Translation of independent auditors' report and financial statements originally issued in Spanish - Note 33

InRetail Pharma S.A. and Subsidiaries

Consolidated financial statements as of December 31, 2022 and 2021, together with the Independent Auditors' Report

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Tanaka, Valdivia & Asociados
Sociedad Civil de R.L

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Independent auditors' report

To the shareholders of InRetail Pharma S.A. and Subsidiaries

Opinion

We have audited the accompanying consolidated financial statements of InRetail Pharma S.A. (a Peruvian company, part of the Intercorp Peru Group), and Subsidiaries ("the Group"), which comprise the consolidated statements of financial position as of December 31, 2022, and the related consolidated income statement, statement of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of InRetail Pharma S.A. and Subsidiaries as of December 31, 2022, and their related consolidated financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

Basis of opinion

We conducted our audit in accordance with the International Auditing Standards (NIA) approved for application in Peru by the Board of Deans of the Associations of Public Accountants of Peru. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants. International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the 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 is sufficient and appropriate to provide a basis for our opinion.

Independent auditors' report (continued)

Responsibilities of Management and those charged with governance of the Group in relation to the consolidated financial statements

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

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

Those charged with governance of the Group are responsible for overseeing the Group's consolidated financial reporting process.

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures that respond to those risks, and obtain audit evidence that is sufficient and appropriate to provide us with a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is greater than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or an override of internal control.

Independent auditors' report (continued)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the adequacy of the accounting policies used, the reasonableness of the accounting estimates and the respective disclosures made by management.
- Conclude on the adequacy of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to change our opinion. The conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the general presentation, the structure, the content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves a fair presentation.
- Obtain sufficient and appropriate audit evidence in relation to the financial information of the entities or business activities that are part of the Group, in order to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the Group and, therefore, for our audit opinion.

We communicate to those charged with governance of the Group, among other matters, the planned scope and timing of the audit, the significant findings of the audit, as well as any significant deficiencies in internal control identified during the audit.

Lima, Peru,
March 29th, 2023

Countersigned by: Tanaka Valdivia & Asociados

Adriana Zabala

Adriana Zabala
C.P.C.C. Registration No. 04-6190

InRetail Pharma S.A. and Subsidiaries

Consolidated statements of financial position

As of December 31, 2022 and 2021

	Note	2022 S/(000)	2021 S/(000)
Assets			
Current assets			
Cash and cash equivalents	4.2(g) and 5	347,282	299,340
Trade accounts receivables, net	4.2(c) and 6	642,157	510,014
Accounts receivables from related parties	4.2(c) and 26(b)	18,672	10,341
Other accounts receivables, net	4.2(c) and 7	222,858	275,424
Inventories, net	4.2 (h) and 8	1,326,488	1,367,590
Prepayments	4.2(i)	5,116	5,160
Total current assets		2,562,573	2,467,869
Non-current assets			
Other receivables, net	4.2(c) and 7	32,718	32,428
Financial assets at fair value through other comprehensive income	4.2(c) and 9	98,485	172,206
Derivative financial instruments	4.2(d) and 10	57,107	111,926
Property, installations, furniture and equipment, net	4.2(j) and 11(a)	822,228	643,770
Right-of-use assets, net	4.2(k) and 11(b)	584,202	510,596
Intangibles, net	4.2(l) and 12	566,058	581,305
Other non-financial assets		2,435	2,463
Goodwill	4.2(b) and 13	1,272,634	1,272,634
Deferred income tax assets, net	4.2(s) and 14(a)	102,808	65,275
Total non - current assets		3,538,675	3,392,603
Total assets		6,101,248	5,860,472

	Note	2022 S/(000)	2021 S/(000)
Liabilities and equity			
Current liabilities			
Trade accounts payables	4.2(c) and 15	1,853,560	1,671,957
Accounts payables to related parties	4.2(c) and 26(b)	30,157	20,057
Other accounts payables	4.2(c) and 16	252,854	274,863
Current income tax payables, net	4.2(s) and 14(e)	13,086	6,026
Short-term financial obligations	4.2(c) and 17	300,897	358,988
Lease liabilities	4.2(k) and 11(b.2)	226,026	184,389
Total current liabilities		2,676,580	2,516,280
Non-current liabilities			
Other accounts payables	4.2(c) and 16	27,634	29,342
Financial obligations	4.2(c) and 17	607,071	605,826
Accounts payable from related parties	4.2(c) y 26(b)	1,353,541	1,402,583
Lease liabilities	4.2(k) and 11(b.2)	406,095	383,822
Senior notes issued	4.2(c) and 18	384,786	384,413
Deferred income tax liabilities, net	4.2(s) and 14(a)	119,417	120,022
Total non-current liabilities		2,898,544	2,926,008
Total liabilities		5,575,124	5,442,288
Equity	19		
Capital stock		15,840	15,840
Capital premium		482,835	482,835
Other equity reserves		(42,695)	(3,533)
Retained earnings		70,144	(76,958)
Total equity		526,124	418,184
Total liabilities and equity		6,101,248	5,860,472

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

InRetail Pharma S.A. and Subsidiaries

Consolidated income statements

For the years ended December 31, 2022 and 2021

	Note	2022 S/(000)	2021 S/(000)
Revenue from contracts with customers	4.2(q) and 21	8,668,252	8,064,488
Cost of sales	4.2(q) and 22	(6,023,845)	(5,578,749)
Gross profit		2,644,407	2,485,739
Operating expenses			
Selling expenses	4.2(q) and 23	(1,575,383)	(1,494,335)
Administrative expenses	4.2(q) and 23	(322,506)	(301,684)
Other income	4.2(q) and 24	98,851	57,107
Other expenses	4.2(q) and 24	(72,153)	(49,493)
Total operating expenses		(1,871,191)	(1,788,405)
Operating profit		773,216	697,334
Other income (expenses)			
Financial income	4.2(q) and 25	13,793	8,509
Financial costs	4.2(q) and 25	(204,386)	(318,140)
Exchange difference, net	4.2(f) and 30.1(i)	18,847	(28,960)
Total other income (expenses), net		(171,746)	(338,591)
Profit before income tax		601,470	358,743
Income tax	4.2(s) and 14(c)	(199,163)	(137,399)
Net profit		402,307	221,344
Earnings per share:			
Basic and diluted profit for the year attributable to InRetail Pharma S.A. shareholders	4.2(u) and 27	25.40	13.97
Average number of outstanding shares (in thousands)	4.2(u) and 27	15,839	15,839

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

InRetail Pharma S.A. and Subsidiaries

Consolidated statements of comprehensive income

For the years ended December 31, 2022 and 2021

	Note	2022 S/(000)	2021 S/(000)
Net profit		402,307	221,344
Other comprehensive income -			
To be reclassified to the consolidated income statements in subsequent periods:			
Unrealized results on derivative financial instruments	4.2(d) and 10(c)	23,422	(11,129)
Exchange differences on translation of foreign operations		(513)	1,809
Unrealized results on actuarial valuation		(265)	(326)
Deferred income tax	4.2(s) and 14(a)	(6,909)	3,283
Total		15,735	(6,363)
That will not be reclassified to the consolidated income statements in subsequent periods:			
Fair value update of financial investments with changes in other comprehensive income	4.2(c) y 9(d)	(18,257)	(2,140)
Deferred income tax		5,386	631
Total		(12,871)	(1,509)
Other comprehensive income for the year, net of income tax effects		2,864	(7,872)
Total comprehensive income for the year, net of income tax effects		405,171	213,472

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

InRetail Pharma S.A. and Subsidiaries

Consolidated statements of changes in equity

For the years ended December 31, 2022 and 2021

			Other equity reserves						
	Capital stock S/(000)	Capital premium S/(000)	Legal reserve S/(000)	Unrealized income on financial assets at fair value through other comprehensive income S/(000)	Unrealized results on derivative financial investment S/(000)	Foreign currency rates effect S/(000)	Unrealized results for actuarial update S/(000)	Retained earnings S/(000)	Total S/(000)
Balance as of January 1, 2021	15,840	482,835	21,023	14,774	(46,668)	2,115	1,065	323,767	814,751
Net income	-	-	-	-	-	-	-	221,344	221,344
Other comprehensive income	-	-	-	(1,509)	(7,846)	1,809	(326)	-	(7,872)
Total comprehensive income	-	-	-	(1,509)	(7,846)	1,809	(326)	221,344	213,472
Transfers to legal reserve, note 19(b)	-	-	15,885	-	-	-	-	(15,885)	-
Dividends paid, note 19(c)	-	-	-	-	-	-	-	(610,039)	(610,039)
Disposal of subsidiary, note 2.1 and 2.2	-	-	(4,025)	-	-	170	-	3,855	-
Balance as of December 31, 2021	15,840	482,835	32,883	13,265	(54,514)	4,094	739	(76,958)	418,184
Net income	-	-	-	-	-	-	-	402,307	402,307
Other comprehensive income	-	-	-	(12,871)	16,513	(513)	(265)	-	2,864
Total comprehensive income	-	-	-	(12,871)	16,513	(513)	(265)	402,307	405,171
Transfers to legal reserve, note 19(b)	-	-	(29,715)	-	-	-	-	29,715	-
Sale of investments at fair value through equity, note 9(b)	-	-	-	(11,731)	-	-	-	16,640	4,909
Dividends paid, note 19(c)	-	-	-	-	-	-	-	(302,140)	(302,140)
Others	-	-	-	-	-	(580)	-	580	-
Balance as of December 31, 2022	15,840	482,835	3,168	(11,337)	(38,001)	3,001	474	70,144	526,124

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

InRetail Pharma S.A. and Subsidiaries

Consolidated statements of cash flows

For the years ended December 31, 2022 and 2021

	2022 S/(000)	2021 S/(000)
Operating activities		
Collections from customers	8,521,840	8,039,114
Payments to suppliers	(6,359,581)	(6,236,484)
Payments to employees	(906,482)	(841,221)
Income tax paid	(178,547)	(310,332)
Recovery of taxes	-	1,713
Other payments, net	(27,788)	(3,092)
Net cash flows from operating activities	1,049,442	649,698
Investing activities		
Disposal of subsidiary, net of cash	-	33,305
Sale of property, installations, furniture and equipment	463	440
Sale of investments at fair value through equity	49,745	-
Purchase of property, installations, furniture and equipment	(254,827)	(126,437)
Purchase of financial assets at fair value through other comprehensive income	-	(124,345)
Purchase of intangibles assets	(45,589)	(43,024)
Net cash flows used in investing activities	(250,208)	(260,061)
Financing activities		
Obtaining interest-bearing loans and borrowings, net of structuring cost	793,952	937,548
Loan received from related parties	-	1,336,320
Payment of financial obligations and senior notes	(874,750)	(1,937,367)
Payment of lease liabilities	(294,550)	(285,421)
Dividends paid	(302,140)	(610,039)
Interest related to financial obligations and senior notes	(73,804)	(81,451)
Net cash flows used in financing activities	(751,292)	(640,410)
Net increase (decrease) in cash and cash equivalents	47,942	(250,773)
Cash and cash equivalents at the beginning of the year	299,340	550,113
Cash and cash equivalents at the end of the year	347,282	299,340
Non-cash transactions		
Fixed assets acquired through leasing	23,935	40,603
Addition of right-of-use assets	362,450	190,031

1. **Identification and business activities**

(a) Identification -

InRetail Pharma S.A. (hereinafter, the "Company"), was incorporated on August 2, 1996 and started its activities on June 1, 1997. As of December 31, 2022 and 2021, the Company is a subsidiary of InRetail Perú Corp., which is a subsidiary of Intercorp Retail Inc., which is one of the entities of the Intercorp Peru Group operating in Peru and abroad. The Company's legal address, where its administrative offices are located, is Defensores del Morro Avenue 1277, Chorrillos, Lima Perú.

The Company has the following subsidiaries: (i) Quicorp S.A. and Subsidiaries; (ii) Boticas IP S.A.C.; (iii) Química Suiza and Subsidiarie., (iv) Mifarma S.A.C. and Subsidiarie, (v) Farmacias Peruanas S.A.C. and (vi) FP Servicios Generales S.A.C; see note 3.

(b) Business activity -

The Company 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 pharmacy chain under the brands "Inkafarma" and "Mifarma". As of December 31, 2022, the Company operates 2,290 stores (2,249 stores as of December 31, 2021).

The consolidated financial statements as of December 31, 2021 have been approved by the General Stockholders' Meeting on April 30th, 2022. The consolidated financial statements as of December 31, 2022 have been approved by Management and the Board of Directors on March 28th, 2023, and then put for consideration of the General Stockholders' Meeting that will be held within the terms established by Law, for final approval. In Management's opinion, the Stockholders' Meeting will approve the accompanying consolidated financial statements without modifications.

2. Reorganization processes

2.1 Disposal of Química Suiza Colombia S.A.S. (Colombia) -

On January 22, 2021, Quicorp S.A. sold the shareholder interest in their subsidiary Química Suiza Colombia S.A.S. for approximately US$1,958,000 (equivalent to S/7,093,000), to a non-related entity, recording a profit of S/2,679,000, see note 24. The following is the assets and liabilities of Química Suiza Colombia S.A.S., at the date of disposals:

	22.01.2021 S/(000)
Assets -	
Cash and short-term deposits	2,085
Trade accounts receivables, net	7,952
Inventories	4,487
Deferred income tax assets, net	799
Taxes to recover	367
Property, furniture and equipment, note 11(a)	207
Right-of-use assets, net, note 11(b.1)	56
Other	416
	16,369
Liabilities -	
Trade accounts payables	6,709
Other accounts payable	1,390
Financial obligations	3,060
Lease liabilities, note 11(b.2)	92
Other	704
	11,955
Net value	4,414

2.2 Disposal of Cifarma S.A.C. (Perú) -

On February 26, 2021, Mifarma S.A.C. and Albis S.A.C. sold the shareholder interest in their subsidiary Cifarma S.A.C. for approximately US$9,545,000 (equivalent to S/34,879,000), to a non-related entity, recording a loss of S/6,772,000, see note 24. As of December 31st, 2022 and 2021, as a result of this transaction, an accounts receivable was recorded for the amount of S/3,383,000 and S/4,067,000, respectively, (see note7), which will be collected with the freeing of the "Escrow account" in the second semester of 2023. The following is the assets and liabilities of Cifarma S.A.C., at the date of disposals:

	26.02.2021 S/(000)
Assets -	
Cash and short-term deposits	2,514
Trade accounts receivables, net	14,585
Accounts receivables from related parties	7,740
Inventories	20,001
Deferred income tax assets, net	1,372
Property, furniture and equipment, note 11(a)	10,617
Right-of-use assets, net, note 11(b.1)	16,960
Intangibles, net	6,907
Other	1,778
	82,474
Liabilities -	
Trade accounts payables	14,018
Other accounts payable	3,592
Accounts payables to related parties	1,121
Lease liabilities, note 11(b.2)	20,164
Other	1,928
	40,823
Net value	41,651

2.3. Other reorganization processes -

In order to present a more efficient and organized structure, during 2022 and 2021, several corporate reorganization processes were performed (mergers and demergers), which involve some subsidiaries as Eckerd Amazonía S.A.C., Boticas del Oriente S.A.C., Jorsa de la Selva S.A.C., Albis S.A.C., Mifarma S.A.C., InRetail Pharma S.A., Boticas IP S.A.C., FP Servicios Generales S.A.C., Droguería InRetail Pharma S.A.C., Farmacias Peruanas S.A.C., Química Suiza Colombia S.A.S., and Cifarma S.A.C .; however, considering that said subsidiaries were controlled, directly and indirectly, by the Company and/or its shareholders since previous years, such reorganization processes had no impact on the consolidated financial statements as of December 31, 2022 and 2021.

