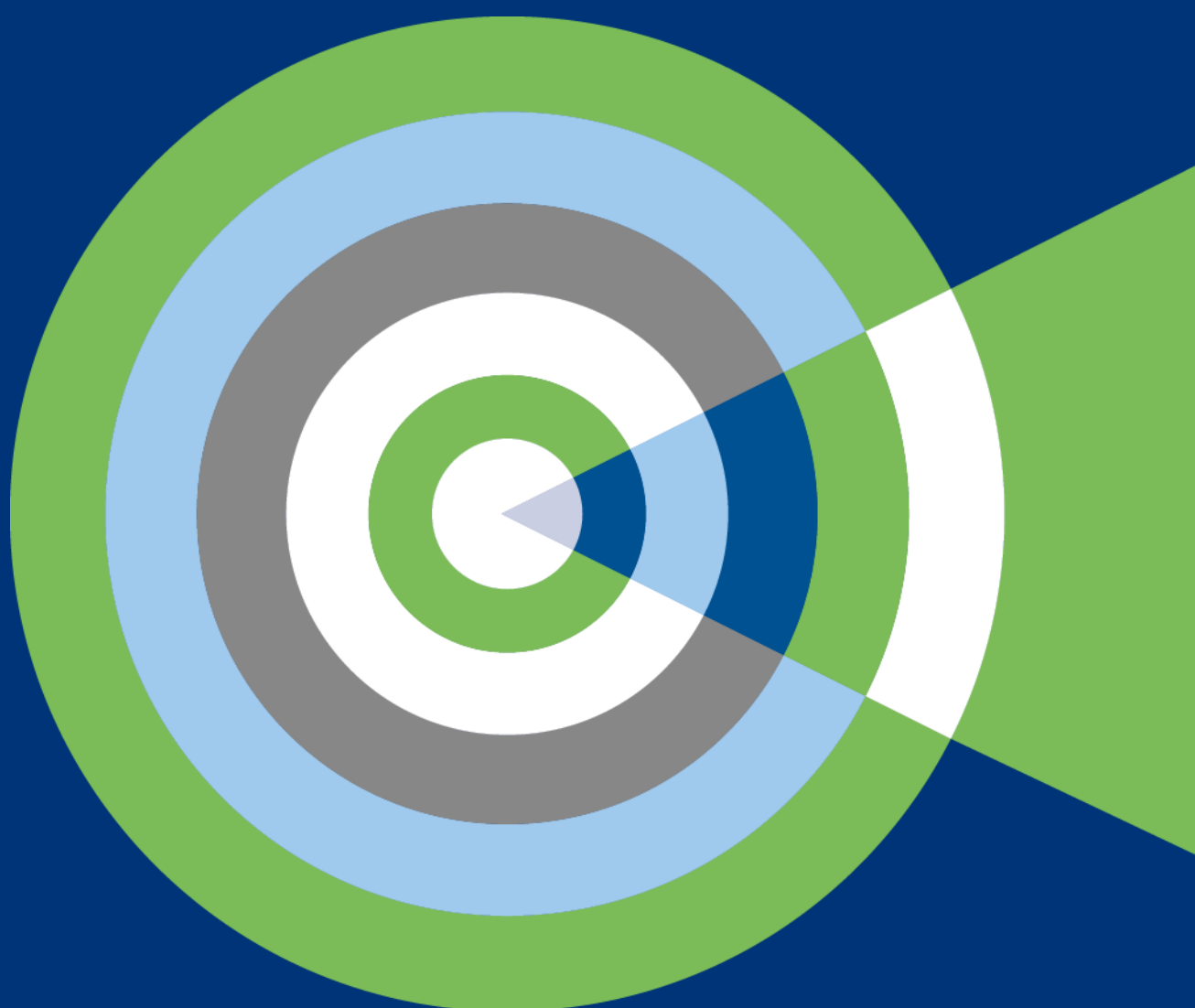


DOING BUSINESS

IN PERU



The network
for doing
business

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1 – INTRODUCTION

UHY is an international organisation providing accountancy, business management and consultancy services through financial business centres in around 90 countries throughout the world.

Business partners work together through the network to conduct transnational operations for clients as well as offering specialist knowledge and experience within their own national borders. Global specialists in various industry and market sectors are also available for consultation.

This detailed report providing key issues and information for investors considering business operations in Peru has been provided by the office of UHY representatives:

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A detailed firm profile for UHY's representation in Peru can be found in section 8.

Information in the following pages has been updated so that they are effective at the date shown, but inevitably they are both general and subject to change and should be used for guidance only. For specific matters, investors are strongly advised to obtain further information and take professional advice before making any decisions. This publication is current at June 2014.

We look forward to helping you do business in Peru.

2 – BUSINESS ENVIRONMENT

GENERAL BACKGROUND

Peru is the third biggest nation in South America, covering 1,285,215 square kilometres.

The country has three natural regions: the coast, highlands and jungle and an estimated population (for 2014) of 30.1 million. Around 77% of the population lives in urban areas and 23% in rural areas.

The administrative divisions of the country include 24 departments and one constitutional province, Callao. Each department consists of provinces, totalling 180 (Callao included), and these provinces are divided into districts, totalling 1,838. The capital city is Lima.

The Peruvian government is organised administratively into the executive power, comprising the president of the Republic, who is the head of state and is elected by direct voting for a five-year term (the next elections are due in April 2016). Legislative power is centred in a unicameral congress, with 133 congressmen who are directly elected. Power over the administration of justice is held by the judiciary. Its highest body is the National Counsel of Magistrates.

The official language is Castilian, but in many regions of the country the Quechua language is in use (a dialect inherited from the Inca culture) as well as Aymara, which is the language of the Aymara people of the Andes. The currency is the *Nuevo Sol* ('the Sol'), which has PEN as its currency code.

ECONOMY

The main objective of the Peruvian government's economic programme, established by the Ministry of Economy and Finance (www.mef.gob.pe), is to optimise the financial and economic activity of the state, to establish macroeconomic activity, and to achieve sustainable growth.

Peru has been one of the fastest-growing Latin American economies: GDP has grown by an average of 5.6% over the past five years and was just over 5% in 2013. Economic indicators suggest that growth has successfully stabilised around a sustainable level. Domestic consumption and private investment are the main driving forces of growth.

GDP per capita is USD 11,100 (2013 estimate). As the economy has grown, poverty in Peru has steadily decreased. But, although Peru is one of the regions' leading growth powerhouses, its per capita GDP still ranks below that of neighbouring countries.

Overall, however, Peru continues to enjoy the benefits of its liberalisation policies that have supported high levels of efficiency in the goods, labour and financial markets.

PRICE AND EXCHANGE RATE STABILITY

Peru continues to have one of the lowest rates of inflation in Latin America (estimated at 2.9% in 2013). Its exchange rate, left free to non-speculative market forces, is also one of the most stable in Latin America.

The country's economic growth has largely been built on this exchange rate and price stability, reflecting the government's strong commitment to fiscal balance and a conservative monetary policy.

The 'Sol' has been the least volatile of all Latin American currencies in the past few years and was the least impacted by the downturn of the US dollar. Since the mid-1990s, the Sol's exchange rate with the US dollar has fluctuated between 1.25 and 3.55 per dollar. The exchange rate, estimated for 2013, is 2.69 'Sols' per dollar.

Yet, despite this strong macroeconomic performance, analysts contend that Peru's dependence on mineral and metal exports, and imported foodstuffs, makes the economy vulnerable to world price fluctuations.

ECONOMIC INDICATORS

Economic analysts also point to:

- Peru's increasingly robust financial system (delinquency is at an historical low), and that private companies more and more frequently issue bonds in the local market
- The private pension fund system (SPP) keeps growing (following a 40% surge in growth in 2006)
- The Lima Stock Exchange has ranked as the world's most profitable
- Examination of fiscal accounts shows the main evaluation categories of rating firms relate to the evolution of income, expense and general government balance indicators. Rating agencies favour countries with a large tax payroll and low tax rates
- Peru has made great strides in balancing its fiscal accounts. (In 2010 it recorded a deficit of 0.6% of GDP yet a 1.8% surplus by 2011.) Tax pressure (tax revenues to GDP) is expected to grow, and the quality of public expenditure is expected to improve through a new wave of state reforms and effective austerity measures.

EXPORT GROWTH

Total exports reached USD 41.48 billion in 2013, largely from mining (see rankings table below). This achievement reflects growth in international demand derived from rising international prices as well as increased volumes of raw materials being demanded from the Latin American region generally.

EXPORTING INDUSTRIES

Increases in exports – culminating in USD 73.5 billion (estimated) in 2013 – have been made possible through a combination of factors, including the maintenance of high international prices, a strong demand for Peruvian products, especially in countries with which it has commercial agreements, and the expansion of supply and Peruvian capacities to participate in the competitive international market.

Mining exports continue to increase (they surged by 36.1% between January and August 2011 alone). Exports include many different metals including copper, gold, molybdenum, silver and zinc.

