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

InRetail Perú Corp. and Subsidiaries

Consolidated financial statements as of December 31, 2015 and 2014, together with the independent auditor's report

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

InRetail Perú Corp. and Subsidiaries

Consolidated financial statements as of December 31, 2015 and 2014, together with Report of the independent auditor's report

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Independent Auditors' Report

To the Shareholders and Board of Directors of InRetail Perú Corp. and Subsidiaries

We have audited the accompanying consolidated financial statements of InRetail Perú Corp. and Subsidiaries (together the "InRetail Group"), which comprise the consolidated statement of financial position as of December 31, 2015, and 2014, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, and the consolidated statement of cash flows for the years ended December 31, 2015 and 2014, and the summary of significant accounting policies and other explanatory notes (Notes 1 to 33).

Management's responsibility for the consolidated financial statements

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

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with International Standards on Auditing approved for application in Peru by the Board of Deans of Institutes of Peruvian Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making this risk assessments, the auditor considers internal control relevant to the InRetail Group in the preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the InRetail Group internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the consolidated financial statements.

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Independent Auditors' Report (continued)

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of InRetail Perú Corp. and Subsidiaries as of December 31, 2015, and 2014, and their consolidated results of operations and their cash flows for the years ended December 31, 2015 and 2014, in accordance with International Financial Reporting Standards.

Lima, Peru,
March 10, 2016

Paredes, Zaldívar, Burga & Asociados

Countersigned by:

Manuel Diaz
C.P.C.C. Registration No. 30296

InRetail Perú Corp. and Subsidiaries

Consolidated statements of financial position

At December 31, 2015 and 2014

	Note	2015 S/(000)	2014 S/(000)
Assets			
Current assets			
Cash and short-term deposits	5	235,409	284,998
Investments at fair value through profit or loss	6	34,896	23
Trade receivables, net	7	98,314	83,749
Other receivables, net	8	38,177	42,463
Accounts receivable to related parties	26(b)	56,404	95,188
Inventories, net	9	891,355	803,821
Investments at fair value through other comprehensive income	10	55,132	-
Prepayments	11	18,790	19,834
Taxes recoverable	12	85,141	93,297
Total current assets		1,513,618	1,423,373
Non-current assets			
Other receivables, net	8	14,374	8,758
Prepayments	11	23,348	19,342
Recoverable taxes	12	80,943	104,957
Derivative financial instruments – "Call Spread"	13	95,190	-
Property, furniture and equipment, net	14	2,435,177	2,272,901
Investment properties	15	2,465,673	2,291,588
Intangible assets, net	16	1,185,910	1,176,492
Others assets		362	356
Total non-current assets		6,300,977	5,874,394
Total assets		7,814,595	7,297,767

	Note	2015 S/(000)	2014 S/(000)
Liabilities and equity			
Current liabilities			
Trade payables	17	1,450,088	1,268,713
Other payables	18	216,045	210,531
Interest-bearing loans and borrowings	19	178,689	75,438
Accounts payable to related parties	26(b)	27,002	18,553
Current income tax, net	21(d)	3,907	2,545
Deferred revenue	27	4,326	3,950
Total current liabilities		1,880,057	1,579,730
Non-current liabilities			
Interest-bearing loans and borrowings	19	640,923	249,039
Accounts payable to related parties	26(b)	5,188	4,242
Bonds and senior notes issued	20	1,850,202	2,121,026
Deferred revenue	27	50,093	52,814
Deferred income tax liabilities, net	21(a)	161,467	233,186
Taxes related to Special Purpose Entities	23(d)	75,637	-
Total non-current liabilities		2,783,510	2,660,307
Total liabilities		4,663,567	4,240,037
Equity	22		
Equity Attributable to Inretail Perú Corp:			
Capital stock		2,138,566	2,138,566
Capital Premium		549,793	549,793
Treasury shares		(4,791)	-
Unrealized results on derivative financial instruments		(43,920)	-
Unrealized income on investments at fair value through other comprehensive income		(2,229)	-
Retained earnings		507,004	363,208
		3,144,423	3,051,567
Non-controlling interest		6,605	6,163
Total equity		3,151,028	3,057,730
Total liabilities and equity		7,814,595	7,297,767

