(000)	EUR(000)	CHF(000)	US$(000)	B$(000)	EUR(000)	CHF(000)
Assets -								
Cash and short-term deposits	71,108	17,663	-	-	79,119	9,075	-	-
Financial instruments at fair value through profit or loss	9,007	-	-	-	-	-	-	-
Trade accounts receivables, net	69,619	32,622	-	-	74,230	21,867	-	-
Other accounts receivables, net	26,716	2,245	-	-	16,814	4,688	-	-
Accounts receivables to related parties	2,050	-	-	-	358	-	-	-
Financial instruments at fair value through other comprehensive income	13,860	-	-	-	12,583	-	-	-
	192,360	52,530	-	-	183,104	35,630	-	-
Liabilities -								
Trade accounts payables	(148,386)	(8,617)	(3,440)	(514)	(147,356)	(10,254)	(3,484)	(521)
Accounts payables to related parties	(2,973)	-	-	-	(546)	-	-	-
Other accounts payables	(14,501)	(5,642)	-	-	(9,416)	(5,450)	-	-
Lease liabilities	(211,777)	(2,927)	-	-	(258,117)	(288)	-	-
Interest -bearing loans and borrowing	(24,391)	-	-	-	(25,029)	-	-	-
Senior notes issued	(565,586)	-	-	-	(564,695)	-	-	-
	(967,614)	(17,186)	(3,440)	(514)	(1,005,159)	(15,992)	(3,484)	(521)
Derivatives financials instruments, note 12	600,000	-	-	-	600,000	-	-	-
Net (liabilities) asset position	(175,254)	35,344	(3,440)	(514)	(222,055)	19,638	(3,484)	(521)

Management monitors this risk through the analysis of macro-economic variables of the country.

During 2023 and 2022, the Companies have recognized a net profit from exchange difference for approximately S/23,746,000 and S/49,468,000, respectively, which is presented into the caption "Exchange difference, net" in the combined income statements.

5. **Cash and short-term deposits**

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

	2023 S/(000)	2022 S/(000)
Cash	45,667	84,988
Current accounts (b)	505,432	437,455
Remittances in transit (c)	175,924	131,509
Time deposits (d)	76,353	60,699
	803,376	714,651

(b) The Companies maintain current accounts in local banks mainly in Soles and US Dollars, a part of them generates interests and others do not and are freely available.

(c) They represent cash from the sales made in the different premises of the Companies during the last days of the year, which is collected by a securities transport company and deposited in the current bank accounts on the first useful day of the following month.

(d) Time deposits are freely available and are kept in Soles and U.S. Dollars in local banks. As of December 31, 2023, they bear annual interest rates between 0.15 and 7.50 percent in Soles and between 0.15 and 5.45 percent in U.S. Dollars (as of December 31, 2022, time deposits bear annual interest rates between 0.10 and 7.80 percent in Soles and between 0.01 and 4.30 percent in U.S. Dollars). Time deposits had original maturities of less than 90 days.

(e) As of December 31, 2023 and 2022, the current accounts and time deposits are freely available and freely encumbrance.

6. Financial instruments at fair value through profit or loss

Below is the composition of the item as of December 31, 2023 and 2022:

	2023			2022		
Entity	Number of quotes	Quote value (In soles)	S/(000)	Number of quotes	Quote value (In soles)	S/(000)
Mutual funds managed by Fondos Sura SAF S.A.C. SAF						
In U.S. Dollars -						
Sura Ultra Cash Dólares FMIV	76,090	439.54	33,445	-	-	-
			33,445			-

In Management's opinion, the investment funds are highly liquid and have a low level of risk.

As of December 31, 2023 and 2022, the value of the financial instruments at fair value through profit or loss includes the effects of the change in the quote price and the level of the exchange rate at the end of the year, these originated a recognition of a gain of approximately S/782,000 and S/218,000 0 during the years ended 2023 and 2022, respectively, presented in the caption "Finance income" in the combined income statements, note 25.

7. **Trade accounts receivables, net**

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

	2023 S/(000)	2022 S/(000)
Manufacturing and distribution (b)	632,762	645,156
Credit card operators (c)	175,772	137,684
Shopping vouchers (d)	20,172	14,252
Rents receivable (e)	3,723	4,390
Other	2,886	3,312
	835,315	804,794
Provision for doubtful accounts (g)	(49,049)	(44,317)
	786,266	760,477

Trade receivables are denominated in Soles and US Dollars, have current maturities and do not bear interest.

(b) Corresponds to the receivables generated mainly from the manufacture and distribution of different pharmaceutical and mass-market products to entities across Peru and abroad. As of December 31, 2023 and 2022, due to the nature of the InRetail Pharma Group's operations, the client portfolio is highly disperse, and includes laboratories and wholesalers well-known at national and international level, pharmacy chains, independent pharmacies, public and private institutions, supermarkets, among others. It is worth mentioning that the InRetail Pharma Group has contracts for the exclusive manufacture and distribution of its products with its major customers.

(c) Correspond mainly to pending deposits in favor of Supermercados Peruanos S.A. and Subsidiaries and InRetail Pharma S.A. and Subsidiaries for the last day of the month, which are held by credit card operators and originated from the sales of goods with credit cards in the different stores of Supermercados Peruanos S.A. and Subsidiaries and InRetail Pharma S.A. and Subsidiaries.

(d) Correspond mainly to the balance receivable from the sale of shopping vouchers to various companies and public institutions. At the date of this report, these balances were mostly collected.

(e) Correspond to accounts receivable for the lease of commercial premises to concession holders inside the stores of Supermercados Peruanos S.A. and Subsidiaries.

(f) As of December 31, 2023 and 2022, the aging of trade accounts receivable is presented below:

	December 31, 2023		
	Not impaired S/(000)	Impaired S/(000)	Total S/(000)
Not past due -	659,340	2,791	662,131
Past due -			
From 1 to 30 days	67,285	255	67,540
From 31 to 60 days	18,475	129	18,604
From 61 to 120 days	15,026	356	15,382
From 121 to 360 days	18,467	6,971	25,438
More than 360 days	7,673	38,547	46,220
	786,266	49,049	835,315

	December 31, 2022		
	Not impaired S/(000)	Impaired S/(000)	Total S/(000)
Not past due -	661,805	445	662,250
Past due -			
From 1 to 30 days	68,857	1,000	69,857
From 31 to 60 days	8,456	490	8,946
From 61 to 120 days	6,155	1,138	7,293
From 121 to 360 days	7,452	4,511	11,963
More than 360 days	7,752	36,733	44,485
	760,477	44,317	804,794

(g) The movements in the provision for doubtful accounts receivable for the years ended on December 31, 2023 and 2022, were as follows:

	2023 S/(000)	2022 S/(000)
Balance at the beginning of the year	44,317	46,362
Acquisition of subsidiary	8	-
Provision for the period, note 23(b)	10,292	8,230
Recoveries, note 23(b)	(4,382)	(2,917)
Write –off	(715)	(6,482)
Exchange difference	(21)	(872)
Others	(450)	(4)
Balance at the end of the year	49,049	44,317

(h) In Companies Management’s opinion, the provision for doubtful accounts receivable as of December 31, 2023 and 2022, appropriately covers the credit risk of this item at those dates.

8. Other accounts receivables, net

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

	2023 S/(000)	2022 S/(000)
By nature -		
Claims and unsettled advances	299,183	183,549
Income Tax credit, note 20(e)	105,516	134,473
VAT credit	62,513	69,420
Funds held in Banco de la Nación (b)	42,106	72,659
Deposits in guarantee (c)	39,923	38,481
Discounts and/or refunds receivable		
To suppliers	24,781	62,942
Capital outflow tax (Ecuador)	3,969	5,848
Employee loans and third parties	3,952	1,795
Advances to suppliers	3,410	2,067
Selective consumption tax	1,587	20,309
Disposal of Cifarma S.A.C.	-	3,383
Other receivables	23,678	26,018
	610,618	620,944
Minus -		
Provision for doubtful collection accounts (d)	(15,744)	(15,474)
	594,874	605,470
Current portion	336,882	412,460
Non-current portion	257,992	193,010
	594,874	605,470

(b) In accordance to Resolution of Superintendence N°183-2004/SUNAT, funds held in Banco de la Nación must be used exclusively for the payment of tax debts or requested cash reimbursement. In the case of the Companies, these funds have been used entirely for tax payments during the months of January and February 2023 and 2022, respectively.

(c) Includes deposits in guarantee related to the rental of the administrative office, warehouse and drugstores "Inkafarma" and "Mifarma" nationwide, with maturities over twelve months, which is why Management has classified them in the long term. As of December 31, 2023, the balance of deposits in guarantee held by the Company and its Subsidiaries is recorded at discounted value, using a discount rate of 9.44 percent for guarantees receivable in soles and 6.71 percent for guarantees receivable in US dollars. As of December 31, 2022, the balance of deposits in guarantee held by the Company and its Subsidiaries is recorded at discounted value, using a discount rate of 6.30 percent for guarantees receivable in soles and 4.59 percent for guarantees receivable in US dollars.

(d) The movements in the provision for doubtful accounts receivable for the years ended on December 31, 2023 and 2022, were as follows:

	2023 S/(000)	2022 S/(000)
Balance at the beginning of the year	15,474	9,194
Provision for the period, note 23(b)	2,955	4,287
Recoveries, note 23(b)	(2,655)	(890)
Write –off	(5)	-
Exchange difference	(25)	(38)
Conversion effect	-	2,921
Balance at the end of the year	15,744	15,474

In Management's opinion, of the Companies, the provision for doubtful accounts receivable as of December 31, 2023 and 2022, appropriately covers the credit risk of this item at those dates.

9. Inventories, net

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

	2023 S/(000)	2022 S/(000)
Inventories, note 23(b)	2,368,529	2,392,555
Raw materials, note 23(b)	661	2,707
Production supplies, note 23(b)	1,548	860
Various supplies	7,267	6,349
Inventories in transit (c)	200,320	241,645
	2,578,325	2,644,116
Minus -		
Provision for impairment of inventories (d)	(43,215)	(35,227)
	2,535,110	2,608,889

(b) As of December 31, 2023 and 2022, the balance of goods is presented net of the provision for discounts from suppliers (rebates) related to goods not sold at those dates for approximately S/59,620,000 and S/52,504,000, respectively.

(c) As of December 31, 2023 and 2022, the caption includes, mainly, goods in transit acquired by the Companies in order to meet the demand of its customers in the nationwide level chain. At the date of this report, the balance of inventories in transit as of December 31, 2023 and 2022 has been mostly received.

(d) The movements in the provision for inventory impairment were as follows:

	2023 S/(000)	2022 S/(000)
Balance at the beginning of the year	35,227	21,370
Additions, note 23(b)	14,246	20,854
Recoveries	(5,563)	(6,593)
Translation effect	(695)	(404)
Balance at the end of the year	43,215	35,227

(e) 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 Companies' Management. In Management's opinion, of the Companies, as of December 31, 2023 and 2022, the allowance for inventory impairment covers the risk of inventory's obsolescence in those years.

10. Financial investments at fair value through other comprehensive income

(a) The composition of this caption is presented below:

	Fair value	
	2023 S/(000)	2022 S/(000)
Shares (b) – Non-current Portion	51,350	47,915
	51,350	47,915

(b) As of December 31, 2023 and 2022, Supermercados Peruanos S.A. acquired 381,180 shares issued by InRetail Perú Corp., which represent approximately 0.37 percent of participation in that entity, to InRetail Pharma (related Company) for an amount of US$13,860,000 equivalent to S/51,350,000 (as of December 31, 2022, InRetail Pharma S.A. maintained investments at fair value through equity US$12,583,000 equivalent to S/47,915,000).

On December 28, 2022, InRetail Pharma S.A. sold its financial investment (381,180 shares of InRetail Peru Corp.) to Supermercados Peruanos S.A. at a value of US$13,033,000 (equivalent to S/49,745,000 at the time of the transaction).

The fair value of these shares has been determined on the basis of quoted prices of an active market at each reporting date. As of December 31, 2023 and 2022, the fair value of each share, according to the information published by the Bolsa de Valores de Lima, is US$36.36 (approximately S/135) and US$33.01 (approximately S/126), respectively.

(c) The movements of financial assets at fair value through other comprehensive income are presented below:

	Shares	
	2023 S/(000)	2022 S/(000)
Balance at the beginning of the year	47,915	52,956
Update of fair value of financial assets through other comprehensive income	3,435	(5,041)
Balance at the end of the year	51,350	47,915

11. Prepayments

As of December 31, 2023 and 2022, it mainly corresponds to maintenance and software support, advertisement and insurance expenses paid in advance, among others.