3. **Subsidiaries' activities**

The most relevant data of the financial statements of the subsidiaries as of December 31, 2022 and 2021 are presented below:

	Country	Ownership		Main economic activity	Assets		Liabilities		Equity		Operating profit (*)		Net profit (*)	
		2022	2021		2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
		%	%		S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)
(i) Quicorp S.A. y Subsidiarias-														
Quicorp S.A.	Perú	99.99	99.99	Holding incorporated in Peru.	97,946	96,419	55	1,204	97,891	95,215	(1,498)	4,594	6,110	183,371
Vanttive Cía. Ltda.	Ecuador	100.00	100.00	Commercialization of pharmaceutical products.	19,496	19,088	13,019	13,051	6,477	6,037	967	1,805	453	1,245
Quimiza Ltda.	Bolivia	99.99	99.99	Commercialization of chemical and pharmaceutical products.	44,916	57,892	25,102	27,732	19,814	30,160	1,760	4,683	(368)	4,333
Quifatex S.A.	Ecuador	100.00	100.00	Commercialization of chemical and pharmaceutical products.	531,754	414,233	383,776	277,542	147,978	136,691	21,737	24,457	11,542	18,365
Cifarma S.A.C. (*)	Perú	-	-	Manufacturing and packaging of pharmaceutical products.	-	-	-	-	-	-	-	321	-	(155)
Química Suiza Colombia S.A.S. (*)	Colombia	-	-	Commercialization of pharmaceutical products.	-	-	-	-	-	-	-	19	-	19
(ii) Boticas IP S.A.C.	Perú	99.99	99.99	Commercialization of pharmaceutical products.	1,069,692	917,573	1,006,945	889,457	62,747	28,116	167,076	32,283	110,635	30,918
(iii) Química Suiza S.A.C. y Subsidiaria														
Química Suiza S.A.C.	Perú	100.00	100.00	Commercialization of pharmaceutical products.	946,867	899,044	659,454	643,220	287,413	255,824	60,961	61,262	31,589	39,973
Vanttive S.A.C.	Perú	100.00	100.00	Commercialization of pharmaceutical products.	23,974	22,115	18,734	18,696	5,240	3,419	2,543	2,373	1,821	1,589
(iv) Mifarma S.A.C. y Subsidiarias														
Mifarma S.A.C.	Perú	100.00	100.00	Commercialization of pharmaceutical products.	1,251,813	1,153,791	1,170,100	1,098,509	81,713	55,282	150,285	181,912	91,431	92,518
Jorsa de la Selva S.A.C.	Perú	99.99	99.99	Commercialization of pharmaceutical products.	149,987	147,282	119,563	128,619	30,424	18,663	17,675	18,424	11,761	6,306
(v) Farmacias Peruanas S.A.C.	Perú	99.99	99.99	Logistics services and commercial administrative services.	164,642	137,016	106,001	86,915	58,641	50,101	15,144	12,884	8,540	4,494
(vi) FP Servicios Generales S.A.C(*)	Perú	99.99	99.99	Administrative services.	1	1	-	-	1	1	-	-	-	-

(*) FP Servicios Generales has not started operations as of December 31, 2022.

4. Significant accounting policies and practices

The significant accounting policies used in the preparation and presentation of the Company and its Subsidiaries' consolidated financial statements are described below:

4.1 Basis of preparation and presentation -

The consolidated 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, 2022 and 2021, respectively.

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

The accounting policies adopted are consistent with those applied in previous years, except for the new revised IFRS and IAS that are mandatory for periods beginning on or after January 1, 2022, and that are applicable for the operating of the Company and its Subsidiaries; however, they did not have any impact on the consolidated financial statements as of December 31, 2022 and, therefore, they have not been disclosed.

The information contained in the consolidated financial statements is the responsibility of the Company and its Subsidiaries' Management, who explicit manifest that principles and criteria included on IFRS, as issued by IASB are fully applied as of the date of consolidated financial statements

4.2 Summary of significant accounting principles and practices -

(a) Basis of consolidation -

The consolidated financial statements comprise the financial statements of the Company and its Subsidiaries; see note 3.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains 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.

(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 administrative expenses.

When the Company acquires a business, it assesses 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 interest 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 income statements.

After initial recognition, goodwill is measured at cost minus 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 Company and its Subsidiaries cash-generating units that are expected to benefit from the combination.

Business combinations and other sales of companies or businesses between entities under common control are recorded using the pooling-of-interest method, because there has been no effective change in control over the companies or business. In accordance with the pooling-of-interest method, the balances of the financial statements of the merged companies or businesses, in the period in which the merger occurs as well as the other periods presented in comparative form, are presented as if they had merged since the beginning of the oldest period that is presented.

(c) Financial instruments - Initial recognition and subsequent measurement -
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(i) Financial assets –
Initial recognition and measurement –
Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The Company and its Subsidiaries' financial assets include cash and cash equivalents, financial assets at fair value through profit or loss, trade accounts receivable, other accounts receivable, accounts receivable from related parties and financial assets at fair value through other comprehensive income.

Subsequent measurement -

For purposes of subsequent measurement, financial assets are classified in 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 Company and its Subsidiaries' business model and the financial asset's contractual cash flow characteristics. Financial assets are not reclassified after initial recognition, except if the Company and its Subsidiaries change their business model.

Financial assets at amortized cost -Debt instruments -

The Company and its Subsidiaries 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. 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 through OCI – Debt instruments -

The Company and its Subsidiaries measure debt instruments at fair value through OCI if both of the following conditions are met:

- The business model that the Company and its Subsidiaries have for the management of financial assets is collect the contractual cash flows, as well as obtain results for their management through the sale of those financial assets under market conditions; 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, 2022 and 2021, the Company and its Subsidiaries have not designated any financial instrument under this category.

Equity instruments – Shares -
Equity instruments (shares) held for trading are recorded at fair value through profit or loss. For other equity instruments, the Company and its Subsidiaries should classify irrevocably each equity investment (shares) at fair value through OCI or at fair value through profit or loss. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never transferred to profit or loss. Dividends are recognized as other income in the consolidated income statement when the right of payment has been established, except when the Company and its Subsidiaries benefit from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

As of December 31, 2022 and 2021, in this category is included financial assets at fair value through 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.

Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in the statement of profit or loss.

As of December 31, 2022 and 2021, the Company and its Subsidiaries have not designated any financial instrument under this category.

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, it is removed from the consolidated statement of financial position when:

- The rights to receive cash flows from the asset have expired; or
- The Company and its Subsidiaries have transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) all the risks and rewards of the asset have been substantially transferred; or (b) neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company and its Subsidiaries have transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, they evaluate if, and to what extent, it has retained the risks and rewards of ownership. When the Company and its Subsidiaries have neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company and its Subsidiaries continue to recognize the transferred asset. In that case, the Company and its Subsidiaries also recognize an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company and its Subsidiaries have retained.

Impairment of financial assets -
The Company and its Subsidiaries 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 Company and its Subsidiaries 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.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Company and its Subsidiaries apply a simplified approach in calculating ECLs. Therefore, the Company and its Subsidiaries do not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Company and its Subsidiaries have 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.

In determining whether the credit risk of a financial asset has significantly increased from its initial recognition, the Company and its Subsidiaries consider the reasonable and supportable information that is available without undue cost or effort.

(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 Company and its Subsidiaries' financial liabilities include trade accounts payable, other accounts payables, accounts payable to related parties, financial obligations and senior notes.

Subsequent measurement -

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

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 incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered by the Company and its Subsidiaries that are not designated as hedging instruments in hedge relationships as defined by IFRS 9.

As of December 31, 2022 and 2021, the Company and its Subsidiaries have not designated any financial liability at fair value through profit or loss.

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 consolidated 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 consolidated income statement.

This category includes trade accounts payables, other accounts payables, accounts payables to related parties, lease liabilities, financial obligation and Senior Notes.

Derecognition -
A financial liability is derecognized when the obligation under the liability is discharged or 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 consolidated income statement.

(iii) *Offsetting of financial instruments -*
Financial assets and financial liabilities are offset and the net amount is reported in the consolidated 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.

(d) Hedging activities and derivatives –
The Company and its Subsidiaries use derivative financial instruments to hedge its foreign currency risks and interest rate risks. Such derivative financial instruments are recognized at fair value as of the date of the consolidated financial statements. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

For the purpose of hedge accounting, hedges are only classified as cash flow hedges, that is, when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognized firm commitment.

At the inception of a hedge relationship, the Company and its Subsidiaries formally designate and document the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

The documentation includes the identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Company and its Subsidiaries will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is an economic relationship between the hedged item and the hedging instrument;
- The effect of credit risk does not dominate the value changes that result from that economic relationship; and
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Company and its Subsidiaries actually hedge and the quantity of the hedging instrument that the Company and its Subsidiaries actually use to hedge that quantity of hedged item.

Cash flow hedges that meet all of the criteria for hedge accounting are recorded as described below: The effective portion of the gain or loss on the hedging instrument is recognized in OCI into the caption "Unrealized results on derivative financial instruments", while any ineffective portion is recognized immediately in the consolidated income statement. For any other cash flow hedges, the amount accumulated in OCI is reclassified to profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect profit or loss.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in OCI must remain in accumulated OCI if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to profit or loss as a reclassification adjustment. After discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated OCI must be accounted for depending on the nature of the underlying transaction.

(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 Company and its Subsidiaries. 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 Company and its Subsidiaries uses valuation techniques that are appropriate in the circumstances and for which sufficient data are 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 Company and its Subsidiaries determine 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 Management analyses the movements in the values of assets and liabilities that must be valued in accordance with the accounting policies of the Company and its Subsidiaries.

For the purpose of fair value disclosures, the Company and its Subsidiaries 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.

(f) Foreign currency transactions –

Functional and presentation currency -

The functional currency of the Company is the Sol, because it corresponds to the currency of its primary economic environment and is the one used in the development of its operations. For each subsidiary, Management evaluated and determined the functional currency, concluding that in all cases correspond to the currencies of the countries where its Subsidiaries operate.

The accompanying consolidated financial statements have been prepared to show the joint activity of the Company and its Subsidiaries, reason why the Sol has been established as the presentation currency, which is the functional currency of the Company. Consequently, the balances of the financial statements of Subsidiaries operating in countries with a functional currency other than the Sol, have been converted to this currency in accordance with the methodology set out in IAS 21 "Effects of changes in rates change in foreign currency ", as follows:

- Assets and liabilities have been translated based on the closing exchange rate at the date of each consolidated statements of financial position presented. The translation differences from the opening balances of the reporting currency at a different exchange rate as of the consolidated statement of financial position date are presented as a movement in each of the corresponding captions.

- Income and expense items have been translated at the average exchange rate of each month of the year; these rates are approximate to the exchange rates at the dates of the transactions.

- The exchange difference arising from the translation has been recognized in the consolidated statements of comprehensive income in "Exchange differences on translation of foreign operations".

Foreign currency transactions are those performed in a currency other than the functional currency of the entity and are initially recorded at the exchange rates of their respective functional currencies at the date the transaction first qualifies for recognition.

Subsequently, monetary assets and liabilities denominated in foreign currencies are adjusted at the functional currency exchange rate ruling at the reporting date. Differences between the closing rate at the date of each consolidated statements of financial position presented and the exchange rate initially used to record the transactions are recognized in the consolidated statements of income in the period in which they arise, in the caption "Exchange difference, net".

Non-monetary assets and liabilities in foreign currencies are translated at the exchange rate at the dates of the initial transactions and are not subsequently adjusted.

As required by IAS 21, the exchange differences resulting from transactions between related parties are eliminated in consolidation and are not included as part of the net investment in a foreign operation are recorded in profit or loss in the consolidated financial statements.

(g) Cash and cash equivalents –

For the purpose of the consolidated statements of cash flows, cash and cash equivalents consist of cash and fixed funds, current accounts and cash in transit. Such balances are not subject to significant risk of changes in value.

(h) Inventories –

Inventories are valued as the lower between cost and 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, minus estimated costs of completion and estimated costs necessary to make the sale.

Reductions in cost of inventories to its net realizable value are recorded as a provision for impairment of inventories, in the caption "Cost of sales" in the consolidated income statements in the period in which such reductions occur.

(i) Prepayments -

The criteria adopted to record these items are the following:

- Insurances are recorded as the value of the premium paid for the coverage of the different assets and are amortized by applying the straight-line method during the term of the policies.
- Payments in advance for advertising are recorded as an asset and are recognized as an expense when the service is accrued.

As of December 31, 2022, prepayments amount to approximately S/5,116,000, (approximately S/5,160,000 as of December 31, 2021), which mainly includes advertising and insurance paid in advance.

(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.

When significant parts of property, installations, furniture and equipment are required to be replaced periodically, the Company and its Subsidiaries derecognize the replaced part, and recognize 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 consolidated 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 11.

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 consolidated 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 facilities in construction and is recorded at cost. This includes the construction cost and other direct costs. Work in progress does not depreciate until relevant assets are concluded and operative.

(k) Leases –
The Company and its Subsidiaries assess at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company and its Subsidiaries as lessees -
The Company and its Subsidiaries apply a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company and its Subsidiaries recognize lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(k.1) Right-of-use assets –
The Company and its Subsidiaries recognize right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, between 2 and 10 years.

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.

The right-of-use assets are also subject to impairment. Refer to the accounting policies in section (m) Impairment of non-financial assets.

(k.2) Lease liabilities -
At the commencement date of the lease, the Company and its Subsidiaries recognize lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and its Subsidiaries and payments of penalties for terminating the lease, if the lease term reflects the Company and its Subsidiaries exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognized as expenses in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company and its Subsidiaries use its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made.

(k.3) Short-term leases and leases of low-value assets -
The Company and its Subsidiaries apply the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

The Company and its Subsidiaries as lessors -
Leases in which the Company and its Subsidiaries do not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging 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. Contingent rents are recognized as revenue in the period in which they are earned.

(l) Intangibles -
The intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost minus accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding development capitalized costs, 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 lives are amortized over their useful economic lives 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 consolidated 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 consolidated income statements when the asset is derecognized.

Amortization is calculated on a straight – line basis over the estimate useful lives described note 12.

(m) Impairment of non-financial assets –
At each closing date of the reporting period, the Company and its Subsidiaries, assess at each end of year, whether there is an indicator that an asset may be impaired. If any indicator exists, or when annual impairment testing for an asset is required, the Company and its Subsidiaries estimate the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating units (CGU's) 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's) exceeds its recoverable value, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. In determining fair value less costs of disposal, are taken into account recent market transactions, if any. If it is not possible to identify this type of transaction, using a valuation model is appropriate.