Peru is the largest producer of gold, silver, zinc, lead and tin in Latin America, and is second in copper and molybdenum. Even more significantly, Peru is seventh among the world's top 10 leading mineral-producing countries. Mining exports amounted to USD 25,921 million during 2012, a slight dip on the previous year when exports had risen by 21%. (In the first half of 2013 the trend continued at USD 11,250.) Metallic exports during 2013 comprised 56.5% of all Peruvian exports. Twenty-two per cent of demand came from China. Over the past 10 years, 58% of total exports have been in the minerals sector, reflecting high commodity prices and Peru's standing in the market.

The value of exports reflects, in addition to the increase in international prices of metals, Peru's sustained pace in exploration, discovery, mine construction and exploitation, which has enabled a continual increase in mineral production. A disproportionate decline in international prices is not anticipated, given the sustained demand from both the developed economies and from countries with large and rapidly growing populations, such as Brazil, Russia, India and China.

PERU'S RANKING AS AN EXPORTER OF METALS

	WORLDWIDE	LATIN AMERICA
Copper	3	2
Gold	5	1
Zinc	3	1
Silver	2	2
Lead	4	1
Tin	3	1
Molybdenum	4	2
Iron	17	5

Source: Peruvian Ministry of Energy and Mines

In addition, Peru is exporting an increasing amount of hydrocarbons, of which the country is projected to become a net exporter.

Peru has also substantially increased most of its non-traditional exports. Forestry, fishing, textiles and garments, manufacturing, jewellery and service exports have also increased.

In agribusiness, Peru is currently the world's leading exporter of asparagus, organic coffee and dried paprika. Peru is also a world-leading producer and exporter of fishmeal and oil. Fishing is one of the major economic activities, and among the sectors with the highest level of exports.

But, after minerals, the sector that stands out the most is the textile and clothing sector (with USD 1,986 million in exports reported in 2011, a surge of 21% over the previous year). The trend has continued. In the first quarter of 2014, production of textiles expanded by 47% compared with a year earlier, and textile output grew by 27% as textile-makers boosted exports to meet demand from companies such as J.C. Penney Co., the second-largest US department-store chain.

Significantly, the expansion was the biggest expansion of all 17 components making up the country's manufacturing breakdown. Higher manufacturing and retailing output in the textiles sector may signal that Peru's economy, which has generally been driven by mining, may be broadening.

MAIN EXPORT DESTINATIONS

15% of Peruvian exports go to the US, a country with which Peru has tariff preferences through The Andean Trade Promotion and Drug Eradication Act (ATPDEA), and with which Peru has signed a free trade agreement. Other important markets are the Asian block countries, including China and Japan, taking 20% and 5%, respectively, of all Peruvian exports. The EU takes 15%, Brazil 10% and Mexico 5%.

KEY SECTORS

MINING

The sector that contributes most to Peruvian exports is mining. It represents an important source of foreign currency and a large part of investment made in the country in recent years. In 2013, mining registered 56.5% of total exports.

The main companies in mining sector exports are: Yanacocha, with 25% of total mining exports; followed by Southern Peru Copper Corporation (15%); Antamina (10%); Doe Run (8%); and Barrick Misquichilca (7%).

The main metals produced by Peru are gold, copper, zinc, tin and silver.

FISHING

Peru has great hydro-biological resource diversity. The following have been identified in Peruvian seas:

- 750 fish species
- 872 mollusc species
- 412 crustacean species
- 45 equinoderm species
- 240 algae species.

There are also chelonians, cetaceans and mammals.

Peru is the second biggest fishing country in the world, according to The Food and Agriculture Organisation of the United Nations.

Favourable geographic and climatic conditions include:

- A 3,080km coastline and 900,000 sq km of territorial sea
- Plankton abundance (both phytoplankton and zooplankton)
- Sea currents, especially the Humboldt Current that allows for the upwelling phenomenon.

Legislation for the promotion and development of aquaculture (Law 27460), grants the following benefits:

- Income tax discounts (tax rate 15%)
- IGV (sales tax) anticipated recovery (productive stage)
- Suspension of aquaculture duty payment.

AGRO-INDUSTRY

Peru is a mega-diverse country, having 84 out of the 104 life zones recognised in the world. Together with the diversity of its ecological levels, Peru has the advantage that practically every crop can be planted year-round. Peru has about 8 million hectares available for crop cultivation, 17.9 million hectares for pastures and 48.7 million hectares for forestry production.

Most companies developing crops for exports are logistically organised for production in the fields and in plants (if they work with processed products) and to carry out product exports. These companies can also work with small producer organisations to comply with the quantity of product required for their markets. There are also some exporting companies that have industrial plants only and need small producer organisations in different areas to get primary product supplies.

Important characteristics of agro-exporting companies are their offer diversification, as a result of both their business knowledge and of the need to use industrial plant at full capacity. The four larger non-traditional farming product exporters, specialising in horticulture products, are:

- Camposol exports fresh, preserved and frozen asparagus, piquillo pepper and preserved chilli, preserved artichokes, avocados, fresh and preserved mango, onion, as well as other preserved, frozen vegetables and other fresh fruits
- Agricola Virú exports preserved asparagus, preserved artichokes, piquillo pepper and preserved chili, preserved ground garlic and other preserved fruits and vegetables
- Alicorp mainly exports balanced foods, products related to the oil industry (edible oils, soaps, mayonnaise, shortening, ketchup) and products derived from the wheat milling industry (pasta, cookies and crackers, flours, wafers)
- Drokasa exports fresh and frozen asparagus, grapes and figs.

Agricultural exports have shown a progressive growth in recent years. From USD 1,339 million in 2005, average annual growth rate has exceeded 20%. This increase was achieved thanks to the development of a highly diversified supply of agriculture. In previous years, few products exceeded USD 10 million in exports. From 2007, more than 30 products exported reached total sales above this amount. The trend has continued with first-quarter results for 2014 showing a 24.3% growth in agricultural exports compared with the same period in the previous year.

Among the main agricultural products, the list is led by coffee (USD 427 million) and asparagus (USD 422 million, including fresh, preserved and frozen), followed by paprika (USD 88 million), artichoke (USD 78 million), mango (USD 74 million), grapes (USD 55 million), avocado (USD 47 million), beans (USD 33 million), bananas (USD 31 million), piquillo pepper (USD 31 million), mandarins (USD 30 million), cocoa (USD 29 million), tara (USD 27 million), onions (USD 25 million) olives (USD 19 million), sugar (USD 19 million) and nuts (USD 14 million). Given the current agro-exporting drive, the list is expected to increase substantially in future years.

TEXTILES

The fine textile tradition in Peru dates back to pre-Inca times and is supported by the high quality of inputs used, such as alpaca and Pima cotton fibres. Textile and apparel production have evolved in techniques and designs to produce some of the highest quality products in their respective types worldwide.

The textile development of the country has been possible thanks to the farming of exceptional quality fibres, such as the Peruvian Pima cotton (extra long fibre) and the Tangüis cotton (long fibre).

Peru is the world's largest producer of the finest fibres from the South American Camelidae species, among which are the alpaca and vicuña. The latter exceeds cashmere fibre quality.

Peru has achieved good positioning as a reliable supplier with a well-developed textile sector. This is based on excellent quality cotton growth to rearing and shearing of vicuñas and alpacas, to spinning, weaving, dyeing and finishing fabrics and the manufacturing of garments.

TOURISM

Peru is heir to 1,000-year-old cultures and a rich colonial tradition. It is also an enclave harbouring one of the largest range of biodiversity on the planet.

The biggest attractions to be found in Peru are the ruins of Machu Picchu, one of the seven new wonders in the world, Chavín de Huantar, the Kuélap Fortress and the ruins of Caral among others. Handicrafts, native music and dance, as well as an abundance of gastronomic delights make Peru a country with big opportunities for the development of tourism investment.

The city of Cusco, the ancient capital of the Incan Empire, was placed on the World Cultural Heritage List by UNESCO in 1983, and is one of the most important destinations in Peru.

Buildings awaiting discovery among the cobble-stoned streets include Koricancha, the palace of Inca Roca, and Andean baroque structures from the colonial period, such as the Cathedral and the Church of the Company of Christ. In addition, Cusco houses the picturesque neighbourhood of San Blas where the best artisans have set up their workshops. This city also has an exciting nightlife with cafes, restaurants, and bars. Just ten minutes away from the city there are the massive walls of the Sacsayhuamán fortress and a few kilometres from there are the archaeological sites of Qenko, Pukapukuara and Tambomachay – Incan buildings constructed completely from stone.

The towns of Písac, Maras, Chinchero and Ollantaytambo, spread throughout the Sacred Valley of the Incas, are one hour from Cusco. From there, tourists can travel by train to Machu Picchu. Another way of getting to the citadel is by following one of the Inca Trails, a spectacular network of pathways that snake their way among the snow-covered mountains, rivers, and countryside – making it one of the best trekking routes in the world, scattered with archaeological sites and areas rich in unique plant and animal species.