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

Translation of financial statements originally issued in Spanish - Note 33

InRetail Perú Corp. and Subsidiaries

Consolidated income statements

For the years ended December 31, 2015 and 2014

	Note	2015 S/(000)	2014 S/(000)
Net sales of goods		6,326,561	5,771,044
Rental income		308,418	241,904
Rendering of services		163,094	133,702
Revenue		6,798,073	6,146,650
Cost of sales and services	24(a)	(4,741,708)	(4,337,078)
Gross profit		2,056,365	1,809,572
Gain on valuation at fair value of investment properties	15(b)	32,790	138,406
Selling expenses	24(a)	(1,317,240)	(1,178,436)
Administrative expenses	24(a)	(181,933)	(166,724)
Other operating income, net		6,998	9,451
Operating profit		596,980	612,269
Finance income	25	10,452	19,661
Finance costs	25	(225,658)	(316,505)
Exchange difference	4	(169,338)	(114,511)
Profit before income tax		212,436	200,914
Income tax expense	21(c)	(67,991)	(87,465)
Net profit		144,445	113,449
Attributable to:			
InRetail Perú Corp. shareholders		143,867	111,908
Non-controlling interests		578	1,541
		144,445	113,449
Earnings per share:	28		
Basic and diluted profit for the year attributable to InRetail Perú Corp. shareholders		1.40	1.09

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

InRetail Perú Corp. and Subsidiaries

Consolidated statements of comprehensive income

For the years ended December 31, 2015 and 2014

	Note	2015 S/(000)	2014 S/(000)
Net profit		144,445	113,449
Other comprehensive income			
Derivative financial instruments hedging	13(b)	(43,920)	619
Update on the fair value of investments at fair value through other comprehensive income	10	(2,229)	1,431
Transfer of realized gain on available-for-sale investments to the profit for the year	10	-	(2,104)
Settlement of derivative financial instruments	25	-	(547)
Deferred income tax related to other comprehensive income	21(b)	-	(389)
Other comprehensive income for the year, net of income tax effects		(46,149)	(990)
Total comprehensive income for the year		98,296	112,459
Attributable to:			
InRetail Perú Corp. shareholders		97,718	110,920
Non-controlling interests		578	1,539
		98,296	112,459

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

Translation of financial statements originally issued in Spanish -
Note 33

InRetail Perú Corp. and Subsidiaries

Consolidated statements of changes in equity

For the years ended December 31, 2015 and 2014

	Attributable to owners of InRetail Perú Corp.								
	Capital stock S/(000)	Capital premium S/(000)	Treasury shares S/(000)	Unrealized results on derivative financial instruments S/(000)	Unrealized income on investments at fair value through other comprehensive income S/(000)	Retained earnings S/(000)	Total S/(000)	Non-controlling interests S/(000)	Total equity S/(000)
Balance as of January 1, 2014	2,138,566	549,793	-	988	-	251,300	2,940,647	4,624	2,945,271
Net income	-	-	-	-	-	111,908	111,908	1,541	113,449
Other comprehensive income	-	-	-	(988)	-	-	(988)	(2)	(990)
Total comprehensive income	-	-	-	(988)	-	111,908	110,920	1,539	112,459
Balance as of December 31, 2014	2,138,566	549,793	-	-	-	363,208	3,051,567	6,163	3,057,730
Net income	-	-	-	-	-	143,867	143,867	578	144,445
Other comprehensive income	-	-	-	(43,920)	(2,229)	-	(46,149)	-	(46,149)
Total comprehensive income	-	-	-	(43,920)	(2,229)	143,867	97,718	578	98,296
Treasury shares, note 22(c)	-	-	(4,791)	-	-	-	(4,791)	-	(4,791)
Yields prepayments to non-controlling interests, note 22(d)	-		-	-	-	-	-	(207)	(207)
Other	-	-	-	-	-	(71)	(71)	71	-
Balances as of December 31, 2015	2,138,566	549,793	(4,791)	(43,920)	(2,229)	507,004	3,144,423	6,605	3,151,028