The Company and its Subsidiaries base their impairment calculations, if needed, on detailed budgets and forecast calculations which are prepared separately for each of the 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.

Impairment losses of continuing operations, including impairment on inventories, are recognized in the consolidated statements of comprehensive income in those expense categories consistent with the function of the impaired asset.

For non-financial assets, an assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Company and its Subsidiaries estimate the asset's or CGU's recoverable amount. An impairment loss recognized previously is only reversed if there was a change in the assumptions used to determine the recoverable amount of an asset since the last impairment loss was recognized. The reversal is limited in such a way that the carrying amount of the asset does not exceed its recoverable amount, nor does it exceed the carrying amount that would have been determined, net of the corresponding depreciation, if no impairment loss have been recognized for the asset in precedent periods. This reversal is recognized in the consolidated income statement, unless the asset is accounted for by revalued value, in which case the reverse is a revaluation increase.

(n) Employee benefits –

Short term -

The Company and its Subsidiaries 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 consolidated statement of comprehensive income as they accrue.

Long term -

The subsidiaries in Ecuador grant long-term benefits, which mainly correspond to retirement pensions and eviction. The present value of the obligations for pension plans is determined by actuarial valuations, which is recorded at each date of the consolidated statement of financial position, and its variations with charge or credit directly in equity; however, the amount of this variation has not been significant during the year 2022 and 2021. Actuarial valuations involve certain assumptions that could differ from the events that will actually take place in the future. These assumptions include: the determination of the discount rate, future wage increases, mortality rates and future pension increases. All these assumptions are reviewed at each closing date of the reporting.

(o) Provisions -

Provisions are recognized when the Company and its Subsidiaries have 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 Company and its Subsidiaries expect 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 related to any provision is presented in the consolidated 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, when corresponds, the risks specific to the liability. When discounts are recognized, the increase in the provision, due to the course of time, is recognized as a financial cost in the consolidated income statements.

(p) 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 sufficient reliability. Contingent assets are not recognized but are nonetheless disclosed when it is probable that generates an income of economic benefits to the Company and its Subsidiaries.

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.

(q) Revenue from contracts with customers –

IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers. In agreement with IFRS 15, the revenue is 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 Company and its Subsidiaries' revenues mainly correspond to sale of goods, which occur at a point in time when the goods are delivered. The Company and its Subsidiaries 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.

Sale of goods -

For such revenues, 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 Company and its Subsidiaries sale, is recognized when goods are delivered, simultaneously with the recognition of revenue for the corresponding sale.

Otherwise, the Company and its Subsidiaries have identified that their only significant variable consideration correspond 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 Company and its Subsidiaries recognize such right over a historical estimate of returns basis. Consequently, income related to the expected returns is adjusted with expenses provisions in the consolidated statements of income, when they directly affect the revenue from contracts with customers.

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.

(r) Financing costs –
Financing costs that are directly attributable to acquisition, construction or production of an asset, that necessarily takes a substantial period of time to get ready for its intended use or sale, are capitalized as part of the cost of the respective assets. These costs are capitalized as part of the cost of the respective assets if it is probable to give rise to future economic benefits for the entity and can be reliably measured. All other borrowing costs are expensed in the period in which they occur. Financing costs include interest and other costs incurred by the Company and its Subsidiaries in relation to the respective loan agreements.

(s) Taxes –
Current income tax and employee's profit sharing -
Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authority, based in the financial statements for entity. The tax rates and tax laws used to compute the amount of current income tax due for the fiscal year are those that are enacted or substantively enacted, at the statement financial position date. In accordance with legal standards from Peru, employee´s profit sharing is calculated over the same basis for calculating current income tax and in Ecuador over the basis of the financial profit.

Current income tax relating to items recognized directly in consolidated equity is recognized in consolidated equity and not in the consolidated 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 affects 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:

- When 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 sufficient 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 close to being 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 consolidated 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 consolidated statement of financial position.

(t) Customer loyalty programs –
Revenues related to the loyalty program "Inkaclub" and "Monedero del Ahorro" 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 "Other accounts payable" of the consolidated 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 Company by the weighted average number of ordinary shares outstanding during the year. As of December 31, 2022 and 2021, the Company 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 Company and its Subsidiaries 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) Subsequent events -
Subsequent events that provide additional information about the financial situation of the Company and its Subsidiaries as of the date of the consolidated statement of financial position (adjustment events) are included in the consolidated financial statements. Relevant subsequent events that are not adjustment events are disclosed in notes to the consolidated financial statements.

4.3 Significant accounting judgments, estimates and assumptions –

The preparation of the consolidated 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 consolidated financial statements, as well as the reported amounts of revenues and expenses for the years ended December 31, 2022 and 2021.

The most significant estimates made by Management in connection with the consolidated financial statements are:

(i) Shrinkage provision –
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 consolidated statements of income.

(ii) Discounts, price reductions and others obtained by volume of purchases and sales of goods -
Discounts, price reduction and others obtained by volume of purchases and sales of goods are deducted from inventory at the date the discount is granted by suppliers and from cost of sales when the related items are sold. The different forms of such discounts require that the Company and its Subsidiaries estimate its distribution between the inventory that has been sold and the inventory remaining in stock at the date of the consolidated 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.

(iii) Valuation of financial investment at fair value through other comprehensive income -
When the fair values of financial assets and financial liabilities recorded in the consolidated 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 31.

(iv) Impairment of non-financial assets –
At the end of each year, the Company and its Subsidiaries assess whether there is existent evidence that the value of its assets has deteriorated. If said evidence exists, the Company and its Subsidiaries perform an estimation of the recoverable amount of the asset.

As of the date of the consolidated financial statements, the available projections of these indicators show trends favorable to the interests of the Company and its Subsidiaries which support the recovery of its non-financial assets.

(v) Depreciation method, estimated useful lives and residual value of property, installations, furniture and equipment –
The determination of the depreciation method, the estimated useful lives and the residual value of property, installations, furniture and equipment involves judgments and assumptions that could be affected if the circumstances change. Management reviews periodically these assumptions and adjusts then in a prospective manner in case any changes are identified.

(vi) Recovery of deferred tax assets -
Deferred tax assets require Management to evaluate the probability that the Company and its Subsidiaries generate 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 Company and its Subsidiaries to realize the net deferred tax assets recorded at the reporting date.

Additionally, future changes in tax legislation might limit the capability of the Company and its Subsidiaries 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.

(vii) Fair value measurement of derivative financial instruments -
When the fair values of financial assets and financial liabilities recorded in the consolidated 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 when 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 31.

(viii) The incremental borrowing rate -
The Company and its Subsidiaries use their incremental borrowing rate (IBR) to measure lease liabilities. The Company and its Subsidiaries estimate the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

(ix) Determining the lease term of contracts with renewal and termination options –
The Company and its Subsidiaries determine the lease term as the non-cancellable term of the lease, together with:

(a) any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or

(b) any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Company and its Subsidiaries apply judgement in evaluating if it is reasonably certain whether or not to exercise the option to renew or terminate the lease considering all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Company and its Subsidiaries reassess the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate.

(x) Obligations from long-term employee benefits -
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.

(xi) Taxes estimation –
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 Company and its Subsidiaries 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 Companies 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 Company and its Subsidiaries.

The Company and its Subsidiaries consider remote the probability of litigation of a tax nature and subsequent disbursements, therefore, has not recognized any liabilities related to taxes have been recognized.

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

4.4 Changes in accounting policies and disclosures –

Some of the standards and amendments are effective for the first time in 2022; however, they have not had an impact on the Group's consolidated financial statements and, therefore, have not been disclosed. The Group has not early adopted any standards, interpretations or amendments that have been issued and are not yet effective.

Onerous contracts - Costs of fulfilling a contract - Amendments to IAS 37

An onerous contract is a contract under which the unavoidable costs of performing the obligations of the contract exceed the economic benefits expected to be received under the contract. Costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs are not directly related to a contract and are excluded unless they are explicitly charged to the counterparty under the contract. These modifications had no impact on the Group's consolidated financial statements as there were no onerous contracts during the period.

Reference to the Conceptual Framework - Amendments to IFRS 3

The amendments replace a reference to a previous version of the IASB's Conceptual Framework with a reference to the current version issued in March 2018 without significantly changing its requirements. The amendment added an exception to the recognition principle in IFRS 3 to avoid the issue of potential "day 2" gains or losses arising from contingent assets and liabilities that would be within the scope of IAS 37 or IFRIC 21 Liens, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, rather than the Conceptual Framework, to determine whether a present obligation exists at the acquisition date. The amendments also add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date. These amendments had no impact on the Group's consolidated financial statements as there were no contingent assets, liabilities and contingent liabilities within the scope of these amendments arising during the period.

Property, plant and equipment: Revenue before intended use - Amendments to IAS 16 -
This amendment prohibits entities from deducting from the cost of an item of property, plant and equipment any revenue from the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the revenue from the sale of such items, and the costs of producing them, in profit or loss. These modifications had no impact on the Group's consolidated financial statements since there were no sales while the asset was available for use, that is, when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

4.5 New accounting standards -
The standards and interpretations issued that are relevant to the Group, but not yet effective, at the date of issuance of the consolidated financial statements are detailed below. The Group intends to adopt these standards, where applicable, when they become effective:

Amendments to IAS 1: Classification of liabilities as current or non-current -
In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement.
- That there must be a right to defer at the end of the reporting period.
- That the classification is not affected by the probability that an entity will exercise its right to defer.
- That only if a derivative embedded in a convertible liability is itself an equity instrument, the terms of a liability would not affect its classification.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and should be applied retrospectively. The Group is currently evaluating the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

Definition of Accounting Estimates - Amendments to IAS 8 -
In February 2021, the IASB issued amendments to IAS 8, introducing a new definition of "accounting estimates". The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. In addition, they clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendment will be effective for annual periods beginning on or after January 1, 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or

after the beginning of that period. Earlier application is permitted provided that this fact is disclosed. The Group will apply the changes in IAS 8 prospectively.

Disclosure of accounting policies - Amendments to IAS 1 and IFRS 2 Practice Statement -
In February 2021, the IASB issued amendments to IAS 1 and Practice Paper 2 "Making Materiality Judgments", in which it provides guidance and examples to assist entities in applying materiality judgments to accounting policy disclosures. The amendments are intended to help entities provide disclosures about accounting policies that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality. In making decisions about accounting policy disclosures. The amendments to IAS 1 are applicable for annual periods beginning on or after January 1, 2023 with early application permitted. As the amendments to Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy disclosures, an effective date for these amendments is not required. The Group is currently assessing the impact of the amendments to determine the impact they will have on the Group's accounting policy disclosures.

The Group is evaluating the possible impact of these standards on its consolidated financial statements; however, in Management's opinion, given the nature of the Group's operations, these standards will not have a significant impact on the Group's consolidated financial statements.

5. Cash and cash equivalents and financial assets at fair value through profit or loss

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

	2022 S/(000)	2021 S/(000)
Cash and fixed funds	7,892	5,896
Current accounts (b)	241,230	242,130
Cash in transit (c)	87,567	51,314
Saving accounts	10,593	-
	347,282	299,340

(b) The Company and its Subsidiaries maintain current accounts in local banks and abroad, mainly in Soles, US Dollars and Bolivianos are free available and are free of encumbrances.

(c) Cash in transit represents cash from sales of the different stores of the Company and its Subsidiaries during the last days of the period, which is transported by a securities services company from the stores of the Company to its bank accounts the fourth business day of the following month.

(d) As of December 31, 2022, the balances in savings accounts are freely available, are held in soles and dollars in local financial institutions, have a maturity of up to one month from their constitution and accrue interest between 0.01 and 0.35 percent per year in Soles and 0.15 percent per year in US dollars.

6. Trade accounts receivable, net

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

	2022 S/(000)	2021 S/(000)
Distribution, agreements and other (b)	645,049	530,162
Credit card operators (c)	33,952	18,110
	679,001	548,272
Less -		
Provision for doubtful accounts (e)	(36,844)	(38,258)
	642,157	510,014

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

(b) Correspond to the receivables mainly generated from the manufacture and distribution of different pharmaceutical and consumer products to entities across Peru and abroad. As of December 31, 2022 and 2021, due to the nature of the InRetail Pharma Group's operations, the client portfolio is highly disperse, and includes well-known laboratories and wholesalers at national and international level, pharmacy chains, independent pharmacies, public and private institutions, supermarkets, among others. Additionally, the Company and its Subsidiaries have contracts for the exclusive manufacture and distribution of their products with its major customers, whose validity periods range from 1 to 17 years.

(c) Correspond to pending deposits in favor of the Company and its Subsidiaries for the last days of December 2022 and 2021, held by credit card operators and originated from the sales of goods in the different stores of the Company and its Subsidiaries. Such amounts were deposited in favor of the Company and its Subsidiaries on the first business day of the following month.

(d) As of December 31, 2022 and 2021, the aging of the trade accounts receivable is presented below:

	December 31, 2022		
	Not impaired S/(000)	Impaired S/(000)	Total S/(000)
Not past due -	557,722	445	558,167
Past due -			
1 to 30 days	60,529	1,000	61,529
31 to 60 days	5,598	490	6,088
61 to 120 days	4,417	1,138	5,555
121 to 360 days	6,376	4,511	10,887
More than 360 days	7,515	29,260	36,775
	642,157	36,844	679,001

	December 31, 2021		
	Not impaired S/(000)	Impaired S/(000)	Total S/(000)
Not past due -	432,591	1,100	433,691
Past due -			
1 to 30 days	31,032	135	31,167
31 to 60 days	15,616	210	15,826
61 to 120 days	11,572	584	12,156
121 to 360 days	10,140	1,427	11,567
More than 360 days	9,063	34,802	43,865
	510,014	38,258	548,272

(e) The movements in the provision for doubtful accounts receivable were as follows:

	2022 S/(000)	2021 S/(000)
Balance at the beginning of the year	38,258	48,744
Additions, note 23(a)	7,633	8,264
Recoveries, note 23(a)	(1,693)	(2,496)
Write –off	(6,482)	(18,433)
Translation effect	(872)	2,179
Balance at the end of the year	36,844	38,258

(f) In Management's opinion, the provision for doubtful accounts receivable as of December 31, 2022 and 2021, appropriately covers the credit risk of trade accounts receivable.

