

InRetail Perú Corp. and Subsidiaries

Interim consolidated financial statements as of September 30, 2015 (non-audited) and December 31, 2014 (audited) and for the nine-month periods ended September 30, 2015 and 2014

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Interim consolidated statement of financial position

As of September 30, 2015 and December 31, 2014

	Note	2015	2014		Note	2015	2014
		S/.(000)	S/.(000)			S/.(000)	S/.(000)
Assets				Liabilities and equity			
Current assets				Current liabilities			
Cash and short-term deposits	4	127,789	284,998	Trade payables	12	1,293,769	1,268,713
Investments at fair value through profit or loss		3,000	23	Other payables		189,224	210,531
Trade receivables, net	5	75,659	83,749	Accounts payable to related parties	19(b)	19,423	18,553
Other receivables, net		39,209	42,463	Current income tax	14(b)	6,736	2,545
Accounts receivables from related parties	19(b)	52,934	95,188	Interest-bearing loans and borrowings	13	188,995	75,438
Inventories, net	6	860,358	803,821	Deferred revenue		3,435	3,950
Available-for-sale investment	7	53,548	-	Total current liabilities		<u>1,701,582</u>	<u>1,579,730</u>
Prepayments		36,321	19,834	Accounts payable to related parties	19(b)	4,816	4,242
Taxes recoverable		91,936	93,297	Interest-bearing loans and borrowings	13	2,410,487	2,370,065
Total current assets		<u>1,340,754</u>	<u>1,423,373</u>	Deferred revenue		46,288	52,814
Non-current assets				Deferred income tax liabilities, net	14(a)	254,334	233,186
Other receivables, net		12,948	8,758	Total non-current liabilities		<u>2,715,925</u>	<u>2,660,307</u>
Prepayments		19,221	19,342	Total liabilities		<u>4,417,507</u>	<u>4,240,037</u>
Taxes recoverable		85,660	104,957	Equity			
Derivative financial instruments	8	88,931	-	Capital stock	15	2,138,566	2,138,566
Property, furniture and equipment, net	9	2,392,480	2,272,901	Treasury shares		(4,791)	-
Investment properties	10	2,379,653	2,291,588	Additional paid in capital		549,793	549,793
Intangible assets, net	11	1,182,314	1,176,492	Unrealized results on financial instruments		447	-
Others assets		14,174	356	Retained earnings		408,236	363,208
Total non-current assets		<u>6,175,381</u>	<u>5,874,394</u>	Equity attributable to owners of the parent		<u>3,092,251</u>	<u>3,051,567</u>
				Non-controlling interests		6,377	6,163
				Total equity		<u>3,098,628</u>	<u>3,057,730</u>
Total assets		<u>7,516,135</u>	<u>7,297,767</u>	Total liabilities and equity		<u>7,516,135</u>	<u>7,297,767</u>

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

InRetail Perú Corp. and Subsidiaries

Interim consolidated Income statement

For the nine-month periods ended September 30, 2015 and 2014

	Note	2015 S/.(000)	2014 S/.(000)
Net sales of goods		4,589,558	4,157,951
Rental income		221,572	163,602
Rendering of services		119,330	86,821
Revenue		<u>4,930,460</u>	<u>4,408,374</u>
Cost of sales	17	(3,449,088)	(3,120,230)
Gross profit		<u>1,481,372</u>	<u>1,288,144</u>
Gain on valuation at fair value of investment properties	10(b)	15,042	41,776
Other operating income		3,300	2,024
Selling expenses	17	(956,993)	(855,832)
Administrative expenses	17	(137,912)	(126,182)
Operating profit		<u>404,809</u>	<u>349,930</u>
Finance income		5,772	10,799
Finance costs	18	(169,094)	(143,052)
Net exchange difference		(132,072)	(56,890)
Profit before income tax		<u>109,415</u>	<u>160,787</u>
Income tax expense	14	(63,966)	(68,762)
Profit for the period		<u>45,449</u>	<u>92,025</u>
Attributable to:			
Owners of the parent		45,089	91,579
Non-controlling interests		360	446
		<u>45,449</u>	<u>92,025</u>
Earnings per share:	20		
Basic and diluted profit for the period attributable to ordinary equity holders of the parent		<u>0.44</u>	<u>0.89</u>

All items above are related to continuing operations.

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

InRetail Perú Corp. and Subsidiaries

Interim consolidated statement of comprehensive income
For the nine-month periods ended September 30, 2015 and 2014

	Note	2015 S/.(000)	2014 S/.(000)
Profit for the period		45,449	92,025
Other comprehensive income			
Unrealized gain (loss) on available-for-sale investments		(1,385)	852
Income tax effect		360	(256)
		<u>(1,025)</u>	<u>596</u>
Unrealized gain (Loss) on hedging derivative financial instrument		1,745	(276)
Income tax effect		(273)	-
		<u>1,472</u>	<u>(276)</u>
Other comprehensive income for the period, net of income tax effects		447	320
Total comprehensive income for the period		<u>45,896</u>	<u>92,345</u>
Attributable to:			
Owners of the parent		45,536	91,897
Non-controlling interests		360	448
		<u>45,896</u>	<u>92,345</u>

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

InRetail Perú Corp. and Subsidiaries

Interim consolidated statement of change in equity

For the nine-month periods ended September 30, 2015 and 2014

	Capital stock	Treasury Shares	Capital premium	Unrealized results on financial instruments	Retained earnings	Total	Non-controlling interest	Total equity
	S/.(000)	S/.(000)	S/.(000)	S/.(000)	S/.(000)	S/.(000)	S/.(000)	S/.(000)
Balance as of January 1, 2014	2,138,566	-	549,793	988	250,728	2,940,075	4,624	2,944,699
Profit for the period	-	-	-	-	91,579	91,579	446	92,025
Other Comprehensive income	-	-	-	318	-	318	2	320
Total comprehensive income	-	-	-	318	91,579	91,897	448	92,345
Capital contribution	-	-	-	-	-	-	-	-
Expenses related to the share issuance	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-
Balance as of September 30, 2014	2,138,566	-	549,793	1,306	342,307	3,031,972	5,072	3,037,044
Balance as of January 1, 2015	2,138,566	-	549,793	-	363,208	3,051,567	6,163	3,057,730
Profit for the period	-	-	-	-	45,089	45,089	360	45,449
Other comprehensive income	-	-	-	447	-	447	-	447
Total comprehensive income	-	-	-	447	45,089	45,536	360	45,896
Advancement of minority returns to participants	-	-	-	-	-	-	(207)	(207)
Treasury Shares	-	(4,791)	-	-	-	(4,791)	-	(4,791)
Attribution of the equity premium to non-controlling interest	-	-	-	-	(61)	(61)	61	-
Balance as of September 30, 2015	2,138,566	(4,791)	549,793	447	408,236	3,092,251	6,377	3,098,628

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

InRetail Perú Corp. and Subsidiaries

Interim consolidated statement of cash flows

For the nine-month periods ended September 30, 2015 and 2014

	2015 S/.(000)	2014 S/.(000)
Operating activities		
Revenue	4,928,134	4,437,113
Payments of goods and services to suppliers	(4,020,777)	(3,729,672)
Payments of salaries and social benefits to employees	(456,466)	(419,000)
Taxes paid	(58,598)	(71,086)
Recovery of taxes	41,154	-
Other payments, Net	(14,195)	31,381
Net cash flows from operating activities	419,252	248,736
Investing activities		
Loan collected from related parties	57,109	36,529
Sales of property, furniture and equipment	69	28,500
Sales of available for sale investment	10,104	-
Purchase of shares	(13,818)	-
Purchase of investment properties, net of acquisitions through leasing contracts	(70,874)	(429,395)
Purchase of property, furniture and equipment, net of acquisitions through leasing contracts	(187,255)	(174,633)
Value Added tax payment related to Investment Properties	(8,199)	(36,847)
Purchase of available for sale investment	(57,017)	-
Loans granted to related parties	-	(28,124)
Purchase and development of intangible assets	(13,905)	(10,804)
Purchase of investments at fair value through profit or loss	(2,977)	(2,111)
Net cash flows used in investing activities	(286,763)	(616,885)
Financing activities		
Proceeds from interest-bearing loans and borrowings	644,807	180,443
Proceeds from bonds issuances	-	1,099,602
Repayment of interest-bearing loans and borrowings	(349,938)	(789,653)
Repurchase of own bonds	(434,842)	(64,992)
Interest paid	(138,281)	(124,069)
Payment of guarantee deposit for derivate financial instruments	(6,446)	-
Purchase of treasury shares	(4,791)	-
Advancement of returns	(207)	-
Net cash flows (used) obtained in financing activities	(289,698)	301,331
Net (decrease) increase of cash and short-term deposits	(157,209)	(66,818)
Cash and short-term deposits at the beginning of the period	284,998	284,171
Cash and short-term deposits at the end of the period	127,789	217,353
Non-cash transactions		
Fixed assets purchased through leasing and other financial obligations	41,699	71,125
Investment properties purchased through leasing	-	2,281

The accompanying notes are an integral part of these consolidated statements

Notes to the interim consolidated financial statements (continued)

InRetail Perú Corp. and Subsidiaries

Notes to the interim condensed consolidated financial statements

As of September 30, 2015 and December 31, 2014

1. Business activity and group reorganization and issuance process

- (a) InRetail Peru Corp, (hereinafter “the Company”), is a holding incorporated in January 2011 in the Republic of Panama and is a subsidiary of Intercorp Retail Inc., which in turn is a subsidiary of Intercorp Peru Ltd. (a holding company incorporated in Bahamas, hereinafter “Intercorp Peru”) which is the ultimate parent and holds 100.00 percent of Intercorp Retail Inc.’s capital stock.