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

Translation of financial statements originally issued in Spanish - Note 33

InRetail Perú Corp. and Subsidiaries

Consolidated statements of cash flows

For the years ended December 31, 2015 and 2014

	2015 S/(000)	2014 S/(000)
Operating activities		
Revenue	6,778,319	6,114,869
Payments to suppliers of goods and services	(5,341,992)	(4,867,890)
Payments to employees for salaries and social benefits	(614,214)	(579,892)
Taxes paid	(91,921)	(87,175)
Other collections (payments), net	56,686	(130,246)
Net cash flows from operating activities	786,878	449,666
Investing activities		
Collection of loan to related parties	57,106	36,529
Purchase of property, furniture and equipment, net of through leasing contracts	(295,490)	(275,447)
Purchase of investment properties, net of acquisition through leasing contracts	(139,144)	(418,523)
Purchase of investments at fair value through other comprehensive income	(54,401)	-
Purchase of investments at fair value through profit or loss	(34,873)	(23)
Purchase and development of intangibles assets	(21,023)	(15,571)
Tax payments for investment properties in progress	(8,199)	(40,507)
Settlement of senior notes	-	347,726
Refund from purchasing of senior notes on behalf of shareholder	-	95,947
Sale of property, plant and equipment	-	31,423
Sale of available for sale investment	-	16,144
Bonds repurchase (including nominal and repurchase premium)	-	(917,905)
Loans to related parties	-	(40,441)
Net cash flows used in investing activities	(496,024)	(1,180,648)

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

Consolidated statements of cash flows (continued)

	2015 S/(000)	2014 S/(000)
Financing activities		
Financial obligations	439,898	52,016
Senior Notes issued, net of up-front fees and notes acquired by Company itself	-	2,045,003
Payment of bonds issued	(512,584)	(121,119)
Interest paid	(169,797)	(155,512)
Payment of financial obligations	(92,962)	(1,088,578)
Purchase of shares issued by Company itself	(4,791)	-
Yields prepayments to non-controlling interests	(207)	-
Net cash flows (used in) from financing activities	(340,443)	731,810
(Net decrease) increase in cash and short-term deposits	(49,589)	827
Cash and short – term deposits at beginning of year	284,998	284,171
Cash and short – term deposits at end of year	235,409	284,998
Non-cash transactions		
Fixed assets purchased through leasing and other financial obligations	54,735	63,655
Investment properties purchased through finance leases and other financial obligations	-	19,183
Offsetting of loan	-	379,340

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

InRetail Perú Corp. and Subsidiaries

Notes to the consolidated financial statements

At December 31, 2015 and 2014

1. **Business activity and group reorganization**

(a) Business activity -

InRetail Perú 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 Perú Ltd., (a holding company incorporated in The Bahamas, hereinafter "Intercorp Perú") which is the ultimate parent and holds 100 percent of Intercorp Retail Inc.'s capital stock.

The percentage of ownership are as follows as of December 31,2015 and 2014:

Owner	12.31.2015 %	12.31.2014 %
Intercorp Retail Inc.	58.11	58.04
Intercorp Perú Ltd. (*)	12.27	12.03
NG Pharma Corp.	6.31	6.30
Others	23.31	23.63
Total	100.00	100.00

(*) Include direct and indirect control from Intercorp Perú Inc. through its subsidiaries.

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 181, San Borja, Lima, Peru.

The Company and its subsidiaries Supermercados Peruanos S.A., Eckerd Group, InRetail Real Estate Corp. and InRetail Properties Management S.R.L. (hereinafter and together "the InRetail Group"), are dedicated to operate supermarkets, hypermarkets, pharmacies and shopping centers, as well as real estate development. The InRetail Group's operations are concentrated in Peru.

The financial statements of 2014, were approved by the General Shareholders Meeting held on March 18, 2015 The financial statements of 2015 were approved by Management and will be submitted for approval by the Board of Directors and the General Shareholders' Meeting that will be held within the deadline established by law. In Management's opinion, the accompanying financial statements will be approved by the Board of Directors and the General Shareholders' Meeting without modifications.

(b) Reorganization and issuance processes –

Only for purposes of issuing an offering 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.SN° 093-2002 -EF- InRetail Shopping Mall (hereinafter "InRetail Shopping Mall"). As of December 31, 2015 and 2014, the representative shares of capital stock of InRetail Real Estate Corp.'s subsidiaries were transferred in trust to this entity, which in July 2014 issued an offering in "Senior Notes Unsecured" for US$350,000,000 and S/141,000,000; see Note 20(b).