7. Other accounts receivable, net

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

	2022 S/(000)	2021 S/(000)
By nature -		
Income Tax credit, note 14(e)	70,329	119,131
Discount and/or refunds receivable -		
From suppliers	42,715	2,093
From represented entities	9,643	9,756
Deposits in guarantee (c)	34,571	33,717
Claims and advances to be settled	23,605	37,671
Taxes pending to be recovered (e)	26,270	21,408
Funds held in Banco de la Nación (d)	19,453	23,842
VAT credit (b)	12,132	55,141
Accounts receivable from EMEFIN	8,421	-
Claims to the National Superintendence of Customs and Tax Administration	6,894	-
Receivables from EsSalud	4,482	1,368
Sale of shares of Cifarma S.A.C., note 2.2	3,383	4,067
Receivables from employees	1,125	3,825
Other	4,282	1,672
	267,305	313,691
Less -		
Provision for doubtful accounts (f)	(11,729)	(5,839)
	255,576	307,852
By time -		
Current portion	222,858	275,424
Non-current portion (c)	32,718	32,428
	255,576	307,852

(b) As of December 31, 2022, correspond to the added value tax (VAT) for the purchases made by InRetail Parma S.A., Vanttive S.A.C., Quimiza Ltd. and Quicorp S.A. As of December 31, 2021, includes the added value tax (VAT) for the purchases made by Droguería InRetail Pharma S.A.C. and Quicorp S.A., which will be compensated against VAT debit generated in the upcoming months.

(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, 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. (5.46 and 4.45 percent for guarantees receivable in soles and US dollars, respectively, as of December 31,2021).

(d) In accordance to the Superintendence Resolution 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 Company, these funds have been used entirely for tax payments during the months of January and February 2022 and 2021, respectively.

(e) As of December 31, 2022, they correspond to taxes pending recovery by Quifatex S.A. As of the date of this report, the refund request has been submitted to the corresponding Tax Authority. In Management's opinion, this amount will be recovered during 2023. Of the amount withheld during 2021, approximately S/13,794,000 was recovered in 2022.

(f) The movements in the provision for doubtful accounts receivable were as follows:

	2022 S/(000)	2021 S/(000)
Balance at the beginning of the year	5,839	3,981
Additions, note 23(a)	3,754	2,185
Recoveries, note 23(a)	(785)	(327)
Other (g)	2,921	-
Balance at the end of the year	11,729	5,839

(g) It corresponds to reclassifications of liabilities for guarantees of closed premises and judicial retentions of the companies InRetail Pharma S.A., Boticas IP S.A.C., Mifarma S.A.C. and Jorsa de la Selva S.A.C.

(h) En opinión de la Gerencia de la Compañía y sus Subsidiarias, la provisión para cuentas de cobranza dudosa al 31 de diciembre de 2022 y de 2021, cubre adecuadamente el riesgo de crédito de este rubro a esas fechas.

8. Inventories, net

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

	2022 S/(000)	2021 S/(000)
Inventories, note 22	1,266,646	1,288,165
Raw materials, note 22	108	860
Production supplies, note 22	860	874
Various supplies	5,864	6,968
Inventories in transit (c)	82,674	85,329
	1,356,152	1,382,196
Less -		
Provision for impairment of inventories (d)	(29,664)	(14,606)
	1,326,488	1,367,590

(b) As of December 31, 2022 and 2021, 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/2,370,000 and S/3,276,000, respectively.

(c) As of December 31, 2022 and 2021, the caption includes, mainly, goods in transit acquired by the Company and its Subsidiaries in order to meet the demand of its customers in the nationwide chain of drugstores. Management estimates that the balance of inventory receivable at December 31, 2022 will be received during the first half of 2023.

(d) The movements in the provision for impairment of inventories for the years 2022 and 2021 were as follows:

	2022 S/(000)	2021 S/(000)
Balance at the beginning of the year	14,606	15,643
Additions, note 22	27,246	7,901
Recoveries, note 22	(11,955)	(3,103)
Write-off	-	(6,227)
Translation effect	(233)	392
Balance at the end of the year	29,664	14,606

(e) In the opinion of the management of the Company and its subsidiaries, as of December 31, 2022 and 2021, the allowance for inventory impairment covers the risk of inventory's obsolescence of those dates.

9. **Financial assets at fair value through other comprehensive income**

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

	Fair value	
	2022 S/(000)	2021 S/(000)
Shares (b)	-	52,956
Senior notes (c)	98,485	119,250
	98,485	172,206

(b) During 2018, the Company acquired 381,180 shares issued by InRetail Perú Corp. (Holding of the Company, see note 1(a)), which represent approximately 0.37 percent of participation in that entity. The fair value of these shares has been determined based on quoted prices of an active market at each reporting date. On December 28, 2022, these shares were sold to Supermercados Peruanos S.A. at a value of US$13,033,000 (equivalent to S/49,745,000), transferring the effect of the unrealized gain from the date of acquisition to the date of sale of S/16,640,000 to retained earnings. In this regard, as of December 28, 2022 (date of the sale) and December 31, 2021, the fair value of each share according to the information published by the Lima Stock Exchange is US$34.19 (approximately S/130) and US$34.95 (approximately S/139), respectively. During 2022, the Company received dividends of S/983,000 (S/2,035,000 in 2021) from InRetail Peru Corp., see note 25.

(c) During the months of August and September 2021, the Company acquired senior notes issued by Patrimonio en Fideicomiso D.S. N°093-2002-EF-InRetailConsumer (related entity, hereinafter "InRetail Consumer") for approximately US$30,260,000 with an effective interest of 3.25 percent. As of December 31, 2022 and 2021, the balance of these senior notes is maintained at a fair value of approximately US$25,316,000 (equivalent to S/98,485,000) and US$30,000,000 (equivalent to S/119,250,000), respectively. Likewise, in 2022 these instruments have generated an unrealized loss of approximately S/15,045,000 (S/ 2,140,000 in 2021), which are presented under the caption "Unrealized results in financial investments at fair value with exchange in other comprehensive income" of the consolidated statement of changes in equity.

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

	Shares		Senior notes		Total	
	2022 S/(000)	2021 S/(000)	2022 S/(000)	2021 S/(000)	2022 S/(000)	2021 S/(000)
Balance at the beginning of the year	52,956	54,061	119,250	-	172,206	54,061
Purchase of financial assets at fair value through other comprehensive income (c)	-	-	-	124,345	-	124,345
Update of fair value of financial assets through other comprehensive income (i)	(1,631)	(1,105)	(15,046)	(1,035)	(16,677)	(2,140)
Exchange difference effect (ii)	(1,580)	-	(5,719)	(4,060)	(7,299)	(4,060)
Sale to related parties (b)	(49,745)	-	-	-	(49,745)	-
Balance at the end of the year	-	52,956	98,485	119,250	98,485	172,206

(i) The update of financial assets at fair value through other comprehensive income is recorded in the caption "Unrealized income on financial assets at fair value through other comprehensive income", in the consolidated statement of changes in equity.

(ii) According to IFRS, loss from exchange difference in shares is recorded in the caption "Unrealized income on financial assets at fair value through other comprehensive income", in the consolidated statement of changes in equity, while the corresponding to senior notes is recorded in the caption "Exchange difference, net", in the consolidated statement of other comprehensive income.

(e) In Management's opinion, the financial assets at fair value through other comprehensive income held by the Company and its Subsidiaries as of December 31, 2022 and 2021, reflects the market value of these instruments considering the economic conditions where the Company and its Subsidiaries operate; therefore, at such date there would not be evidence of impairment on them.

10. Derivative financial instrument – "Call Spread"

(a) As of December 31, 2022 and 2021, the derivative financial instrument has been qualified as an effective hedge instrument and is as follows:

Entity	Notional amount	Maturity / Settlement	Book value of the covered item	Fair value	
				2022	2021
	US$(000)		S/(000)	S/(000)	S/(000)
"Call Spread" Contract -					
Citibank N.A. (b)	138,000	March 2028	527,160	32,164	44,664
Citibank N.A. (c)	400,000	March 2021	1,449,600	-	-
Range principal only swaps" Contract -					
Citibank N.A. (b)	100,000	March 2028	382,000	16,762	44,980
Citibank N.A. (b)	50,000	March 2028	191,000	8,181	22,282
				57,107	111,926

(b) In March 2021, InRetail Pharma S.A. acquired a "Call Spread" for a total reference value of US$288,000,000, in order to reduce its exposure to exchange rate risk originated by intercompany loan in foreign currency issued in March 2021 (see note 26(c)).

The price of the premium was US$20,431,000, with Citibank N.A., which includes an additional premium of US$1,772,000, which was paid in cash. In September 2021, InRetail Pharma S.A. decided to exchange US$150,000,000 of the "Call Spread" for two "Range principal only Swaps" of US$100,000,000 and 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; that is, it is part of the Group'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 2022, the "Call Spread" of US$ 138,000,000 generated an accrual of S/5,988,000 (S/3,746,000 in 2021) that is presented in the caption "Financial expenses - Linear accrual of premium of derivative financial instruments", see note 25. For 2022, a total net expense amounting to S/ 7,477,000 (S/8,323,000 in 2021) was generated, which is presented under the caption "Financial expenses - Expenses for early settlement of "Call Spread" in the consolidated statement of income", see note 25, and ii) and an accrual of S/5,331,000 as of September 2021 that is presented under the caption "Financial Expenses - Linear accrual of derivative financial instrument premium".

The price for said derivative financial instruments (premium for the Range principal only Swaps) was financed by Citibank N.A., generating a liability whose total balance as of December 31, 2022 amounts to S/40,724,000 (S/46,364,000 as of December 31, 2021), see note 17(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, therefore, during the year 2022, the accruals of this asset amounted to S/13,513,000 (S/3,912,000 as of 2021); recognized in the caption "Financial Expenses - Linear accrual of premium of derivative financial instruments", see note 25.

During 2021, as a result of this transaction, approximately S/77,325,000, was recognized into the caption "Unrealized results on derivative financial instruments" in the consolidated statements of changes in equity, representing the derivative financial instrument hedging effect during such year.

As of December 31, 2022, the Call Spreads cover US$138,000,000 (cover 100 percent) of the foreign currency exposure the principal of the intercompany loan and protects exchange rate variations between S/3.70 and S/4.20 per US$1.00 and the Range Principal Only Swaps cover US$150,000,000 of the exposure in foreign currency of the principal of the issue and protect the variations of the exchange rate between S/3.70 and S/6.00 per US$1.00.

(c) In March 2021, InRetail Pharma S.A. settled the Call Spread early, which maturity was in May 2021 and which hedged the issuance of senior notes by InRetail Pharma S.A. up to a value of US$400,000,000 for the changes in the foreign exchange rates between S/3.260 and S/3.750 per US$1.00 (see note 18(b)). The early settlement of the derivative financial instrument included the settlement of the liability held by the financing received by J.P. Morgan for the acquisition of the derivative financial instrument; the value of said liability as of December 31, 2020 was approximately US$9,874,000 (equivalent to approximately S/35,785,000), see note 17(a). As a result of this transaction, a total net expense of S/70,141,000 was generated, which is presented in caption "Financial expenses – Expenses for early of derivative financial instruments" of the consolidated income statement, see note 25, and an accrual as of March 2021 of S/2,606,000 that is recognized in the caption "Financial Expenses - Linear accrual of premium of derivative financial instruments", see note 25.

During 2022, approximately S/23,422,000, were recognized with credit (charge of S/11,129,000 during 2021) to the caption "Results not realized of derivative financial instruments" in the consolidated statement of changes in equity, net of deferred income tax, representing the derivative financial instrument hedging effect during such years.

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

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

The table below presents the movement and composition of this caption:

	Land S/(000)	Buildings, infrastructure and facilities S/(000)	Miscellaneous equipment S/(000)	Furniture and fixtures S/(000)	Vehicles S/(000)	Work in progress and others S/(000)	Total S/(000)
Useful lives (years) -	-	1 - 50	1 - 20	1 - 33	1 - 10	-	
Balance as of January 1, 2021	257,346	405,422	364,326	142,122	1,503	12,914	1,183,633
Additions (a.1)	264	70,542	44,997	30,130	253	20,854	167,040
Sales (a.2) and note 24	-	(10)	(3,987)	(2,486)	-	-	(6,483)
Write-downs (a.3) and note 24	-	(6,243)	(9,087)	(4,245)	(111)	-	(19,686)
Transfers	-	11,881	2,866	1,981	-	(16,728)	-
Disposal of subsidiary, note 2.1 and 2.2	(27)	(3,112)	(47,511)	(3,616)	(89)	(479)	(54,834)
Translation	8	477	4,941	1,027	(3)	6	6,456
Balance as of December 31, 2021	257,591	478,957	356,545	164,913	1,553	16,567	1,276,126
Additions (a.1)	98,569	79,637	52,593	40,346	232	7,385	278,762
Sales (a.2) and note 24	-	-	(3,332)	(907)	(106)	-	(4,345)
Write-downs (a.3) and note 24	-	(45,319)	(44,171)	(43,918)	(61)	-	(133,469)
Transfers	-	11,788	4,738	2,531	-	(19,057)	-
Translation	(12)	(282)	(2,316)	(428)	-	(55)	(3,093)
Balance as of December 31, 2022	356,148	524,781	364,057	162,537	1,618	4,840	1,413,981
Accumulated depreciation -							
Balance as of January 1, 2021	-	238,269	269,072	104,508	1,278	-	613,127
Additions, note 22 and 23(a)	-	35,738	36,071	10,839	234	-	82,882
Sales (a.2) and note 24	-	(7)	(3,956)	(2,333)	-	-	(6,296)
Write-downs (a.3) and note 24	-	(5,668)	(8,654)	(3,985)	(111)	-	(18,418)
Disposal of subsidiary, note 2.1 and 2.2	-	(2,557)	(38,130)	(3,234)	(89)	-	(44,010)
Translation	-	352	3,814	908	(3)	-	5,071
Balance as of December 31, 2021	-	266,127	258,217	106,703	1,309	-	632,356
Additions, note 22 and 23(a)	-	46,929	34,388	16,952	69	-	98,338
Sales (a.2) and note 24	-	-	(3,308)	(891)	(106)	-	(4,305)
Write-downs (a.3) and note 24	-	(44,877)	(43,791)	(43,591)	(61)	-	(132,320)
Transfers	-	2	(2)	-	-	-	-
Translation	-	(178)	(1,767)	(371)	-	-	(2,316)
Balance as of December 31, 2022	-	268,003	243,737	78,802	1,211	-	591,753
Net book value as of December 31, 2022	356,148	256,778	120,320	83,735	407	4,840	822,228
Net book value as of December 31, 2021	257,591	212,830	98,328	58,210	244	16,567	643,770

(a.1) As of December 31, 2022 and 2021, additions mainly correspond to disbursements made for the implementation of the new stores opened by the Company and its Subsidiaries, and the acquisition of equipment for their operations. During 2022, S/23,935,000 (S/40,603,000 during 2021) were acquired through financial leases.

(a.2) During 2022, the Company and its Subsidiaries sold Miscellaneous equipment for approximately S/4,345,000. During 2021, the Company and its Subsidiaries sold furniture, equipment and facilities for approximately S/6,483,000.

(a.3) Write-downs mainly includes unused installations, equipment, furniture and fixtures by the Company and its Subsidiaries as a result of the remodeling process and closing of some stores during the years 2022 and 2021.

(a.4) In Management's opinion, the Company and its Subsidiaries hold insurance policies that cover its entire property, installations, furniture and equipment, which indicates that their insurance policies are consistent with the international practice of the industry.