As of September 30, 2015, the percentages of ownership are:

Owner	Ownership
	%
Intercorp Retail Inc.	58.11
Intercorp Financial Services	2.33
Intercorp Perú Ltd	3.26
Inteligo Bank	6.68
NG Pharma Corp.	6.31
Others	23.31
	<hr/>
	100.00
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The Company’s legal address is 50 Street and 74 Street, floor 16, PH Building, San Francisco, Republic of Panama; however, its management and administrative offices are located at Calle Morelli N° 181, San Borja, Lima Perú.

On August 21, 2014, the Company, as initial originator, established a trust fund (special purpose entity) denominated "Patrimonio en Fideicomiso D.S.N°093-2002-EF-InRetailConsumer (hereinafter “InRetail Consumer”), in order to implement various investment projects and issuance of debt instruments that were executed, approved and supported by the Company and its Subsidiaries.

On September 15, 2014, the Board of InRetail Perú Corp. agreed to transfer in trust to return all shares of Supermercados Peruanos S.A. and Eckerd S.A. to InRetail Consumer.

The accompanying interim consolidated financial statements as of September 30, 2015 were approved by the Board of Directors on November 11, 2015.

Notes to the interim consolidated financial statements (continued)

(b) Reorganization and issuance processes –

Only for purposes of issuing debt in the local market and abroad, during the year 2014, the following Trusts were incorporated (Special Purpose Entities – SPE's), which are controlled directly or indirectly by the Company (see Note 2).

- Patrimonio en Fideicomiso D.S.N° 093-2002-EF-InRetail Shopping Mall (hereinafter “InRetail Shopping Mall”). As of September 30, 2015 and December 31, 2014, the representative shares of capital stock of InRetail Real Estate Corp.'s subsidiaries are maintained in trust in this entity which in July 2014 issued an offering of “Senior Notes Unsecured” for US\$350,000,000 and S/.141,000,000.
- Patrimonio en Fideicomiso D.S.N°093-2002-EF-InRetail Consumer (hereinafter “InRetail Consumer”). As of September 30, 2015 and December 31, 2014, the representative shares of capital stock of Supermercados Peruanos S.A. and Subsidiaries and Eckerd Perú S.A. and Subsidiaries are maintained in trust in this entity which in October 2014 issued an offering of “Senior Notes Unsecured” for US\$300,000,000 and S/.250,000,000.

The funding was mainly used for the restructuring of long-term liabilities, property purchases and investments in new projects for the Company's Subsidiaries.

2. Subsidiary activities

Following is the description of the activities of the main Subsidiaries of the Company:

- (a) As indicated in Note 1 (b), InRetail Consumer (a SPE controlled by the Company), was incorporated during the year 2014 only for the purpose of offering the “Senior Notes Unsecured”. As of September 30, 2015 and December 31, 2014 the representative shares of stock of Supermercados Peruanos S.A. and Subsidiaries and Eckerd Perú S.A. and Subsidiaries are maintained in trust in this entity. A description of such subsidiaries is presented below:
 - Eckerd Perú S.A. is dedicated to the commercialization of pharmaceutical products, cosmetic products, food for medical use and other elements related to health protection and recovery through its “InkaFarma” pharmacy chain. As of September 30, 2015 and December 31, 2014, it operates 874 and 837 stores, respectively. Eckerd Perú S.A. holds 100 percent of: (i) Eckerd Amazonía S.A.C. and (ii) Boticas del Oriente S.A.C.
 - Supermercados Peruanos S.A., is dedicated to retail. As of September 30, 2015, it owns a chain of 102 stores, composed of 62 hypermarkets that operate under the “Plaza Vea” brand, 37 supermarkets that operate under the “Vivanda”, Plaza Vea Super” and “Plaza Vea Express” brands, and 3 discount stores that operate under the “Mass” and “Economax” commercial brand (61 hypermarkets, 37 supermarkets and 3 discount stores as of December 31, 2014). Supermercados Peruanos S.A. holds 100 percent of: (i) Peruana de Tiquetes S.A.C. and (ii) Plaza Vea Sur S.A.C.

Notes to the interim consolidated financial statements (continued)

- (b) InRetail Real Estate Corp. is a Holding company incorporated in the Republic of Panama in April 2012. As indicated in Note 1(b), in July 2014 InRetail Shopping Mall (a SPE controlled by InRetail Real Estate Corp.) was incorporated only for the purpose of issuing "Senior Notes Unsecured". As of September 30, 2015 and December 31 2014, the representative share of capital stock of InRetail Real Estate Corp.'s subsidiaries are maintained in trust in this entity, which are detailed below:
- (i) Real Plaza S.R.L.
- Entity dedicated to the management and administration of shopping centers (20 as of September 30, 2015 and December 31, 2014) named "Centro Comercial Real Plaza" and located in the cities of Chiclayo, Piura, Chimbote, Trujillo, Huancayo, Arequipa, Juliaca , Huanuco, Cusco, Cajamarca, Sullana, Pucallpa and Lima.
- (ii) Patrimonio en Fideicomiso – D.S. N°093-2002-EF-Interproperties Holdings and Patrimonio en Fideicomiso – D.S. N°093-EF-Interproperties Holding II
- Equity trust funds (henceforth "Interproperties Holding") are Special Purpose Entities (SPE) incorporated with the purpose of creating independent entities of the originators, through which investments are made in real estate projects.
- (c) In September 2015, the Company acquired 100 percent of the capital stock of InRetail Properties Management S.R.L. to InRetail Shopping Mall, a related entity. InRetail Properties Management S.R.L. is an entity that provides the staff which manages and operates Interproperties Holding.

3. Basis of preparation and presentation

(a) Interim Financial Statements

The consolidated financial statements of the InRetail Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Boards (IASB), effective as of September 30, 2015 and December 31, 2014, respectively.

The interim financial statements of the InRetail Group have been prepared in accordance with IAS 34 "Interim Financial Reporting".

The interim financial information does not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the audited annual information.

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

At the date of this report, all the entities consolidated into the accompanying financial statements are legal subsidiaries of InRetail Peru Corp.

Notes to the interim consolidated financial statements (continued)

(b) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries, see Note 2.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the InRetail Group 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.

The non-controlling interests have been determined in proportion to the participation of minority shareholders in the net equity and the results of the Subsidiaries in which they hold shares, and they are presented separately in the consolidated statement of financial position and the consolidated statement of comprehensive income.

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

The accounting policies followed in the preparation of the consolidated financial statements are consistent with those followed in the preparation of the consolidated financial statements at December 31, 2014.

(c) New accounting standards

The accounting policies adopted in the preparation of the interim condensed combined financial statements are consistent with those followed in the preparation of the Companies annual combined financial statements for the year ended December 31, 2014, except for the adoption of the new standards and interpretations as of January 1, 2015.

Standard adopted early

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

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

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

Notes to the interim consolidated financial statements (continued)

Standards not adopted early

The InRetail Group decided not to early adopt the following standards and interpretations that have been issued by the IASB, but which are not effective as of September 30, 2015:

- Annual Improvements (Cycle 2010-2012) –

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

- Annual improvements (Cycle 2011-2013) –

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

- IFRS 15 “Revenue from Contracts with Customers”–

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

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

- Amendment to IAS 27: Method of equity in the separate financial statements –

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

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

Notes to the interim consolidated financial statements (continued)

4. Cash and short-term deposits

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

	As of September 30, 2015	As of December 31, 2014
	S/.(000)	S/.(000)
Cash (b)	8,540	4,787
Current accounts (c)	48,525	115,967
Time deposits (d)	47,376	158,998
Other	23,348	5,246
Total	127,789	284,998

(b) The balance as of September 30, 2015 and December 31, 2014, comprises mainly cash held by subsidiaries in the premises of their store chains and in the vaults of a security company, corresponding to sales during the last days of the period.