12. Derivatives financials instruments

(a) As of December 31, 2023 and 2022, the derivative financial instrument has been qualified as an effective hedge instrument and is as follows:

Entity	Notional amount		Maturity / Settlement	Covered item	Book value of the covered item		Fair value	
	2023 US$(000)	2022 US$(000)			2023 S/(000)	2022 S/(000)	2023 S/(000)	2022 S/(000)
"Call Spread" contracts -								
Citibank N.A. (b)	138,000	138,000	March 2028	Senior Notes, note 19(b)	512,394	527,160	27,725	32,164
Citibank N.A. (b)	138,000	138,000	March 2028	Senior Notes, note 19(b)	512,394	527,160	23,781	27,288
Citibank N.A. (b)	24,000	24,000	March 2028	Senior Notes, note 19(b)	89,112	91,680	4,137	4,746
"Range Principal Only Swaps" contracts-								
Citibank N.A. (b)	100,000	100,000	March 2028	Senior Notes, note 19(b)	371,300	382,000	2,889	16,762
Citibank N.A. (b)	100,000	100,000	March 2028	Senior Notes, note 19(b)	371,300	382,000	2,889	16,762
Citibank N.A. (b)	50,000	50,000	March 2028	Senior Notes, note 19(b)	185,650	191,000	1,225	8,181
Citibank N.A. (b)	50,000	50,000	March 2028	Senior Notes, note 19(b)	185,650	191,000	1,225	8,181
							63,871	114,084

(b) In March 2021, InRetail Consumer, InRetail Pharma S.A. and Supermercados Peruanos S.A. acquired three "Call Spreads" for a total reference value of US$24,000,000, US$288,000,000 and US$288,000,000, respectively, in order to reduce its exposure to exchange rate risk originated by the senior notes in foreign currency issued in March 2021 (see note 19(b)).

In the case of InRetail Pharma S.A. the "Call Spread" for a reference value of US$288,000,000, the price of the premium was US$20,431,000, which includes an additional premium of US$1,772,000, which was paid in cash; and for Supermercados Peruanos S.A. the "Call Spread" for a reference value of US$288,000,000, the price of the premium was US$18,658,000, it was financed in terms equal to the schedule of the loan received.

In September 2021, InRetail Pharma S.A. and Supermercados Peruanos S.A. decided to exchange each US$150,000,000 of the "Call Spread" for two "Range Principal Only Swaps" of US$100,000,000 and two of US$50,000,000, which fix the exchange rate at S/4.1045 and S/4.1100 per US$1.00, respectively.

The exchange of financial instruments included the partial write-off of the respective liability held for the financing received from Citibank N.A. Likewise, this exchange is due to a successive "roll over" renewal of one hedging instrument for another, which is part of the Companies' s risk management objective, which allows it to meet the coverage objective. Therefore, the time value of the replaced instrument at the date of the transaction will be recognized in income, on a straight-line basis, until the maturity of the hedge.

During 2023, in the case of Supermercados Peruanos S.A. a total net expense amounting to S/7,592,000 was generated, and, in the case of InRetail Pharma S.A. a total net expense amounting to S/7,602,000 was generated, which is presented in the caption "Financial expenses - Accrual of value over time of the exchange of derivative financial instruments" of the combined income statement. During 2022, in the case of Supermercados Peruanos S.A. a total net expense amounting to S/7,592,000 was generated, and, in the case of InRetail Pharma S.A. a total net expense amounting to S/7,477,000 was generated, which is presented in the caption "Financial expenses - Accrual of value over time of the exchange of derivative financial instruments" of the combined income statement, and

The price for these derivative financial instruments was financed by Citibank N.A., generating a liability which total balance as of December 31, 2023 amounts to US$7,016,000 (equivalent to approximately S/26,050,000), and to S/96,901,000, and December 31, 2022 amounts to US$8,445,000 (equivalent to approximately S/32,260,000), and to S/114,027,000 see note 18(a). It should be noted that, in accordance with the provisions of IFRS 9, said premium was recorded with a charge to non-current assets, and is recognized in results on a straight-line basis during the term of the coverage, so that, during the year 2023 and 2022, the accruals of this asset amounted to S/38,794,000 and S/39,072,000, respectively; recognized in the caption "Financial Expenses - Linear accrual of premium of derivative financial instruments", see note 25.

During 2023 and 2022, as a result of this transaction, approximately S/48,733,000 and S/36,308,000, respectively, was recognized into the caption "Unrealized results on derivative financial instruments" in the combined statements of changes in equity, representing the derivative financial instrument hedging effect during such year.

As of December 31, 2023 and 2022, Call Spreads cover US$300,000,000 (cover 50 percent) of the foreign currency exposure of the principal of the issue and protect exchange rate variations between S/3.70 and S/4.20 per US$1.00 and the Range Principal Only Swaps cover US$300,000,000 (cover 50 percent) of the exposure in foreign currency of the principal, which fixed the exchange of currency at the exchange rate of S/4.1045 and S/4.1100 per US$1.00 and that protects variations the exchange rate between S/3.70 and S/6.00 per U$1.00.

13. **Property, installations, furniture and equipment, net and right-of-use assets, net**

(a) Property, installations, furniture and equipment, net -

Below is the composition of the item as of December 31, 2023 and 2022:

	Landbank S/(000)	Buildings and facilities S/(000)	Miscellaneous equipment S/(000)	Vehicles S/(000)	Furniture and fixture S/(000)	Works in progress and assets in transit S/(000)	Total S/(000)
Useful lives (years)	-	10-15	4-10	5	10	-	
Cost -							
Balance as of January 1, 2022	1,399,913	2,733,213	1,530,868	3,463	274,553	121,163	6,063,173
Additions (a.1)	185,528	264,539	221,918	362	69,610	93,441	835,398
Disposals and/or sales (a.4)	-	(51,500)	(110,664)	(724)	(51,200)	(14,875)	(228,963)
Transfers	-	50,987	4,738	-	2,531	(58,256)	-
Transfers of investment properties, note 14(b)	2,097	20,668	3,319	-	-	-	26,084
Translation effect	(12)	(282)	(2,317)	-	(428)	(55)	(3,094)
Balance as of December 31, 2022	1,587,526	3,017,625	1,647,862	3,101	295,066	141,418	6,692,598
Acquisition of subsidiaries	-	831	1,011	-	301	-	2,143
Additions (a.1)	1,679	150,938	194,065	62	35,483	154,889	537,116
Disposals and/or sales (a.4)	(3,969)	(63,435)	(113,952)	(477)	(9,031)	(3,253)	(194,117)
Transfers	19,359	80,358	3,462)	1	(372)	(104,527)	(1,719)
Translation effect	(5)	(205)	(327)	-	872	(2)	333
Balance as of December 31, 2023	1,604,590	3,186,112	1,732,121	2,687	322,319	188,525	7,036,354
Accumulated depreciation -							
Balance as of January 1, 2022	-	775,378	992,641	2,848	163,489	-	1,934,356
Additions, note 23(b)	-	132,612	139,791	266	29,295	-	301,964
Disposals and/or sales (a.4)	-	(50,699)	(109,799)	(709)	(47,849)	-	(209,056)
Transfers	-	2	(2)	-	-	-	-
Transfers of investment properties, note 14(b)	-	1,954	15	-	-	-	1,969
Disposal to Subsidiary, note 2(c) and 2(d)	-	(177)	(1,767)	-	(371)	-	(2,315)
Balance as of December 31, 2022	-	859,070	1,020,879	2,405	144,564	-	2,026,918
Acquisition of subsidiaries	-	224	353	-	103	-	680
Additions, note 23(b)	-	140,454	171,982	237	46,449	-	359,122
Disposals and/or sales (a.4)	-	(24,351)	(111,481)	(476)	(8,564)	-	(144,872)
Transfers	-	205	(1,863)	(1)	(60)	-	(1,719)
Translation effect	-	(135)	(23)	-	900	-	742
Balance as of December 31, 2023	-	975,467	1,079,847	2,165	183,392	-	2,240,871
Net book value as of December 31, 2023	1,604,590	2,210,645	652,274	522	138,927	188,525	4,795,483
Net book value as of December 31, 2022	1,587,526	2,158,555	626,983	696	150,502	141,418	4,665,680

(a.1) During 2023 and 2022, the Companies constructed and equipped the new stores (mainly from the pharmacy and food retail sectors). As of December 31, 2023 and 2022, the Companies maintain mortgages on certain lands, buildings and facilities for a net book value of approximately S/1,046,364,000 and S/1,103,034,000, respectively, in guarantee of financial obligations, see note 18(a).

(a.2) The Companies maintain insurance on its main assets in accordance with the policies established by Management. In the opinion of Companies' Management, their insurance policies are consistent with international practices in the industry.

(a.3) As of December 31, 2023 and 2022, the cost and corresponding accumulated depreciation of assets acquired through finance leases are the following:

	2023			2022		
	Cost S/(000)	Accumulated depreciation S/(000)	Net cost S/(000)	Cost S/(000)	Accumulated depreciation S/(000)	Net cost S/(000)
Buildings and facilities	395,239	(91,129)	304,110	423,777	(87,392)	336,385
Miscellaneous equipment	370,134	(271,247)	98,887	323,185	(238,989)	84,196
Furniture and fixture and Vehicles	1,022	(1,022)	-	1,022	(1,022)	-
Total	766,395	(363,398)	402,997	747,984	(327,403)	420,581

(a.4) The net cost of retired and/or sold fixed assets during the years 2023 and 2022 is detailed as follows:

	2023 S/(000)	2022 S/(000)
Assets sold (1)	38,791	14,987
Assets retired (2)	10,454	4,920
	49,245	19,907

(1) During 2023 it corresponds mainly to the sale of four properties located in Lima: (i) to a related entity, the sale of the property called Santa Clara, Lurin and Zapallal for an amount of S/29,300,000, S/19,929,000 and S/2,050,000 generating a gain of approximately S/15,536,000, S/125,000 and S/134,000, respectively and (ii) to a third party of a property located in Miraflores called Estacionamiento Pardo, for an amount of US$4,800,000 (approximately S/17,371,000) generating a profit of S/15,835,000. During 2022 it corresponds mainly to the sale of costs incurred in the construction of the shopping center called REX (located in Lima) to a related entity for an amount of S/15,882,000, generating a gain of approximately S/924,000.

(2) During 2023 and 2022, corresponds to the write-off of unused assets as a result of the remodeling process of some stores designated by Management. These retirements are included into the caption "Other operating income, net" in the combined income statements.

(a.5) Management periodically reviews the residual values, useful life and the depreciation method to ensure that they are consistent with the economic benefits and life expectancy of the property, furniture and equipment. As of December 31, 2023 and 2022, the Management performed an evaluation of its property, installations, furniture and equipment, and has not found any indication of impairment.

(b) Right-of-use assets, net -

The Companies maintain leasing contracts for landbank, buildings, facilities and vehicles used for its operations. Leases, buildings and facilities generally have terms of 1 to 60 years, and leases of vehicles have terms of 2 to 5 years. The Companies obligations under its leases are guaranteed by the lessor's title of the leased assets.

There are several leases that include extension and termination options and variable payments.

The Companies have also entered into certain leases of premises with terms of 12 months or less and leases of low-value office equipment. The Companies apply the short-term and low-value lease exemptions for this kind of leases.

(b.1) The carrying amounts of right-of-use assets and movements recognized during the period are detailed below:

	Landbank S/(000)	Buildings and facilities S/(000)	Vehicles S/(000)	Total S/(000)
Cost -				
Balance as of January 1, 2022	3,511	2,243,940	4,355	2,521,806
Additions	-	614,877	91	614,968
Disposals, note 24	-	(192,931)	(2,188)	(195,119)
Translation effect	-	(1,988)	(141)	(2,129)
Balance as of December 31, 2022	3,511	2,663,898	2,117	2,669,526
Additions	-	619,902	2,393	622,295
Disposals, note 24	-	(267,992)	(1,631)	(269,623)
Translation effect	-	(1,159)	(39)	(1,198)
Balance as of December 31, 2023	3,511	3,014,649	2,840	3,021,000
Accumulated depreciation -				
Balance as of January 1, 2022	177	754,157	1,998	756,332
Additions, note 23(b)	60	392,400	638	393,098
Disposals, note 24	-	(165,407)	(1,102)	(166,509)
Translation effect	-	(741)	(69)	(810)
Balance as of December 31, 2022	237	980,409	1,465	982,111
Additions, note 23(b)	42	393,445	611	394,098
Disposals, note 24	-	(219,628)	(1,374)	(221,002)
Transfers	-	(88)	-	(88)
Translation effect	-	(549)	(25)	(574)
Balance as of December 31, 2023	279	1,153,589	677	1,154,545
Net book value of December 31, 2023	3,232	1,861,060	2,163	1,866,455
Net book value of December 31, 2022	3,274	1,683,489	652	1,687,415

(b.2) The carrying amounts of lease liabilities and movements during the period are detailed below:

	2023 S/(000)	2022 S/(000)
Balance at the beginning of the year	1,893,153	1,708,994
Additions	622,294	614,968
Increase for accrued interest, note 25	142,151	122,175
Payments -		
Leases with fixed rent	(514,044)	(465,514)
Rent in advance	3,670	(4,998)
Made at the beginning of the contract	(1,039)	(206)
Cancellation of contracts, note 24	(52,657)	(30,704)
Exchange rate variation	(38,543)	(50,208)
Translation effect	(666)	(1,354)
Balance at the end of the year	2,054,319	1,893,153
By time -		
Current portion	331,433	317,016
Non-current portion	1,722,886	1,576,137
	2,054,319	1,893,153

(b.3) As of December 31, 2023 and 2022, the payment schedule of these obligations is as follows:

	2023 S/(000)	2022 S/(000)
2023	-	317,016
2024	331,433	228,453
2025	279,446	214,293
2026	215,317	157,781
2027 onwards	1,228,123	975,610
Total	2,054,319	1,893,153

(b.4) The following table presents the amounts recognized in the combined income statement:

	2023 S/(000)	2022 S/(000)
Depreciation expense on right-of-use assets, note 23(b)	394,098	393,098
Interest expense on lease liabilities, note 25	142,151	122,175
Expenses related to variable, short-term and low-value leases (included as "Selling expenses", "Administrative expenses" and "sales cost", note 23(b)	56,965	76,463
Total amount recognized in profit and loss	593,214	591,736

(b.5) The Companies lease commercial premises, and these leases contain variable payments based on sales. Management's objective is to align lease expenses with income.