(a.5) Property, furniture and equipment, includes assets acquired through finance lease contracts. As of December 31, 2022 and 2021, the cost and corresponding accumulated depreciation of these assets are the following:

	2022			2021		
	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	1,066	723	343	1,066	642	424
Miscellaneous equipment	108,127	71,067	37,060	89,756	65,293	24,463
Vehicles	410	410	-	410	410	-
Furniture and fixtures	612	612	-	920	920	-
	110,215	72,812	37,403	92,152	67,265	24,887

(a.6) As of December 31, 2022 and 2021, the only assets in guarantee maintained by the Company and its Subsidiaries are the assets acquired under finance lease that remain payable as of those dates, see note 17(b).

(a.7) As of December 31, 2022 and 2021, Management performed an evaluation of its property, installations, furniture and equipment, and has not found any indicator of impairment, therefore, in its opinion, carrying value of property, installations, furniture and equipment is recoverable with future profits of the Company and its Subsidiaries.

(b) Right-of-use assets -

(b.1) The table below presents the movement and composition of this caption:

	Land and Buildings S/(000)	Vehicles S/(000)	Total S/(000)
Lease term (years)	1 - 11	4	
Cost -			
As of January 1, 2021	1,043,719	3,092	1,046,811
Additions	189,062	969	190,031
Disposals and/or sales, note 24	(219,199)	(465)	(219,664)
Disposal of subsidiary, note 2.1 y 2.2	(25,459)	(109)	(25,568)
Translation	4,780	264	5,044
As of December 31, 2021	992,903	3,751	996,654
Additions	362,359	91	362,450
Disposals and/or sales, note 24	(180,758)	(2,188)	(182,946)
Translation	(1,989)	(141)	(2,130)
As of December 31, 2022	1,172,515	1,513	1,174,028
Accumulated amortization -			
As of January 1, 2021	472,676	1,284	473,960
Additions (b.3)	236,687	856	237,543
Disposals and/or sales, note 24	(218,464)	(378)	(218,842)
Disposal of subsidiary, note 2.1 y 2.2	(8,500)	(52)	(8,552)
Translation	1,836	113	1,949
As of December 31, 2021	484,235	1,823	486,058
Additions (b.3)	266,397	526	266,923
Disposals and/or sales, note 24	(161,243)	(1,102)	(162,345)
Translation	(741)	(69)	(810)
As of December 31, 2022	588,648	1,178	589,826
Net book values -			
As of December 31, 2021	508,668	1,928	510,596
As of December 31, 2022	583,867	335	584,202

(b.2) Set out below are the lease liabilities movements during the period:

	2022 S/(000)	2021 S/(000)
Initial balance	568,211	608,298
Additions	362,450	190,031
Financial interests, note 25	39,897	43,347
Payments -		
Leases with fixed rent	(294,550)	(285,421)
Rent paid in advance	(1,890)	(1,827)
Contract disposal	(22,410)	(21,132)
Exchange difference	(18,230)	31,782
Translation	(1,357)	3,133
Final balance	632,121	568,211
By term -		
Current	226,026	184,389
Non-current	406,095	383,822
	632,121	568,211

As of December 31, 2022 and 2021, the payment schedule of these obligations is as follows:

	2022 S/(000)	2021 S/(000)
2022	-	184,389
2023	226,026	138,578
2024	133,288	96,962
2025	124,713	59,132
2026	75,930	40,780
2027 onwards	72,164	48,370
Total	632,121	568,211

(b.3) The following are the amounts recognized in consolidated income statements:

	2022 S/(000)	2021 S/(000)
Depreciation expenses of right-of-use assets (b.4)	266,923	237,543
Interest expenses on lease liabilities, note 25	39,897	43,347
Expenses related to short-term leases, notes 22 and 23(a)	20,877	8,501
Expenses related to low-value assets, notes 22 and 23(a)	14,258	15,964
Total amount recognized in consolidated income statements	341,955	305,355

(b.4) Depreciation for the year has been recognized into the following captions:

	2022 S/(000)	2021 S/(000)
Cost of sales, note 22	1,647	2,837
Administrative expenses, note 23	4,241	4,226
Selling expenses, note 23	261,035	230,480
	266,923	237,543

(b.5) The Company and its Subsidiaries have lease agreements related to stores with only fixed payments, which amounted to approximately S/294,550,000 during 2022 (S/285,421,000 during 2021).

12. Intangibles, net

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

	Software and licenses S/(000)	Brands (c) Definite useful life S/(000)	Brands (c) Indefinite useful life S/(000)	Relationships with clients (d) S/(000)	Contracts with represented (e) S/(000)	Work in progress S/(000)	Total S/(000)
Useful lives (years) -	10	2 - 20	-	12 - 31	1 - 26	-	
Balance as of January 1, 2021	132,983	24,288	449,121	46,300	204,800	10,458	867,950
Additions (b)	11,068	-	-	-	-	31,956	43,024
Write-downs note 24	(369)	(116)	-	-	-	(47)	(532)
Transfers	7,844	-	-	-	-	(7,844)	-
Reclassification	2,659	-	-	-	-	(2,659)	-
Translation	590	-	-	-	-	-	590
Disposal of subsidiary, note 2.1 and 2.2	(4,947)	-	(3,024)	-	-	(528)	(8,499)
Balance as of December 31, 2021	149,828	24,172	446,097	46,300	204,800	31,336	902,533
Additions (b)	26,855	76	-	-	-	18,658	45,589
Write-downs note 24	(36,662)	-	-	-	-	-	(36,662)
Transfers	26,816	-	-	-	-	(26,816)	-
Disposal of subsidiary, note 2.1 and 2.2	(219)	-	-	-	-	-	(219)
Balance as of December 31, 2022	166,618	24,248	446,097	46,300	204,800	23,178	911,241
Accumulated amortization -							
Balance as of January 1, 2021	92,834	10,824	-	5,474	88,298	2,684	200,114
Additions, notes 22 and 23(a)	21,388	2,134	-	40,826	58,324	-	122,672
Write-downs note 24	(366)	(119)	-	-	-	(25)	(510)
Transfers	2,659	-	-	-	-	(2,659)	-
Translation	544	-	-	-	-	-	544
Disposal of subsidiary, note 2.1 and 2.2	(1,592)	-	-	-	-	-	(1,592)
Balance as of December 31, 2021	115,467	12,839	-	46,300	146,622	-	321,228
Additions, notes 22 and 23(a)	19,928	771	-	-	40,123	-	60,822
Write-downs note 24	(36,662)	-	-	-	-	-	(36,662)
Disposal of subsidiary, note 2.1 and 2.2	(205)	-	-	-	-	-	(205)
Balance as of December 31, 2022	98,528	13,610	-	46,300	186,745	-	345,183
Net book value as of December 31, 2021	34,361	11,333	446,097	-	58,178	31,336	581,305
Net book value as of December 31, 2022	68,090	10,638	446,097	-	18,055	23,178	566,058

(b) Additions for the years 2022 and 2021 mainly correspond to disbursements made by the Company and its Subsidiaries 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. In Management's opinion, work in progress as of December 31, 2022, will be substantially completed during 2023.

(c) Management of the Company and its Subsidiaries has estimated the fair value of this intangibles assets by using the "Relief from royalty method", which is a standard form of discounted cash flow analysis used for the valuation of trademarks. The principle behind the relief from royalty method is that a holding company owns the brand avoiding payments of royalties for the use of the brand, to another hypothetical owner; therefore, the economic value of the brand is represented by the avoided royalties. The table below presents of the details of brands with indefinite useful life:

	2022 S/(000)	2021 S/(000)
Description/Brand		
"Mifarma"	395,355	395,355
"Química Suiza"	17,791	17,791
"Commercial brands"	17,040	17,040
"Ninet"	15,911	15,911
	446,097	446,097

(*) During 2021, the subsidiary Cifarma S.A.C. was sold, see note 2.2 subsequently to this transaction the brands with indefinite useful life such as "CiFarma" and "CIPA" were disposed.

As of December 31, 2022 and 2021, the factors considered to determine that these brands have an indefinite useful life are the following:

- History and expected use of the asset by the Company: this is the most important factor to consider in the definition of the useful life of the brands. "Mifarma", "Química Suiza", "Ninet" and "Commercial brands", are the most recognized brands in the pharmacy industry in Peru and the Company expects to further strengthen them 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 current.

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

- Maintenance of the necessary investment levels to produce the projected future cash flows for the brand 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. Notwithstanding this, 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 existed independently, and it is not related to sectors subject to technological obsolescence or other causes.

(d) For the valuation of relationships with customers and contracts with represented companies, the "Multi Period Excess Earning Method" was applied, which reflects the present value of excess cash flows generated by the intangible asset during its useful life, after deducting the contributory charges for the operating tangible and intangible assets used.

The relationship with customers is defined as the hiring of services for the manufacture of one or more specific products. To determine the useful life, the historical loss of customers in each business operation as well as the consistence of the latter with the business characteristics and the market it interacts at were analyzed.

Furthermore, the contracts with represented companies mainly delimit the exclusivity for the distribution of a product as well as the inventory levels required to maintain the operation. To determine their useful lives, the useful lives of the remaining contracts valid at the transaction date and the record of renewals were considered.

(e) As of December 31, 2022 and 2021, the Company and its Subsidiaries do not maintain guarantees on their intangible assets.

(f) In the case of intangible assets with a definite useful life, in the opinion of Management, there is no indicator of impairment in those assets as of December 31, 2022 and 2021. Likewise, as of December 31, 2022 and 2021, Management has carried out an impairment test for the brands with indefinite useful life (detailed in (c), above), and, as a result of that test, it has determined that it is not necessary to recognize any provision for impairment; see more detail of the assumptions also used for that test in note 13.

13. Goodwill

As of December 31, 2022 and 2021, the Company has a goodwill of S/1,272,634,000, related to the acquisition of Quicorp Group in 2018 (such goodwill was entirely allocated into the "Pharmacies" segment; note 29). In compliance with the International Financial Reporting Standards (note 4.2 (b)), Management performs annually a goodwill impairment test, based on the cash generating units.

The recoverable amount of each cash-generating unit has been determined based on fair value less cost to sale calculation using cash flow projections from financial budgets approved by senior management covering a specific period.

Cash flows beyond the period indicated in the projections were extrapolated using a specific growth rate similar to the long-term average growth rate for the country operating each CGU.

Following are the main assumptions used in the impairment assessment for each CGU and the brands with indefinite life (note 12(c)), as of December 31, 2022 and 2021:

- Sales growth rate – A sales growth rate was considered for each CGU between 2.92 and 5.89 percent. This growth rate is based on published market research and, in general, is in line with the projected long-term inflation for the countries where each CGU operates.

- EBITDA margins - EBITDA margins are based on historical values recorded in years prior to the beginning of the budgeted period and increases during the budgeted period with the expected efficiency improvements due to the normal improvement of the production process.

- Discount rates – Discount rates used for each CGU are from 9.64 to 10.14 percent. Discount rates represent the current market assessment of the risks specific to each CGU, 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 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.

As of December 31, 2022 and 2021, the carrying amount of goodwill related to the CGU has been compared to the recoverable amount, which amounted to S/3,706,000,000 and S/4,360,000,000, respectively. Management has determined that it is not necessary to set up impairment provisions.

The key assumptions described above may change if market conditions and the economy change. The Company estimates that changes in these assumptions, which would be reasonable to expect, would not cause the recoverable amount of any CGU to decrease below their book value.

14. Income tax

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

	2022		2021	
	Deferred assets, net S/(000)	Deferred liability, net S/(000)	Deferred assets, net S/(000)	Deferred liability, net S/(000)
Mifarma S.A.C.	45,537	-	42,858	-
InRetail Pharma S.A.	55,929	-	30,889	-
Boticas IP S.A.C.	23,548	-	18,501	-
Jorsa de la Selva S.A.C.	2,792	-	2,785	-
Química Suiza S.A.C.	(45,886)	-	(47,065)	-
Droguería InRetail Pharma S.A.C.	-	-	2,780	-
Farmacias Peruanas S.A.C.	10,582	-	4,668	-
Vanttive S.A.C.	95	-	44	-
Quicorp S.A.	17	-	20	-
Quimiza Ltda. (Bolivia)	858	-	927	-
Quifatex S.A. (Ecuador)	9,053	-	8,740	-
Vanttive Cía. Ltda. (Ecuador)	283	-	128	-
Consolidation adjustments (*)	-	(119,417)	-	(120,022)
Total	102,808	(119,417)	65,275	(120,022)
Net		(16,609)		(54,747)

(*) As of December 31, 2022 and 2021, mainly correspond to the surpluses and generated intangibles in the acquisition of Quicorp Group in 2018.

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

	Balance as of January 1, 2021 S/(000)	Disposal of Subsidiary S/(000)	Debit/credit of the consolidated statement of income S/(000)	Equity S/(000)	Translation S/(000)	Balance as of December 31, 2021 S/(000)	(Charge)/credit to the consolidated income statement S/(000)	Equity S/(000)	Translation S/(000)	Balance as of December 31, 2022 S/(000)
Deferred assets										
Unrealized gain in sales of inventories	32,922	-	3,924	-	-	36,846	(10,643)	-	-	26,203
Right-of-use assets	18,098	(945)	9073	-	23	26249	(3,926)	-	(24)	22,299
Exchange difference gain on derivative financial instruments	(14,042)	-	14,042	25,436	-	25,436	-	(15,123)	-	10,313
Fair value of derivative financial instruments	19,528	-	-	(17,845)	-	1,683	-	15,896	-	17,579
Differences in depreciation and amortization rates	4,103	-	14,875	-	-	18,978	6,350	-	-	25,328
Vacations	10,975	(334)	(3,406)	-	10	7,245	2,065	-	(4)	9,306
Tax loss carry forward, note 20(c)	12,561	-	(6,414)	-	-	6,147	(6,130)	-	-	17
Provision for impairment of inventories	8,866	(263)	(2,484)	-	65	6,184	5,593	-	(51)	11,726
Limit on financial expenses	-	-	8,090	-	-	8,090	17,124	-	-	25,214
Several provisions	14,195	(435)	7,475	-	736	21,971	6,378	-	(298)	28,051
Provision for doubtful accounts receivable	6,140	(194)	(22)	-	266	6,190	5,755	-	(117)	11,828
Total deferred assets	113,346	(2,171)	45,153	7,591	1,100	165,019	22,566	773	(494)	187,864
Deferred liabilities										
Intangibles generated in business combination	(189,271)	-	33,372	-	-	(155,899)	12,349	-	-	(143,550)
Carried value of property, installations, furniture and equipment	(53,564)	524	(968)	-	-	(54,008)	57	-	-	(53,951)
Update of fair value of financial assets	(6,182)	-	-	631	-	(5,551)	-	10,295	-	4,744
Linear premium accrual of derivative financial instruments	14,042	-	(14,042)	(4,308)	-	(4,308)	274	(7,682)	-	(11,716)
Total deferred liabilities	(234,975)	524	18,362	(3,677)	-	(219,766)	12,680	2,613	-	(204,473)
Total deferred assets, net	(121,629)	(1,647)	63,515	3,914	1,100	(54,747)	35,246	3,386	(494)	(16,609)

(c) The table below presents the income tax expense reported in the consolidated income statements as of December 31, 2022 and 2021:

	2022 S/(000)	2021 S/(000)
Current -		
In Peru	(225,529)	(193,019)
In other countries	(8,880)	(7,895)
	(234,409)	(200,914)
Deferred (*) -		
In Peru	23,337	46,133
In other countries	11,909	17,382
	35,246	63,515
	(199,163)	(137,399)

(*) The deferred income tax has been calculated on all temporary differences, considering the effective income tax rates where the Company´s subsidiaries are located.