(c) The company and its Subsidiaries maintain current accounts in local banks in Nuevos Soles and US Dollars which do not accrue interest and they are freely available.

(d) As of September 30, 2015 and December 31, 2014, the time deposits are freely available and are kept in local banks in Nuevos soles and US dollars, have maturities up to one month since inception and bear annual interest rates between 3.95 and 4.70 percent for Nuevos soles and 0.05 percent for US dollars. (between 3.95 and 6.29 percent annual, as of December 31, 2014 in Nuevos soles).

5. Trade receivables, net

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

	As of September 30, 2015	As of December 31, 2014
	S/.(000)	S/.(000)
Trade accounts receivable (c)	17,089	19,617
Rent receivable (d)	31,258	8,974
Merchandise vouchers (e)	18,199	50,058
Provision for accrued revenue (f)	10,615	9,262
Others	6,523	2,471
Total	83,684	90,382
Provision for doubtful accounts (g)	<u>(8,025)</u>	<u>(6,633)</u>
	75,659	83,749

(b) Trade receivables are denominated in Nuevos Soles, have current maturity and do not bear interest.

Notes to the interim consolidated financial statements (continued)

- (c) Corresponds mainly to (i) pending deposits in favor of Supermercados Peruanos and Eckerd group for the last day of the month, respectively, held by credit card operators and originated from the sales of goods with credit cards in the different stores of Supermercados Peruanos S.A. and Eckerd Group and (ii) trade accounts receivable from corporate sales.
- (d) Correspond to accounts receivable for the lease of commercial premises to concession holders inside the stores of Supermercados Peruanos S.A. and the accounts receivable for the rental income of Interproperties Holding.
- (e) Correspond mainly to the balance receivable from the sale of merchandise vouchers to various companies and public institutions. At the date of this report, these balances are mostly collected.
- (f) As of September 30, 2015 and December 31, 2014 relates to services unbilled at period end, mainly due to variable rentals. These amounts were billed in the month subsequent to the reporting date.
- (g) Movements in the provision for doubtful accounts receivable for the nine-months periods ended September 30, 2015 and 2014, were as follows:

	2015	2014
	S/.(000)	S/.(000)
Balance at the beginning of the year	6,633	4,506
Provision recognized as year expense, Note 17 (a)	1,380	1,653
Write offs and recoveries	-	(176)
Foreign currency variation	12	-
Balance at the end of the period	<u>8,025</u>	<u>5,983</u>

As of September 30, 2015 and December 31, 2014, the balance of the trade receivable amounts to approximately S/.83,684,000 and S/.90,382,000 respectively, out of which approximately S/.8,025,000 and S/.6,633,000 were provisioned for at those dates. Likewise, the amount of non-impaired past due trade receivables amounted to S/.65,039,000 and S/.45,039,000, respectively.

In the opinion of Management of the InRetail Group, the provision for doubtful accounts receivable as of September 30, 2015 and December 31, 2014, appropriately covers the credit risk of this item at those dates.

Notes to the interim consolidated financial statements (continued)

6. Inventories, net

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

	As of September 30, 2015	As of December 31, 2014
	S/.(000)	S/.(000)
Goods	826,748	777,051
In transit inventories (b)	27,608	27,942
Miscellaneous supplies	13,896	7,829
Total	868,252	812,822
Minus		
Provision for impairment of inventories (c)	(7,894)	(9,001)
Total	860,358	803,821

(b) Correspond to goods and miscellaneous supplies imported by the Group in order to satisfy customers demand in its stores.

(c) The movement in the provision for inventory impairment for the nine-month periods ended September 30, 2015 and 2014, was as follows:

	2015	2014
	S/.(000)	S/.(000)
Balance at the beginning of the year	9,001	12,001
Provision of the period, Note 17(a)	3,866	3,713
Write-off	-	-
Recovery	(4,973)	-
Balance at the end of the period	7,894	15,714

The provision for inventory impairment is determined based on stock turnover, discounts granted for the liquidation of the merchandise and other characteristics based on periodic evaluations performed by the Management of the InRetail Group.

7. Available-for-sale investment

As of September 30, 2015, available for sale investments corresponded to notes issued by a related company of Intercorp Group of approximately US\$ 16,614,000 (equivalent to S/.53,548,000). The unrealized loss, net of deferred income tax, of the notes held as of September 30, 2015 amounted to S / . 1,025,000 and is presented in the equity.

Notes to the interim consolidated financial statements (continued)

8. Derivative financial instruments

As of September 30, 2015, this item comprises of two “principal call spread” contracts designated to hedge cash flows from exchange rate variations and recorded at their fair value. The detail of the operations is as follows:

Counterparty	Nominal value US\$(000)	Due	Pay fix at %	2015		
				Book value of the hedged item	Fair value asset S/.(000)	Fair value liability S/.(000)
Deutsche Bank A.G.	100,000	October 2021	1.56	322,300	30,864	-
J.P. Morgan	200,000	July 2021	1.84	644,600	58,067	-
					<u>88,931</u>	<u>-</u>

The financial instruments covers 33 and 57 percent, respectively, of the exposure to foreign currency risk arising from the international bond issues in July and October 2014, see note 13 (b) (c). The call spreads cover variations in the exchange rate from S/.3.225 and S/.3.220 to S/.3.750 per US\$1.00 and the price of the premium was funded in installments, generating a liability for the same. See Note 13.

9. Property, furniture and equipment, net

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

	As of September 30, 2015 S/.(000)	As of December 31, 2014 S/.(000)
Cost		
Initial balance	2,923,468	2,650,251
Additions (b)	228,954	339,102
Disposals and/or sales (c)	(66,254)	(54,944)
Transfer to Investment properties	62	(10,941)
Final balance	<u>3,086,230</u>	<u>2,923,468</u>
Accumulated depreciation		
Initial balance	650,567	559,702
Additions (d)	104,436	118,954
Disposals and/or sales	(61,260)	(28,089)
Final balance	<u>693,743</u>	<u>650,567</u>
Net book value	<u>2,392,487</u>	<u>2,272,901</u>

Notes to the interim consolidated financial statements (continued)

- (b) Additions for the nine-month periods ended September 30, 2015 and 2014 correspond mainly to the construction and equipment of new premises for Supermercados Peruanos S.A. and the Eckerd Group, and the construction of shopping centers.
- (c) It mainly corresponds to assets sold and to the disposals of unusable assets as a result of the process of change of format in some premises. The resulting income or expense has been included in the "Other operating income" or "Other operating expenses" caption of the consolidated income statement, respectively.
- (d) Depreciation expense for the nine-month periods ended September 30, 2015 and 2014, was recorded as follows in the income statement:

	2015	2014
	S/.(000)	S/.(000)
Sales expenses, Note 17 (a)	91,440	75,092
Administrative expenses, Note 17 (a)	12,996	10,611
Balance as of September 30	104,436	85,703

- (e) As of September 30, 2015, Supermercados Peruanos S.A. has mortgaged land lots, buildings and facilities for a net book value of S/.449,150,000 (S/.331,856,000 as of December 31, 2014), as collateral over the financial obligations and the leasing contracts (see Note 13).
- (f) As of September 30, 2015, the cost and corresponding accumulated depreciation of assets acquired through finance leases amount to approximately S/.523,474,000 and S/.89,160,000 respectively (S/.438,017,000 and S/.67,275,000, respectively, as of December 31, 2014).
- (g) The Subsidiaries of the Company maintain insurance policies on their main assets in accordance with the policies established by Management.

Notes to the interim consolidated financial statements (continued)

10. Investment properties

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

	As of September 30, 2015 S/. (000)	As of December 31, 2014 S/. (000)
Real Plaza Salaverry shopping Mall (i)	369,757	364,285
Real Plaza Primavera shopping Mall (ii)	216,299	212,800
Real Plaza Chiclayo shopping Mall (ii)	203,933	208,343
Real Plaza Cuzco shopping Mall	194,503	191,483
Real Plaza Centro Civico shopping Mall (ii)	192,843	179,435
Real Plaza Piura shopping Mall	159,472	151,397
Real Plaza Cajamarca shopping Mall	104,122	102,582
Real Plaza Trujillo shopping Mall (ii)	122,533	118,110
Real Plaza Puruchuco project	119,121	115,143
Real Plaza Huancayo shopping Mall (i) and (ii)	127,155	116,871
Real Plaza Huanuco shopping Mall	90,834	89,728
Real Plaza Arequipa shopping Mall (i) and (ii)	65,084	65,031
Real Plaza Juliaca shopping Mall (i) and (ii)	70,831	70,692
Real Plaza Pro shopping Mall (ii)	50,774	49,723
Real Plaza Santa Clara - Altamirano Shopping Mall	41,890	40,675
Real Plaza Chorrillos shopping Mall (ii)	50,848	48,851
Real Plaza Santa Sullana Shopping Mall (ii)	32,799	-
Real Plaza Santa Clara shopping Mall (ii)	24,410	23,486
Real Plaza Nuevo Chimbote shopping Mall (i) and (ii)	19,098	18,762
Jr. de la Unión stores	16,989	16,758
Others	106,358	107,433
	2,379,653	2,291,588

- (i) For the construction of these shopping malls and properties, surface right contracts were subscribed with the Arzobispado de Cuzco (on land in Cuzco "San Antonio"), Municipalidad Provincial de Huanuco (on land of "Real Plaza Huanuco" Shopping Mall), Despensa Peruana S.A. and Mercantil Inca S.A. (Perámas), Inmobiliaria Pazos S.A.C. (La Curva), Gobierno Regional de Moquegua, (Moquegua), Ferrovias Central Andina S.A. (Huancayo), the Association denominated "Religiosas del Sagrado Corazón de Jesús" (Arequipa), Ferrocarril Trasandino S.A. (Juliaca) and the Marina de Guerra del Perú (Salaverry). These contracts have term for periods between 20 and 70 years.
- (ii) "Real Plaza" shopping centers consist of department stores, home improvement, supermarket, other retail shops, a cinema complex and an entertainment area; on which they have signed contracts that provide a minimum monthly rent and a variable rent based on sales.