Information on the variable lease payments made by the Companies, including a comparison with fixed payments, is presented below:

	2023			2022		
	Fixed Payments	Variable payments	Total	Fixed Payments	Variable payments	Total
	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)
Fixed lease	514,044	-	514,044	465,514	-	465,514
Variable lease	-	34,976	34,976	-	42,147	42,147
	514,044	34,976	549,020	465,514	42,147	507,661

14. Investment properties

(a) As of December 31, 2023 and 2022 corresponds to strip center projects located in the following cities:

	2023 S/(000)	2022 S/(000)
Lima and Callao	119,535	151,766
Moquegua	33,467	30,662
Tacna	19,182	20,288
Tarapoto	17,561	16,336
Tumbes	7,132	5,625
	196,877	224,677

During 2023, the Companies recognized renting income and expenses from their strip center for approximately S/30,062,000 and S/21,472,000, respectively. During 2022, the Companies recognized renting income and expenses from their strip center for approximately S/18,094,000 and S/17,896,000; which are included in the "Rental income" and "Cost of sales and services", respectively in the combined income statement.

(b) The movement of this caption is presented below:

	2023 S/(000)	2022 S/(000)
Balance at the beginning of the year	224,677	241,632
Works for expansions and remodeling	831	13,756
Transfers to property, installations, furniture and equipment, note 13(a)	-	(24,115)
Disposals and/or sales (i)	(29,584)	(3)
Fair value adjustment (d)	953	(6,593)
Balance at the end of the year	196,877	224,677

(i) In August 2023, the Company sold to related Company the building of the Lurín store for amount to S/48,873,000.

(c) During 2022, the transfers of property, furniture and equipment correspond to the properties located in the following cities:

	2022 S/(000)
Ilo	(13,596)
Lima	(4,414)
Puno	(6,105)
	(24,115)

(d) Fair value changes -
As of December 31, 2023 and 2022, the Companies do not have properties classified within Levels 1 or 2 of the fair value hierarchy. As of said dates, the fair value of investment properties is classified within Level 3 and was determined using the discounted cash flow (DCF) method for the operational strip centers and properties.

The fair value of investment properties has been determined according to market value and under international valuation techniques, which are prepared over an aggregated and deleveraged basis. According to note 3.2(l), to estimate the fair values of the investment properties, the Management of the Companies have used their market expertise and professional judgement.

During 2023 and 2022, the fluctuation of the investment properties' fair value was approximately S/953,000 and S/6,593,000, respectively, which is shown in the "Changes in fair value of investment property in fair value of investment properties" of the combined income statement.

Main assumptions
A brief description of the assumptions considered in the determination of cash flows as of December 31, 2023 and 2022, is presented below:

- Long-term inflation -
  It is the increase of the general level of prices expected in Peru for the long term.

- Long-term average occupancy rate -
  It is the expected occupancy level of lessees in the leased properties.

- Average growth rate of rental income -
  It is the rate that expresses the rental income growth and includes growth factors of the industry, inflation rates, stable exchange rate, per capita income and increasing expenses.

- Average EBITDA margin -
  It is projected from the rental income from leasable areas by property and marketing income, minus costs related to administration fees, other administrative expenses, insurance, taxes and other expenses.

- Discount rate -
  It reflects the current market risk and the uncertainty associated to obtaining cash flows.

The main assumptions used in the valuation and estimation of the market value of investment properties are detailed below:

	2023 %	2022 %
Long-term inflation	3.00	3.00
Long-term average occupancy rate (*)	99.96	99.86
Average growth rate of rental income (*)	3.00	3.04
Average EBITDA margin (*)	62.96	59.28
Discount rate	9.40	9.40

(*) Average of total Strip Center; value can change depending on the Strip Center.

The table below presents the sensitivity of the fair values to changes in the most significant assumptions underlying the valuation of investment properties, maintaining the other variables constant:

	Rate change	2023 S/(000)	2022 S/(000)
Average growth rate of income (basis) -			
Increase	+5%	122,331	178,169
Decrease	-5%	(64,674)	(101,317)
Discount rate (basis) -			
Increase	+0.5%	(4,529)	(16,805)
Decrease	-0.5%	5,004	12,786

(e) The future amounts of the fixed minimum rents by currency corresponding to leases are as follows:

	2023 S/(000)	2022 S/(000)
Within 1 year	38,215	31,603
After 1 year but not more than 5 years	176,961	161,710
Over 5 years	1,267,646	1,753,102
Total	1,482,822	1,946,415

As of December 31, 2023, the minimum rents are calculated on the basis of a time horizon between 1 and 53 years (between 1 and 54 years, as of December 31, 2022).

(f) The Companies maintain insurance on its investment properties in accordance with the policies established by Management.

15. Intangible assets, net

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

		Brands						
	Software and licenses S/(000)	Definite useful life S/(000)	Indefinite useful life (b) S/(000)	Goodwill (c) S/(000)	Relationships with clients (d) S/(000)	Contracts with represented (d) S/(000)	Work in progress S/(000)	Total S/(000)
Useful lives (years) -	10	2 - 20	-	-	12 - 31	1 - 26	-	
Cost -								
Balance as of January 1, 2022	430,700	67,540	1,007,704	2,631,205	46,300	204,800	72,421	4,460,670
Additions (e)	44,685	76	-	-	-	-	26,626	71,387
Write-downs	(36,752)	-	-	-	-	-	(3,999)	(40,751)
Transfers	32,970	-	-	-	-	-	(32,970)	-
Translation effect	(219)	-	-	-	-	-	-	(219)
Balance as of December 31, 2022	471,384	67,616	1,007,704	2,631,205	46,300	204,800	62,078	4,491,087
Additions (e)	32,566	3	-	-	-	-	21,343	53,912
Write-downs	(6,760)	1	-	-	(46,300)	(27,000)	(69)	(80,128)
Transfers	60,666	(16,887)	17,040	-	-	-	(60,819)	-
Others	(2,688)	-	-	-	-	-	(169)	(2,857)
Translation effect	(291)	-	-	-	-	-	-	(291)
Balance as of December 31, 2023	554,877	50,733	1,024,744	2,631,205	-	177,800	22,364	4,461,723
Accumulated amortization -								
Balance as of January 1, 2022	289,646	12,838	-	-	46,300	146,622	(456)	494,950
Additions, note 23(b)	46,572	6,869	-	-	-	40,123	-	93,564
Write-downs	(37,137)	-	-	-	-	-	(3,176)	(40,313)
Translation effect	(206)	-	-	-	-	-	-	(206)
Balance as of December 31, 2022	298,875	19,707	-	-	46,300	186,745	(3,632)	547,995
Additions, note 23(b)	63,341	6,443	-	-	-	7,492	-	77,276
Write-downs	(5,953)	1	-	-	(46,300)	(27,000)	-	(79,252)
Transfers	(458)	1	-	-	-	-	457	-
Others	(97)	-	-	-	-	-	-	(97)
Translation effect	(286)	-	-	-	-	-	-	(286)
Balance as of December 31, 2023	355,422	26,152	-	-	-	167,237	(3,175)	545,636
Net book value as of December 31, 2023	199,455	24,581	1,024,744	2,631,205	-	10,563	25,539	3,916,087
Net book value as of December 31, 2022	172,509	47,909	1,007,704	2,631,205	-	18,055	65,710	3,943,092

(b) The Companies estimated the fair value of their intangible assets using the "Relief from royalty" method, which constitutes a usual method of discounted cash flows used for the valuation of commercial brands. The main assumption of this method is that the Company owner of the brand saves the royalty payment to other hypothetical owner, therefore the value of this brand would be represented by the amount that is avoided to pay for these royalties. The detail of the brands with indefinite useful life is presented below:

	Amount S/(000)
Brands with indefinite life -	
Mifarma, acquired in 2018	395,355
Inkafarma, acquired in 2011	373,054
Makro, acquired in 2020	205,593
Química Suiza, acquired in 2018	17,791
Trade brand, acquired in 2018	17,040
Ninet, acquired in 2018	15,911
	1,024,744

The factors considered to determine that the brand has an indefinite life are the following:

- History and expected use of the asset by the Companies: this is the most important factor to consider in the definition of the useful life of the brands "Inkafarma", "Mifarma", "Química Suiza", "Ninet", "Makro" and "Agora" considering that those are the most recognized brands in the pharmacy industry and food retail in Peru and the Company expects to further strengthen it in the market in the long term.

- Legal, regulatory or contractual limits to the useful life of the intangible asset: there are no legal, regulatory or contractual limits linked to the brands. The brands are duly protected and the pertinent registrations remain valid.

- Effect of obsolescence, demand, competition and other economic factors: "Inkafarma", "Mifarma", "Química Suiza", "Ninet", "Makro" and "Agora", are the most recognized brands in the pharmacy and food retail industries in Peru. This implies a low risk of obsolescence.

- Maintenance of the necessary investment levels to produce the projected future cash flows for the brands are based on investments in marketing, technology and the growth and revamping of the pharmacy chain infrastructure. Furthermore, efficiencies are expected as a result of synergies and the growth in scale of the operations, which are compatible and reasonable for the industry. However, an increase in general administration expenses is also contemplated to sustain the projected increase in sales.

- Relationship of the useful life of an asset or group of assets with the useful life of an intangible asset: The brands do not depend on the useful life of any asset or group of assets as they exist independently and are not related to sectors subject to technological obsolescence or other causes.

(c) Goodwill is initially measured at cost, which corresponds to the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests, if existing, over the net identifiable assets acquired and liabilities assumed. The details of goodwill are presented below:

	Amount S/(000)
Goodwill -	
Quicorp acquired in 2018	1,272,634
Inkafarma, acquired in 2011	709,472
Makro, acquired in 2020	628,578
Agora, acquired in 2021	20,151
InDigital XP, acquired in 2021	370
	2,631,205

Management carries out an annual recoverability test to its indefinite-life assets, composed of goodwill and brands. To do so, the goodwill and the brands acquired in business mergers were allocated to the cash generating unit (CGU) "Pharmacies", "Food Retail" and "Digital (Agora and InDigital XP)" from the acquisition date.

When the CGU's recoverable amount is less than its carrying amount, an impairment loss is recognized. The impairment losses related to goodwill cannot be reversed in future periods.

The recoverable amounts of the "Pharmacies", "Food Retail" and "Digital (Agora and InDigital XP)" has been determined based on fair value less cost of sales calculated using cash flow projections from financial budgets approved by senior management covering a ten-year period.

The cash flows that continue beyond the period indicated in the projections were extrapolated using a specific growth rate similar to the average long-term growth rate for the country in which each entity operates.

Following are the key assumptions used in the impairment assessment for each CGU as of December 31, 2023 and 2022:

- Sales growth rate – A sales growth rate between 2.93 and 8.20 percent of the "Pharmacies" and "Food Retail" segments was considered as of December 31, 2023 (between 2.50 and 4.20 percent, as of December 31, 2022) and for the new "Digital" segment it is between 9.19 and 104.92 (between 6.80 and 121.80 percent, as of December 31, 2022). Said growth rate is based on the expected operating plans for each CGU and brand.

- EBITDA margins – A margin between 9.80 and 19.20 percent was considered in relation to the sales of the "Pharmacies" and "Food Retail" segments as of December 31, 2023 (between 8.50 and 13.90 percent, as of December 31, 2022); for the new "Digital" segment it is between (145.67) and 9.00 percent (between (100.30) and 29.60 percent, as of December 31, 2022). EBITDA margins are based on historical values recorded in the years prior to the start of the budget period and increase during the budget period with efficiency improvements expected from normal improvement.

- Royalty rate - A royalty rate from 1.80 and 1.20 percent was considered as of December 31, 2023 and 2022. Royalty rates are based on values considered in the purchase price allocation of Quicorp. In addition, these rates were corroborated with information of similar transactions in purchase price allocation processes.

- Discount rates – Discount rates used for each CGU are between 9.00 and 15.10 as of December 31, 2023 (between 9.64 and 16.20 percent as of December 31, 2022). Discount rates represent the current market assessment of the risks specific to each CGU and brand, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the CGU and brands and represents its weighted average cost of capital (WACC). The beta factors are evaluated annually based on publicly available market data. The factors that have an impact on the discount rate calculation, as country risk, free discount rate, beta, market premium and cost of debt are evaluated annually based on publicly available market data.

Sensitivity to changes in assumptions
The key assumptions described above may change if market and economic conditions change. As of December 31, 2023 and 2022, the Companies estimates that the reasonableness of these possible changes in these assumptions would not cause the recoverable amount of the CGUs to decrease below their book value.

As of December 31, 2023 and 2022, the book value of goodwill related to each CGU has been compared with the recoverable value and Management has determined that it is not necessary to record any impairment.