(d) The reconciliation of the effective income tax rate with the statutory income tax rate is as follows:

	2022		2021	
	S/(000)	S/(000)	%	%
Profit before income tax	601,470	100.00	358,743	100.00
Theoretical expense	177,434	29.50	105,830	29.50
Net effects of permanent differences	21,729	3.61	31,569	8.80
Income tax expense	199,163	33.11	137,399	38.30

(e) The income tax asset corresponds to the subsidiaries that, as of December 31, 2022, maintain a credit for this tax, which, at those dates, amounts to approximately S/ 70,329,000 (approximately S/119,131,000 as of December 31, 2021); see note 7(a).

The income tax liability is presented net of the advanced payments of this tax for S/178,547,000 and corresponds to the subsidiaries that maintain income tax payable. As of December 31, 2022 and 2021, the income tax payable amounts to S/13,086,000 and S/6,026,000, respectively.

15. Trade accounts payable

As of December 31, 2022 and 2021, trade payables amount to S/1,853,560,000 and S/1,671,957,000, respectively, and mainly correspond to obligations with non-related local suppliers, denominated in local and foreign currency, from the purchase of goods to be sold in the stores of the Company and its Subsidiaries, with current maturities and that do not bear any interest. There have been no liens granted on these obligations.

The Company and its Subsidiaries offer their suppliers access to an accounts payable services arrangement provided by 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 the Company and its Subsidiaries reduce payment processing costs. The Company and its Subsidiaries have no direct financial interest in these transactions. All of the Company and its Subsidiaries' obligations, including amounts due, remain due to its suppliers as stated in the supplier agreements.

16. Other accounts payable

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

	2022 S/(000)	2021 S/(000)
By nature -		
Employees profit sharing (c)	75,705	77,895
Salaries and social benefits	34,238	25,501
Provision for contingencies, note 28(b)	33,221	52,988
Vacations payable	33,147	27,492
Value added tax	27,405	40,834
Provision for retirement and eviction pensions (d)	23,761	27,111
Other taxes payable	16,045	18,175
Deferred income the loyalty program of clients (e)	15,277	13,986
Interest payable, notes 17(f) and 18(e)	10,790	7,268
Deposits from third parties	3,684	4,198
Other	7,215	8,757
	280,488	304,205
By time -		
Current portion	252,854	274,863
Non – current portion	27,634	29,342
	280,488	304,205

(b) The above items have current maturities and do no bear interest. There have been no liens granted on them.

(c) In accordance with the employee profit sharing regime in force regulated by the Legislative Decree 677, the employees of the companies in Peru have the right to receive a participation of between 5 and 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.

(d) In accordance with the labour law in Ecuador, the workers who meet certain conditions during their labour period, will have the right to be retired by their employers or to receive a pension in case the labour 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 labour law in Ecuador.

The provision for retirement and eviction pensions as of December 31, 2022 and 2021, covers appropriately the amount that was estimated in the actuarial valuation.

(e) Mainly related to the loyalty program "Monedero del ahorro" that is granted by the Company and its Subsidiaries to their clients, whose accumulate points through their purchases in stores that can be exchanged for products offered by the Company and its Subsidiaries. As of December 31, 2022 and 2021, Management estimates that the deferred income as of that date fairly reflects the future exchanges of their clients.

17. Financial obligations

(a) The table below presents the composition of financial obligations:

Type of obligation	Original currency	Interest rate	Maturity	Book value 2022	Book value 2021
		%		S/(000)	S/(000)
Leasing (b) -					
Non – related entities					
Hewlett Packard S.R.L. (c)	US$	Between 2.85 y 4.40	2026	35,964	27,348
Inversiones Nueva Capital Peru S.A.	US$	Between 2.31 y 6.29	2025	405	-
Nuevo Capital Leasing Peru S.A.C.	US$	5.28	2025	1,933	-
Banco Santander S.A.	S/	Between 6.92 y 7.65	2022	-	267
				38,302	27,615
Notes and loans (d) -					
Related entity, note 26(b)					
Banco Internacional del Perú S.A.A.- Interbank	S/	Between 0.40 and 4.70	2026	218,592	236,009
Banco Internacional del Perú S.A.A.- Interbank	S/	9.39	2023	20,000	-
Non – related entities					
Scotiabank Perú S.A.	S/	Between 0.03 and 4.70	2026	327,890	478,166
Scotiabank Perú S.A.	S/	Between 8.70 and 9.02	2023	130,000	-
Scotiabank Perú S.A.	S/	Between 6.71 and 9.58	2023	51,000	-
Banco de Crédito del Perú	S/	Between 1.17 and 3.09	2022	-	80,000
Banco de Crédito del Perú	S/	Between 8.60 and 9.05	2023	20,000	-
BBVA Continental S.A.	S/	Between 0.29 and 3.06	2022	-	80,000
BBVA Continental S.A.	S/	Between 8.70 and 9.62	2022	50,000	-
Citibank N.A.	US$	5.00	2022	-	16,660
Banco Pichincha C.A.	US$	7.75	2023	11,460	-
				828,942	890,835
Financed premium "Call Spread", and "RPOS"					
Citibank N.A., note 10(b)	S/	8.665	March 2028	13,536	15,402
Citibank N.A., note 10(b)	S/	8.442	March 2028	27,188	30,962
Citibank N.A., note 10(c)	US$	6.473	March 2021	-	-
				40,724	46,364
				907,968	964,814
Current portion				300,897	358,988
Non – current portion				607,071	605,826
				907,968	964,814

(b) As of December 31, 2022 and 2021, leasing contracts in local and foreign currency, intended mainly for the equipment of commercial stores and warehouses of the Company and its Subsidiaries. In accordance with the provisions of the leasings contracts, the guarantees that the Company and its Subsidiaries maintain with the financial entities are the same assets related to those contracts, see note 11(a.6).

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

(d) The loans and promissory notes were obtained from local and foreign financial entities and were used mainly for the purchase of machinery and properties, as well as for working capital. Likewise, for some of these loans, the Company and its Subsidiaries must comply with certain financial commitments (covenants):

- Maintain a ratio of net financial debt divided by EBITDA of no more than 4.00x.

In Management's opinion, as of December 31, 2022 and 2021, the Group has complied with the financial requirement ("covenant") indicated above.

(e) Financial obligations are payable as follows:

	2022 S/(000)	2021 S/(000)
2022	-	358,988
2023	300,897	13,341
2024	18,270	13,117
2025 onwards	588,801	579,368
	907,968	964,814

(f) During the years 2022 and 2021, the financial obligations accrued interests and structuring cost for approximately S/ 54,015,000 and S/27,999,000, respectively, which are included in the caption "Financial costs" in the consolidated income statements; note 25. Likewise, as of December 31, 2022 and 2021, the interest payments of approximately S/ 6,648,000 and S/3,127,000 are presented in "Other accounts payable" caption of the consolidated statements of financial position, note 16(a).

18. Senior notes issued

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

Type of obligation	Original currency	Interest rate	Maturity (*)	Original amount		2022	2021
		%		US$(000)	S/(000)	S/(000)	S/(000)
Senior Notes Unsecured (b)	US$	5.375	May, 2023	400,000	-		-
Senior Notes Unsecured (c)	S/	6.4375	May, 2025	-	385,800	384,786	384,413
Total				400,000	385,800	384,786	384,413

(*) The payment of the principal is at maturity; consequently, balances as of December 31, 2022 and 2021 are considered long-term.

(b) In May 2018, the Company issued "Senior Notes Unsecured" in the international market for US$400,000,000 equivalent to S/1,449,600,000 as of December 31, 2020 (equivalent to S/1,326,800,000 as of December 31, 2019), with a nominal interest rate of 5.3750 percent and maturity in 2023. These borrowings were recorded in the consolidated financial statements at their amortized cost at a 5.778 percent effective interest rate, after considering the respective up-front fees for approximately US$3,512,000 equivalent to a total amount of approximately S/12,278,000 as of December 31, 2020.

The senior unsecured notes were pre-paid in March 2021, the premium for early settlement of the senior notes amounted to US$12,794,000 (equivalent to S/47,530,000), are presented in the "Financial Expenses - Premium for early settlement of senior notes" of the consolidated income statements, see note 25; and the accrued structuring costs for S/12,836,000, presented in the "Financial Expenses - Accrual of the structuring cost for redemption of "Senior Notes Unsecured"" of the consolidated income statements, see note 25.

Likewise, the Call Spread related to these bonds "Senior Notes Unsecured" was settled in advance in March 2021, see note 10(c).

(c) In May 2018, the Company issued "Senior Notes Unsecured" in the local market for S/385,800,000, with a nominal interest rate of 6.4375 percent and maturity in 2025. These borrowings were recorded in the consolidated financial statements at their amortized cost at a 6.559 percent effective interest rate, after considering the respective up-front fees for approximately S/1,014,000 as of December 31, 2022 (S/1,387,000 as of December 31, 2021).

(d) As a result of these issuances certain obligations and restrictive clauses must be complied until their maturity or cancellation. The financial ratio required to the issuer and to the subsidiaries at all times collectively represent at least 85 percent of the Company and Subsidiaries' Consolidated Adjusted EBITDA. In Management's opinion, these clauses do not limit the Company and its Subsidiaries operations and have been complied as of December 31, 2022 and 2021, respectively.

(e) The accrued interests during the year 2022 and 2021 for these senior notes amounted to approximately S/ 24,890,000 and S/45,216,000, respectively, and are presented in the "Financial costs" caption of the consolidated income statements, see note 25. Likewise, as of December 31, 2022, the outstanding amounts of interest to pay approximately amount to S/4,142,000 (S/4,141,000 as of December 31, 2021) and are presented in the "Other accounts payables" caption of Consolidated Statements of Financial Position, see note 16(a).

19. Equity

(a) Capital stock and capital premium –

As of December 31, 2022 and 2021, the capital stock of the Company is represented by 15,839,379 common shares, with a nominal value of S/1.00 each, which are entirely subscribed and paid.

Additionally, the caption "Capital premium" includes cash contributions made in previous years for a total amount of approximately S/482,835,000.

The shareholding structure of the Company as of December 31, 2022 and 2021, is presented below:

Shareholders	2022	2021
	%	%
InRetail Perú Corp.	99.31	87.02
NG Pharma II S.A.	-	10.38
NG Co-Investment II, L.P.	-	2.60
Mifarma S.A.C.	0.69	-
	100.00	100.00

(b) Legal reserve –

As of December 31, 2022 and 2021, this caption includes the legal reserve established by the Company. As provided in the General Corporations Law, 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 it must be replenished. The legal reserve is appropriated when the General Shareholders' Meeting approves it.

In Management's opinion, during 2022 the transfer to the legal reserve will be approved, in order to meet the equivalent to 20 percent of the capital stock and reach the legal limit.

(c) Dividends declared and paid –

The General Shareholders' Meeting held on February 16, 2022, March 16, 2022, April 4, 2022, May 6, 2022, August 11, 2022, October 17, 2022 and November 22, 2022, agreed to distribute dividends charged to unrestricted profits for a total of approximately S/30,000,000, S/30,000,000, S/30,000,000 S/137,140,000, S/25,000,000, S/25,000,000 and S/25,000,000, respectively, which were paid in its entirety in 2022.

The General Shareholders' Meeting held on February 23, 2021, April 30, 2021, July 5, 2021, August 5, 2021, September 10, 2021, October 6, 2021, November 5, 2021 and December 3, 2021, agreed to distribute dividends charged to unrestricted profits for a total of approximately S/39,000, S/315,000,000, S/35,000,000, S/35,000,000, S/35,000,000, S/35,000,000, S/35,000,000, and S/120,000,000, respectively, which were paid in its entirety in 2021.

20. Tax situation

(a) The Company and its Subsidiaries are subject to taxation in the country in which they operate and are taxed based on their non-consolidated profits. As of December 31, 2022 and 2021, the income tax rates on taxable income in the main countries in which the Company and its Subsidiaries operate are:

	Tax rates	
	2022 %	2021 %
Peru	29.50	29.50
Ecuador	25.00	25.00
Bolivia	25.00	25.00

According to existing legislation in some countries as of December 31, 2022 and 2021, cash dividends for non-domiciled shareholders are taxable for income tax according to the following rates:

	Tax rates	
	2022 %	2021 %
Peru	5.00	5.00
Ecuador	10.52	10.52
Bolivia	12.50	12.50

(b) For the purpose of determining income tax, transfer pricing of transactions with related companies and with companies' resident in territories with low or no taxation, must be supported with documentation and information on the valuation methods used and the criteria considered in its determination. Based on the analysis of operations, Management and its legal advisors believe that, as a result of the application of the regulation in force, significant contingencies will not arise for the companies as of December 31, 2022 and 2021.

(c) The tax authority is legally entitled to review and, if necessary, adjust the Income Tax computed during a period of four years following the year in which the tax return has been submitted. In addition, the income tax and general sales tax returns of the Company and its Subsidiaries are subject to examination by the Tax Administration for the periods detailed below:

	Income tax	Valued added - tax
InRetail Pharma S.A.	From 2017 y 2019 to 2021	From 2018 to 2022
Eckerd Amazonía S.A.C.	From 2017 to 2021	From 2018 to 2021
Boticas del Oriente S.A.C.	From 2017 to 2021	From 2018 to 2021
Quicorp S.A.	From 2017 to 2021	From 2018 to 2022
Química Suiza S.A.C.	From 2017 to 2021	From 2018 to 2022
Mifarma S.A.C.	From 2017 to 2021	From 2018 to 2022
Albis S.A.C.	From 2017 to 2021	From 2018 to 2021
Jorsa de la Selva S.A.C.	From 2017 to 2021	From 2018 to 2022
Vanttive S.A.C.	From 2017 to 2021	From 2018 to 2022
Quimiza Ltda. (Bolivia)	From 2015 to 2021	From 2016 to 2022
Quifatex S.A. (Ecuador)	From 2019 to 2021	From 2019 to 2022
Vanttive Cía. Ltda. (Ecuador)	From 2017 to 2021	From 2018 to 2022
Farmacias Peruanas S.A.	From 2017 to 2018	2018
Boticas Torres de Limatambo S.A.C.	From 2017 to 2018	2018
Droguería La Victoria S.A.C.	From 2017 to 2018	2018
Química Suiza Comercial S.A.C.	From 2017 to 2018	2018
Droguería InRetail Pharma S.A.C.	From 2019 to 2021	From 2019 to 2022
Farmacias Peruanas S.A.C.	From 2020 to 2021	From 2020 to 2022
Boticas IP S.A.C.	2021	From 2021 to 2022

Due to possible interpretations that the tax authority may give to legislation, it is not possible to determine, to date, whether the reviews will result in liabilities for the Company and its Subsidiaries, therefore, any major tax or surcharge that may result from eventual revisions by the tax authority would be charged to the income statements of the period in which that tax or surcharge is determined. In opinion of Management and its legal advisors, any eventual additional tax settlement on the years opened to revision by the tax authority or on the ongoing revision would not be significant to consolidated financial statements as of December 31, 2022 and 2021.