Notes to the interim consolidated financial statements (continued)

- (b) The movement of this account for nine-month periods ended September 30, 2015 and 2014 was as follows:

	2015	2014
	S/.(000)	S/.(000)
Balance at the beginning of the year	2,291,588	1,697,343
Additions	70,874	431,676
Disposal	-	(2,568)
Fair value adjustment	15,042	41,776
Transfer from property, furniture and equipment; Note 8(a)	2,149	-
Balance at the end of the period	<u>2,379,653</u>	<u>2,168,227</u>

The fair value of investment properties has been determined on a discounted cash flows method basis by the Management of the Group for completed investment properties and based on the value assigned by an independent appraiser for investment properties under construction and investment properties held to operate in the future. The valuation is prepared on an aggregated unleveraged basis. In arriving at their estimates of market values, the Management of the Group have used their market knowledge and professional judgment and not only relied on historical transactional comparables. Fair value adjustment is included in the "Other operating income" caption of the consolidated income statement.

11. Intangible assets, net

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

	As of September 30, 2015	As of December 31, 2014
	S/.(000)	S/.(000)
Cost		
Initial balance	1,219,524	1,213,280
Additions (c)	13,905	15,571
Disposal and/or sales	(122)	(9,327)
Transfer	(63)	-
Final balance	<u>1,233,244</u>	<u>1,219,524</u>
Accumulated amortization		
Initial balance	43,032	42,317
Additions (d)	7,921	10,002
Disposals and/or sales	(17)	(9,287)
Transfer	(6)	-
Final Balance	<u>50,930</u>	<u>43,032</u>
Net, book value	<u>1,182,314</u>	<u>1,176,492</u>

- (b) As of September 30, 2015 and December 31, 2014, this caption mainly includes approximately S/.373,054,000 and S/.709,472,000 corresponding to the brand "InkaFarma" and goodwill respectively, as a result of the acquisition of the Eckerd Group and other intangibles with finite lives such as software.

Goodwill and "InkaFarma" brand are tested for impairment annually (as of December 31) and when circumstances indicate that the carrying value may be impaired. The Company and Subsidiaries'

Notes to the interim consolidated financial statements (continued)

impairment test for goodwill and intangible assets with indefinite useful lives is based on value-in-use calculations which use a discounted cash flow model.

- (c) As of September 30, 2015 and December 31, 2014, additions mainly correspond to disbursements for the acquisition of a commercial software program, a general planning system (ERP) and the corresponding licenses for use; and disbursements for implementation of the application "E3 InkaFarma", which will be used in the new distribution center.
- (d) Amortization expense for the nine-month periods ended September 30, 2015 and 2014 has been recorded in the following items of the combined statements:

	2015 S/.(000)	2014 S/.(000)
Sales expenses, Note 17 (a)	4,757	4,321
Administrative expenses, Note 17 (a)	3,164	3,092
Balance as of September 30	<u>7,921</u>	<u>7,413</u>

12. Trade payables

The table below presents the composition of this caption:

	As of September 30, 2015 S/.(000)	As of December 31, 2014 S/.(000)
Bills payable from purchase of goods	1,136,970	1,103,965
Bills payable from commercial services	156,799	164,748
Total	<u>1,293,769</u>	<u>1,268,713</u>

This item mainly includes the obligations to non-related local and foreign suppliers, denominated in local currency and US\$ Dollars, originated mainly by the acquisition of goods, with current maturities and that do not bear any interest. There have been no liens granted on these obligations.

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

Notes to the interim consolidated financial statements (continued)

13. Interest-bearing loans and borrowings

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

Type of obligation	Original currency	Interest rate %	Final maturity	Original amount		Total		Current		Non-current	
				US\$ (000)	S/(000)	2015 S/(000)	2014 S/(000)	2015 S/(000)	2014 S/(000)	2015 S/(000)	2014 S/(000)
Notes Senior Unsecured											
Notes Senior unsecured (b)	USD	6.500	2021	350,000	-	884,175	899,188	-	-	884,175	899,188
Notes Senior unsecured (b)	PEN	7.875	2034	-	141,000	130,786	135,530	-	-	130,786	135,530
Notes Senior unsecured (c)	USD	5.250	2021	300,000	-	581,629	837,220	-	-	581,629	837,220
Notes Senior unsecured (c)	PEN	6.8125	2021	-	250,000	249,168	249,088	-	-	249,168	249,088
				<u>650,000</u>	<u>391,000</u>	<u>1,845,758</u>	<u>2,121,026</u>	<u>-</u>	<u>-</u>	<u>1,845,758</u>	<u>2,121,026</u>
Leasings (d)											
Related entities											
Banco Internacional del Perú-Interbank	PEN	8.000	2019	-	27,412	22,318	25,889	5,086	4,806	17,232	21,083
Banco Internacional del Perú-Interbank	PEN	Between 6.850 and 8.500	2020	-	145,277	75,682	84,671	28,474	26,700	47,208	57,971
Banco Internacional del Perú-Interbank	USD	6.450	2016	113	-	155	219	112	102	43	117
Non related entities											
Hewlett Packard S.A. (e)	USD	2.930	2019	7,855	-	14,642	10,967	6,454	4,241	8,188	6,726
Hewlett Packard S.A. (e)	USD	Between 1.690 and 6.840	2018	11,549	-	14,942	15,671	4,105	5,570	10,837	10,101
Hewlett Packard S.A. (e)	USD	4.260	2017	613	-	1,242	1,595	662	602	580	993
IBM Perú SAC (e)	USD	Between 1.920 and 7.450	2017	189	-	214	299	120	123	94	176
IBM Perú SAC (e)	USD	3.100	2016	100	-	101	119	27	88	74	31
IBM Perú SAC (e)	USD	Between 1.690 and 7.220	2016	6,441	-	807	1,875	799	1,360	8	515
IBM Perú SAC (e)	USD	2.930	2018	839	-	418	947	387	700	31	247
Banco de Crédito del Perú	PEN	Between 6.590 and 7.850	2021	-	17,424	61,286	53,687	13,238	8,675	48,048	45,012
Banco de Crédito del Perú	PEN	Between 7.970 and 8.060	2024	108,401	-	66,666	72,489	8,305	7,845	58,361	64,644
BBVA Banco Continental	PEN	Between 5.960 and 10.850	2018	-	69,850	14,464	19,818	5,467	7,201	8,997	12,617
BBVA Banco Continental	PEN	4.370	2017	4,658	9,244	357	912	169	596	188	316
Banco Scotiabank	PEN	Between 6.750 and 7.760	2020	264	21,864	36,123	33,371	7,326	5,822	28,797	27,549
				<u>141,022</u>	<u>291,071</u>	<u>309,417</u>	<u>322,529</u>	<u>80,731</u>	<u>74,431</u>	<u>228,686</u>	<u>248,098</u>

Notes to the interim consolidated financial statements (continued)