The key assumptions described above may change if market conditions and the economy change. The Companies estimate that changes in these assumptions, which would be reasonable to expect, would not cause the recoverable amount of "Pharmacies", "Food Retail" and "Digital" CGU to decrease below their book value.

(d) For the valuation of customer relationships and contracts with represented companies, the "Multi Period Excess Earning Method" was applied. It reflects the present value of the surplus cash flows generated by the intangible asset during their lifespan after deducting tax charges for the tangible or intangible operating assets used.

On the other hand, contracts with represented companies mainly define the exclusivity for the distribution of a product, as well as the inventory levels required to maintain the operation. To determine the lifespan, the remaining lifespan of contracts in force at the transaction date and the history of renewals were considered.

(e) Additions for the years 2023 and 2022 mainly correspond to disbursements made by the Companies for the acquisition of software, licenses and brands. Such disbursements include the costs of acquisition of the software and licenses, development costs and other directly attributable costs.

(f) As of December 31, 2023 and 2022, the Companies do not maintain guarantees on their intangible assets.

(g) In the case of intangible assets with a definite useful life, in the opinion of Management, there is no indicator of impairment as of December 31, 2023 and 2022. Likewise, as of December 31, 2023 and 2022, Management carried out an impairment test for the brands with indefinite useful life (detailed in (b), above), and, as a result of that test, it has determined that it is not necessary to recognize any provision for impairment.

16. Trade accounts payables

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

	2023 S/(000)	2022 S/(000)
Bills payable for purchase of goods (b)	3,647,315	3,642,115
Bills payable for commercial services	401,649	344,342
Provision for services and maintenance	144,236	148,865
	4,193,200	4,135,322

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

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

17. Other accounts payables

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

	2023 S/(000)	2022 S/(000)
Provision for contingencies, note 28(b)	103,603	98,744
Employees profit sharing (b)	122,778	122,150
Salaries and social benefits	65,936	61,940
VAT payable	64,306	53,670
Interest payable of financial obligations and senior notes, note 19(d)	51,933	49,349
Vacations accrual	45,091	46,102
Taxes payable	31,978	42,240
Pensions reserve (c)	23,362	23,761
Deposits from third parties	12,885	14,512
Rent payable	7,790	4,896
VAT withholdings in purchases	6,442	4,983
Other	21,473	27,422
	557,577	549,769
Current portion	502,406	522,135
Non-current portion	55,171	27,634
	557,577	549,769

The above items have mostly current maturities, do not bear interests and have no guarantees granted on them.

(b) In accordance with the employee profit sharing regime in force regulated by the Legislative Decree 677, the employees in Peru have the right to receive a participation of 8 percent of taxable income, 50 percent of that amount is distributed pro rata amongst all the employees on the basis of the days worked and the remaining balance in proportion with the basic remunerations perceived in the period.

(c) In accordance with the labor law in Ecuador, the workers who meet certain conditions during their labor period, will have the right to be retired by their employers or to receive a pension in case the labor relationship has been produced by eviction. The provision for retirement and eviction pensions is determined by an external qualified actuarial, using market factors and estimation in accordance with the actuarial methodology and considering the labor law in Ecuador. The provision for retirement and eviction pensions as of December 31, 2023 and 2022, covers appropriately the amount that was estimated in the actuarial valuation.

18. 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	Maturity	Original amount		2023	2022
		%		US$(000)	S/(000)	S/(000)	S/(000)
Leasing (b) -							
Related entity, note 26(b)							
Banco International del Perú S.A.A.- Interbank	S/	3.990	2026	-	101,936	101,936	101,903
Non – related entities							
Hewlett Packard S.R.L. (c)	US$	Between 0.280 and 5.920	2024-2028	21,479	-	61,923	49,544
Banco de Crédito del Perú	S/	Between 5.620 and 10.320	2026-2028	-	27,489	15,179	20,563
Nuevo Capital Leasing Perú S.A.C. (c)	US$	5.280	2025	663	-	1,287	1,937
BBVA Banco Continental S.A.	S/	4.950	2024	-	18,150	679	4,641
Others	US$	Between 1.830 and 6.290	2025-2026	451	-	1,296	406
						182,300	178,994
Notes and loans (d) -							
Related entity, note 26(b)							
Banco Internacional del Perú S.A.A.- Interbank	S/	Between 3.750 and 9.390	2023-2027	-	538,046	503,245	534,493
Non – related entities							
Banco Scotiabank Perú S.A.A.	S/	Between 3.750 and 8.450	2024-2027	-	1,450,000	1,201,346	1,428,140
BBVA Banco Continental S.A.	S/	Between 2.450 and 9.620	2024-2026	-	432,000	348,105	244,631
Banco de Crédito del Perú	S/	Between 8.600 and 9.050	2023	-	20,000	-	20,000
Banco Pichincha	US$	7.750	2023	3,000	-	-	11,460
Banco GNB de Perú	S/	8.260	2023	-	20,000	-	20,000
Citibank S.A.	S/	8.800	2024	-	33,000	33,000	-
						2,085,696	2,258,724
Financed premium "Derivatives financials instruments", note 12(b)							
Citibank N.A.	S/	Between 8.442 and 8.665	2028	-	137,007	96,901	114,027
Citibank N.A.	US$	3.176	2028	9,625	-	26,050	32,260
						122,951	146,287
						2,390,947	2,584,005
Current portion						443,296	746,880
Non-current portion						1,947,651	1,837,125
						2,390,947	2,584,005

(b) As of December 31, 2023 and 2022, leasing contracts are in local and foreign currency, intended mainly for the equipment of commercial stores and warehouses of the Companies. In accordance with the provisions of the leasing contracts, the guarantees that the Companies maintain with the financial entities are the same assets related to those contracts, see note 13(a.1).

(c) Corresponds to the debt acquired by the purchase and financial leasing of computer equipment. These obligations do not have specific guarantees.

(d) Promissory notes and bank loans are used to finance working capital and do not have any specific guarantee.

The main financial requirements ("covenants") maintained for loans acquired with Banco Internacional del Perú S.A.A. - Interbank, BBVA Banco Continental and Scotiabank Perú S.A.A., during their duration, are measured as follows using the financial statements of InRetail Pharma S.A. and Supermercados Peruanos S.A., as applicable:

- The net debt ratio resulting from dividing (i) the net financial debt by (ii) the LTM (last twelve months) EBITDA must not be greater than 3.75 in the case of Banco Internacional del Perú S.A.A. – Interbank, Scotiabank Peru S.A.A. and BBVA Banco Continental S.A. for Supermercados Peruanos S.A.; and must not be greater than 4.00 in the case of Banco Internacional del Perú S.A.A. – Interbank and Scotiabank Peru S.A.A. for InRetail Pharma.

As of December 31, 2023 and 2022, the Companies have complied with the financial requirements ("covenants") indicated above.

(e) The accrued interest during the year 2023 and 2022 for loans and borrowings was approximately S/160,478,000 and S/138,040,000, respectively, and are presented in the "Financial costs" caption of the combined income statements, see note 25.

During 2023 and 2022 the Companies accrued structuring costs for S/4,262,000 and S/3,992,000, respectively, are presented in the "Structuring costs accrued", see note 25.

(f) Future minimum payments for the leasing described in subsection (a) of this note, net of future financial charges, are as follows:

	2023		2022	
	Minimum payments S/(000)	Present value of the leasing installments S/(000)	Minimum payments S/(000)	Present value of the leasing installments S/(000)
Up to 1 year	35,159	27,287	34,618	27,896
Between 1 and 5 years	162,691	155,013	164,755	151,098
Total minimum payments	197,850	182,300	199,373	178,994
Minus- amounts representing finance charges	(15,550)	-	(20,379)	-
Present value of future minimum payments	182,300	182,300	178,994	178,994

(g) Debts and interest – bearing loans are payable as follow:

	2023 S/(000)	2022 S/(000)
2023	-	746,880
2024	443,297	141,123
2025	569,585	420,141
2026	1,294,349	1,204,822
2027 forward	83,716	71,039
Total	2,390,947	2,584,005

19. Senior notes issued

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

Type of obligation	Original currency	Interest rate	Maturity (*)	Original amount		2023	2022
		%		US$(000)	S/(000)	S/(000)	S/(000)
Senior Notes Secured (b)	US$	3.250	March, 2028	600,000	-	2,100,022	2,157,136
Senior Notes Secured (b)	S/	4.900	March, 2028	-	555,000	551,035	550,093
Senior Notes Unsecured (c)	S/	6.438	April, 2025	-	385,800	385,197	384,786
Total						3,036,254	3,092,015

(*) The payment of the principal is at maturity; consequently, balances as of December 31, 2023 and 2022 are considered long-term.

(b) On March 2021, the Company, through InRetail Consumer, issued a private offering abroad (Luxembourg) of "Senior Notes Secured" for US$600,000,000 equivalent to S/2,227,800,000 as of December 31, 2023 (equivalent to S/2,292,000,000 as of December 31, 2022) and S/555,000,000. The obligations were recorded in the combined financial statements at amortized cost at an annual effective interest rate of 3.446 and 5.104 percent, respectively, after considering the respective initial charges of approximately US$4,414,000, equivalent to S/16,388,000 and S/3,965,000, respectively, as of December 31, 2023 (US$5,305,000, equivalent to S/20,264,000 and S/4,907,000, respectively, as of December 31, 2022). Additionally, the issuance in US dollars is presented net of US$30,000,000 equivalent to S/111,390,000 as of December 31, 2023 (equivalent to S/114,600,000 as of December 31, 2022) corresponding to the Senior Notes Unsecured acquired by InRetail Pharma S.A.

(c) In May 2018, InRetail Pharma S.A. issued a private offer in the foreign market (Luxembourg) of "Senior Notes Unsecured" for S/385,800,000. That obligation was recorded in the combined financial statements at amortized cost at an annual effective interest rate of 6.559 percent, after considering the respective initial charges of approximately S/603,000 as of December 31, 2023 (S/1,014,000 as of December 31, 2022).

As a consequence of these issues, certain obligations and restrictive clauses had to be complied with until their expiration and cancellation. InRetail Pharma S.A. and Quicorp S.A. and Subsidiaries (guarantor companies) will at all times collectively represent at least 85.00 percent of the Combined Adjusted EBITDA of InRetail Pharma S.A. and its Subsidiaries. In Management's opinion, these clauses do not limit the operations of InRetail Pharma S.A. and its Subsidiaries and have been fulfilled as of December 31, 2023 and 2022.

(d) The accrued interests during the year 2023 and 2022 for these senior notes amounted to approximately S/120,742,000 and S/121,848,000, respectively, and are presented in the "Financial costs" caption of the combined income statements, see note 25. Likewise, as of December 31, 2023, the outstanding amounts of interest obligations and senior notes to pay approximately amount to S/51,933,000 (S/49,349,000 as of December 31, 2022) and are presented in the "Other accounts payables" caption of combined statements of financial position, see note 17(a).

During 2023 and 2022, the Companies accrued structuring costs for S/5,229,000 and S/5,191,000, respectively, are presented in the "Structuring costs accrued", see note 25.

20. Deferred income tax

(a) The table below present the composition of this caption by Subsidiary:

	2023		2022	
	Deferred asset, net S/(000)	**Deferred liability, net** S/(000)	**Deferred asset, net** S/(000)	**Deferred liability, net** S/(000)
Supermercados Peruanos S.A. and Subsidiaries	141,142	(102,404)	95,021	(191,573)
InRetail Pharma S.A. and Subsidiaries	176,159	(43,674)	148,694	(165,303)
Agora Servicios Digitales S.A.C.	539	-	422	-
InDigital XP S.A.C.	126	-	242	-
	317,966	(146,078)	244,379	(356,876)
Combined adjustments (*)	(5,018)	(343,664)	(5,256)	(126,643)
Deferred, net	312,948	(489,742)	239,123	(483,519)

(*) As of December 31, 2023 and 2022, corresponds to eliminations and adjustments of combined, mainly related to the "Inkafarma" brand.