The Sacred City of Caral-Supe is a UNESCO World Heritage site. Located in the Supe Valley, 200 kilometers north of Lima (Peru), it is about 5,000 years old and it was the capital of the Caral civilization.

COUNTRY RISK

The high growth of the Peruvian GDP and, in general, and the capacity of the national economy to escape contagion from the various crises affecting other Latin American countries, are variables considered by the international financial market as a point in favour of Peru.

The comparison with US Treasury bonds is the yardstick used by investors to approximate country risk. Peruvian risk remains below the regional average and tends to lie between one and two percentage points above the rate payable by the US Treasury.

3 – FOREIGN INVESTMENT

Investment flows into Peru are expected to continue their expanding trend as a result of investor confidence in the country's economic performance, reinforced by the qualification of the Peruvian economy as 'investment grade'.

Credit risk agencies Fitch and Moody's have raised their ratings for Peru to A+, indicating a stable and positive outlook. This improvement in the classification of the Peruvian debt is the outcome of strong economic growth, reduction in 'dollarisation', improved fiscal accounts and reduction of the debt burden, as well as the accumulation of reserves as a result of a marked trade surplus.

Foreign direct investment (FDI) inflows in 2013 were USD 10.2 billion. In the first quarter of 2013, FDI growth was 15.4% year-on-year (compared with the same quarter in the previous year), which accounted for 8.1% of GDP, according to the country's Central Bank. Investment has been concentrated in mining, finances, communication, industry and energy, reflecting the growing strength of the country's domestic market. An Economic Commission of Latin America and the Caribbean (ECLAC) report shows Peru's FDI inflow at a record growth rate of 49% in 2012.

Peru offers the following advantages:

- A stable macroeconomic climate
- Monetary stability
- Less country-risk than in other countries in the region
- Investment opportunities
- A variety of human and natural resources
- An excellent geographic location
- Andean Trade Promotion and Drug Eradication Act (ATPDEA) and other integration incentives
- Political will which favours investment attraction and sustaining responsible economic administration.

Peru offers investors several sectors with clear comparative advantages, such as:

- Mining – the sector that contributes the most to total Peruvian exports
- Agriculture – with a series of projects, and with capacity for agricultural cultures, the climate allows produce to be harvested throughout the year
- Fishing and aquaculture – offering a great diversity of sustainable resources
- Textile and apparel production – specialising in high quality, with raw materials like cotton and wool of alpaca, among others; offering contributions to manufacturing industry
- Tourism – with different archaeological sites, cultural centres and natural sites to visit
- Other important areas with development expectations are the forestry industry and use of Peruvian biodiversity
- The supply of a skilled workforce at competitive prices is also of importance.

With the arrival of the natural gas project Camisea, Peru intends to obtain a reduction in the deficit of the trade balance of hydrocarbons of around USD 500 million. It also expects to consolidate exports of natural gas. Camisea is an important change in this sector, increasing significantly the local supply of fuels, delivered to a group of industrial clients through a network of natural gas distribution in Lima.

Investment opportunities in infrastructure have been promoted by Proinversion (approximately USD 5 billion), especially through the construction of roads and the operation of ports and airports (www.proinversion.gob.pe).

Sustained growth in foreign investment can be seen, even though expected growth peaks have still not been reached.

A Free Trade Area for the Americas between Peru and the US is under way. In addition, most Peruvian exports have a zero tariff to enter the European Union (EU) as well as other Latin American countries.

Peru is also a member of APEC to improve its trade in the Pacific Basin. It also has an active policy of negotiation of international trade agreements with American, European and Asian countries and economic groups.

Peru has a modern legislative framework for foreign investment. For detailed information on legal matters regarding foreign investment, see: www.proinversion.gob.pe.

To consolidate the judicial framework protecting investments, Peru has also actively negotiated bilateral treaties for reciprocal promotion and protection of investments. Treaties have been concluded with countries of the Pacific Basin, Europe and Latin America. An agreement with the Overseas Private Investment Corporation (OPIC) has also been signed. OPIC grants coverage to US investments developed in Peru.

4 – SETTING UP A BUSINESS

Peru welcomes foreign investors, through a free market economy where conditions are similar for investors either local or foreign. There is complete freedom for importing and exporting any kind of lawful goods and services.

Salaries are governed through direct negotiations between the company and workers.

A minimum capital is not required for starting a business.

LEGAL FORMS OF COMPANIES

Legislation enables various forms of companies. The most common is:

Corporation

In a corporation, capital is represented by registered stocks contributed by shareholders, who are not personally liable for the corporate debts. In order to incorporate a company, at least one fourth of the capital stock must be paid-up.

Capital may only be contributed in the form of goods and rights capable of being economically appraised. The contribution of services is forbidden.

In accordance with the provision of by-laws, the Board of Directors meeting may be held without the presence of the directors, through written, electronic or other means that allow for adequate communication and guarantee the authenticity of agreements.

The Corporation may be a:

a) Corporation S.A.

This alternative has many articles that must be specifically clarified by a specialist consultant. It is the most common option for a foreign company wishing to be incorporated in Peru.

b) Closed corporation S.A.C

A closed corporation shall not have more than 20 shareholders and its stocks may not be listed on the stock market.

Under Peruvian law, almost all corporations need three or more directors on a board as well as a designated manager. Their names must be listed in the incorporation documents. Only closed corporations are exempt from this rule.

A shareholder wishing to transfer stocks shall report this to the company's management, which, in turn, will inform the other shareholders about the matter, in order to allow them to practice their preferential right of acquisition.

SET-UP PROCESS

The process of setting up a business usually takes about four to six weeks. A corporate name normally, but not necessarily, includes the names of the main partners. To get a right to incorporate a company with a corporate name, you need to make a reservation at the Public Registry. If there are no conflicts with other corporate names, then you are given the right to incorporate a company within the following 30 days.

You will need to open a business banking account in the name of the company. Popular banks in Lima include Bance de la Nación, Interbank and Banco de Crédito BCP. Investors need to deposit at least 25% of their entire business capital into the Peruvian bank of their choice. This deposit is necessary to make the business legal and official, so you will need to demonstrate proof of the deposit transaction and the overall capital set aside for the operation.

Next, file the articles of incorporation with a public notary. Partners execute the incorporation public deed before the notary and obtain an official stamp on all business accounting books and minute books. The notary will charge a small fee for each stamp issued.

After execution of the deed, the company needs to file the deed with the Public Registry to obtain registration. Only once registration has been granted is the new company legally and validly incorporated and existing.

In order to transact business, the company will need to register and obtain a Tax Roll Number with the taxing agency, Superintendencia Nacional de Administración Tributaria (SUNAT). This government agency is involved in various tax issues, such as income tax, added value tax and collecting social security funds.

Acquire a taxpayer identification number, commonly referred to in Peru as a Registro Unico del Contribuyente (RUC). Go to any Lima office of SUNAT to get your RUC. Also register with EsSalud and the Oficina de Normalización Previsional, two state entities that administer health insurance and pensions for employees based on the tax contributions that your company makes to Peruvian social security.

Contact the local District Council office in the neighborhood where you plan to open your business. Ask for a Certificate of Compatibility application. This certificate will demonstrate that your business will not disrupt the community in which it operates. Submit the application with any supporting evidence and wait for council approval.

Contact the National Institute of Civil Defense (INDECI) and request a technical report of approval. Peruvian legal codes require that all new companies demonstrate the security and sound construction of their facilities to the INDECI before soliciting a municipal licence of operation.

Submit a formal request for a municipal licence to the local City Council office in whatever zone applies to your business. This application will need to be submitted along with copies of many of the aforementioned documents. Check with officials at the office to see what supporting materials are required. Pending approval, your business will be fully legal and ready for operation.

Be prepared for tedious processes. Peruvian bureaucracy moves slower than in some parts of the world, so don't be surprised if things take longer than you're used to. Hire a trustworthy accountancy consultant and lawyer who speak both English and Spanish. Enlist your attorney to help you manage all legal phases of the business launch. Obtain receipts and official documents for all transactions. Keep files of everything relating to your business venture. Keep in mind that fees will be charged for almost every step of the process.

5 – LABOUR

Peruvian legislation has different modes for recruiting labour, including contracts for certain terms of temporary or occasional work or service.

Local companies are entitled to hire foreigners to comprise up to 20% of their workforce, provided that their salaries do not exceed 30% of the total wages paid by the company. Employers are exempt from the limiting percentage in the case of highly skilled technical and professional personnel. Foreign workers' contracts should be written and subscribed for a specific term, which can be renewed for a maximum period of three years.

Employers may hire temporary workers through 'Co-operatives for Job Encouragement' and labour intermediary companies. In these cases, there is no direct labour link between the worker and the employer. A maximum percentage of 20% applies, related to the number of workers with a direct labour link.

Companies may also hire people aged from 16–25 years old through the Youth Labour Formation Programme. The number of young people should not exceed 10% of the total staff. This limit may be increased, provided the percentage exclusively comprises handicapped young men or young women with family responsibilities.