- Patrimonio en Fideicomiso D. N ° 093-2002 -EF- InRetail Consumer (hereinafter "InRetail Consumer"). As of December 31, 2015 and 2014, the representative shares of capital stock of Supermercados Peruanos S.A. and Subsidiaries and Eckerd Perú S.A. and Subsidiaries were transferred in trust to this entity, which in October 2014 issued an offering of "Senior Notes Unsecured" for US$300,000,000 and S/250,000,000; see Note 20(c).

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. Subsidiaries 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 issuing the "Senior Notes Unsecured" for US$300,000,000 and S/250,000,000. As of December 31, 2015 and 2014, the representative shares of capital stock of Supermercados Peruanos S.A. and Subsidiaries and Eckerd Perú S.A. and Subsidiaries were transferred in trust to this entity. A description of such subsidiaries is presented below:

- Eckerd Peru S.A. is dedicated to the commercialization of pharmaceutical products, cosmetic products, food for medical use and other elements aimed for health protection and recovery through its "Inkafarma" pharmacy chain. As of December 31, 2015 and 2014, it mainly operates in Lima and provinces, such as Lambayeque, La Libertad, Piura, Arequipa, Loreto, San Martin, Ucayali, Madre de Dios, among others. 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 December 31, 2015 and 2014, has a chain of stores operating under the "Plaza Vea", "Plaza Vea Super", "Vivanda" and "Mass" brands, which are located in Lima and provinces, such as Trujillo, Chimbote, Piura, Cusco, Arequipa, Huancayo, and others. Supermercados Peruanos S.A. holds 100 percent of: (i) Dedarrolladora de Strip Center S.A.C. (before Peruana de Tiquetes S.A.C.), and (ii) Plaza Vea Sur S.A.C.

(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 offering the "Senior Notes Unsecured" for US$350,000,000 and S/141,000,000. As of December 31, 2015 and 2014, the representative shares of capital stock of InRetail Real Estate Corp.'s subsidiaries were transferred in trust to this entity, which are detailed below:

Entity	Activity
Real Plaza S.R.L.	Entity dedicated to the management and administration of shopping centers (20 as of December 31, 2015 and 2014) named "Centro Comercial Real Plaza" and located in Chiclayo, Piura, Chimbote, Trujillo, Huancayo, Arequipa, Juliaca, Huánuco, Cusco, Cajamarca and Lima.
Patrimonio en Fideicomiso – D.S.N°093-2002 – EF - Interproperties Holding and Patrimonio en Fideicomiso –D.S. N°093-2002-EF-Interproperties Holding II	Equity trust funds are Special Purpose Entities (SPE) formed in order to form independent entities trusts each of the originators, through which investments are made in real estate projects.

(c) InRetail Properties Management S.R.L., entity that provides the staff which manages and operates Interproperties Holding.

(d) A summary of the main data of the audited financial statements of the major subsidiaries as of December 31, 2015 and 2014, and for the years then ended:

	Supermercados Peruanos S.A.	
	2015 S/(000)	2014 S/(000)
Total assets	2,674,283	2,530,160
Total liabilities	1,740,977	1,624,019
Equity	933,306	906,141
Operating profit	149,810	136,062
Net profit	27,165	14,601

	Eckerd Peru S.A. y Subsidiaries	
	2015 S/(000)	2014 S/(000)
Total assets	786,323	692,128
Total liabilities	648,173	566,026
Equity	138,150	126,102
Operating profit	166,687	156,871
Net profit	116,400	98,678

	InRetail Real Estate Corp. y Subsidiaries	
	2015 S/(000)	2014 S/(000)
Total assets	3,324,335	3,106,525
Total liabilities	1,498,914	1,358,036
Equity	1,819,002	1,742,446
Non-controlling interests	6,419	6,043
Operating profit	301,345	350,635
Net profit	109,640	175,090

	InRetail Properties Management S.R.L.	
	2015 S/(000)	2014 S/(000)
Total assets	6,523	4,291
Total liabilities	4,462	1,799
Equity	2,061	2,492
Operating profit	(413)	311
Net profit	(431)	47

3. Summary of significant accounting policies

The significant accounting policies used in the preparation and presentation of the InRetail Group consolidated financial statements are described below:

3.1 Basis of preparation and presentation

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

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

The accounting policies adopted are consistent with the policies applied in previous years, except by the new IFRS and SIC´s adopted by InRetail Group which are mandatory for the periods beginning during or after January 1, 2015. Also, during 2015, the InRetail Group decided to adopt in advance IFRS 9 "Financial Instruments" which is mandatory for the periods beginning on January 1, 2018. In relation to this, the InRetail Group used IFRS 9 (2014 version), which comprises modifications regarding the classification and measurement, impairment and hedging accounting of financial assets, as well as the new expected impairment loss model. The InRetail Group established January 1, 2015 as the initial application date for IFRS 9, for which it has evaluated the impact on their consolidated financial statements as of December 31, 2014, concluding that there were no significant impacts.