(b) The table below presents the detail of the deferred income tax assets and liabilities by nature:

	Balance as of January 01, 2022 S/(000)	(Debit)/credit to the combined statement of income S/(000)	Equity S/(000)	Translation S/(000)	Balance as of December 31, 2022 S/(000)	(Debit)/credit to the combined statement of income S/(000)	Equity S/(000)	Translation S/(000)	Balance as of December 31, 2023 S/(000)
Deferred asset -									
Leases	28,216	181,569	-	(31)	209,754	12,425	-	(21)	222,158
Differences in depreciation rates	20,773	30,092	-	-	50,865	20,540	-	-	71,405
Tax loss	5,884	3,432	-	-	9,316	19,197	-	-	28,513
Provision for holidays	7,203	8,887	-	(4)	16,086	662	-	(2)	16,746
Provisions	7,947	1,843	-	(169)	9,621	3,277	-	(98)	12,800
Provision for impairment of inventories	3,347	7,471	-	(51)	10,767	(1,315)	-	(33)	9,419
Provision for doubtful accounts	5,527	2,131	-	(117)	7,541	165	-	(51)	7,655
Rebates estimate	355	-	-	-	355	-	-	-	355
Others	35,083	49,100	15,894	510	100,587	39,437	(1,912)	(69)	138,043
	114,335	284,525	15,894	138	414,892	94,388	(1,912)	(274)	507,094
Deferred liability -									
Leases	(2,211)	(154,499)	-	7	(156,703)	(347)	-	5	(157,045)
Higher book value of property, furniture and equipment	(79)	-	-	-	(79)	(134)	-	-	(213)
Hedging effect "Derivates financials instruments"	25,436	-	(15,123)	-	10,313	-	-	-	10,313
Others	(19,992)	(7,459)	(1,825)	(24)	(29,300)	(10,217)	(7,680)	(4)	(47,201)
	3,154	(161,958)	(16,948)	(17)	(175,769)	(10,698)	(7,680)	1	(194,146)
Total deferred income tax asset, net	117,489	122,567	(1,054)	121	239,123	83,690	(9,592)	(273)	312,948
Deferred asset -									
Loss due to theft of goods	39,615	7,554	-	-	47,169	(2,303)	-	-	44,866
Unrealized gain in sales of inventories	33,142	68	-	-	33,210	2,853	-	-	36,063
Leases	126,042	(91,705)	-	-	34,337	(18,684)	-	-	15,653
Rebates estimate	10,410	-	-	-	10,410	-	-	-	10,410
Differences in depreciation rates	747	7,917	-	-	8,664	(3,665)	-	-	4,999
Provisions	15,787	(11,100)	-	-	4,687	76	-	-	4,763
Hedging effect "Derivates financials instruments"	-	-	-	-	-	7,648	-	-	7,648
Provision for holidays	5,775	(3,537)	-	-	2,238	(143)	-	-	2,095
Others	35,974	18,156	(7,005)	-	47,125	2,183	(9,647)	1	39,662
	267,492	(72,647)	(7,005)	-	187,840	(12,035)	(9,647)	1	166,159
Deferred liability -									
Higher value of intangibles generated in business combination	(403,071)	15,767	-	-	(387,304)	1,918	-	-	(385,386)
Higher depreciation for lease and leaseback	(145,362)	(24,093)	-	-	(169,455)	8,503	-	-	(160,952)
Higher book value of property, furniture and equipment	(53,091)	(549)	-	-	(53,640)	(475)	-	-	(54,115)
Depreciation of investment properties	(16,735)	(1,356)	-	-	(18,091)	(8,213)	-	-	(26,304)
Gain from valuation of investment properties	(2,200)	(6,855)	-	-	(9,055)	(8,103)	-	-	(17,158)
Attributed cost for land appraisal	(15,531)	-	-	-	(15,531)	-	-	-	(15,531)
Leases	(60,609)	54,753	-	-	(5,856)	-	-	-	(5,856)
Others	3,965	(12,042)	(4,350)	-	(12,427)	22,858	(1,013)	(17)	9,401
	(692,634)	25,625	(4,350)	-	(671,359)	16,488	(1,013)	(17)	(655,901)
Total deferred income tax liability, net	(425,142)	(47,022)	(11,355)	-	(483,519)	4,453	(10,660)	(16)	(489,742)

(c) The table below presents the income tax expenses reported in the combined statements of income of 2023 and 2022:

	2023 S/(000)	2022 S/(000)
Current -		
In Peru	(472,922)	(419,414)
Tax related to special purpose entities, note 22(e)	4,559	8,164
Abroad	(12,659)	(8,880)
	(481,022)	(420,130)
Deferred (*) -		
In Peru	89,110	63,636
Abroad	(967)	11,909
	88,143	75,545
	(392,879)	(344,585)

(*) The deferred income tax has been calculated on all temporary differences, considering the effective income tax rate where the Companies and their subsidiaries are located.

(d) The following is the determination of the income tax:

	2023		2022	
	S/(000)	%	S/(000)	%
Income before income tax	1,119,379	100	961,815	100
Theoretical expense	(330,217)	(29.50)	(283,735)	(29.50)
Effect of permanent differences	(62,662)	(5.60)	(60,850)	(6.33)
Expense for income tax	(392,879)	(35.10)	(344,585)	(35.83)

(e) The income tax asset corresponds to the subsidiaries that, as of December 31, 2023, maintain a credit for this tax, which, at those dates, amounts to approximately S/105,516,000 (approximately S/134,473,000 as of December 31, 2022); see note 8(a).

The income tax liability is presented net of the advanced payments of this tax and corresponds to the subsidiaries that maintain income tax payable. As of December 31, 2023 and 2022, the income tax payable amounts to S/ 81,847,000 and S/13,864,000, respectively.

21. Equity

(a) Capital stock –

It is represented as follow:

Company	Country	N° common shares issued	Nominal value	Accounting balance of issued shares S/(000)
Supermercados Peruanos S.A. and Subsidiaries	Peru	330,428,609	1.05	346,950
InRetail Pharma S.A. and Subsidiaries	Peru	15,839,379	1.00	15,840
				362,790

(b) Additional paid-in capital –

As of December 31, 2023 and 2022, amounts to approximately S/706,427,000 which includes the net effect of combined adjustments as of those dates, which mainly represent the highest value of InRetail Pharma S.A. and subsidiaries since its acquisition, net of debts that are directly related to the Companies.

(c) Dividends declared and paid -

During 2023 and 2022, the yields prepayments amounts to approximately S/411,729,000 and S/495,195,000, respectively.

(d) Legal reserve -

As provided in the Corporations 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, in both cases there must be replenished. The legal reserve is appropriated when the General Shareholders' Meeting approves the same. As of December 31, 2023, the Companies have transferred approximately S/(55,936,000) to legal reserve (approximately S/57,520,000 as of December 31, 2022).

22. Tax Situation

(a) The Companies are subject to taxation in the country in which they operate and are taxed on the basis of their non-combined profits. As of December 31, 2023 and 2022, the income tax rates on taxable income in the main countries in which the Companies operate are:

	Tax rates	
	2023 %	**2022** %
Peru	29.50	29.50
Ecuador	25.00	25.00
Bolivia	25.00	25.00

In accordance with current legal provisions as of December 31, 2023 and 2022, in some countries, cash dividends of non-domiciled shareholders are subject to income tax at the following rates:

	Tax rates	
	2023 %	**2022** %
Peru	5.0	5.0
Ecuador	10.0	10.0
Bolivia	12.5	12.5

(i) By Legislative Decree No. 1261, published on December 10, 2016, the 5 percent withholding rate applicable to dividends and any other form of profit distribution from Peruvian sources was modified. The aforementioned rate is applicable to the distribution of dividends or profits adopted or made available, whichever occurs first, as of January 1, 2017. The aforementioned rate does not apply to accumulated income or other liable to generate taxable dividends obtained between January 1, 2015 and December 31, 2016, in which case a 6.80 percent withholding rate is applied – or to accumulated income as of December 31, 2014, in which case a 4.1 percent withholding rate is applied.

(ii) The Internal Tax Regime Act indicates that, in general, dividends distributed after income tax are not subject to withholding, unless the beneficial owner is an Ecuadorian natural person – in which case a withholding tax (10 or 14 percent, depending on the applied corporate rate) is applied. In addition, when the income tax rate applied by the company is 25 percent or less, the withholding percentage applicable to the dividends distributed to companies domiciled in tax havens is 10 percent. Resolution NAC-DGERCGC20-00000013, published on February 20, 2020, introduced other cases subject to withholding tax at source on distributed dividends.

(b) In Peru, non-domiciled entities are subject to income tax only in case of income taxed from a Peruvian source, e.g., those obtained by the indirect alienation of capital shares or interest representative of the capital of legal entities domiciled in the country. For these purposes, it should be considered that an indirect alienation occurs when shares or interest representative of the capital of a non-domiciled legal person that owns – directly or through another legal person or persons – shares or interest representative of the capital of one or more legal entities domiciled in the country are alienated, provided that the conditions established by the Income Tax Act are met. It also defines the cases in which legal persons domiciled in Peru have joint and several liabilities.

The Income Tax Act provides that an indirect transfer of shares occurs when the following conditions are met:

(i) In any of the 12 months prior to the alienation, the market value of the shares or interest of the domiciled legal person was equal to 50 percent or more of the market value of the shares or interest of the non-domiciled legal person; and,

(ii) In any 12-month period, shares or interest representing 10 percent or more of the capital of a non-domiciled legal person are alienated.

In addition, as of January 1, 2019, a new indirect alienation regulation entered into force. It is applicable when in any 12-month period, the indirect alienation of shares or interest of legal entities domiciled in Peru have a transaction value equal or greater than 40,000 Peruvian Tax Units (UIT).

(c) In Peru, transfer pricing regulations are applicable to determine the market value of transactions made by domiciled legal entities with related companies from, to or through non-cooperative countries or territories or those with low or no taxes, or those made with subjects whose income, profit or gains from said transactions are subject to a preferential tax regime.

The valuation methods applied, as well as the criteria used to determine the market value, shall be properly documented and supported. Based on the analysis of the operations, Management and its legal advisors believe that, as a consequence of the application of these standards, no significant contingencies will arise for the Companies as of December 31, 2023 and 2022.

(d) During the years following the year of filing the tax return, the tax authorities have the power to review and, as applicable, correct the income tax computed by the Companies. The Income Tax and Value Added Tax returns for the following years are open to review by the Tax Authorities:

	Income tax	Valued added – tax
Supermercados Peruanos S.A.	2015 and 2019 to 2023	From 2020 to 2023
Plaza Vea Oriente S.A.C.	From 2019 to 2023	From 2020 to 2023
Plaza Vea Sur S.A.C.	From 2019 to 2020	2020
Desarrolladora de Strip Center S.A.C.	From 2019 to 2023	From 2020 to 2023
Makro Supermayorista S.A.	From 2019 to 2023	From 2020 to 2023
InRetail Foods S.A.C.	From 2020 to 2021	From 2020 to 2021
Operadora de Servicios Logísticos S.A.C.	From 2022 to 2023	From 2022 to 2023
Compañía Hard Discount S.A.C.	From 2022 to 2023	From 2022 to 2023
Compañía Food Retail S.A.C.	From 2022 to 2023	From 2022 to 2023
Administración Food Regional S.A.C	From 2022 to 2023	From 2022 to 2023
Inmobiliaria Food Retail S.A.C	From 2021 to 2023	From 2021 to 2023
InRetail Pharma S.A.	From 2019 to 2023	From 2020 to 2023
Eckerd Amazonía S.A.C.	From 2019 to 2021	From 2020 to 2021
Boticas del Oriente S.A.C.	From 2019 to 2021	From 2020 to 2021
Quicorp S.A.	From 2019 to 2023	From 2020 to 2023
Química Suiza S.A.C.	From 2019 to 2023	From 2020 to 2023
Mifarma S.A.C.	From 2019 to 2023	From 2020 to 2023
Albis S.A.C.	From 2020 to 2021	From 2020 to 2021
Jorsa de la Selva S.A.C.	From 2019 to 2023	From 2020 to 2023
Vanttive S.A.C.	From 2019 to 2023	From 2020 to 2023
Quimiza Ltda. (Bolivia)	From 2016 to 2023	From 2015 to 2023
Quifatex S.A. (Ecuador)	From 2020 to 2023	From 2020 to 2023
Vanttive Cía. Ltda. (Ecuador)	From 2020 to 2023	From 2017 to 2023
Droguería InRetail Pharma S.A.C.	From 2020 to 2022	From 2020 to 2022
Farmacias Peruanas S.A.C.	From 2020 to 2023	From 2020 to 2023
FP Servicios Generales S.A.C.	From 2021 to 2023	From 2021 to 2023
Boticas IP S.A.C.	From 2021 to 2023	From 2021 to 2023
Agora Servicios Digitales S.A.C.	From 2019 to 2023	From 2020 to 2023
InDigital XP S.A.C.	From 2019 to 2023	From 2020 to 2023
JOKR Perú S.A.C.	From 2021 to 2023	From 2021 to 2023

In case of Peru, the Tax Administration Authority has a term to perform the reviews or audits to the sworn declarations submitted by taxpayers, which have a statute of limitations of 4 years, as of January 1 of the following year after the submission of the sworn declaration.

Due to possible interpretations that tax authorities can give to the current legislation, it is not possible to determine whether or not future reviews will result in tax liabilities for the Companies, therefore, any major tax or surcharge that may result from eventual revision by the tax authority would be charged to the income statements of the period in which that tax or surcharge is determined.

As of the date of this report, some Subsidiaries are being reviewed; however, in Management´s opinion and its legal advisors, any additional tax assessment would not be significant to the combined financial statements as of December 31, 2023 and 2022.

(e) According to Peruvian law, InRetail Consumer is not considered as income taxpayers due to its status as special purpose entities (SPE). Such entity attribute his generated result, the net losses and Income Tax credits on foreign source income, to the holders of its certificates of participation or whoever holds those rights.

Therefore, to reflect this obligation, InRetail Consumer has provisioned 30 percent for long-term income tax on profits to date. Consequently, as of December 31, 2023, the income tax asset related to special purpose entities (as of December 31, 2022, the income tax liability related to special purpose entities) is comprised of:

	2023 S/(000)
Opening balance as of January 1	4,580
Tax related to SPE, recorded as income tax expense, note 20(c)	4,559
Balance as of December 31	9,139

(f) The main tax regulations that were issued in Peru during 2023, effective as of January 1, 2023, are the following:

(i) Special depreciation regimes – Law No. 31652:
Special depreciation applicable from the year 2023 on buildings and constructions:

- Buildings and constructions may be depreciated, for the purposes of Income Tax, by applying an annual depreciation percentage to their value with a maximum of 33.33 percent up to their total depreciation, provided that the assets are used exclusively for business development and meet the following conditions:

  (a) Construction would have started on January 1, 2023.
  (b) Until December 31, 2024, the construction has a work progress of at least 80 percent.