WORKING HOURS

The work regime establishes a shift of eight hours daily, or 48 hours per week for workers older than 18 years, with overtime paid for surplus hours. This surplus must not be lower than 25% of the value of every normal hour during the first two hours and 35% during the remaining hours. The worker is entitled to a rest of a minimum of 24 consecutive hours per week. Rest days for holidays are established by law.

SOCIAL SECURITY AND ENTITLEMENTS

Workers are entitled to:

- Social health insurance coverage (ESSALUD) – the employer contributes to ESSALUD at a rate equivalent to 9% of the worker's income
- Affiliation with the National Pension System (NPS) or the Private Pension System (PPS) – in the first instance, a worker contributes 13% of their wage; in the second, approximately 8% to the chosen pension fund private manager
- Life insurance – this is provided by the employer once the worker has a continuous four-year labour period
- Compensation for arbitrary discharge – the amount paid totals one-and-a-half times the remuneration for each year worked, totalling up to 12 remunerations
- Severance payment (CTS) – these are considered a social benefit as provision for contingencies derived from a work stoppage. Severance payment is made twice a year, in May and November
- Vacation period – 30 days for each full year worked
- Bonus – two annual bonuses in July and December, equivalent to one monthly wage for each bonus
- Company profit sharing – ranges from 5-10% of a company's net income, according to the economic activity in which the company is engaged (companies with no more than 20 workers are not compelled to share profits among their workers).

LABOUR BENEFITS IN PERU COMPARED WITH LATIN AMERICA

ITEM	PERU	LATIN AMERICA
Vacations	30 days	Maximum 20 days in Uruguay 15 days average
Bonus	2 wages per year	1 wage average In Chile, bonus is voluntary
Payment for time of service	1 wage per year	This payment does not exist Unemployment insurance exists
Profits	Between 5–10% of net income, according to activities	Ecuador 15% Bolivia 1 wage Others, optional
Labour stability	Where a worker is unreasonably fired, he/she is to be returned to his/her job Compensation of 1.5 wages per years, maximum 12 wages	Except in Bolivia, which has recently regulated this subject, compensation is paid in other countries
Maternity leave	90 days. Twelve laws also protect motherhood and children	Venezuela and Chile grant 126 days for maternity leave In other countries, the average is 84 days
Negotiation by economic activity	Only in civil work. The General Labour Act applies this benefit to all the activities	The International Labour Organisation does not recognise this subject. Negotiation by sector is voluntary

Source: Centro de Estudios Jurídicos y Legales, Chamber of Commerce of Lima.

6 – TAXATION

INCOME TAX

Income tax is an annual tax levied on all income earned by taxpayers resident in country, regardless of the nationality of individuals, companies' place of incorporation, or location of the income source.

Non-resident taxpayers are subject to income tax only with respect to their Peruvian-source income.

In the case of enterprises, income tax applies to any gains or profits derived from transactions with third parties, as well as from exposure to inflation calculated at the end of each fiscal year.

For purposes of this tax, taxable incomes are classified in the following categories:

- Income generated by leasing, subleasing or transfer of goods
- Income generated by other capital
- Income generated from trade, industries and other income as explicitly indicated by law
- Income generated by independent work
- Income generated by dependent work and other income from independent activities as explicitly indicated by law.

INCOME TAX RATES

RESIDENT TAXPAYERS

Tax to be paid by resident corporate bodies is determined by applying a 30% rate to their net income (but, for extractive industries such as mining and oil & gas, the tax rate rises to 32%). In addition to this, they will pay 4.1% on every amount charged as expenditure that turns out to be actually an indirect disposal of profit not subject to subsequent tax control.

Tax to be paid by individuals is determined by applying to their total net annual income the following rates on a cumulative and progressive scale for official established tax units (*Unidad Impositiva Tributaria –UIT*) (dividends and income received under other forms of profit sharing are excluded):

- Up to UIT 27 = 15%
- For amounts in excess of UIT 27 and up to UIT 54 = 21%
- For amounts in excess of UIT 54 = 30%

Dividends and other profit distribution schemes as received from corporate bodies are subject to 4.1% withholding tax.

Shares received by individuals for concept of profit capitalisation, reserves, primes, adjustments for change of business, revaluation surplus or any other equity account, shall neither be considered as dividends nor as other profit distribution schemes.

NON-RESIDENT TAXPAYERS

Interest from external credits = 4.99%, provided they fulfil the following requirements:

- Cash loans shall be proven with the entry of currency to the country through the national financial system
- The credit shall not accrue an annual interest rate on balance due higher than the preferential rate prevailing in the market of origin, plus 3 points.

Interest paid abroad by multiple operation companies established in the country, resulting from the local use of their foreign lines of credit = 4.99%.

Dividends and other profit distribution schemes as received from artificial persons = 4.1% withholding tax.

Shares received for concept of profit capitalisation, reserves, primes, adjustments for change of business, revaluation surplus or any other equity account shall neither be considered as dividends nor as other profit distribution scheme.

Royalties = 30% withholding tax.

Technical assistance = 15% withholding tax.

Other income including interest derived from external credits that does not fulfil any of the requirements stated above in the first paragraph of this section, or that portion of income in excess of the maximum rate established under the second bullet point above; as well as interest paid abroad by local companies for credits granted by an external company with which they have economic ties, except for stipulations in the first paragraph of this section: 30%

Individuals shall calculate their tax by applying a 30% rate to pension amounts or remuneration for personal services rendered in country, including royalties and other income.

SOME EXEMPTIONS

Any type of fixed or variable rate interest, in national or foreign currency, paid for deposits in the Financial System or bonds purchased in Public Offers made under the Stock Exchange Law. Likewise, any type of fixed or variable rate interest, in national or foreign currency, from Mortgage Securities and Negotiable Mortgage Credit Bonds.

Interests derived from development loans granted directly or through suppliers or financial agents by international institutions or foreign government organisations.

Interests received or paid by saving and credit cooperatives for operations made with their partners.

INCOME OF FOREIGN CITIZENS ENTERING THE COUNTRY

Foreign citizens who carry out activities entailing generation of Peruvian source income during their stay in country shall give one of the following documents to the migration authorities at the time of leaving country:

- Income and Withholding Certificate (Form 1492) – this certificate is issued by the taxpayer, employer or the pertaining legal representative
 - It will be in force during 30 calendar days from the issuance date

- The issuance date is of the last certificate given to the foreigner and used by him at the time of leaving the country.
- Income and Withholding Certificate generated by SUNAT – On Line Operations: This is self-issued and signed by the taxpayer, employer or the pertaining legal representative. It will be automatically generated, and, once signed, it can be used by a foreign citizen. Many certificates could be printed, according to foreign citizens' number of voyages. It will be in force during 30 calendar days as from the day of submission through SUNAT.

The issuance of those certificates shall take into account the period between the date of the last certificate given to foreign citizen and the date of issuance of the new certificate.

Where a foreign citizen does not have a previous certificate, he must include in the new certificate all income tax paid or calculated up to the issuance date of this certificate. Such certificates must include incomes corresponding to periods over 12 months prior to the issuance date.

If a foreign citizen during his stay in Peru generates incomes from two or more people, companies or entities, he must request from each one of them the corresponding certificate. Foreign citizens must submit as many certificates as employers or taxpayers he has had.

SWORN STATEMENT

Foreign citizens shall present a Sworn Statement in the following cases:

- When income tax has not been withheld because the taxpayer was a non-domiciled entity. For that purpose, foreign citizens shall submit Form N° 1494, Sworn Statement of Direct Payment of Tax, as well as the corresponding voucher
- When a foreign citizen enters the country with the visa of an artist, religious worker, student, independent or immigrant, and he carries out activities not entailing Peruvian source income, he shall submit Form N° 1495, Sworn Statement of Making Activities not entailing Peruvian Source Income.

INCOME TAX IN THE AMAZON REGION

For income tax purposes, the Amazon Region comprises the departments of Loreto, Madre de Dios, Ucayali, Amazonas and San Martín, as well as some provinces in adjacent departments, as indicated in Law 27037.

The aforementioned law sets up a special regime for income tax on the condition that requirements pursuant to Supreme Decree 103-99-EF are complied with, one of which is that the domicile of the taxpayer's home office, its registration in Public Records and his assets and/or production are located and carried out in the Amazon Region, in a percentage no less than 70% of his total assets or production.

A 10% rate shall be applied for Third Category Income Tax purposes by taxpayers located in the Amazon Region who are mainly devoted to economic activities such as: lumber extraction, farming, aquaculture, fishing, tourism as well as manufacturing activities related to processing, transformation and trading of primary products derived from the aforementioned activities, provided they are carried out in the region.

By exception, taxpayers located in the departments of Loreto, Madre de Dios and the districts of Iparia and Masisea in the province of Coronel Portillo and the provinces of Atalaya and Purús in the department of Ucayali, who are mainly devoted to the activities detailed in previous paragraph, shall apply a 5% rate for the purposes of Third Category Income Tax.