Type of Obligation	Original currency	Interest rate %	Final maturity	Original amount		Total		Current		Non-current	
				US\$ (000)	S/(000)	2015	2014	2015	2014	2015	2014
						S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)
Notes and Loans											
Related entities											
Banco Internacional del Perú-Interbank	PEN	6.350	2020	60,000	-	60,000	-	10,568	-	49,432	-
Banco Internacional del Perú-Interbank	PEN	7.480	2015	322	-	40	960	40	960	-	-
Banco Internacional del Perú-Interbank	PEN	4.030	2026	-	108,300	947	988	75	47	872	941
Non related entities											
BBVA Banco Continental	PEN	4.400	2015	12,500	-	12,500	-	12,500	-	-	-
BBVA Banco Continental	PEN	Between 5.150 and 6.350	2020	43,862	-	43,862	-	29,000	-	14,862	-
BBVA Banco Continental	PEN	Between 6.350 and 6.950	2020	235,714	-	235,714	-	41,143	-	194,571	-
Deutsche Bank	PEN	1.560	2021	9,366	-	31,961	-	6,346	-	25,615	-
JP Morgan	PEN	1.840	2021	18,111	-	59,283	-	8,592	-	50,691	-
				<u>379,875</u>	<u>108,300</u>	<u>444,307</u>	<u>1,948</u>	<u>108,264</u>	<u>1,007</u>	<u>336,043</u>	<u>941</u>
Foreing loans											
Total				<u>1,170,897</u>	<u>790,371</u>	<u>2,599,482</u>	<u>2,445,503</u>	<u>188,995</u>	<u>75,438</u>	<u>2,410,487</u>	<u>2,370,065</u>

Notes to the interim consolidated financial statements (continued)

- (b) In July 2014, InRetail Real Estate Corp. issued, through InRetail Shopping Malls, an offering in the local market and abroad of "Senior Notes Unsecured" for US\$350,000,000 equivalent to approximately S/.1,128,050,000 as of September 30, 2015 (equivalent to approximately S/.1,046,150,000 as of December 31, 2014), due in July 2021, at a 6.50 percent nominal interest rate. This borrowing was recorded in the consolidated financial statement at amortized cost to an effective interest rate of 7.806 percent, after considering the respective up-front fees that amounted to US\$ 24,852,000 equivalent to approximately S/.80,100,000 as of September 30, 2015 (US\$27,296,000 equivalent to approximately S/.81,368,000 as of December 31, 2014). Additionally, as of September 30, 2015 the balance is presented net of US\$50,814,000 equivalent to S/.163,775,000 (US\$22,004,000 equivalent to S/.65,594,000 as of December 31 2014), corresponding to the notes of this issuance held by InRetail Shopping Malls. As of September 30, 2015 and December 31, 2014 the balance of this loan is S/.884,175,000 and S/.899,188,000, respectively.

Also, In July 2014, InRetail Real Estate Corp. issued, through InRetail Shopping Malls, an offering in the local market and abroad of "Senior Notes Unsecured" for S/.141,000,000, due in July 2021, at a 7.875 percent nominal interest rate. This borrowing was recorded in the consolidated financial statement at amortized cost to an effective interest rate of 7.988 percent, after considering the respective up-front fees that amounted to S/.1,714,000 as of September 30, 2015 (S/. 1,470,000 as of December 31, 2014). Additionally, as of September 30, 2015, the balance is presented net of S/.8,500,000 (S/.4,000,000 as of December 31, 2014) corresponding to the notes of this issuance held by InRetail Shopping Mall. As of September 30, 2015 and December 31, 2014 the balance of this loan is S/.130,786,000 and S/.135,530,000, respectively.

The proceeds of these financings were used for the purchase of property, investments in new real estate projects, debt restructuring and payment of fees and expenses related to such issuance.

As a result of these issuances, InRetail Shopping Mall must comply until their maturity and cancellation, mainly with the following financial ratios:

- Debt ratio no greater than 1.6; and
- Hedging ratio EBITDA/interest expense from 1.5 to 1.00.

In Management's opinion, these ratios do not limit the operations of the InRetail Group and have been complied as of September 30, 2015 and December 31, 2014. Additionally, 100 percent of the "Senior Notes Unsecured" is guaranteed by InRetail Real estate Corp. and Subsidiaries' shares.

- (c) On October 2014 the Company issued through InRetail Consumer, an offering in the local market and abroad of "Senior Notes Unsecured" for US\$300,000,000 equivalent to approximately S/. 966,900,000 as of September 30, 2015 (S/. 896,700,000 as of December 31, 2014), due in 2021 at an 5.25 percent nominal interest rate. This borrowing was recorded in the consolidated financial statements at their amortized cost at a 5.823 percent effective interest rate, after considering the respective up-front fees for approximately US\$5,116,000, equivalent to a total amount of approximately S/.16,488,000 as of September 30, 2015 (US\$5,558,000 equivalent to approximately S/.16,614,000 as of December 31, 2014). Additionally, as of September 30, 2015, the balance is presented net of US\$114,426,000 equivalent to a total amount of approximately S/.368,783,000 as of September 30, 2015 (US\$14,353,000 equivalent to a total amount of approximately S/.42,867,000 as of December 31,2014) corresponding to notes of these issuance acquired by the Company itself. As of September 30, 2015 and December 31, 2014 the balance of this loan is S/.581,629,000 and S/.837,220,000, respectively.

Notes to the interim consolidated financial statements (continued)

Also, in October 2014 the Company issued through InRetail Consumer, an offering in the local market and abroad of "Senior Notes Unsecured" for S/.250,000,000, due in 2021 at an 6.8125 percent nominal interest rate. This borrowing was recorded in the consolidated financial statements at their amortized cost at a 6.8805 percent effective interest rate, after considering the respective up-front fees for approximately S/.832,000, as of September 30, 2015 (S/.912,000, as of December 31, 2014). As of September 30, 2015 and December 31, 2014 the balance of this loan is S/.249,168,000 and S/.249,088,000, respectively.

The funding was mainly used to:

- Purchase of "Senior Secured Notes" issued and placed in 2011 by InterCorp Retail Inc. through InterCorp Retail Trust, acquiring a total of 277,277,000, of such notes, and payment of the premium for repurchase the bonds.

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

- (i) 130,000,000 were offset with the promissory note held by the Company with InterCorp Retail Trust. The total amount was US \$ 130,000,000 offset (approximately equivalent to S/.379,340,000 as of the offsetting date).
 - (ii) 117,277,000 were settled in cash, so that during 2014 the Company received US \$ 117,277,000 (equivalent to approximately S / 347,726,000 as of the settlement date). A part of this amount was used to pay off the loan related to the Bank of America: and
 - (iii) 30,000,000 were purchased on behalf of InterCorp Retail Inc. is generating a receivable to that entity for S/.105,118,000 at December 2014 values. As of September 30, 2015 this amount was fully collect.
- Restructuring of their liabilities, purchases properties and investments in new projects for the Company's subsidiaries.

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

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

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

- No greater than 3.75 times until September 2015
- No greater than 3.25 times between October 2015 and September 2016; and,
- No greater than 2.75 times after October 2017

In Management's opinion, these clauses do not limit the operations of the InRetail Group and have been complied as of September 30, 2015 and December 31, 2014.

- (d) Promissory notes and bank loans are used to fund working capital and do not have any specific guarantee. Leasing operations are guaranteed by the assets related to them; see Note 9(f). Such obligations do not have any special conditions that must be complied (covenants), or restrictions affecting the operations of the InRetail Group.

Notes to the interim consolidated financial statements (continued)

- (e) Corresponds to the debt that Subsidiaries. acquired with IBM del Perú S.A.C. to purchase computer equipment. Likewise, Hewlett Packard S.A. signed a promissory note with Supermercados Peruanos S.A. to finance the payment of the balances indebted to SAP Andina del Caribe S.A. for the development of the SAP system. Said contracts do not have any specific guarantee.
- (f) During the nine-month-periods ended September 30, 2015 and 2014, loans and borrowings accrued interest which is recorded in the "Finance costs" caption of the consolidated income statements, see Note 18. Also, as of September 30, 2015 and December 31, 2014, there are interests payable which are recorded in the "Other payables" caption of the consolidated statements of financial position.
- (g) Some of the interest-bearing loans and borrowing include standard clauses requiring the InRetail Group to meet financial ratios, use of funds criteria and other administrative matters. Management's opinion, as of September 30, 2015 and December 31, 2014, said standard clauses do not limit the normal operation of the Group and have been fulfilled.

14. Deferred income tax liabilities, net

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

Statements of financial position	Deferred liability, net	
	As of September 30, 2015 S/. (000)	As of December 31, 2014 S/.(000)
Deferred income tax asset	-	-
Deferred income tax liabilities	(254,334)	(233,186)
Deferred income tax liability, net	(254,334)	(233,186)

Statements of comprehensive income	Income tax for the nine-month periods ended September 30, 2015 and 2014	
	2015 S/. (000)	2014 S/.(000)
Current	(42,540)	(40,226)
Deferred	(21,426)	(28,536)
	(63,966)	(68,762)

- (b) As of September 30, 2015 and December 31, 2014 the provision for current income tax payable, net of advanced payments amounts to approximately S/./6,736,000 and S/./2,545,000, respectively.