- The foregoing also applies to taxpayers who, during fiscal years 2023 and 2024, own assets that comply with points a) and b) above.

- The special depreciation regime will not apply when the goods have been totally or partially built before January 1, 2023.

- In the case of subsequent costs generated by the buildings and constructions that meet the aforementioned conditions, the depreciation will be computed separately with respect to that corresponding to the assets to which they have been incorporated.

- Special depreciation applicable from the year 2023 on electric vehicles.

- Land transport vehicles (except railways) hybrid (with piston engine and electric motor) or electric (with electric motor), acquired in the years 2023 and 2024, affected to the production of taxable income, may be depreciated by applying on their value the annual percentage of depreciation with a maximum of 50%, until its total depreciation.

(ii) Exemption of income from the sale of shares - Law N°30341
By means of Law No. 31662 published in the 2022 period, it is established to extend until December 31, 2023 the exoneration of capital gains for the sale of securities carried out through a centralized negotiation mechanism supervised by the Superintendencia del Mercado de Valores, in accordance with the following:

- The exemption is applicable to capital gains generated by a natural person, undivided succession or conjugal partnership that chose to pay taxes as such.

- The exemption applies up to the first 100 UIT or S/495,000 (for 2023) of the capital gain generated in each taxable year.

23. Operating expenses

(a) The table below presents the composition of this caption as of December 31, 2023 and 2022:

	2023 S/(000)	2022 S/(000)
Cost of sales and services	14,717,716	14,023,662
Selling expenses	3,336,608	3,296,349
Administrative expenses	582,765	525,416
	18,637,089	17,845,427

(b) The table below presents the components of operating expenses included in cost of sales and services, selling and administrative expenses captions:

	2023				2022			
	Cost of sales and services S/(000)	Selling expenses S/(000)	Administrative expenses S/(000)	Total S/(000)	Cost of sales and services S/(000)	Selling expenses S/(000)	Administrative expenses S/(000)	Total S/(000)
Initial balance of goods, note 9(a)	2,392,555	-	-	2,392,555	2,321,077	-	-	2,321,077
Initial balance of raw material, note 9(a)	2,707	-	-	2,707	879	-	-	879
Initial balance of supplies, note 9(a)	860	-	-	860	874	-	-	874
Acquisition of subsidiaries	15	-	-	15	-	-	-	-
Purchase of goods	14,577,571	-	-	14,577,571	14,006,278	-	-	14,006,278
Cost of services (e)	94,850	-	-	94,850	65,156	-	-	65,156
Closing balance of goods, note 9(a)	(2,368,529)	-	-	(2,368,529)	(2,392,555)	-	-	(2,392,555)
Closing balance of raw material, note 9(a)	(661)	-	-	(661)	(2,707)	-	-	(2,707)
Closing balance of supplies, note 9(a)	(1,548)	-	-	(1,548)	(860)	-	-	(860)
Impairment of inventories, note 9(d)	14,246	-	-	14,246	20,854	-	-	20,854
Personnel expenses (e)	-	1,213,731	262,657	1,476,388	-	1,219,243	272,730	1,491,973
Depreciation, note 13(a)	2,746	332,517	23,859	359,122	2,933	276,878	22,153	301,964
Depreciation of asset for right of use, note 13(b.4)	2,523	381,911	9,664	394,098	1,647	382,015	9,436	393,098
Amortization, note 15(a)	4	28,138	49,134	77,276	8	65,273	28,283	93,564
Services provided by third parties (c)	-	885,611	172,071	1,057,682	-	820,940	112,009	932,949
Advertising	-	193,021	1,632	194,653	-	187,790	39	187,829
Taxes	-	47,125	24,647	71,772	-	42,377	29,040	71,417
Packing and packaging	-	35,574	273	35,847	-	42,190	786	42,976
Leasing, note 13(b.4)	377	32,724	23,864	56,965	78	57,101	19,284	76,463
Insurance	-	25,856	3,034	28,890	-	22,418	2,820	25,238
Provision for doubtful accounts, net of recoveries, notes 7(g) and 8(d)	-	5,884	326	6,210	-	6,222	2,488	8,710
Other charges (d)	-	154,516	11,604	166,120	-	173,902	26,348	200,250
	14,717,716	3,336,608	582,765	18,637,089	14,023,662	3,296,349	525,416	17,845,427

(c) Correspond mainly to expenses for electricity, water, telephone and premises maintenance services in stores.

(d) Mainly includes general expenses in stores, such as transport and vigilance services as well as legal and financial services.

(e) The table below presents the components of the personnel expenses:

	2023 S/(000)	2022 S/(000)
By nature -		
Remunerations	901,254	895,096
Legal bonuses	159,885	165,411
Employees profit sharing	111,360	99,429
Contributions	76,393	76,203
Vacations	66,809	86,796
Severance indemnity	14,268	17,047
Other	146,419	151,991
	1,476,388	1,491,973
By components -		
Selling expenses	1,213,731	1,219,243
Administrative expenses	262,657	272,730
	1,476,388	1,491,973

The average number of directors and employees in the Companies and its Subsidiaries was 46,221 for the year 2023 and 44,911 for the year 2022.

24. Other income and expenses

The table below presents the components of this caption:

	2023 S/(000)	2022 S/(000)
Other income -		
Income for sale property, installations, furniture and equipment	70,640	19,615
Cancellation of contracts, note 13(b.2)	52,657	30,704
Income for sale investment properties	29,771	-
Claims to insurance	4,482	4,508
Income for equity investment	2,321	-
Others	22,370	36,580
	182,241	91,407
Other expenses -		
Net cost of sale and disposal of property, installations, furniture and equipment and intangibles, note 13(a), 14(b) and 15(a)	79,705	20,348
Net cost of disposal of lease liabilities, note 13(b.1)	48,621	28,610
Expense from participation in joint venture	4,987	4,256
Other	10,488	2,903
	143,801	56,117

25. Finance income and cost

The table below presents the components of this caption:

	2023 S/(000)	2022 S/(000)
Financial income -		
Interest on time deposits	20,653	8,352
Gain of financial instruments at fair value through profit or loss, note 6	782	218
Interest on related loans	117	138
Other financial income	7,244	16,259
	28,796	24,967
Financial costs -		
Interest on financial obligations, note 18(e)	160,478	138,040
Interest expense on lease liabilities, note 13(b.2)	142,151	122,175
Interest on senior notes issued, note 19(d)	120,742	121,848
Linear accrual of premium of derivative financial instruments, notes 12(b)	38,794	39,072
Accrual of value over time of the exchange of derivative financial instruments, note 12(b)	15,194	15,069
Structuring costs accrued, notes 18(e) and 19(d)	9,491	9,183
Interests for related-party loans	186	262
Other financial cost	20,523	16,841
	507,559	462,490

26. Transactions with related parties

(a) The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year 2023 and 2022:

	2023 S/(000)	2022 S/(000)
Income -		
Sale of property, installations, furniture and equipment	60,613	31,790
Expenses refund (basic services)	50,493	16,422
Sale of goods	30,626	42,233
Sale of Investment property	29,771	-
Key money income	21,967	-
Interest income	8,873	2,402
Collection services	7,222	3,813
Other	31,974	24,724
Expenses -		
Other services	83,656	64,645
Commissions	50,221	20,510
Interest	18,114	262
Renting of premises and land	6,812	11,767
Other	44,609	14,822
Other transactions -		
Fair value effect of investment properties distributed to associates	6,689	6,673

(b) As a result of the transactions with related parties, the Companies have the following balances of receivables and payables as of December 31, 2023 and 2022:

	2023 S/(000)	2022 S/(000)
Receivables -		
Financiera Oh! S.A.	32,865	30,006
Homecenters Peruanos S.A.	11,100	9,106
Tiendas Peruanas S.A.	8,903	6,827
San Borja Global Opportunities S.A.C.	5,785	-
Almacenes Gurú S.A.C.	3,830	-
Cineplex S.A.	2,440	4,443
Banco Internacional del Peru S.A.A. - Interbank	1,693	4,852
Homecenters Oriente S.A.C.	1,493	1,686
Real Plaza S.A.	686	759
IR Management S.R.L.	88	3,673
San Miguel Global Opportunities S.A.C.	-	7,377
Patrimonio en Fideicomiso-DS. N°093-2002-EF Interproperties Peru	-	5,447
Other	5,673	4,176
	74,556	78,352
Payables -		
Patrimonio en Fideicomiso-DS. N°093-2002-EF Interproperties Perú	54,446	49,888
Financiera Oh! S.A. (c)	43,500	43,460
Homecenters Peruanos S.A. (d)	23,476	42,930
Intercorp Peru Ltd.	15,926	27,733
Patrimonio en Fideicomiso-DS. N°093-2002-EF Inretail Shopping Malls	11,060	47,993
Patrimonio en Fideicomiso-DS. N°093-2002-EF Interproperties Holding II	8,533	8,532
IR Management S.R.L.	5,095	7,921
Tiendas Peruanas S.A.	4,487	6,613
Real Plaza S.A.	3,923	1,916
Banco Interbank -		
Credit lines and other	138	707
Guarantee deposits (e)	3,201	2,919
Inmobiliaria Milenia S.A.	1,859	945
Other	11,191	13,778
	186,835	255,335
For time -		
Current portion	104,609	104,504
Non-current portion	82,226	150,831
	186,835	255,335
Debts and loans bearing interest, note 18(a)		
Banco Internacional del Perú S.A.A. – Interbank	605,181	636,396

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

The remuneration of key personnel for the years 2023 and 2022, was approximately S/43,441,000 and S/45,120,000, respectively.

(c) On April 27, 2015, Supermercados Peruanos S.A. and Financiera Oh! S.A. entered into a contract by which both companies and their Subsidiaries share the results of consumer loan placement of customers who acquire goods or services with the "Oh!" Credit Card in the stores of Supermercados Peruanos S.A. and its Subsidiaries. Such contract and their modifications were in force until March 31 of 2020. The distribution of the result was performed taking into consideration the share interest of each party in respect of contract contributions.

(d) Supermercados Peruanos S.A. and its subsidiaries maintain joint venture contracts with Patrimonio en Fideicomiso – D.S. N°093-2002-EF-Interproperties Holding II and Homecenters Peruanos S.A. (hereinafter "the associates"). The objective of these contracts is the construction, development and exploitation of the Strip center projects "La Curva", "Lurin" and "Tarapoto".

The movements in the provision of the joint venture for the years ended on December 31, 2023 and 2022, were as follows:

	La Curva S/(000)	Lurin S/(000)	Tarapoto S/(000)	Total S/(000)
Contract's term (*) -	30 years	60 years	30 years	
Balance as of January 1, 2022	48,391	21,724	18,174	88,289
Fair value (**)	(3,395)	(1,364)	(1,914)	(6,673)
Balance as of December 31, 2022	44,996	20,360	16,260	81,616
Fair value (**)	1,051	(559)	1,210	1,702
Term of joint venture (****)	-	(19,801)	-	(19,801)
Balance as of December 31, 2023	46,047	-	17,470	63,517

(*) Due to the term of the contract, it is considered as a long-term liability.

(**) Corresponds to the fair value percentage allocated to each Associate, based in the interest shareholder of the strip center, the total effect is shown in the "changes in fair value investment properties" caption of the combined comprehensive results statement.

(***) In August 2023, the termination of the joint venture contract for "Lurín" was agreed.

The Strip center "La Curva" is managed by a Fiduciary trust – D.S. N°093-2002-EF-Interproperties Holding and Strip Center "Lurin" and "Tarapoto", are managed by Homecenters Peruanos S.A., which distribute the results on a monthly basis (based in the EBITDA) of each strip center, according to their interest shareholder to the other party of the Participation in association.

(e) It corresponds to the guaranteed deposit that Supermercados Peruanos S.A. to receives for the rental of financial modules located in its stores to Banco Internacional del Perú S.A.A. - Interbank for US$2,000,000. As of December 31, 2023 and 2022, Supermercados Peruanos S.A. credited the updated present value of said balances under "Financial income" of the combined income statement. The net present values of the balances related to guarantee deposits amount to S/3,201,000 and S/2,919,000 , as of the dates indicated above, respectively.

(f) As of December 31, 2023 and 2022, the Companies hold the following balances in the cash and cash equivalent and financial investments at fair value with changes in results caption:

	2023 S/(000)	2022 S/(000)
Cash and cash equivalents -		
Banco Internacional del Perú S.A.A.– Interbank	347,516	270,233
Inteligo Bank Ltd.	901	52,638

27. Deferred revenue

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

	2023 S/(000)	2022 S/(000)
Other operating leases as lessor and key money(b)	15,822	18,663
Deferred income for the loyalty program with clients (c)	17,740	15,277
Deferred income for loss of profit (d)	6,660	7,082
Other deferred revenue	8,557	8,543
	48,779	49,565
Current portion	20,341	18,935
Non-current portion	28,438	30,630
	48,779	49,565

(b) As of December 31, 2023 and 2022, mainly corresponds to the entrance fee received from the tenants of the Shopping Centers of the Companies, which are accrued based on contractual terms.