Taxpayers in the Amazon region who are mainly engaged in agricultural activities and/or transformation or processing of products qualified as native crops and/or alternate crops for that environment, are exempted from income tax.

For purposes of stipulations in the previous paragraph, products considered as native and/or alternate crop are: yucca, soja, arracacha, uncucha, urena, palmito, pijuayo, aguaje, anona, caimito, carambola, cocona, guanabano, guayabo, marañón, pomarosa, taperiba, tangerine, grapefruit, zapote, camu camu, cat's claw, annatto tree, rubber, pineapple, sesame seed, chestnut, jute, barbasco, coarse cotton, garaná, macadamia and pepper.

In the case of oil palm, coffee and cacao, the benefit referred to for tax payers in the Amazon region shall be applicable only to the agricultural production. Transformation or processing companies for these products shall apply a 10% rate as income tax, provided they are located in the zone indicated in the first paragraph of this section or a 5% rate if they are located in the zone indicated previously.

Companies devoted to trading activities in the Amazon Region that reinvest no less than 30% of their net income on investment project may apply a 10% rate for third category income tax purposes.

By exception, individuals located in the departments of Loreto, Madre of Dios and the districts of Iparia and Masisea in the province of Coronel Portillo as well as the provinces of Atalaya and Purús in the department of Ucayali, shall apply a 5% rate.

TAXATION STABILITY

The state may guarantee taxation stability for contract holders by entering into law agreements with them.

There is a regime of judicial stability of a general nature, which includes the income tax system and to which both national and international investors may have access as well as those companies receiving their investments provided they comply with minimum requirements for investment.

In order to promote development of productive investments, there are also promotion regimes at sector level such as those existing for mining and hydrocarbons.

AGREEMENTS TO PREVENT DOUBLE TAXATION

In order to solve problems derived from international double tax burden, Peru is pursuing bilateral negotiations to enter into 'Agreements to prevent Double Taxation'.

Agreements with Chile, Canada, Brazil and Spain have been already subscribed. The agreements with Chile and Canada have been in force since 2006. Brazil and Spain have also ratified their respective agreements.

INTERNATIONAL TAX

Several provisions have been introduced in the law governing income tax with the aim of regulating the application of transfer prices as well as operations through fiscal havens.

VALUE ADDED TAX

The Value Added Tax (VAT) levies the added value in each transaction carried out at different stages of the economic cycle, based on a debit and credit scheme.

VAT works as follows: the VAT paid for all purchases of goods and services is deducted from the gross income tax calculated for each taxpayer ('tax credit'), so that only the balance between these two amounts is paid to the State.

LEVIED OPERATIONS

This tax is applied to consumption of goods and services affected as follows:

- Local sale of goods
- The rendering or use of services in country
- Construction contracts
- The first sale of real estate carried out by its constructors
- The import of goods.

RATE

The total VAT rate is 18%.

NON-AFFECTED AND EXEMPTED ITEMS

Non-affected items are:

- Export of goods
- Export of services as provided by Law
- Transfer of goods resulting from the reorganisation of companies
- Transfer of second-hand goods made by individuals or corporate bodies that do not engage in business activities
- Leasing of real estate provided revenues make up the first or second category income levied with the income tax
- The amount equivalent to the CIF value in the transfer of goods manufactured abroad, when the transfer is made before the goods are released from Customs
- The exclusive allocation to each contracting party of goods obtained from execution of entrepreneurial cooperation contracts that do not carry independent bookkeeping, as based on the contractual proportion, provided information is supplied to the National Superintendency of Tax Management (SUNAT)
- The allocation of resources, goods, services and construction contracts made by the contracting parties in de-facto associations, consortia, joint ventures and other forms of entrepreneurial cooperation agreements that do not carry independent bookkeeping, to carry out business or joint work derived from an obligation stipulated in the contract, provided they comply with requirements as established by SUNAT
- The allocation made by the operator, in entrepreneurial cooperation agreements that do not carry independent bookkeeping, of tangible and intangible shared goods, construction services and contracts, acquired to carry out a joint business or work as stipulated by contract, in the proportion corresponding to each contracting party, pursuant to regulations

- Taxpayers located in the Amazon region when performing the following operations:
 - Sale of goods affected in the region for consumption therein
 - Services rendered in the region, and
 - Construction contracts or the first sale of real estate made by its constructors.
- Companies located in the departments of Loreto, Ucayali and Madre of Dios for sales made in these departments and for consumption therein.

Taxpayers must apply VAT to all operations not falling under the above conditions and pursuant to the general rules for this tax.

EXEMPTIONS

Exemptions are:

- Operations indicated in Annexes I and II to the Unique Text of the General Sales Tax and Consumption Selective Tax Law are exempted until 31 December 2009
- Companies located on Border Zones
- Companies incorporated or established in the Centers for Export, Transformation, Industry, Trading and Services (CETICOS) of Ilo, Matarani and Paita.

ADVANCED RECOVERY REGIME

GENERAL REGIME

This regime consists in the return of VAT paid in imports and/or local purchase of capital goods carried out by individuals or corporate bodies locally engaged in production of goods and services intended for export or which sale is levied with the VAT and who have not yet started their commercial activities.

SPECIAL REGIME OF ANTICIPATED RECOVERY OF VALUE ADDED TAX (VAT)

Legislative Decree N. – 973 establishes that a Special Regime of Anticipated Recovery of Value Added Tax (VAT) is applied to investments of any economic sector that generates third-type income tax. This regime consists of the return of VAT paid in imports and/or local purchase of new capital goods, new intermediate goods, services and construction contracts, carried out in the pre-operative stage to be used by the beneficiaries of this regime directly for the execution of the projects planned in the Investment Contracts for the operations burdened with the VAT or the export tax.

‘ENJOY THE REGIME’

This regime relates to individuals or corporate bodies investing in any economic activity that generate third-kind activity (companies) and that fulfil the following requirements:

- Subscription of an Investment Contract with ProInversión and the Ministry of the pertaining sector, on behalf of the State to invest in public infrastructure works and utilities for a minimum amount of USD 5 million as total investment including the pre-operative stage. This amount does not include VAT payment
- Award of the Supreme Decree that entitles to ‘enjoy the regime’, issued by the Ministry of Economy and Finances, with the approving vote of the Cabinet
- To be in the pre-operative stage of the public infrastructure work and public utility matter of the pertaining Investment Contract.

VAT REFUND

This regime consists of the refund of the tax that has been transferred or paid in the import and/or acquisition operations of local intermediate goods, capital goods, services and construction contracts during the pre-operative stage of the public infrastructure works and utilities, provided that these goods or services have been destined to operations not burdened with that tax and be directly used in the execution of the investment projects in infrastructure works and public utilities. This regime applies as of the subscription date of the pertaining Investment Contract.

CREDIT IN FAVOUR OF EXPORTERS

Exporters are entitled to request return of VAT that may have been paid on the purchase of goods or services used in manufacturing of exported goods. In this regard, a procedure similar to drawback is used as explained below.

EXCISE TAX

The consumption selective tax levies the local sale at manufacturer level and the import of goods such as cigarettes, alcoholic beverages, soft drinks, mineral water, other luxury items, fuels, casino and games of chance.

Tax rates range from 0–300%, according to the type of goods or service.

Payment of fixed amounts is considered in some cases according to the levied product or service.

Some exemptions to the Consumption Selective Tax are detailed below:

- Companies located in the departments of Loreto, Ucayali and Madre of Dios for sales made in said departments for consumption therein
- Companies incorporated or established in the centres for Export, Transformation, Industry, Trading and Services (CETICOS) of Ilo, Matarani and Paita.

TAX ON CASINOS AND SLOT MACHINES

The tax on casinos and slot machines burdens the operation of these games and is a monthly tax.

The aliquot is 12% of the taxable base.

The taxable base is the result of the difference between the monthly net income and the expenses for maintenance of the slot machines and casino facilities. The monthly net income is the result of the difference between the total amount received by bets or money destined to gambling and the total amount delivered by the prizes granted in the same month.

To fix a taxable base, a 2% of the monthly net income is considered for the expenses of maintenance of slot machines and casino facilities. For that purpose, a reserve for that item should be made. If, within one month, the amount of prizes exceeds the amount of income received, the balance will be deducted from the income of the next months, up to the full payment.

The taxable base is fixed independently for each activity and each establishment. Tax on casino gambling and slot machines will be deducted to determine the income of third-category class.

CUSTOMS DUTIES

Customs duties levy the import to country of foreign goods and are calculated on the import CIF value (CIF Ad Valorem Duties).

The tariff structure includes five levels with rates at 0%, 9%, 17% and 20%, and incorporates items totalling 7,351.