(d) As of December 31, 2022, the tax loss carryforward determined by the subsidiary Quicorp S.A amounts to approximately S/57,000 (S/20,839,000 in 2021). Management of the Company and its subsidiaries has decided to opt for the loss carryforward system for a maximum of 4 years from the year in which taxable income is earned.

For this reason, as of December 31, 2022, the Company and its Subsidiaries recognized a deferred income tax asset of approximately S/ 17,000 (S/6,147,000 in 2021) related to accumulated tax losses that, according to Management's projections, may be compensated with future taxable profits.

21. Net sales

The table below presents the components of this caption

	2022 S/(000)	2021 S/(000)
Income from sales in pharmaceutical stores	5,964,033	5,697,094
Manufacturing, distribution and others	2,353,818	2,043,861
Income for rendering of services	350,401	323,533
	8,668,252	8,064,488

22. Cost of sales

The table below presents the components of this caption:

	2022 S/(000)	2021 S/(000)
Initial balance of goods, note 8(a)	1,235,753	1,091,368
Initial balance of raw materials, note 8(a)	860	19,552
Initial balance of supplies, note 8(a)	874	550
Initial balance of finished goods, note 8(a)	-	455
Purchase of goods	6,003,711	5,711,973
Local labour, note 23(b)	16,038	17,859
Depreciation, note 11(a)	1,790	1,593
Depreciation expense of right-of-use assets, note 11(b.4)	1,647	2,837
Amortization of intangibles assets, note 12(a)	8	78
Other manufacturing expenses	-	4,702
Other service expenses	15,409	12,662
Recoveries, note 8(d)	(11,955)	(2,932)
Rental of low-value, note 11(b.3)	78	50
Final balance of raw materials, note 8(a)	(108)	(860)
Final balance of supplies, note 8(a)	(860)	(874)
Final balance of goods, note 8(a)	(1,266,646)	(1,288,165)
	5,996,599	5,570,848
Plus -		
Impairment of inventories, note 8(d)	27,246	7,901
	6,023,845	5,578,749

23. Selling and administrative expenses

(a) The table below presents the components of these captions:

	2022			2021		
	Selling expenses S/(000)	Administrative expenses S/(000)	Total S/(000)	Selling expenses S/(000)	Administrative expenses S/(000)	Total S/(000)
Personnel expenses (b)	755,980	160,058	916,038	667,051	175,914	842,965
Services provided by third parties	263,474	94,702	358,176	253,563	68,647	322,210
Depreciation expense of right-of-use assets, note 11(b.4)	261,035	4,241	265,276	230,480	4,226	234,706
Depreciation of real estate, installations, furniture and team, note 11(a)	83,701	12,847	96,548	72,967	8,322	81,289
Amortization of intangible assets, note 12(a)	47,158	13,656	60,814	113,676	8,918	122,594
Advertising	55,318	33	55,351	53,616	15	53,631
Charges of management	37,725	15,855	53,580	42,219	19,018	61,237
Rental of premises (short-term and low-value), note 11(b.3)	34,017	1,040	35,057	23,599	816	24,415
Taxes	7,832	14,194	22,026	10,816	12,637	23,453
Packing and packaging	12,939	659	13,598	8,252	746	8,998
Insurances	10,289	2,227	12,516	12,009	886	12,895
Provision for doubtful accounts, net of recoveries, notes 6(e) and 7(f)	5,915	2,994	8,909	6,087	1,539	7,626
	1,575,383	322,506	1,897,889	1,494,335	301,684	1,796,019

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

	2022 S/(000)	2021 S/(000)
By nature -		
Remunerations	546,323	517,983
Legal bonuses	106,432	96,469
Vacations	62,236	38,821
Contributions	55,352	52,198
Severance indemnity	49,294	46,014
Employees profit sharing	46,764	56,088
Other	65,675	53,251
	932,076	860,824
By term -		
Selling expenses note, 23(a)	755,980	667,051
Administrative expenses, note 23 (a)	160,058	175,914
Costs of sale, note 22	16,038	17,859
	932,076	860,824

The average number of directors and employees in the Company and its Subsidiaries was 22,505 for the years 2022 and 23,524 for the year 2021, respectively.

24. Other income and other expenses

The table below presents the components of this caption:

	2022 S/(000)	2021 S/(000)
Other income -		
Income from sale of shares	49,745	-
Disposal of lease liability	22,413	878
Reversal of prior year provisions (a)	13,782	-
Contingencies recovered	3,525	4,777
Foreign exchange outflow tax income	1,125	2,441
Income from sale of property, installations, furniture and equipment, note 11(a.2)	463	440
Disposal of subsidiary, note 2.1, and 2.2	-	41,972
Government subsidies	-	20
Other	7,798	6,579
	98,851	57,107
Other expenses -		
Net cost per sale of shares	49,745	-
Net cost of sale and disposal of right of use assets, note 11(b)	20,601	820
Net cost of sale and disposal of property, installations, furniture and equipment, note 11(a) and Net cost of sale and disposal of intangibles, note 12(a)	1,189	1,477
Disposal of subsidiary, note 2.1, 2.2 and 2.3	-	46,065
Other	618	1,131
	72,153	49,493

(a) For the year 2022, it corresponds mainly to approximately S/11,368,000 for the prescription of contingent liabilities of Essalud, reversal of excess provision for contingent liabilities of Farmacias Peruanas S.A. (FASA) for S/1,941,000 and S/203,000 of reversal of other provisions.

25. Financial income and financial costs

The table below presents the components of this caption:

	2022 S/(000)	2021 S/(000)
Financial income -		
Interest on bonds	3,732	-
Interest on time deposits	3,331	1,945
Interest on bank deposits	2,463	2,385
Dividends received, note 9(b)	983	2,035
Other financial income	3,284	2,144
	13,793	8,509
Financial costs -		
Expenses from the early settlement of "Call Spread", note 10(b) y 10(c)	7,477	78,464
Premium for repurchase of bonds, note 18 (b)	-	47,530
Interest and structuring cost on senior notes issued, note 18(e)	24,890	45,216
Interest expense on lease liabilities, note 11(b.2) y 11(b.3)	39,897	43,347
Interests for related-party loans, note 26(c)	50,558	41,712
Interest on financial obligations and structuring costs, note 17(f)	54,015	27,999
Linear premium accrual of derivative financial instruments, note 10(b) and 10(c)	19,501	15,595
Accrual of the cost of structuring by redemption of "Senior Notes Unsecured", note 18(b)	-	12,836
Other financial costs	8,048	5,441
	204,386	318,140

26. Transactions with related parties

(a) The main transactions between the Company and its Subsidiaries and their related parties have been recorded in the consolidated income statement as follows:

	2022 S/(000)	2021 S/(000)
Expenses -		
Reimbursements of expenses	3,732	1,899
Interests for related-party loans, note 25 and (c)	50,558	41,172
Other transactions -		
Loans from related parties, note 26(c)	-	1,336,320
Sale of financial investments at fair value through other comprehensive income	49,745	-
Purchase of financial assets at fair value through other comprehensive income	-	(124,345)
Payment of financial obligations to Banco Internacional del Perú S.A.A. – Interbank	(37,900)	(139,102)
Dividends paid, note 19(c)	(302,140)	(610,039)

(b) As a result of the transactions with related parties, the Company and its Subsidiaries have the following balances of receivables and payables as of December 31, 2022 and 2021:

	2022 S/(000)	2021 S/(000)
Cash and cash equivalents -		
Banco Internacional del Perú S.A. – Interbank		
Current accounts	53,899	72,559
Financial assets at fair value through other comprehensive income -		
InRetail Consumer, note 9(c)	98,485	119,250
InRetail Perú Corp., note 9(b)	-	52,956
	98,485	172,206
Trade accounts receivable -		
Supermercados Peruanos S.A.	14,847	8,639
Agora Servicios Digitales S.A.C.	2,126	1
Financiera OH S.A.	755	1,114
Other	944	587
	18,672	10,341

	2022 S/(000)	2021 S/(000)
Accounts payable		
Trade accounts payable -		
Supermercados Peruanos S.A.	5,016	576
Financiera Oh! S.A.	5,430	3,004
Agora Servicios Digitales S.A.C.	2,046	17
Indigital XP S.A.C.	1,479	603
IR Management S.R.L.	1,569	950
Patrimonio Interproperties Perú	367	191
Real Plaza S.A.	125	78
Otros	390	442
Non – trade		
Patrimonio en Fideicomiso D.S. N ° 093-2002-EF-InRetail Consumer (c)	1,367,276	1,416,779
	1,383,698	1,422,640
By – Term		
Current portion	30,157	20,057
Non-current portion	1,353,541	1,402,583
	1,383,698	1,422,640
Financial obligations		
Banco Internacional del Perú S.A.A. – Interbank, note 17(a)	238,592	236,009

(c) Corresponds to two loans for US$288,000,000 and S/266,400,000, granted by InRetail Consumer in March 2021, both with a maturity of seven years and annual interest rate of 3.25 and 4.90 percent, respectively. During 2022 and 2021, the loan generated interest and structuring cost of approximately S/50,558,000 and S/41,712,000, respectively, which are included in "Financial expenses" in the statement of comprehensive income, note 25. It is worth mentioning that the Company acquired three derivative financial instruments to hedge the exchange rate effect of the loan in U.S. dollars, see note 10(b).

(d) The remuneration of key personnel for the years 2022 and 2021, was approximately S/37,471,000 and S/28,486,000, respectively.

27. Earnings per share

Basic earnings per share amounts are calculated by dividing profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year. As there are no dilutive instruments outstanding, basic and diluted earnings per share are identical.

	Common shares		
	Outstanding shares	Number of days until end of year	Outstanding shares
Number as of January 1, 2022	15,839,379	365	15,839,379
Number as of December 31, 2022	15,839,379		15,839,379
Number as of January 1, 2021	15,839,379	365	15,839,379
Number as of December 31, 2021	15,839,379		15,839,379

	2022		
	Net profit (numerator) S/(000)	Shares (denominator) (000)	Earnings per share S/
Basic and diluted earnings per share	402,307	15,839	25.40

	2021		
	Net profit (numerator) S/(000)	Shares (denominator) (000)	Earnings per share S/
Basic and diluted earnings per share	221,344	15,839	13.97

28. Commitments and contingencies

(a) Commitments -

As of December 31, 2022, the Company and its Subsidiaries maintain guarantees granted to third parties through letters of guarantee related mainly to the purchase of merchandise. These guarantees amount to approximately S/42,837,142, US$4,288,216 and B$ 276,623 (approximately S/54,710,935 US$8,052,654 and B$236,737 as of December 31, 2021).

Additionally, in May 2018 the Company issued debt instruments in the local and abroad markets for S/385,800,000, which is guaranteed by the following subsidiaries: Quicorp S.A., Química Suiza S.A.C. and Mifarma S.A.C.

(b) Contingencies -

(b.1) As of December 31, 2022, InRetail Pharma S.A., Química Suiza S.A.C., Mifarma S.A.C., and Jorsa de la Selva S.A.C in coordination with their legal advisors, maintain contingency provisions for a total amount of approximately S/33,221,000 (view note 16 (a)) (S/52,988,000 as of December 31, 2021).

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, 2022 and 2021.

(b.2) Eckerd Amazonia S.A.C. is in the process of claiming against the Tax Authority for determinations of debts and fines related to VAT for the period between January 2003 and June 2005 for approximately S/17,698,000. In August 2021, Coercive Collection Resolutions were issued for the total amount claimed; these resolutions were canceled by the entity within the established period. It should be noted that the payments are presented under the heading "Other accounts receivable, net" of the consolidated statement of financial position, within the claims and deliveries to be rendered; however, such payment will be claimed to the Tax Authority and in Management's opinion and its legal advisors, that the matter will be resolved in a favorable manner.

(b.3) As of December 31, 2022, InRetail Pharma S.A., Química Suiza S.A.C., Mifarma S.A.C., Jorsa de la Selva S.A.C. and Cifarma S.A.C. maintain various civil, labor and tax legal processes for a total amount of approximately S/70,058,000 (S/54,534,000 as of December 2021). 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, 2022 and 2021.

29. Business segments

For management purposes, the Company and its Subsidiaries is organized into business units based on their products and services and, as December 31, 2022 and 2021, has two reportable segments: (i) Pharmacies; and, (ii) Distribution and Marketing.

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 consolidated 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 Pharma S.A. and its Subsidiaries by business segments for 2022 and 2021:

	Pharmacies S/(000)	Manufacturing, Distribution and Marketing S/(000)	Total segments S/(000)	Adjustments and intercompany eliminations (*) S/(000)	Consolidated S/(000)
2022					
Revenue					
External income	6,277,641	2,390,611	8,668,252	-	8,668,252
Inter-segment	49,512	622,531	672,043	(672,043)	-
Total revenue	6,327,153	3,013,142	9,340,295	(672,043)	8,668,252
Cost of sales	(3,972,174)	(2,051,671)	(6,023,845)	-	(6,023,845)
Inter-segment	(43,146)	(623,971)	(667,117)	667,117	-
Gross profit	2,311,833	337,500	2,649,333	(4,926)	2,644,407
Selling expenses	(1,356,158)	(184,307)	(1,540,465)	(34,918)	(1,575,383)
Administrative expenses	(255,931)	(69,992)	(325,923)	3,417	(322,506)
Other operating expenses, net	21,086	3,319	24,405	2,293	26,698
Operating profit	720,830	86,520	807,350	(34,134)	773,216
Financial income	11,872	2,273	14,145	(352)	13,793
Financial costs	(189,637)	(17,781)	(207,418)	3,032	(204,386)
Exchange difference, net	19,498	(620)	18,878	(31)	18,847
Profit before income tax	562,563	70,392	632,955	(31,485)	601,470
Income tax expenses	(182,912)	(28,339)	(211,251)	12,088	(199,163)
Net profit	379,651	42,053	421,704	(19,397)	402,307
Attributable to:					
Shareholders of InRetail Pharma S.A.	379,651	42,053	421,704	(19,397)	402,307
Non-controlling interests	-	-	-	-	-
	379,651	42,053	421,704	(19,397)	402,307
Other information					
Operating assets	5,204,439	1,555,023	6,759,462	(612,328)	6,147,134
Operating liabilities	4,649,910	1,079,797	5,729,707	(108,697)	5,621,010
Additions to non-current assets -					
Property, installations, furniture and equipment	271,561	7,179	278,740	22	278,762
Intangible assets	39,890	5,699	45,589	-	45,589
Depreciation and amortization	(104,156)	(14,097)	(118,253)	(40,907)	(159,160)

(*) The inter-segment income is eliminated in the consolidation and presented in the columns of adjustments and eliminations.