(c) Corresponds mainly to the loyalty program "Monedero del ahorro" that is granted by the Companies and its Subsidiaries to their clients, who accumulate points through their purchases in stores that can be exchanged for products offered by the Companies and its Subsidiaries. As of December 31, 2023 and 2022, Management estimates that the deferred income as of that date fairly reflects the future exchanges of their clients.

(d) During 2009, Supermercados Peruanos S.A. signed a lease contract with its related party Patrimonio en Fideicomiso - D.S. Nº 093-2002-EF Interproperties Perú (hereinafter "Interproperties"), of a building located in Arequipa for a 30 years term. On 2016, Supermercados Peruanos S.A. received from Interproperties the amount of S/15,300,000 as "loss of profit" for the assignment to a third party of a portion of the building leased to Supermercados Peruanos S.A. As of December, 31 of 2023 and 2022, the amount of the pending balance previously mentioned is approximately S/6,660,000 and S/7,082,000, respectively. During 2023 and 2022 an amount of approximately S/422,000 in every year, which is shown net of the "Selling expenses" caption of the combined income statement.

28. Commitments and contingencies

(a) Commitments -

As of December 31, 2023, the Companies have granted guarantees to third parties for future purchases of goods for approximately S/62,622,000, US$4,320,000, €150,000 and b$179,000 (approximately S/52,072,000, US$4,472,000 and b$277,000 as of December 31, 2022).

(b) Contingencies –

(b.1) As of December 31, 2023, the Tax Authority has completed the audit of the income tax returns and the monthly statements of the general sales tax presented by Supermercados Peruanos S.A in taxable exercises from 2004 to 2017. Those examinations resulted in Resolutions generating higher taxes, fines and interests for an approximate total of S/199,000,000 to date (S/157,000,000 as of December 31, 2022). The resolutions issued have been challenged and are pending resolution before the Tax Court. In Management's opinion and its legal advisors, Supermercados Peruanos S.A. has sufficient grounds supporting its case.

(b.2) InRetail Pharma S.A. maintains the following processes:

As of December 31, 2023, InRetail Pharma S.A., Química Suiza S.A.C., Mifarma S.A.C., Quifatex S.A. and Jorsa de la Selva S.A.C. maintain various civil, labor and tax legal processes for a total amount of approximately S/62,171,000 (S/70,058,000 as of December 2022). In Management's opinion and its legal advisors, such legal processes must be resolved favorably for these components; consequently, it is not necessary to recognize additional related liabilities as of December 31, 2023 and 2022.

Jorsa de la Selva S.A.C. (absorbed by Eckerd Amazonía S.A.C.) filed in previous years appeals against several resolutions of determination and fines for alleged omissions of IGV during April to December 2004 for a total of approximately S/17,942,000. In August 2021, coactive collection resolutions were issued for the total amount claimed; said resolutions were cancelled within the established term. It should be noted that the payments are presented under "Other accounts receivable, net" in the combined statement of financial position, within claims and deliveries to be rendered. As of the date of this report, this process is in court and pending to be resolved under file number No. 07108-2021-0-1801-JR-CA-18, in the 18th Specialized Court with tax sub-specialty. In the opinion of Management and its legal advisors, it will be resolved favorably.

The Companies maintains labor demands that correspond mainly to compensation for arbitrary dismissals, non-payment of social benefits, reinstatement in the workplace, among others, which, in the opinion of Management and its legal advisors, must be resolved favorably to the Companies, so in the opinion of Management, it is not necessary to register additional liabilities for these concepts.

As of December 31, 2023 and 2022, the Companies, in coordination with its legal advisors, maintains contingency provisions for S/103,603,000 and S/98,744,000, respectively, see note 17(a). It should be noted that, as of December 31, 2023 and 2022, Supermercados Peruanos S.A. paid approximately S/179,000,000 and S/157,000,000 principally as a result of paragraph (b.1) above, which is presented under “Claims and unsettled advances” in the caption “Other receivables, net” of the combined statements of financial position; however, said payment will be claimed from the Tax Authority and Management and its legal advisors are of the opinion that the matter will be resolved in a favorable manner for Supermercados Peruanos S.A.

29. Business segments

For management purposes, the Companies are organized into business units based on their products and services and have three reportable segments i) Food Retail, ii) Pharmacies, iii) Distribution and iv) Digital. 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 prices between operating segments are on an arm’s length basis in a manner similar to transactions with third parties.

29.1 Information about reportable segment -

The following table presents the financial information of InRetail Consumer and its Subsidiaries by business segments for 2023 and 2022:

	Food Retail S/(000)	Pharma: Pharmacies S/(000)	Pharma: Distribution S/(000)	Pharma: Adjustments and eliminations S/(000)	Pharma: Total Pharma S/(000)	Digital S/(000)	Total Segments S/(000)	Combined adjustments and eliminations S/(000)	Combined S/(000)
2023 -									
Revenue									
External income	11,366,411	6,370,548	2,393,331	-	8,763,879	43,504	20,173,794	-	20,173,794
Inter-segment	11,616	140,984	579,494	(693,291)	27,187	53,733	92,536	(92,536)	-
Total revenue	11,378,027	6,511,532	2,972,825	(693,291)	8,791,066	97,237	20,266,330	(92,536)	20,173,794
Cost of sales	(8,680,823)	(3,913,514)	(2,088,083)	-	(6,001,597)	(35,296)	(14,717,716)	-	(14,717,716)
Inter-segment	-	(125,860)	(563,827)	671,129	(18,558)	(23,848)	(42,406)	42,406	-
Gross profit	2,697,204	2,472,158	320,915	(22,162)	2,770,911	38,093	5,506,208	(50,130)	5,456,078
Gain on valuation at fair value of investment property on investments	953	-	-	-	-	-	953	-	953
Selling expenses	(1,764,209)	(1,362,966)	(170,584)	5,283	(1,528,267)	(75,869)	(3,368,345)	31,737	(3,336,608)
Administrative expenses	(240,427)	(264,784)	(58,914)	1,690	(322,008)	(20,446)	(582,881)	116	(582,765)
Other operating income, net	37,929	(3,133)	2,061	1	(1,071)	1,188	38,046	(1,309)	36,737
Operating profit	731,450	841,275	93,478	(15,188)	919,565	(57,034)	1,593,981	(19,586)	1,574,395
Finance income	4,809	31,584	2,364	(17,525)	16,423	1,633	22,865	5,932	28,797
Finance expenses	(320,360)	(174,862)	(17,539)	3,154	(189,247)	(124)	(509,731)	2,172	(507,559)
Exchange difference, net	16,869	18,742	(2,666)	(325)	15,751	(384)	32,236	(8,490)	23,746
Profit before income tax	432,768	716,739	75,637	(29,884)	762,492	(55,909)	1,139,351	(19,972)	1,119,379
Income tax expense	(143,884)	(227,030)	(28,745)	236	(255,539)	(732)	(400,155)	7,276	(392,879)
Net profit	288,884	489,709	46,892	(29,648)	506,953	(56,641)	739,196	(12,696)	726,500
Attributable to:									
Supermercados Peruanos S.A. and InRetail Pharma S.A. Shareholders	288,884	489,709	46,892	(29,648)	506,953	(56,641)	739,196	(12,745)	726,451
Non-controlling interests	-	-	-	-	-	-	-	49	49
Net profit	288,884	489,709	46,892	(29,648)	506,953	(56,641)	739,196	(12,696)	726,500
Other information									
Operating assets (*)	8,591,700	5,354,432	1,421,716	(682,738)	6,093,410	122,069	14,807,179	1,258,726	16,065,905
Operating liabilities	7,542,032	4,620,408	927,942	(163,961)	5,384,389	72,365	12,998,786	40,719	13,039,505
Additions to non-current assets -									
Property, installations, furniture and equipment	332,135	200,043	5,481	(664)	204,860	121	537,116	-	537,116
Investment property	831	-	-	-	-	-	831	-	831
Intangible assets	17,808	24,923	2,020	-	26,943	9,399	54,150	(238)	53,912
Investment property valuation	953	-	-	-	-	-	953	-	953
Depreciation and amortization	249,342	147,156	16,650	9,665	173,471	4,153	426,966	9,433	436,399

	Food Retail S/(000)	Pharma: Pharmacies S/(000)	Pharma: Distribution S/(000)	Pharma: Adjustments and eliminations S/(000)	Pharma: Total Pharma S/(000)	Digital S/(000)	Total Segments S/(000)	Combined adjustments and eliminations S/(000)	Combined S/(000)
2022 -									
Revenue									
External income	10,501,466	6,273,854	2,354,317	-	8,628,171	30,290	19,159,927	-	19,159,927
Inter-segment	13,188	53,299	658,825	(672,043)	40,081	25,495	78,764	(78,764)	-
Total revenue	10,514,654	6,327,153	3,013,142	(672,043)	8,668,252	55,785	19,238,691	(78,764)	19,159,927
Cost of sales	(8,010,599)	(3,971,045)	(2,024,885)	-	(5,995,930)	(17,133)	(14,023,662)	-	(14,023,662)
Inter-segment	-	(44,275)	(650,757)	667,117	(27,915)	(2,585)	(30,500)	30,500	-
Gross profit	2,504,055	2,311,833	337,500	(4,926)	2,644,407	36,067	5,184,529	(48,264)	5,136,265
Gain on valuation at fair value of investment property on investments	(6,593)	-	-	-	-	-	(6,593)	-	(6,593)
Selling expenses	(1,655,816)	(1,356,158)	(184,307)	(34,918)	(1,575,383)	(92,761)	(3,323,960)	27,617	(3,296,343)
Administrative expenses	(190,395)	(255,931)	(69,992)	3,417	(322,506)	(12,492)	(525,393)	22	(525,371)
Other operating income, net	15,936	21,086	3,319	2,293	26,698	96	42,730	(818)	41,912
Operating profit	667,187	720,830	86,520	(34,134)	773,216	(69,090)	1,371,313	(21,443)	1,349,870
Finance income	11,933	11,872	2,273	(352)	13,793	316	26,042	(1,075)	24,967
Finance expenses	(260,315)	(189,637)	(17,781)	3,032	(204,386)	(107)	(464,808)	2,318	(462,490)
Exchange difference, net	47,485	19,498	(620)	(31)	18,847	(367)	65,965	(16,497)	49,468
Profit before income tax	466,290	562,563	70,392	(31,485)	601,470	(69,248)	998,512	(36,697)	961,815
Income tax expense	(154,749)	(182,912)	(28,339)	12,088	(199,163)	(2,466)	(356,378)	11,793	(344,585)
Net profit	311,541	379,651	42,053	(19,397)	402,307	(71,714)	642,134	(24,904)	617,230
Attributable to:									
Supermercados Peruanos S.A. and InRetail Pharma S.A. Shareholders	311,541	379,651	42,053	(19,397)	402,307	(71,714)	642,134	(32,425)	609,709
Non-controlling interests	-	-	-	-	-	-	-	7,521	7,521
Net profit	311,541	379,651	42,053	(19,397)	402,307	(71,714)	642,134	(24,904)	617,230
Other information									
Operating assets (*)	8,319,023	5,204,439	1,555,023	(612,328)	6,147,134	86,307	14,552,464	1,164,239	15,716,703
Operating liabilities	7,333,796	4,649,910	1,079,797	(108,697)	5,621,010	42,196	12,997,002	59,545	13,056,547
Additions to non-current assets -									
Property, installations, furniture and equipment	556,225	271,561	7,179	22	278,762	433	835,420	(22)	835,398
Investment property	13,756	-	-	-	-	-	13,756	-	13,756
Intangible assets	20,756	39,890	5,699	-	45,589	5,414	71,759	(372)	71,387
Investment property valuation	(6,593)	-	-	-	-	-	(6,593)	-	(6,593)
Depreciation and amortization	221,061	104,156	14,097	40,907	159,160	3,534	383,755	11,773	395,528

(*) As of December 31, 2023 and 2022, the "Food Retail", "Pharmacies" and "Digital" include approximately, S/3,655,649,000, that correspond to brands indefinite useful life and goodwill as a result of the acquisition of Agora and InDigital XP in 2021, Makro in 2020, Grupo InRetail Pharma in 2011 and Quicorp in 2018, see note 15.

29.2. Geographic information -

The geographic information analyses the revenue of the Companies and non-current assets by the Companies' country of domicile and other countries. In presenting the geographic information, segment revenue was based on the geographic location of customers and segment assets were based on the geographic location of the assets, as follows:

Revenue:

	2023 S/(000)	2022 S/(000)
Peru	18,857,055	17,939,620
All foreign countries:		
Ecuador	1,242,234	1,144,603
Other	74,505	75,704
	20,173,794	19,159,927

Non-current assets (*):

	2023 S/(000)	2022 S/(000)
Peru	8,797,311	8,440,836
All foreign countries:		
Ecuador	40,797	48,276
Other	3,296	1,758
	8,841,404	8,490,870

(*) Non-current assets exclude goodwill.