PERU CUSTOMS DUTY TARIFF STRUCTURE

TARIFF LEVELS AD-VALOREM +OVERRATES	TARIFF		IMPORTS 2006 CIF VALUE	
	NUMBER	%	USD MILLION	%
0%	3,943	53.6%	15,318	74.8%
9%	2,616	35.16%	4,542	22.2%
17%	792	10.8%	607	3.0%
20%	13	0.2%	11	0.1%
Total	7,351	100%	20,467	100%
	Simple average applied tariff rate			5%
	Tariff standard deviation			5.9%
	Average tariff			2.0%

TARIFF IMPROVEMENT REGIMES

TEMPORARY ENTRY REGIME

This regime involves the suspension of tariffs and every type of taxes applicable to the import of goods intended for 'active improvement' for subsequent export.

It is called 'active improvement': the physical and/or chemical transformation applied to raw materials, materials, ingredients, intermediate products and, in general, all kinds of goods, with the purpose of manufacturing or transforming a good; the assembly of two or more goods and the operations undergone by packages, package materials and package linings of goods to be exported.

Goods to be imported shall be devoted to operations and/or processes of 'active improvement'.

The requesting company must be formally incorporated in the country and registered in the sector registries corresponding to its economic activity.

This regime covers all kinds of goods such as raw materials, materials, ingredients, intermediate products, parts and pieces, as well as goods for conditioning, packaging and crating, which shall be actually contained in goods to be exported.

The regime duration is 24 months and requires a guarantee for suspended tariffs and taxes.

DRAWBACK OR TARIFF REFUND

This Customs Regime allows, as a result of export of goods, for total or partial refund of tariffs that may have been paid to import goods contained in exported goods or consumed during their production.

The refund rate amounts to 5% of the FOB export value up to the first USD 20 million by tariff item or by non-related exporting company. That amount can be modified by the Ministry of Economy and Finance.

Exporting companies that have imported through third parties the materials included or consumed in the manufacture of the exported good, as well as goods manufactured with imported consumables or raw materials purchased from local suppliers, pursuant to legal provisions on the matter, may benefit from this regime.

The Ministry of Economy and Finance annually approves the list of goods excluded from this benefit.

REPLACEMENT OF EXEMPTED GOODS

This is the regime under which goods are imported with automatic tariff exemption and all other taxes levied on imports, which are equivalent to those that were imported and transformed in a final product for export.

The term to enjoy this benefit is one year after having imported the goods to be replaced.

EXCHANGE REGIME

The State guarantees the free availability, use and disposal of foreign currency by individuals and corporate bodies resident in Peru. Likewise, the State guarantees free convertibility of foreign currency at a unique exchange rate.

FREE COMPETITION AND PROTECTION OF INTELLECTUAL PROPERTY

The State facilitates and supervises free competition, fights any limiting practice, regulates the exercise of dominance in the market, and protects intellectual property.

The National Institute of Protection of Intellectual Property (INDECOPI) is the agency in charge of enforcing legal provisions on the defence of competition and protecting market from monopolistic practices, which may control and restrict competition in the production and commercialisation of goods and rendering services, as well as practices that may generate illegal competition and those affecting market agents and consumers.

INDECOPI also controls and punishes application of dumping and subsidies practices; defends consumers' rights, looks after the fulfilment of regulations that punish practices against commercial good faith, defends regulations on free trade and controls provisions establishing non-tariff restrictions. It also revises actions and provisions of public administration entities, included within municipal or regional scope, which may impose bureaucratic obstacles impeding or hindering, unlawfully or irrationally, the access or permanence of economic market agents.

In addition, INDECOPI shall protect intellectual property rights, under any expression, and shall act as a registration office of intellectual property.

7 – ACCOUNTING & REPORTING

NIC are technical specifications adopted by the accounting profession to register transactions and financial statement formulations, which are approved by the Accounting Regulating Committee.

The overall application of NIC makes financial statements more significant and reliable as tools for decision-making.

Accounting principles generally accepted in Peru include the international financial reporting standards (IFRS) officially issued through resolutions issued by the Accounting Standards Board. The IFRS incorporates the international accounting standards (IAS) and the pronouncements of the Interpretations Committee (SIC). At the date of the Financial Accounting Standards, the mandatory application of IFRSs has been formalised from 1 to 5 of IAS SP from 1 to 21 and 13 SIC (like 7, 10, 12, 13, 15, 19, 21, 25, 27, 29, 30, 31 and 32). The following is a summary of accounting practices and the main situations that can affect the formulation of financial statements in Peru.

VOLUNTARY APPRECIATION

VOLUNTARY APPRECIATION OF ASSETS DUE TO MERGER OR REORGANISATION

The legal ruling allows for the appreciation of assets of companies that have been absorbed. As there is no definition of this, it is considered that assets subject to appreciation are non-monetary ones, such as inventories, investments and fixed assets. Appreciation incorporated by a merger in the absorbing company is not valid for taxing purposes, except in the case that the resulting IR is paid.

VOLUNTARY APPRECIATION OF FIXED ASSETS (OUTSIDE THE SCOPE OF A MERGER OR REORGANISATION)

In this case, the registry of voluntary appreciation of fixed assets must comply with the following conditions:

- Existence of a clear sub-appreciation of assets
- Appreciation is based on appraisals carried out by independent accountants qualified in Peru with professional experience in this type of work
- The reasonable assurance of future recovery of appreciated assets must be taken into account i.e. when annual depreciation charges can be absorbed by incomes generated by the entity
- The effect of voluntary appreciation outside the scope of a merger or reorganisation is not valid for taxing purposes. Consequently, all its effects must be withdrawn for the corresponding tax assessment.

ACCOUNTING PRACTICES

FINANCIAL STATEMENTS CONSOLIDATION

The purpose of the preparation of consolidated financial statements is to know the financial situation, results of operations and cash flows of a group of companies economically linked as one company. It is assumed that consolidated information is more useful in decision-making.

In this regard, CONASEV issued order no 103-99-FF/94.10, in which it points out that the parent company of economically linked companies is bound to submit duly audited consolidated financial statements with its subsidiaries. In addition, if any of the companies of the group is registered with the Lima Stock Exchange, the parent company must submit non-audited quarterly consolidated financial information.

It is worth noting that according to effective IR laws it is not allowed to assess tax in a consolidated way – therefore companies make this assessment individually.

BUSINESS MERGERS

The accounting treatment of business mergers is ruled by NIC 22 and aimed mainly at registering company acquisitions or company mergers in which the buyer cannot be identified.

The methods for the accounting treatment of business mergers are:

- The buying method
- The interest merger method.

CONSTRUCTION AGREEMENTS

NIC 11 regulates the journalisation of construction agreements for the formulation of construction companies' financial statements.

This regulation includes detailed guidelines in reference to the determination of the agreement's income components and costs, as well as aspects in reference to amendments to the labour agreement, contractor's complaints and payment of incentives.

However, it also requests the acknowledgement of income and costs by applying the work progress percentage method. When the agreement results can be reliably estimated, income and costs must be acknowledged with reference to the work progress percentage method, to balance date.

In those cases in which the agreement results cannot be reliably estimated, incomes must be acknowledged only to the extent of costs incurred which can be recovered. In this case, costs must be acknowledged in results of the period incurred.

In those cases where it is possible that the total agreement costs exceed the total income of the same, the known expected loss must be acknowledged in the results.

According to the effective tax laws, the IR is determined based on results of each of the completed works, i.e. based on the finished contract method.

JOURNALISATION OF INCOME TAX

The IR reserve is estimated according to legal requirements established by taxing authorities. In many circumstances, these rules differ from accounting policies applied in determining financial profit. Temporary differences between IR rules and accounting policies are registered according to NIC 12.

FINANCIAL LEASING AGREEMENTS

According to what is established by NIC 17, financial leasing agreements must be shown in the lessee's general balance through the registration of a good (asset) and an obligation (liability) of equal amounts at the beginning of the agreement. This registration must be made to the reasonable value of the good received in leasing, net subsidies and tax loans received by the lessee; or, if less, to the current value of minimum leasing payments.

INVESTMENTS

Companies that distinguish between current and non-current assets in their financial statements must classify their investments (with the exception of investments in associations or subsidiaries) in these categories depending on the purpose for which said investments were acquired.

Investments classified as current must be shown either at market value or at the lower value between cost and market value. If current investments are shown at the lower value between cost and market value, the balance could be determined based on the portfolio, either global or by investment category, or based on individual investments.

Investments classified as non-current must be registered in the general balance at:

- Cost
- Appreciated sums
- In the case of negotiable share certificates, at the lower value between cost and market value, established based on the entire portfolio.

A long-term investment balance must be reduced to acknowledge non-temporary decreases in its value. The reduction shall be established and carried out individually for each investment.

In addition, NIC 40, Real Estate Investments, effective in Peru since 1 January 2002, establishes rules for the acknowledgement, gauging and dissemination of information on real estate investments.

JOINT VENTURES

Joint ventures adopt different forms and structures. The following are the most common: jointly controlled operations; jointly controlled assets; and jointly controlled entities. These three types of ventures have the following common characteristics: two or more partners are joined by a contractual arrangement; and the contractual arrangement establishes a joint control. The accounting acknowledgement is regulated by NIC 31.