	Pharmacies S/(000)	Manufacturing, Distribution and Marketing S/(000)	Total segments S/(000)	Adjustments and intercompany eliminations (*) S/(000)	Consolidated S/(000)
2021					
Revenue					
External income	5,983,767	2,080,721	8,064,488		8,064,488
Inter-segment	34,405	669,822	704,227	(704,227)	-
Total revenue	6,018,172	2,750,543	8,768,715	(704,227)	8,064,488
Cost of sales	(3,837,110)	(1,741,639)	(5,578,749)	-	(5,578,749)
Inter-segment	(29,812)	(669,985)	(699,797)	699,797	-
Gross profit	2,151,250	338,919	2,490,169	(4,430)	2,485,739
Selling expenses	(1,222,321)	(175,225)	(1,397,546)	(96,789)	(1,494,335)
Administrative expenses	(230,570)	(72,188)	(302,758)	1,074	(301,684)
Other operating expenses, net	7,722	3,851	11,573	(3,959)	7,614
Operating profit	706,081	95,357	801,438	(104,104)	697,334
Financial income	216,454	174,234	390,688	(382,179)	8,509
Financial costs	(311,234)	(7,398)	(318,632)	492	(318,140)
Exchange difference, net	(34,228)	5,268	(28,960)	-	(28,960)
Profit before income tax	577,073	267,461	844,534	(485,791)	358,743
Income tax expenses	(138,221)	(29,912)	(168,133)	30,734	(137,399)
Net profit	438,852	237,549	676,401	(455,057)	221,344
Attributable to:					
Shareholders of InRetail Pharma S.A.	438,852	237,549	676,401	(455,057)	221,344
Non-controlling interests	-	-	-	-	-
	438,852	237,549	676,401	(455,057)	221,344
Other information					
Operating assets	5,121,309	1,392,873	6,514,182	(606,645)	5,907,537
Operating liabilities	4,649,407	955,487	5,604,894	(115,541)	5,489,353
Additions to non-current assets -					
Property, installations, furniture and equipment	158,517	8,540	167,057	(17)	167,040
Intangible assets	40,574	2,452	43,026	(2)	43,024
Depreciation and amortization	(92,282)	(12,013)	(104,295)	(101,259)	(205,554)

(*) The inter-segment income is eliminated in the consolidation and presented in the columns of adjustments and eliminations.

29.2. Geographic information -

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

Revenue:

	2022 S/(000)	2021 S/(000)
Peru	7,447,860	7,142,303
All foreign countries:		
Ecuador	1,144,688	826,147
Colombia y Bolivia	75,704	96,038
	8,668,252	8,064,488

Non-current assets (*):

	2022 S/(000)	2021 S/(000)
Peru	2,261,893	2,110,862
All foreign countries:		
Ecuador	48,276	53,516
Colombia y Bolivia	1,758	2,656
	2,311,927	2,167,034

(*) Non-current assets exclude goodwill.

30. Objectives and policies of financial risk management

Due to the nature of the activities of the Company and its Subsidiaries, they 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 Company and its Subsidiaries' continuing profitability, and each individual within the Company and its Subsidiaries 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 Company and its Subsidiaries' strategic planning process.

(a) Risk management structure -

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

(i) Board of Directors -

The Companies' Board of Directors is responsible for the overall risk management approach and for the approval of 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 Company and its Subsidiaries, taking into account the policies, procedures and limits established by the Board of Directors and the Management of the Company and its Subsidiaries. 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 Company and its Subsidiaries 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 Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market prices. The financial instruments of the Company and its Subsidiaries are affected by exchange rate risk and interest rate risk.

(i) Foreign currency risk -

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Finance Managers of the Company and its Subsidiaries are responsible for identifying, measuring, controlling and informing on the exposure to global exchange rate risk of the Company and its Subsidiaries. Foreign currency risk arises when the Company and its Subsidiaries present mismatches between their assets and liabilities in foreign currency. Management monitors this risk through the analysis of the macroeconomic variables of the country.

Transactions in foreign currency are carried out using exchange rates prevailing in the market as published by the Superintendence of Banks, Insurance and Pension Funds Administration. As of December 31, 2022, the weighted average exchange rates in the market for transactions in US Dollars were S/3.808 per US$1.00 bid and S/3.820 per US$1.00 ask (S/3.975 per US$1.00 bid and S/3.998 per US$1.00 ask as of December 31, 2021).

Transactions in foreign currency are using the exchange rates current in the market as published by authorized entities of the country in which the Company and its Subsidiaries operate. The weighted average exchange rate in the market for the transactions of the different currencies in relation to the Sol are as follows:

Exchange rate per Sol	**2022**	**2021**
US Dollars (US$)	0.262	0.250
Boliviano (B$)	1.822	1.741

As of December 31, 2022 and 2021, the Company and its Subsidiaries had the assets and liabilities in thousands of US Dollars, Bolivianos and Pesos Colombianos:

	2022			2021		
	US$(000)	B$(000)	$(000)	US$(000)	B$(000)	$(000)
Assets -						
Cash and cash equivalents	29,914	9,075	-	11,636	21,383	-
Trade accounts receivables, net	73,764	21,867	-	47,595	31,704	-
Other accounts receivables, net	15,463	4,688	-	9,618	3,986	-
Accounts receivables from related parties	39	-	-	38	-	-
Financial assets at fair value through other comprehensive income	25,863	-	-	43,322	-	-
	145,043	35,630	-	112,209	57,073	-
Liabilities -						
Trade accounts payables	(121,089)	(10,254)	-	(80,070)	(15,171)	-
Accounts payables to related parties	(290,651)	-	-	(290,607)	-	-
Other accounts payables	(6,728)	(5,450)	-	(6,372)	(7,851)	-
Lease liabilities	(96,983)	(288)	-	(88,806)	(1,267)	-
Financial obligations	(13,028)	-	-	(10,923)	-	-
Senior notes issued	-	-	-	-	-	-
	(528,479)	(15,992)	-	(476,778)	(24,289)	-
Derivative financial instrument						
Call Spread, note 10(b)	138,000	-		138,000	-	-
Range Principal Only Swap, note 10(b)	150,000	-	-	150,000	-	-
Net (liabilities) asset position	(95,436)	19,638		(76,569)	32,784	-

During 2022 and 2021, the Company and its Subsidiaries have recognized a net foreign exchange gain of approximately S/18,847,000 and loss of S/28,960,000, respectively, which is presented in the caption "Exchange difference, net" in the consolidated income statements.

The following table presents the sensitivity analysis of US Dollars (the only currency different from the functional currency where the Company and its Subsidiaries have a significant exposition as of December 31, 2022 and 2021), on the monetary assets and liabilities and on the estimated cash flows. The analysis determines the effect of a reasonably possible change in the US Dollar exchange rate, with all other variables held constant in the consolidated income statements before income tax. A negative amount shows a potential net decrease in the consolidated statements of comprehensive income, whereas a positive amount reflects a potential net increase.

Sensitivity analysis	Change in Exchange rates	Gain/(loss) before taxes	
	%	2022	2021
		S/(000)	S/(000)
Devaluation -			
US$ Dollars	5	18,228	15,306
US$ Dollars	10	36,456	30,612
Bolivianos	5	(537)	(942)
Bolivianos	10	(1,074)	(1,883)
Revaluation -			
US$ Dollars	5	(18,228)	(15,306)
US$ Dollars	10	(34,456)	(30,612)
Bolivianos	5	537	942
Bolivianos	10	1,074	1,883

(ii) Interest rate risk -

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

30.2 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 Company and its Subsidiaries are exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks.

(i) Accounts receivable –

Accounts receivable are periodically reviewed to ensure their recovery. Trade accounts receivable from sale of goods, and in Management opinion, as of December 31, 2022 and 2021, are collectible from clients with credit solvency and strength and large credit lines, which ensure the timely collection of receivables. In case of 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 4 days to become cash.

Additionally, the Company and its Subsidiaries present receivables from third parties and related parties, as a result from the sale of goods (see notes 6 and 26(b)), with credit solvency and strength and large credit lines, which ensure the timely collection of receivables.

The maximum exposition to credit risk for the components of consolidated financial statements as of December 31, 2022 and 2021 is their carrying value as illustrated in notes 6, 7, and 26(b).

In Management's opinion, the Company and its Subsidiaries do not have concentrations of credit risk as of December 31, 2022 and 2021.

(ii) Financial instruments and bank deposits –

The credit risk of the cash in Banks is managed by Finance Management in accordance with the policies of the Company and its Subsidiaries; likewise, credit risk related to available-for-sale financial investments is managed by the Company and its Subsidiaries together with Corporate Management of Finance and Administration of the economic group they belong to; see note 1(a). The limits of the counterparty credit are reviewed by Management and the Board of Directors. The limits are established to minimize the concentration of risk, and, as a consequence, to mitigate financial losses from potential default of the counterparty.

The maximum exposition to credit risk for the components of the consolidated financial statements as of December 31, 2022 and 2021 comes from the captions cash and cash equivalents, trade accounts receivable, accounts receivable from related parties, other accounts receivable and financial investments at fair value through other comprehensive income.

30.3 Liquidity risk

Liquidity risk is the risk that the Company and its Subsidiaries could not comply with their payment obligations related to financial liabilities at maturity and replace the funds when they are retired. The consequence would be the default in the payment of their obligations to third parties.

Liquidity is controlled through the match of maturities of the assets and liabilities, through the obtention of credit lines and/or by maintaining the liquidity surplus, which allow the Company and its Subsidiaries to develop their activities normally. 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.

The table below summarizes the maturity profile of the Company and its Subsidiaries financial liabilities based on contractual undiscounted payments:

	Up to 1 month S/(000)	1 to 3 months S/(000)	3 to 12 months S/(000)	More than 1 year S/(000)	Total S/(000)
As of December 31, 2022 -					
Trade accounts payables	563,830	1,218,851	70,879	-	1,853,560
Accounts payables to related parties	9,248	20,860	49	1,353,541	1,383,698
Other accounts payables	154,000	45,876	52,978	3,873	256,727
Current income tax payables, net	13,086	-	-	-	13,086
Lease liabilities -					
Principal amortization	24,355	59,120	142,551	406,095	632,121
Interests amortization	3,034	4,556	7,285	33,889	48,764
Senior notes and financial obligations on long term -					
Principal amortization	42,094	216,483	42,320	991,857	1,292,754
Interests amortization	8,739	16,330	95,495	77,467	198,031
	818,386	1,582,076	411,557	2,866,722	5,678,741
As of December 31, 2021 -					
Trade accounts payables	1,270,541	341,419	59,997	-	1,671,957
Accounts payables to related parties	3,507	16,369	181	1,402,583	1,422,640
Other accounts payables	152,216	60,988	61,659	29,342	304,205
Current income tax payables, net	6,026	-	-	-	6,026
Lease liabilities -					
Principal amortization	15,338	31,087	137,964	383,822	568,211
Interests amortization	1,811	4,926	12,380	55,113	74,230
Senior notes and financial obligations on long term -					
Principal amortization	99,291	170,156	89,541	990,239	1,349,227
Interests amortization	4,496	10,286	37,551	126,866	179,199
	1,553,226	635,231	399,273	2,987,965	5,575,695

30.4 Capital management risk

The objectives of the Company and its Subsidiaries when managing capital is 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 Company and its Subsidiaries manage their capital structure and make pertinent adjustments depending on changes in economic conditions. In order to maintain and adjust their capital structure, the Company and its Subsidiaries might modify the payments of dividends to shareholders, reimburse them capital stock or issue new shares. During 2022 and 2021 there were no modifications in the objectives, policies or processes related to capital management.

The Company and its Subsidiaries controls the capital using a debt ratio, defined as the quotient between the net debt and equity plus net debt. The Company and its Subsidiaries has the policy of maintaining the debt ratio between 82 and 93 percent. The Company and its Subsidiaries include in the net debt the financial obligations, trade accounts payable, accounts payable to related parties, other payables, income tax liabilities and senior notes issued, less cash and cash equivalents.

	2022 S/(000)	2021 S/(000)
Financial obligations (note 17)	907,968	964,814
Trade accounts payable, accounts payable to related parties, other accounts payable and income tax liability (notes 15, 26(b), 16 and 14(e))	3,530,832	3,404,828
Lease liabilities, note 11(b.2)	632,121	568,211
Senior note issued, note 18	384,786	384,413
Less: Cash and cash equivalents (note 5)	(347,282)	(299,340)
Net debt (a)	5,108,425	5,022,926
Equity	526,124	418,184
Capital stock and net debt (b)	5,634,549	5,441,110
Leverage ratio (a/b)	91%	92%

30.5 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)	Exchange difference S/(000)	Cash flows S/(000)	Balance at end of year S/(000)
As of December 31, 2022 -								
Dividends paid	-	302,140	-	-	-	-	(302,140)	-
Financial obligations	1,349,227	-	-	23,935	-	390	(80,798)	1,292,754
Loan payable to related parties	1,336,320	-	-	-	-	30,240	-	1,366,560
Interests for financial obligations	7,268	-	78,905	-	-	(1,579)	(73,804)	10,790
Lease liabilities	568,211	-	39,897	362,450	(24,300)	(19,587)	(294,550)	632,121
Liabilities to financing activities	3,261,026	302,140	118,802	386,385	(24,300)	9,464	(751,292)	3,302,225
As of December 31, 2021 -								
Dividends paid	-	610,039	-	-	-	-	(610,039)	-
Financial obligations and note senior	2,223,865	-	-	40,602	55,494	29,085	(999,819)	1,349,227
Loan payable to related parties	-	-	-	-	-	-	1,336,320	1,336,320
Interests for financial obligations and senior notes	19,087	-	70,537	-	-	(905)	(81,451)	7,268
Lease liabilities	608,298	-	43,347	190,031	(22,959)	34,915	(285,421)	568,211
Liabilities to financing activities	2,851,250	610,039	113,884	230,633	32,535	63,095	(640,410)	3,261,026

31. Fair value

The methodologies and assumptions used by the Company and its Subsidiaries 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 whose 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 investments at fair value through other comprehensive income and financial instruments at fair value through profit or loss -
The fair value of financial investments 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, financial obligations, 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:

	2022		2021	
	Book value S/(000)	**Fair value** S/(000)	**Book value** S/(000)	**Fair value** S/(000)
Derivative financial instrument – "Call Spread"	57,107	57,107	111,926	111,926
Financial obligations	907,968	870,604	964,814	986,478
Lease liabilities	632,121	632,121	568,211	568,211
Senior notes issued	384,786	396,201	384,413	397,807

Based on the criteria described above, Management estimates that no have significant differences between the book values and the fair value of the financial instruments of the Company and its Subsidiaries as of December 31, 2022 and 2021.

32. Subsequent events

Since December 31, 2022 until the date of this report, no significant events have occurred that affect the financial statements, in addition to those disclosed in the notes to the financial statements.

33. Explanation added for English translation

The accompanying consolidated financial statements were originally issued in Spanish and are presented on the basis of International Financial Reporting Standards, as described in note 4. Certain accounting practices applied by the Company and its Subsidiaries that conform to those accounting principles may not conform to generally accepted accounting principles in other countries. In the event of a discrepancy, the Spanish language version prevails.

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