30. Objectives and policies of financial risk management

Due to the nature of the activities of the Companies are exposed to credit risk, interest rate risk, liquidity risk, and foreign currency risk, which are managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Companies' continuing profitability, and each individual within the Companies is accountable for the risk exposures relating to his or her responsibilities. The independent risk control process does not include business risks such as changes in the environment, technology and industry. These are monitored through the Companies' strategic planning process.

(a) Risk management structure -

The Companies' Board of Directors is ultimately responsible for identifying and controlling risks; however, there are separate independent bodies in the Companies responsible for managing and monitoring risks, as further explained below:

(i) Board of Directors

The Companies' Board of Directors is responsible for the overall risk management approach and for the approval of the policies and strategies currently in place. The Board provides principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, liquidity risk and capital management.

(ii) Finance Management

Finance Management is responsible for managing daily the cash flows of the Companies, taking into account the policies, procedures and limits established by the Board of Directors and the Management of the Companies. Likewise, it manages the procurement of credit lines from financial entities, when it is necessary.

(b) Mitigation of risks -

As part of the risk management, the Companies constantly assess the different scenarios and identify the different strategies to manage the expositions resulting from changes in interest rates, foreign currency risk, capital risk and credit risk.

30.1 Credit risk -

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Companies are exposed to credit risk from their operating activities (primarily for trade receivables) and from their financing activities, including deposits with banks, investments and derivative instruments.

This risk is managed by the Finance Managers in accordance with the Board's principles to minimize risk concentration and, consequently, mitigate financial losses from potential defaults of the counterpart. The maximum exposure to credit risk of the components of the combined financial statements as of December 31, 2023 and 2022 were from the captions "Cash and short-term deposits", "Accounts receivable", "Accounts receivable to related parties", "Financial Instruments at fair value through profit or loss and other comprehensive income" and "Derivative financial instruments - Call spread". The maximum exposure to credit risk of the components of the combined financial statements as of December 31, 2023 and 2022, is their book value, net of the respective provisions for impairment.

(a) Credit risk associated with:

(a.1) Trade accounts receivable

Companies asses the risk concentration of the trade accounts receivable and other accounts receivable. In general, the Companies do not hold significant concentrations of accounts receivable with any entity in particular. The Companies assess the collectability risk of the accounts receivable in order to determine the respective provision.

In case of the trade accounts receivable for retail sales, which are mainly generated by sales with credit cards, the credit risk is minimal because they have a period from 2 to 7 days to become cash.

Accounts receivable from the manufacture and distribution of different pharmaceutical and mass-market products are periodically reviewed to ensure their recovery. Trade accounts receivable are collectible from clients with credit solvency and strength and large credit lines, which ensure the timely collection of receivables.

In case of leases receivable and merchandise coupons, payment contracts are maintained currently in force.

(a.2) Bank deposits, derivative financial instruments and financial instruments at fair value through profit or loss and financial instruments at fair value through comprehensive income-

The balances of cash and derivative financial instruments are held in top-level financial entities, including a related financial entity. Likewise, the Companies' financial instruments at fair value through profit or loss have fast settlements and are managed by renowned entities. In the case of financial instruments at fair value through other comprehensive income, as explained in note 12, corresponding to senior notes issued by a related entity.

30.2 Market risk -

It is the risk of suffering losses in the combined statements of financial positions due to fluctuations in market prices. These prices comprise three risk types: (i) exchange rate; (ii) interest rate; and (iii) commodity prices and others. The financial instruments of the Companies are affected by exchange rate risk and interest rate risk.

(i) Foreign currency risk -

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Finance Managers of the Companies are responsible for identifying, measuring, controlling and informing on the exposure to global exchange rate risk of the Companies. As of December 31, 2023 and 2022, the Companies maintains "Call Spread" and "Range Principal Only Swap" contracts for a total notional amount of US$600,000,000, to reduce its foreign currency risk related to a part of Senior notes issued. This derivative financial instrument has been qualified as effective hedging instrument; see note 12.

The following chart shows the sensitivity analysis on U.S. Dollars (US$), Bolivianos (B$), Euros (EUR) and Swiss Francs (CHF) only currencies different from the functional currency due to which the Companies has a significant exposure in monetary assets and liabilities and estimated cash flows as of December 31, 2023 and 2022. The analysis determines the effect of a reasonable possible variation in the exchange rate of those currencies, considering other constant variables in the combined income statement before income tax. A negative amount in the chart reflects a net potential reduction in the combined statement, while a positive amount reflects a net potential increase.

Sensitivity analysis	Change in Exchange rates	Gain/(loss) before taxes	
	%	2023 S/(000)	2022 S/(000)
Devaluation -			
US$ Dollars	5	32,853	42,882
US$ Dollars	10	65,706	85,765
Bolivianos	5	(970)	(539)
Bolivianos	10	(1,940)	(1,078)
Euros	5	753	665
Euros	10	1,506	1,331
Swiss Franc	5	131	113
Swiss Franc	10	261	227
Revaluation -			
US$ Dollars	5	(32,853)	(42,882)
US$ Dollars	10	(65,706)	(85,765)
Bolivianos	5	970	539
Bolivianos	10	1,940	1,078
Euros	5	(753)	(665)
Euros	10	(1,506)	(1,331)
Swiss Franc	5	(131)	(113)
Swiss Franc	10	(261)	(227)

(ii) Interest rate risk -

The policy of the Companies is to maintain financial instruments that carry fixed interest rates, which is why the operating cash flows of the Companies are substantially independent from the changes in market interest rates. In this sense, in Management's opinion, the Companies do not have a relevant exposition to interest rates risk.

(iii) Price risk -

The Companies exposure to this risk is given by changes in the prices of variable income financial instruments, classified in the combined statement of financial position as financial instruments at fair value through profit or loss.

As of December 31, 2023 and 2022, Management conducted sensitivity tests on the market prices of mutual funds. The effect on the combined statement of comprehensive income would be as follows:

Sensitivity analysis	Prices %	2023 S/(000)	2022 S/(000)
Mutual funds	+/-10	3,344	-
Mutual funds	+/-20	6,689	-
Mutual funds	+/-30	10,033	-

Management believes that future fluctuations in the exchange rate, interest rate and prices of its capital securities will not significantly affect the future profit and loss of its operations.

30.3 Liquidity risk -

It is the risk that the Companies could not comply with their payment obligations related to financial liabilities at maturity. The consequence would be the default in the payment of their obligations to third parties.

Liquidity risk management implies maintaining sufficient cash and availability of funding through an adequate amount of committed credit sources and the ability to settle transactions, mainly debt. To that respect, Management of the Companies focuses its efforts to maintain funding sources through the availability of credit lines. Likewise, the Companies assess medium-term and long-term liquidity through a structural analysis of its funds inflows and outflows in different maturity terms. This process allows to know, for each currency, the various funding sources, how liquidity needs increase and which terms are mismatched.

The table below summarizes the maturity profile of the Companies' financial liabilities based on contractual undiscounted payments:

	Up to 3 months S/(000)	**3 to 12 months** S/(000)	**More than 1 year** S/(000)	**Total** S/(000)
As of December 31, 2023 -				
Trade accounts payables	4,152,854	40,346	-	4,193,200
Accounts payables to related parties	43,320	61,289	82,226	186,835
Other accounts payables	440,245	144,012	55,171	639,428
Current income tax payables, net	81,847	-	-	81,847
Lease liabilities -				
Principal amortization	96,844	234,595	1,722,886	2,054,325
Interests amortization	29,988	115,364	1,136,429	1,281,781
Senior notes and financial obligations on long term -				
Principal amortization	172,579	270,717	4,983,905	5,427,201
Interests amortization	87,334	148,795	477,149	713,278
	5,105,011	1,015,118	8,457,766	14,577,895
As of December 31, 2022 -				
Trade accounts payables	4,061797	73,525	-	4,135,322
Accounts payables to related parties	88,357	16,147	150,831	255,335
Other accounts payables	466,091	56,044	27,634	549,769
Current income tax payables, net	13,864	-	-	13,864
Lease liabilities -				
Principal amortization	96,216	220,800	1,576,137	1,893,153
Interests amortization	23,677	86,600	981,514	1,091,791
Senior notes and financial obligations on long term -				
Principal amortization	630,061	116,819	4,929,140	5,676,020
Interests amortization	85,889	127,099	651,140	864,128
	5,465,952	697,034	8,316,396	14,479,382

30.4 Changes in liabilities arising from financing activities:

The table below presents the changes in liabilities arising from financing activities

	Balance at beginning of year S/(000)	Dividends declared S/(000)	Accrued interests S/(000)	New leasing S/(000)	Other S/(000)	Structuring commission accrual S/(000)	Exchange difference S/(000)	Cash flows S/(000)	Balance at end of year S/(000)
As of December 31, 2023 -									
Financial obligations	5,676,020	-	-	33,435	6	9,490	(62,184)	(229,566)	5,427,201
Dividends paid	-	411,729	-	-	-	-	-	(411,729)	-
Lease liabilities	1,893,153	-	142,151	622,295	(48,988)	-	(39,209)	(515,083)	2,054,319
Interests for financial obligations	49,349	-	281,221	-	-	-	-	(278,637)	51,933
Liabilities to financing activities	7,618,522	411,729	423,372	655,730	(48,982)	9,490	(101,393)	(1,435,015)	7,533,453
As of December 31, 2022 -									
Financial obligations	5,491,074	-	-	27,568	83	7,042	(97,540)	247,793	5,676,020
Dividends paid	-	495,195	-	-	-	-	-	(495,195)	-
Lease liabilities	1,708,994	-	122,175	614,968	(35,702)	-	(51,562)	(465,720)	1,893,153
Interests for financial obligations	43,783	-	259,888	-	-	-	-	(254,322)	49,349
Liabilities to financing activities	7,243,851	495,195	382,063	642,536	(35,619)	7,042	(149,102)	(967,444)	7,618,522

30.5 Capital management risk -

The objectives of the Companies when managing capital are to ensure they have a strong credit qualification and to maintain sound capital ratios to support the business and maximize the value for shareholders.

The Companies manage their capital structure and make pertinent adjustments depending on changes in economic conditions. In order to maintain and adjust their capital structure, the Companies might modify the payments of dividends to shareholders, reimburse them capital stock or issue new shares. During 2023 and 2022 there were no modifications in the objectives, policies or processes related to capital management.

The Companies control the capital using a debt ratio, defined as the quotient between the net debt and equity plus net debt. The Companies have the policy of maintaining the debt ratio between 75 and 85 percent. The Companies include in the net debt the interest-bearing loans and borrowings, trade accounts payable, accounts payable to related parties, other payables, income tax liabilities and senior notes issued, less cash and short-term deposits.

	2023 S/(000)	2022 S/(000)
Interest-bearing loans and borrowings, note 18	2,390,947	2,584,005
Trade accounts payable, accounts payable to related parties, other accounts payable and income tax liability, notes 16, 26(b), 17 and 20(e)	5,019,459	4,954,290
Lease liabilities, note 13(b.2)	2,054,319	1,893,153
Senior notes issued, note 19	3,036,254	3,092,015
Less: Cash and short-term deposits, note 5	(803,376)	(714,651)
Net debt (a)	11,697,603	11,808,812
Equity	3,026,400	2,660,156
Capital stock and net debt (b)	14,724,003	14,468,968
Leverage ratio (a/b)	79%	82%

31. Fair value

The methodologies and assumptions used by the Companies to determine the estimated market values, depend on the stipulations and characteristics of the risks of the financial instruments, and include the following:

(a) Financial instruments which fair value is similar to book value:
For the assets and liabilities that are liquid or have short-term maturity (less than three months), it is considered that the carrying value is similar to their fair value. This assumption is applicable too for the time deposits and savings accounts with no specific maturity. These instruments are classified in the Level 1 of the hierarchy of fair value.

(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. These instruments are classified in the Level 2 of the hierarchy of fair value.

(c) Financial instruments at fair value through other comprehensive income and financial instruments at fair value through profit or loss -
The fair value of financial instruments at fair value through other comprehensive income or through profit or loss is based on the quoted prices of active markets, if available; in the case they are not available, the fair value is estimated using the discounted cash flow method. These instruments are classified in the Level 2 of the hierarchy of fair value.

(d) Derivative financial instruments, interest-bearing loans and borrowings, lease liabilities and senior notes issued -
These fair values were determined by level 3 of the hierarchy, their fair values were determined by comparing the market interest rates at the time of initial recognition with the current market rates related to similar financial instruments. The comparison between the book values and the fair values of these financial instruments, is presented below:

	2023		2022	
	Book value S/(000)	**Fair value** S/(000)	**Book value** S/(000)	**Fair value** S/(000)
Derivatives financials instruments	63,871	63,871	114,084	114,084
Interest-bearing loans and borrowings	2,390,947	2,309,650	2,584,005	2,432,911
Lease liabilities	2,054,319	2,054,319	1,893,153	1,893,153
Senior notes issued	3,036,254	3,000,535	3,092,015	3,083,837

Based on the criteria described above, Management estimates that there are no significant differences between the book value and the fair value of the financial instruments of the Companies as of December 31, 2023 and 2022.

32. Subsequent events

Between January 1, 2024 and the approval date of the Management of these financial statements, there have been no subsequent significant events of a financial-accounting nature that may affect the interpretation of these financial statements

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