INFORMATION ON SEGMENTS

Companies that quote their assets and other important economic entities must describe activities by significant industrial segments, and indicate the composition of each significant geographic segment in which they operate according to what is established by NIC 14.

ACCOUNTING TREATMENT OF INVESTMENTS IN JOINT VENTURE COMPANIES

According to NIC 28, the investor can register the investment in joint ventures using the following methods:

- Capita participation method – a method through which the investment is initially registered as cost and is later adjusted to changes subsequent to their acquisition in the investor's share in the company's equity invested in. The statement of results shows the investor's share in the joint venture's operations results
- Cost method – a method by which the investment is registered as cost. The statement of results shows the investment profit only for the amount of accrued net profit distributions the investor receives from the company in which he invests, originated after acquisition date.

Surplus distributions received from those profits are considered as an investment recovery and are registered as a reduction of the investment cost according to NIC 25. If an investor has 20% or more of voting powers of the company in which they invest, directly or indirectly through subsidiaries, it is assumed they have an important influence, unless they can clearly prove this is not the case.

Investments in a joint venture must be registered in financial statements consolidated by the capital participation method, except when a) the investment is acquired and maintained exclusively with the intention of selling it in the near future; and b) the investment operates under long-term severe restrictions that considerably affect its capacity to transfer funds to the investor; the cost method must be used in these cases.

A joint venture investment is journalised by using the capital participation method from the date the company obtains the joint venture definition. When an investment is acquired, any difference between the acquisition cost and the investor's share in the reasonable values of identifiable net assets is journalised according to NIC 22, 'Accounting treatment of business combinations'.

INTER-COMPANY TRANSACTIONS

NIC 24 requires that the existing relationship between the related parties in which a link is shown must be explained, even in the case that no operations have been carried out between them. In the case that there have been operations, the informing company must explain the nature of the relationship of the related parties as well as the type of operations and the necessary elements for a better understanding of the financial statements.

FINANCIAL INSTRUMENTS

At present, financial instruments constitute basic tools for tasks carried out by the board of directors, management and auditing committees of companies and are frequently the centre of attention of shareholders' meetings. Management and supervision of these instruments go beyond the accounting issue and, in many cases, have an important repercussion in company funds' future flows.

Financial instruments used in Peru are mostly bonds in all their modalities (convertibles, subordinates, financial leasing etc), financial futures agreements and forward agreements, among others.

Accounting disclosure and treatment of these operations in financial statements is established in NIC 32, 'Financial instruments'. These standards establish certain requirements for the submission of financial statements and identify the information that must be disclosed on acknowledged (journalised) and non-acknowledged (non-journalised) instruments in financial statements.

Submission requirements refer to classification of financial instruments in liabilities and equity, acknowledgement of interests, dividends, related profit and loss, and circumstances in which financial assets and liabilities must be compensated. The information to be disclosed refers to factors that affect the amount, opportunity and certainty of future fund movements of a company in relation to its financial instruments and accounting policies applied to the same.

Likewise, this standard recommends the disclosure of information on the nature and scope of the use of a company's financial instruments, business objectives and associated risks (prices, loans, liquidity or cash flow), as well as management policies to control them. In addition, NIC 39, 'Financial instruments: acknowledgement and gauging', establishes rules for the acknowledgement, gauging and disclosure of information on financial assets and liabilities owned by companies, including accounting of coverage operations. In Peru, NIC 39 was obligatorily applied from 1 January 2003.

SHARE PROFITS

The application of NIC 33, which establishes guidelines for the disclosure of share profits, was approved in Peru in September 1997 and has been effective since 1 January 1998. The basic purpose of this standard is to disseminate principles for the determining and submission of share profits applicable to all companies whose shares remain in a security market, or are in the process of issuing shares to be quoted in a security market, and for those companies that without quoting shares wish to disclose their share profits. This submission allows making comparisons of the profit per share of different companies in an established period of time or of the same company during various fiscal years.

To determine profit shares, it must be taken into account whether net profits will be divided among ordinary shares, or whether the effects of any potential share dilution will be taken into account.

For comparative purposes, share profits must be submitted according to the type of share and, equally, from one period to the other.

8 – UHY REPRESENTATION IN PERU



UHY SANDOVAL ALIAGA Y ASOCIADOS S. CIVIL DE R.L. PERU



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SOCIAL MEDIA CONNECTIONS

- Facebook: UHY en Perú

Year established: 1974
PCAOB registered?: Yes
Number of partners: 22
Total staff: 119

BRIEF DESCRIPTION OF FIRM

From year 2000 our firm is a member of UHY, after having being qualified and adopted as full member. Our clients come principally from the public and private sector that operate in our country.

Our firm comprises professionals of different specialities in addition to accountants, such as: lawyers, engineers, economists, etc.

SERVICE AREAS

Audit and accountancy
Tax audits
Management audits
Management and business planning
Financial services
Financial statements review
Corporate finance
Mergers & acquisitions
IT services
Profitability analyses
Transfer pricing

PRINCIPAL OPERATING SECTORS

In the public sector our firm does audits for:
Ministries
Institutes of health
Municipalities
Services enterprises

In the private sector, our firm does audits for:
Industries



The network
for doing
business



Services enterprises
Commercials
Mining
Financial

LANGUAGES

Spanish, English.

CURRENT PRINCIPAL CLIENTS

(Partial list of clients permitting public disclosure. Confidentiality precludes disclosure of all clients in this document.)

Coinca SAC
Wurth Peru SAC
Peru Services Courier SAC
Grupo Tecnológico del Peru SA
Tecnoimagen SA
Sercompe SA
Microrate Latin America SAC
Global Natural SA
Pulser SA
Geokinetics SA
MSL Peru

OTHER COUNTRIES IN UHY CURRENTLY WORKING WITH, OR HAVE WORKED WITH IN THE PAST

United States of America

BRIEF HISTORY OF FIRM

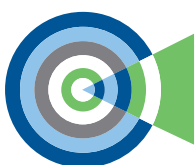
UHY Sandoval Aliaga y Asociados Sociedad Civil is a Peruvian firm with more than 25 years professional experience and counts with representatives abroad since 1990; it values perfectionism and prudence, emphasizing services development and diversity. It is registered with the National Superintendence of Tax Administration (SUNAT), at the Registry of Corporations of the Public Registry in Lima, the Certified Public Accountants' Association and the Auditors Firms Registry (SOA) of the General Comptrollers' Office of Peru.

The firm was registered by the Public Accountant's Association; the Higher National Consultancy Board (CONASUCO). It was also recognised as an eligible firm by the International Bank for Reconstruction and Development and the World Bank; and as a Qualified Audit and Consultancy Corporation by the Inter-American Development Bank.

Our firm includes among its duties to perform professional activities solely of Certified Public Accountants performed as Accountant, Independent Auditor, Accountant Advisor, Tax Advisor, Accountant Appraiser as well as other administrative, economic and financial duties in general, ruled by the Certified Accountant Professionalization Act, its amendments and extensions, as well as other by-laws and rules of the Certified Public Accountants' Association of Lima.

Our firm corresponds with the Accounting Inter-American Association (AIA) and takes part actively in many events organized by this Association, such as the Inter-American Accounting Conferences and the Accounting Regional Workshops.

Therefore, our firm is permanently updated in the application of the legal regulations of the accounting profession at national and international levels, which is passed on to the technical staff through the Permanent Education Scheme (PES), implementing training programs prepared by UHY International.



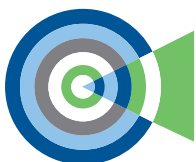


Our clients trust us due to the professional standards and credit of our firm in the provision of services.

The mission of our firm is to seek full satisfaction of our clients together with a horizontal vision of the business sector in general and our clients in particular.

The philosophy of our firm consists of our professional services based on our institutional values. We keep objectivity during the work performed following the professional ethic code, which guides so as not to subordinate our opinion to somebody else's, always observing the following ethical values.

Therefore, our firm is continuously updated on accounting profession regulations, both at national and international level, and we train technical staff through continuing education programmes.





CONTACT DETAILS

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Year established: 1988
Number of partners: 2
Total staff: 14

CONTACTS

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Position: Managing Partner
Email: curbano@uhyuvperu.com

BRIEF DESCRIPTION OF FIRM

We are a firm of Auditors and Business Consultants led by professionals with over 30 years of experience in the field of Audit and Business Consulting. We have been operating in Peru since 2002.

Led by professionally trained partners in the "Big Four" audit, experts in the fields of Accounting, Taxation and Law, academically trained in the best universities in the country and abroad. These professionals have extensive experience advising major public and private companies in the country.

SERVICE AREAS

- Audit
- Business Consulting
- Financial Consulting
- Outsourcing
- Taxes
- Development of human capital

PRINCIPAL OPERATING SECTORS

In the public sector our firm does audits for:

Mining
Commerce
Industries
Education
Government
Communication
International Organisations

LANGUAGES

Spanish, English.