Notes to the interim consolidated financial statements (continued)

15. Equity

- (a) Capital stock –
As of September 30, 2015 and December 31, 2014, the capital stock of InRetail Perú Corp. is represented by 102,807,319 shares with no par value, issued at US\$10.00 each, which were totally paid and issued (equivalent to S/.2,138,566,000).
- (b) Capital premium
It corresponds to the difference between the nominal value of shares issued and their offering value. The international offering of new shares, mentioned in paragraph (a) above, was made at a price of US\$20 per share, being the issuance value of shares US\$ 10.00 per share, and recording a capital Premium which is presented net of expenses related to the issuance (professional services of legal advisors, investment bankers, transaction commissions, among others) for approximately S/.549,793,000.
- (c) Treasury shares
As of September 30, 2015, Eckerd Peru S.A., holds 125,000 shares issued by the Company, at a cost of US\$.1,487,500 equivalent to S / 4,791,000. This amount is deducted from net equity of the Company in the accompanying consolidated financial statements.

16. Tax Situation

- (a) InRetail Peru Corp. and InRetail Real Estate Corp. are incorporated in Panama, thus they are not subject to any Income Tax.

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

- 4.1 percent of the profits generated until December 31, 2014
 - For the profits generated from 2015, whose distribution is made after that date, shall be:
 - For 2015 and 2016 will be 6.8 percent.
 - For 2017 and 2018 will be 8.0 percent
 - For 2019 onwards will be 9.3 percent from entities domiciled in Peru
- (b) The Company's Subsidiaries domiciled in Peru are subject to the Peruvian Tax System and, in compliance with current Peruvian legislation they calculate their Income tax on the basis of their individual financial statements. As of September 30, 2015, the statutory Income Tax rate was 28 percent on taxable income(30 percent as of December 31, 2014), after calculating the employees profit sharing, which according to prevailing standards is computed with a rate between 5 to 8 percent.

According to Law N°30296 the income tax rate will be 28 percent for the year 2016, 27 percent for the years 2017 and 2018, and 26 percent as of 2019.

Notes to the interim consolidated financial statements (continued)

- (c) Law No. 29663, later amended by law 29757, established Peruvian source income as that obtained by the indirect sales of shares representing the capital stock of companies domiciled in the country.

To this end, an indirect transference is configured when the following two assumptions occur together:

- (i) In first place, 10 percent or more of shares of the non domiciliated company must be sold in a period of twelve months.
- (ii) In second place, the market value of the Peruvian company's shares must represent 50 percent or more of the market value of the non domiciliated company, in a period of twelve months.
- (d) For purposes of determining the Income Tax, transfer pricing of transactions with related companies and companies domiciled in territories with low or no taxation must be supported with documentation and information on assessment methods applied and criteria considered. Based on the analysis of the operations of the Group, Management and its legal advisors consider that as consequence of the application of the regulation in force, there will not be any significant contingencies for the Group as of September 30, 2015 and December 31, 2014.
- (e) The tax authority is legally entitled to review and, if necessary, adjust the Income Tax computed during a term of four years following the year in which the tax declaration was submitted. Following are the years subject to review by the tax authority of the Subsidiaries of InRetail Peru Corp. incorporated in Peru:

	Income Tax	Value added tax
Supermercados Peruanos S.A.	From 2010 to 2014	From 2010 to 2014
Eckerd Perú S.A.	From 2013 to 2014	From 2013 to 2014
Eckerd Amazonia S.A.C.	2012, 2013 and 2014	2012, 2013 and 2014
Boticas del Oriente S.A.C.	2012, 2013 and 2014	2012, 2013 and 2014
Real Plaza S.R.L.	From 2010 to 2014	From 2010 to 2014
InRetail Properties Management S.R.L.	From 2010 to 2014	From 2010 to 2014

According to Peruvian law, InRetail Consumer, InRetail Shopping Mall and Interproperties Holding are not considered an income taxpayer due to its status as a trust. InRetail Consumer, InRetail Shopping Mall and Interproperties Holding attribute its generated results, the net losses and Income Tax credits on foreign source income, to the holders of its certificates of participation or whoever holds those rights.

Due to possible interpretations that the tax authority may give to legislation, it is not possible to determine, to date, whether the reviews will result in liabilities for the Group. Therefore, any major tax or surcharge that may result from eventual revisions by the tax authority would be charged to the consolidated statements of comprehensive income of the period in which such tax or surcharge is determined.

In opinion of Management of the InRetail Group as well as its legal advisors opinion, any eventual additional tax settlement would not be significant to the consolidated financial statements as of September 30, 2015 and December 31, 2014.

Notes to the interim consolidated financial statements (continued)

17. Operating expenses

(a) The table below presents the components of this caption for the nine-month periods ended September 30, 2015 and 2014:

	2015	2014
	S/.(000)	S/.(000)
Cost of sales	3,449,088	3,120,230
Selling expenses	956,993	855,832
Administrative expenses	137,912	126,182
	<u>4,543,993</u>	<u>4,102,244</u>

The table below presents the components of operating expenses included in cost of sales, sales and administrative expenses captions.

	2015			Total
	Cost of sales	Selling expenses	Administrative expenses	
	S/.(000)	S/.(000)	S/.(000)	S/.(000)
Initial balance of goods, Note 6(a)	777,051	-	-	777,051
Purchase of goods	3,402,353	-	-	3,402,353
Final balance of goods, Note 6(a)	(826,744)	-	-	(826,744)
Impairment of inventories note 6 (c)	3,866	-	-	3,866
Cost of services	92,562	-	-	92,562
Packing and packaging	-	31,273	332	31,605
Personnel expenses	-	380,534	75,932	456,466
Depreciation, Note 9(d)	-	91,440	12,996	104,436
Amortization, Note 11(d)	-	4,757	3,164	7,921
Key money amortization	-	724	-	724
Services provided by third parties (b)	-	146,339	25,821	172,160
Advertising	-	55,958	-	55,958
Rental of premises	-	114,775	4,076	118,851
Taxes	-	18,342	2,025	20,367
Provision for doubtful trade receivables, Note 5(g)	-	1,380	-	1,380
Provision for doubtful other account receivables,	-	1,653	-	1,653
Insurance	-	6,671	369	7,040
Other charges (c)	-	103,147	13,197	116,344
	<u>3,449,088</u>	<u>956,993</u>	<u>137,912</u>	<u>4,543,993</u>

Notes to the interim consolidated financial statements (continued)

	2014			
	Cost of sales	Selling expenses	Administrative expenses	Total
	S/.(000)	S/.(000)	S/.(000)	S/.(000)
Initial balance of goods	803,821	-	-	803,821
Purchase of merchandise	3,093,166			3,093,166
Final balance of goods	(860,358)	-	-	(860,358)
Cost of services	3,713	-	-	3,713
Impairment of inventories, Note 6(c)	79,888	-	-	79,888
Packing and packaging	-	347,504	71,496	419,000
Advertising	-	75,092	10,611	85,703
Personnel expenses	-	4,321	3,092	7,413
Depreciation, Note 9(d)	-	683	-	683
Amortization, Note 11(d)	-	133,819	23,572	157,391
Key money amortization	-	58,628	-	58,628
Services provided by third parties (b)	-	22,724	161	22,885
Rental of premises	-	79,986	5,563	85,549
Taxes	-	17,904	2,308	20,212
Provision for doubtful trade receivables, Note 5(g)	-	1,477	-	1,477
Insurance	-	6,848	417	7,265
Other charges (c)	-	106,846	8,962	115,808
	<u>3,120,230</u>	<u>855,832</u>	<u>126,182</u>	<u>4,102,244</u>

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

(c) Mainly include general expenses in stores and shopping centers.

18. Finance costs

(a) The table below presents the components of finance costs:

	2015	2014
	S/.(000)	S/.(000)
Interest on loans, borrowings and bonds payable	128,953	125,108
Others financial costs	40,141	17,944
	<u>169,094</u>	<u>143,052</u>

(b) As of September 30, 2015 and December 31, 2014, there are interests payable for these obligations for approximately S/.39,834,000 and S/.53,911,000, respectively, which are recorded in the "Other payables" caption of the consolidated statements of financial position.