BRIEF HISTORY OF FIRM

The company was incorporated on 2 October 2002 by César Urbano Ventocilla and Rubén del Rosario. After Rubén del Rosario's retirement in December 2005, Eduardo Monteverde joined

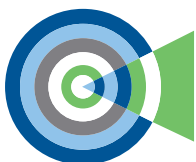


The network
for doing
business



the firm in June 2006, and still remains part of the firm.

Initially providing Audit and Accounting Outsourcing services, the firm later also introduced Business Consulting services, Tax and Training to Executives.



APPENDIX I - LINKS

Helpful governmental and non-governmental website links are listed below.

MINISTRIES

Ministerio de Defensa (MINDEF) (Ministry of Defence)	www.mindef.gob.pe
Ministerio de Educación (MED) (Ministry of Education)	www.minedu.gob.pe
Ministerio de Justicia (MINJUS) (Ministry of Justice)	www.minjus.gob.pe
Ministerio de la Mujer y Desarrollo Social (MIMDES) (Ministry for Women's Affairs and Social Development)	www.mimdes.gob.pe
Ministerio de la Producción (Ministry of Production)	www.minproduce.gob.pe
Ministerio de Relaciones Exteriores (RREE) (Ministry of Foreign Relations)	www.rree.gob.pe
Ministerio de Salud (MINSa) (Ministry of Health)	www.minsa.gob.pe
Ministerio de Vivienda, Construcción y Saneamiento (VIVIENDA) (Ministry of Housing, Construction and Sanitation)	www.vivienda.gob.pe
Ministerio del Interior (MININTER) (Ministry of the Interior)	www.mininter.gob.pe
Presidencia del Consejo de Ministros (PCM) (Chairmanship of the Ministers Board)	www.pcm.gob.pe
Ministerio de Agricultura (MINAG) (Ministry of Agriculture)	www.minag.gob.pe
Ministerio de Economía y Finanzas (MEF) (Ministry of Economy and Finances)	www.mef.gob.pe
Ministerio de Energía y Minas (MEM) (Ministry of Energy and Mines)	www.minem.gob.pe
Ministerio de Trabajo y Promoción del Empleo (MTPE) (Ministry of Labour and Employment Promotion)	www.mtpe.gob.pe
Ministerio de Transportes y Comunicaciones (MTC) (Ministry of Transportation and Communications)	www.mtc.gob.pe
Ministerio de Comercio Exterior y Turismo (MINCETUR) (Ministry of Foreign Trade and Tourism)	www.mitinci.gob.pe

PUBLIC INSTITUTES

Instituto Geofísico del Perú (IGP)(Peruvian Geophysical Institute)	www.igp.gob.pe
Instituto Nacional de Estadística e Informática (INEI) (National Institute of Statistics and Data Processing)	www.inei.gob.pe
Congreso de la República del Perú (Congress of the Republic of Peru)	www.congreso.gob.pe
Instituto Peruano de Energía Nuclear (IPEN) (Peruvian Institute of Nuclear Energy)	www.ipen.gob.pe
Instituto Nacional de Desarrollo (INADE) (National Institute for Development)	www.inade.gob.pe
Poder Judicial (The Judiciary)	www.pj.gob.pe
Ministerio Público-Fiscalía de la Nación (Public Ministry – Prosecutor’s Office)	www.mpfm.gob.pe
Tribunal Constitucional (Constitutional Court)	www.tc.gob.pe
Oficina Nacional de Procesos Electorales (ONPE) (National Office for Electoral Processes)	www.onpe.gob.pe
Superintendencia Nacional de los Registros Públicos (SUNARP) (National Public Registry Superintendency)	www.sunarp.gob.pe
Banco Central de Reserva (BCR) (Central Reserve Bank)	www.bcrp.gob.pe
Superintendencia Nacional de Aduanas (SUNAD) (National Customs Superintendency)	www.aduanet.gob.pe
Superintendencia Nacional de Administración Tributaria (SUNAT) (National Taxing Administration Superintendency)	www.sunat.gob.pe
Comisión de Promoción del Perú (PROMPERU) (Committee for Promotion of Peru)	www.peru.org.pe
Comisión para la Promoción de Exportaciones (PROMPEX) (Committee for Export Promotion)	www.prompex.gob.pe
Consejo Superior de Contrataciones y Adquisiciones del Estado (CONSUCODE) (Board for State Contracting and Acquisitions)	www.consucode.gob.pe
Consejo Nacional de Ciencia y Tecnología (CONCYTEC) (National Science and Technology Board)	www.concytec.gob.pe

REGULATING ENTITIES

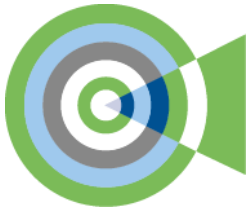
Instituto Nacional de Defensa de la Competencia y Protección a la Propiedad Intelectual (National Institute for Defence of Competition and Copyright Protection)	www.indecopi.gob.pe
Organismo Supervisor de Inversión Privada en Telecomunicaciones. (OSIPTEL) (Telecommunications Private Investment Supervisory Entity)	www.osiptel.gob.pe
Organismo Supervisor de la Inversión en Energía (OSINERG) (Energy Investment Supervisory Entity)	www.osinerg.org.pe
Comité de Operación Económica del Sistema Interconectado Nacional (COES-SICN) (Economic Operation Committee of the National Interconnected System)	www.coes.org.pe
Organismo Supervisor de la Inversión Privada en Infraestructura de Transporte (OSITRAN) (Supervisory Entity of Private Investment in Transportation Infrastructure)	www.ositran.gob.pe
Superintendencia Nacional de Servicios de Saneamiento (SUNASS) (National Superintendency of Sanitation Services)	www.sunass.gob.pe
Superintendencia de Banca y Seguros (SBS) (Superintendency of Banking and Insurance)	www.sbs.gob.pe
Comisión Nacional Supervisora de Empresas y Valores (CONASEV) (National Supervisory Committee of Companies and Securities)	www.conasevnet.gob.pe
Instituto Nacional de Recursos Naturales (INRENA) (National Natural Resources Institute)	www.inrena.gob.pe

INVESTMENT BANKS

Apoyo SA	www.apoyo.com
Banco de Crédito del Perú	www.viabcp.com
Banco Wiese Sudameris	www.wiese.com.pe
Bank Boston NA	www.bankboston.com.pe
Bank of Nova Scotia	www.scotiabank.com
BBVA Banco Continental	www.continental.grupobbv.com
BNP Paribas	www.bnpparibas.com
Citibank NA Corp Trust	www.citibank.com

Credit Commercial de France	www.ccf.es/Principal.htm
Credit Lyonnais	www.creditlyonnais.com
Interinvest	www.interbank.com.pe
JP Morgan	www.jpmorgan.com
Salomon Smith Barney	www.salomonsmithbarney.com
Santander Central Hispano Investment SAP	www.bsch.com.pe
Urbach Hacker Young International	www.uhy.com
UBS Financial Services Group	www.proinversion.gob.pe/ www.ubs.com
STATE-OWNED COMPANIES	
EGASA	www.egasa.com.pe
Empresa de Generación Eléctrica del Sur SA (EGESUR) (Electric Power Company)	www.egesur.com.pe
Private associations	
Confederación Nacional de Instituciones Empresariales Privadas (CONFIEP) (National Confederation of Private Companies)	www.confiep.org.pe
Asociación de Empresas Privadas de Servicios Públicos (Adepsep) (Public Utilities Private Company Association)	www.adepsep.org
Sociedad Nacional de Industrias (SNI) (National Industries Association)	www.sni.org.pe
Cámara de Comercio de Lima (Lima Chamber of Commerce)	www.camaralima.org.pe
Cámaras de Comercio Regionales (Regional Chambers of Commerce)	www.camaralima.org.pe/nacionales.htm
Bi-national chambers of commerce	
American Chamber of Commerce in Peru	www.amcham.org.pe
Italian Chamber of Commerce	www.cameritpe.com
Peruvian-Japanese Chamber of Commerce and Industry	www.apjp.org.pe/ccipj
Canadian-Peruvian Chamber of Commerce	www.canadaperu.org
Peruvian-British Chamber of Commerce	www.bpcc.org.pe

Official Chamber of Commerce of Spain in Peru (COCEP)	www.cocep.org.pe
OTHERS	
Multilateral Investment Guarantee Agency (MIGA)	www.miga.org
Multilateral Investment Fund (MIF)	www.iadb.org/mif
Asia-Pacific Economic Cooperation (APEC)	www.apecsec.org.sg
Investment Promotion Network (IPANET)	www.ipanet.net
United Nations Conference on Trade and Development (UNCTAD)	www.unctad.org
Portal del Estado Peruano (Peruvian State Portal)	www.perugobierno.gob.pe
Centro de Inversiones y Desarrollo Industrial del Ministerio de Asuntos Económicos de Taiwán (Investment and Industrial Development Centre of the Ministry of Economic Affairs of Taiwan)	www.investintaiwan.nat.gov.tw



LET US HELP YOU ACHIEVE FURTHER BUSINESS SUCCESS

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