Notes to the interim consolidated financial statements (continued)

19. Transactions with related parties

(a) The following table provides the total amount of transactions that have been entered into with related parties for the nine-month periods ended as of September 30, 2015 and 2014:

	2015 S/.(000)	2014 S/.(000)
Income		
Sales	3,321	1,860
Rental income	54,004	27,634
Rendering of services	26,648	25,785
Other	19,064	7,688
	<u>103,037</u>	<u>62,967</u>
Expenses		
Renting of premises and land	5,079	5,033
Reimbursements of expenses	762	234
Commissions	77	1,172
Other services	-	174
Interest	4,398	4,255
Others	5,993	8,297
	<u>16,309</u>	<u>19,165</u>

(b) As a result of the transactions with related companies, the InRetail Group recorded the following balances as of September 30, 2015 and December 31, 2014:

	As of September 30, 2015 S/.(000)	As of December 31, 2014 S/.(000)
Receivables		
Home Centers Peruanos S.A (e)	9,313	4,362
Tiendas Peruanas S.A	6,484	5,137
Cineplex S.A.	5,517	5,435
Banco Internacional del Perú S.A.A.-Interbank	4,969	5,645
Bembos	3,986	1,986
Financiera Uno	3,214	4,964
Interseguro Compañía de Seguros S.A.	2,251	218
Intercorp Perú Ltd. (d)	1,794	37,457
Urbi Propiedades S.A.	232	186
Intercorp Retail	227	19,652
Others	14,947	10,146
	<u>52,934</u>	<u>95,188</u>

Notes to the interim consolidated financial statements (continued)

	As of September 30, 2015 S/.(000)	As of December 31, 2014 S/.(000)
Payables		
Banco Internacional del Perú S.A.A. – Interbank:		
Credit line and others	208	471
Guarantee deposit (f)	4,816	4,242
Financiera Uno	9,097	15,813
Interseguro Compañía de Seguros S.A.	8,541	-
Tiendas Peruanas S.A.	329	159
Home Centers	247	-
Milenia	175	-
Horizonte Global Opportunities Perú S.A. (g)	25	545
Cineplex S.A.	9	35
Others	792	1,530
	<u>24,239</u>	<u>22,795</u>
Remunerations payable to key management	-	-
	<u>24,239</u>	<u>22,795</u>
Current portion	19,423	18,553
Non-current portion	4,816	4,242
Total	<u>24,239</u>	<u>22,795</u>

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

- (c) Outstanding balances at the period-end are unsecured and interest free, except for the financial obligations explained in this one. There have been no guarantees provided or received for any related party receivables or payables. As of September 30, 2015 and December 31, 2014, the Group has not recorded any impairment of receivables relating to amounts owed by related parties. This assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.
- (d) As of September 30, 2015 and December 31, 2014, the balance receivable from Intercorp Peru Ltd. corresponds to a loan in Nuevos soles that includes accrued interest at market rates of 6.25 and 7.00 percent annual, respectively.
- (e) Includes amounts payable corresponding to professional services, commissions and financial costs. Financial costs have been generated from loans received during the period, which accrued market interest rates.
- (f) Supermercados Peruanos S.A. and Banco Internacional del Perú – Interbank, signed contracts on future leases of financial stores for 15 and 7 years in October 2004 and September 2009, respectively. These contracts amount to approximately S/.27,212,000, (equivalent to approximately US\$8,000,000) and S/.14,788,000 (equivalent to approximately US\$5,016,000) which were collected in advance by Supermercados Peruanos S.A. and are presented in the “Deferred revenue” caption in the consolidated statements of financial position.

Notes to the interim consolidated financial statements (continued)

Additionally, and only in the case of the 2004 contract, Supermercados Peruanos S.A. received from Banco Internacional del Perú – Interbank US\$2,000,000 as collateral for the contract. As of September 30, 2015 and 2014, Supermercados Peruanos S.A. has credited the update of the present value of this deposit in the “Financial income” caption. As of September 30, 2015 and December 31, 2014, the net present value of the balances related to guarantee deposits amounts to S/.4,816,000 and S/.4,242,000, respectively, and is accounted for in the “Other payables” caption.

In relation to such contracts, during the nine-month periods ended September 30, 2015 Supermercados Peruanos S.A. recognized accrued renting revenue that amounted to approximately S/.2,211,000 equivalent to US\$736,000 (S/.2,413,000, equivalent to approximately US\$804,000 during the nine-month periods ended September 30, 2014), which are recorded net of the renting expenses in the “Rental income” caption in the consolidated statements of income.

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

- (g) Corresponds to balances payable on land and premises renting.
- (h) As of September 30, 2015 and December 31, 2014 it corresponds to the account payable for some expenses assumed by Intercorp Retail Inc. This balance does not generate interest and is of current maturity.
- (i) The compensation of key management personnel of the Group for the nine-month periods ended September 30, 2015 and 2014, is detailed below:

	2015 S/.(000)	2014 S/.(000)
Short term employee benefits	12,575	9,935
Insurance and medical benefits	1,050	368
Termination benefits	-	259
	<u>13,625</u>	<u>10,562</u>

- (j) As of September 30, 2015 and December 31, 2014, the Group maintains the following balances in the cash and cash equivalent captions:

	2015 S/.(000)	2014 S/.(000)
Banco Internacional del Peru – Interbank S.A.A.	79,582	69,183
Inteligo Bank Ltd.	826	152

Interest-bearing loans and borrowings (Note, 13)

- (k) Banco Internacional del Perú – Interbank signed leasing and leaseback contracts with Supermercados Peruanos S.A., Eckerd S.A., and Real Plaza which to date have outstanding balances of approximately S/.75,682,000, S/.22,318,000, and S/.155,000 respectively, for the construction of new stores, Real Plaza shopping center building located in Santa Clara and working capital. These leasing contracts accrue annual interest rates that fluctuate between 6.45 and 8.50 percent, and whose maturities are between 2016 and 2019. These transactions are included in “Interest-bearing loans and borrowings”. During the nine-month periods ended September 30, 2015 and 2014, leasing contracts generated interests which are recorded in the “Financial costs” caption of the consolidated income statements.

Notes to the interim consolidated financial statements (continued)

20. Earnings per share

Basic earnings per share amounts are calculated by dividing profit for the nine-month periods attributable to ordinary equity holders of InRetail Perú Corp. by the weighted average number of ordinary shares outstanding during the same period. As there are no dilutive instruments outstanding, basic and diluted earnings per share are identical.

The following reflects basic and diluted earnings per share computations:

	<u>Ordinary shares</u>		
	<u>Outstanding shares</u>	<u>Effective days until period-end</u>	<u>Weighted average of shares</u>
Number as of January 1, 2014	102,807,319		102,807,319
Number as of September 30, 2014	102,807,319		102,807,319
Number as of January 1, 2015	102,807,319		102,807,319
Number as of September 30, 2015	102,807,319		102,807,319
	<u>For the nine-month-periods ended September 30, 2015</u>		
	<u>Net income (numerator)</u>	<u>Shares (denominator)</u>	<u>Earnings per share</u>
	S/.		S/.
Basic and diluted earnings per share	<u>45,089,000</u>	<u>102,807,319</u>	<u>0.44</u>
	<u>For the nine-month-periods ended September 30, 2014</u>		
	<u>Net income (numerator)</u>	<u>Shares (denominator)</u>	<u>Earnings per share</u>
	S/.		S/.
Basic and diluted earnings per share	<u>91,579,000</u>	<u>102,807,319</u>	<u>0.89</u>

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements.

Notes to the interim consolidated financial statements (continued)

21. Commitments and contingencies

Commitments –

The main commitments assumed are presented below:

- (a) As of September 30, 2015 and December 31, 2014, the Company and its Subsidiaries have signed renting contracts with third parties for the premises in which some of its stores operate. The assumed commitments correspond to fixed and/or variable monthly rents base on sales, whichever is highest.

The total commitments are assumed to be calculated on the basis of the fixed renting and paid up until 2052.

- (b) As of September 30, 2015, the Company as its Subsidiaries agreed with several financial entities on the issuance of solidary and irrevocable letters of guarantee for approximately S/.27,572,000 and US\$3,627,000 (S/.27,929,000 and US\$ 5,565,000 as of December 31, 2014), respectively, to comply with the payment of goods purchased to foreign suppliers.

Contingencies –

- (a) Eckerd Amazonía S.A.C. is in the process of claim against the Tax Authority for determinations of debts and fines related to VAT for the period between January 2003 and September 2005. In opinion of Management and its legal advisors these contingencies are stated as possible and significant liabilities will not arise as result of this contingency as of September 30, 2015 and December 31, 2014.
- (b) Supermercados Peruanos S.A. is a party to tax proceedings related to Income Tax and monthly Value Added Tax presented in taxable years 2004, 2005, 2006, 2007, 2008 and 2009. As of the date of this report, Supermercados Peruanos S.A. has challenged the Tax Administration for these resolutions and, in Management's opinion and its legal advisors, significant liabilities will not arise as result of this situation as of September 30, 2015 and December 31, 2014.

22. Business segments

For management purposes, the InRetail Group is organized into business units based on their products and services and has three reportable segments as follows:

- The supermarkets segment operates supermarkets and hypermarkets nationwide.
- The pharmacies segment is a nationwide supplier of drugs, medicines and cosmetic related products through the chain of pharmacies named "InkaFarma".
- Shopping center segment leases commercial stores in shopping centers owned by the InRetail Group.

No operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

Notes to the interim consolidated financial statements

As of September 30, 2015 and December 31, 2014 and for the nine-month periods ended September 30, 2015 and 2014, InRetail Peru Corp. is organized into three main business lines, see Note 2. Transactions between the business segments are carried out under normal commercial terms and conditions. The following table presents the financial information of InRetail Perú Corp. and subsidiaries by business segments for the nine-month periods ended September 30, 2015 and 2014

	Supermarkets S/.(000)	Pharmacies S/.(000)	Shopping center S/.(000)	Total segments S/.(000)	Holding accounts, consolidation adjustments and intercompany eliminations S/.(000)	Consolidated S/.(000)
For the nine-month periods ended September 30, 2015						
Revenue						
External income	2,919,563	1,725,900	269,937	4,915,400	15,060	4,930,460
Inter-segment	8,757	11	47,339	56,107	(56,107)	-
Total revenue	2,928,320	1,725,911	317,276	4,971,507	(41,047)	4,930,460
Cost of sales	(2,176,711)	(1,179,815)	(97,013)	(3,453,539)	4,451	(3,449,088)
Gross profit	751,609	546,096	220,263	1,517,968	(36,596)	1,481,372
Other operating income	8,813	694	19,165	28,672	(3,898)	24,774
Selling expenses	(601,745)	(378,519)	(6,192)	(986,456)	29,463	(956,993)
Administrative expenses	(72,546)	(43,888)	(18,505)	(134,939)	(2,973)	(137,912)
Other operating expenses	(3,787)	(241)	(2,396)	(6,424)	(8)	(6,432)
Operating profit	82,344	124,142	212,335	418,821	(14,012)	404,809
Net, exchange difference	(36,890)	(108)	(64,541)	(101,539)	(30,533)	(132,072)
Finance income	2,308	1,490	3,559	7,357	(1,585)	5,772
Finance costs	(38,274)	(1,867)	(80,129)	(120,270)	(48,824)	(169,094)
Profit before income tax	9,488	123,657	71,224	204,369	(94,954)	109,415
Income tax expense	(7,564)	(38,644)	(20,285)	(66,493)	2,527	(63,966)
Profit for the year	1,924	85,013	50,939	137,876	(92,427)	45,449
Attributable to:						
Owners of the parent	1,924	85,013	50,579	137,516	(92,427)	45,089
Non-controlling interests	-	-	360	360	-	360
	1,924	85,013	50,939	137,876	(92,427)	45,449

Notes to the interim consolidated financial statements (continued)

	Supermarkets S/.(000)	Pharmacies S/.(000)	Shopping center S/.(000)	Total segments S/.(000)	Holding accounts, consolidation adjustments and intercompany eliminations S/.(000)	Consolidated S/.(000)
For the nine-month periods ended September 30, 2014						
Revenue						
External income	2,670,348	1,575,132	239,748	4,485,228	-	4,485,228
Inter-segment	(7,996)	(30,422)	(9)	(38,427)	(38,427)	(76,854)
Total revenue	2,662,352	1,544,710	239,739	4,446,801	(38,427)	4,408,374
Cost of sales	(1,981,911)	(1,058,431)	(84,640)	(3,124,982)	4,752	(3,120,230)
Gross profit	680,441	486,279	155,099	1,321,819	(33,675)	1,288,144
Other operating income	32,826	659	34,579	68,064	(14,834)	53,230
Selling expenses	(550,307)	(328,699)	(5,329)	(884,335)	28,503	(855,832)
Administrative expenses	(66,673)	(40,951)	(16,642)	(124,266)	(1,916)	(126,182)
Other operating expenses	(20,365)	(6)	-	(20,371)	10,941	(9,430)
Operating profit	75,922	117,282	167,707	360,911	(10,981)	349,930
Net, exchange difference	(14,296)	(788)	(29,082)	(44,166)	(12,724)	(56,890)
Finance income	3,099	378	7,356	10,833	(34)	10,799
Finance costs	(56,730)	(3,379)	(59,056)	(119,165)	(23,887)	(143,052)
Profit before income tax	7,995	113,493	86,925	208,413	(47,626)	160,787
Income tax expense	(7,068)	(35,719)	(25,049)	(67,836)	(926)	(68,762)
Profit for the year	927	77,774	61,876	140,577	(48,552)	92,025
Attributable to:						
Owners of the parent	927	77,774	61,432	140,133	(48,554)	91,579
Non-controlling interests	-	-	444	444	2	446
	927	77,774	61,876	140,577	(48,552)	92,025

Notes to the interim consolidated financial statements

Income and expenses of the Company are not allocated to individual segments as the underlying instruments are managed on a group basis and are reflected in the adjustments and eliminations column. Additionally, Inter-segment revenues are eliminated upon combination and reflected also in the "Adjustments and eliminations" column.

Geographic information-

As of September 30, 2015 and December 31, 2014, the operations of all the Subsidiaries of the Company are concentrated in Peru, therefore, there are no revenues from external customers, or assets located in a foreign country as of those dates.

23. Fair value

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

When a financial instrument is traded in an active and liquid market, its quoted market price in an actual transaction provides the best evidence of its fair value. When a quoted market price is not available, or may not be indicative of the fair value of the financial instrument, other estimation techniques may be used to determine such fair value, including the current market value of another financial instrument that is substantially similar, discounted cash flow analysis or other techniques applicable, all of which are significantly affected by the assumptions used. Although Management uses its best judgment in estimating the fair value of these financial instruments, there are inherent weaknesses in any estimation technique. As a result, the fair value may not be indicative of the net realizable of settlement value.

The following methods and assumptions were used to estimate the fair values:

- (a) Financial instruments whose fair value is similar to book value –
Assets and liabilities that are liquid or have short maturities (less than three months), such as cash and short-term deposits, trade and other receivables, trade and other payables and other current liabilities, approximate to their carrying amounts largely due to the short-term maturities of these instruments. Also, the derivative instrument by the Group is recorded at 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 instrument. The estimated fair value of interest-bearing deposits is determined through discounted cash flows by using market interest rates in the prevailing currency with similar maturities and credit risks.
- (c) Available-for-sale investment –
Fair value of available-for-sale financial assets is derived from quoted market prices in active markets, if available. Fair value of unquoted available-for-sale financial assets is estimated using a discounted cash flow technique.

Notes to the interim consolidated financial statements (continued)

Fair value hierarchy –

The InRetail Group uses the following hierarchy for determining and disclosing the fair value of its financial instrument recorded in the statement of financial position:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

The InRetail Group does not maintain any financial instrument with fair value determination under level 3 and there were no transfers between levels during the nine-month periods ended September 30, 2015 and 2014. The InRetail Group maintains the following financial instruments at fair value:

- Available-for-sale investments which fair value was determined under level 1 hierarchy.
- Derivative instrument which fair value was determined under level 2 hierarchy.

24. Transactions in foreign currency

Transactions in foreign currency are carried out using exchange rates prevailing in the market as published by the Superintendence of Banks. Insurance and Pension Funds Administration. As of September 30, 2015, the weighted average exchange rates in the market for transactions in US Dollars were S/.3.220 per US\$ 1.00 bid and S/. 3.223 per US\$ 1.00 ask (S/.2.981 and S/.2.989 per US\$1.00 for bid and ask as of December 31, 2014).

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

	As of September 30, 2015 US\$(000)	As of December 31, 2014 US\$(000)
Assets		
Cash and short-term deposits	16,908	5,364
Available-for-sale investment	16,628	-
Trade receivables, net	1,374	1,119
Other accounts receivables, net	5,143	2,826
Accounts receivable from related parties	5,587	19,519
	45,640	28,828
Liabilities		
Trade payables	(18,193)	(20,474)
Other payables	(431)	(20,390)
Accounts payable to related parties	(24,848)	(349)
Interest - bearing loans and borrowings	(478,483)	(584,256)
	(521,955)	(625,469)
Call Spread	300,000	-
Net liability position	(176,315)	(596,641)

Notes to the interim consolidated financial statements (continued)

As of September 30, InRetail Perú Corp. and its Subsidiaries have decided to reduce its exchange rate risk by entering into two hedging operations through a call spread written over its "Senior Notes Unsecured", which are considered effective hedging instruments. The calls spread have been written over a nominal amount of US\$100,000,000 and US\$200,000,000, respectively, and will be effective until maturity of the "Senior Notes Unsecured". The net position in the derivatives related to the currency call spread agreement correspond to exchange rate operations (Nuevos Soles exchanged for US\$ dollars) with notional amounts of approximately US\$100,000,000 and 200,000,000 equivalent to S/.322,300,000 and S/.644,600,000 as of September 30, 2015. See further detail in Note 8.

25. Additional explanation for English translation

The accompanying consolidated financial statements are presented on the basis of the IFRS. Certain accounting practices applied by the Company and its Subsidiaries may differ in certain respects from accounting principles generally accepted in other countries. In the event of any discrepancy, the Spanish-language version prevails.