IFRS 9 introduces new requirements for classification and measurement of financial assets under the scope of IAS 39 "Financial Instruments: Recognition and measurement". Specifically, IFRS 9 demands that all financial assets be classified and subsequently measured at its amortized cost or at fair value under the business model of the entity for the management of financial assets and the characteristics of the contractual cash flows of financial assets. Debt instruments are measured at amortized cost if and only if: (i) the asset is maintained under the business model which objective is to maintain the assets to obtain contractual cash flows and (ii) the contractual terms of the financial asset give rise in specific dates to cash flows for payments of the principal and interests. If one of these criteria is not complied, the debt instruments are classified at the fair value through profit or loss. Otherwise, an entity might choose to designate upon initial recognition a debt instrument that complies with the criteria of amortized cost for measure it at fair value through profit or loss if this eliminates or reduce significantly an accounting mismatching.

By other hand, IFRS 9 introduces changes in hedging accounting, which are mainly not to require a specific ratio for hedging effectiveness but instead a correlation with risk management of the entity. IFRS 9 also permits that derivatives time value which are designated as hedging accounting be amortized on a straight line basis during the period of the respective contracts; see note 3.2 (c).

The information contained in the consolidated financial statements is responsibility of InRetail Group's Corporate Management, who explicit manifest that principles and criteria included on International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB) are fully applied as of the date of consolidated financial statements.

3.2 Summary of significant accounting policies

(a) 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, the consolidated income statement 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 a subsidiary, without a loss of control, is accounted for as an equity transaction.

(b) Business combinations and goodwill -

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

When the InRetail Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

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

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

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

(c) Financial instruments – initial recognition and subsequent measurement -

As of the date of consolidated financial statements, the InRetail Group classifies its financial instruments in the following categories defined on IFRS 9 (2014 version): (i) assets at amortized cost, at fair value through other comprehensive income or profit or loss, (ii) financial liabilities at amortized cost or at fair value through profit or loss.

(i) Financial assets -

The InRetail Group, considering their operations, has as unique business model to maintain financial assets with the purpose to obtain contractual cash flows. The contractual conditions of the financial asset give rise to cash flows in specific dates which are uniquely payments of principal and interests over the main outstanding principal; in consequence, the InRetail Group measures its financial assets at the amortized cost.

The InRetail Group maintains in this category: Cash and short-term deposits, investments at fair value through profit or loss and other comprehensive income, trade receivables, other receivables and accounts receivable to related parties which are expressed at the value of the transaction, less the provision for doubtful accounts when it is applicable.

(ii) Impairment of financial assets -
According IFRS 9, financial assets impairment is based on expected loss impairment model, which is applicable to financial assets measured at amortized cost (which includes loans, accounts receivables or debt instruments), or measured at fair value through other comprehensive income. For measurement of expected losses, it must reflect the result of weighted average probability of losses, money time value and the use of supportive reasonable information. In respect of this, IFRS 9 manages major criteria to estimate losses, it requires specifically that expected losses are based on supportive reasonable information, that can be obtained without a major cost or effort and such include as historical information of current conditions as estimated information about the future.

In other sense, for the case of accounts receivable or contracts that not include a significant financial component, IFRS 9 contemplates a simplified approach for expected losses which no requires controlling changes in credit risk, recognizing the expected loss during the term of the instrument. Taking into account the nature of the financial assets of InRetail Group, it uses such simplified approach and estimates the expected losses during the term of the instrument based on the present value of all the deficiencies of the cash flows over the remnant life of the financial instrument. The expected losses of 12 months are a portion of the expected loss over the term of the instrument, which is associated with the probability of default event, occurred within the 12 subsequent months as of the reporting date. The model is about expected losses, consequently, is an estimated of what might happen in the future; however, the historical information is the main base over the InRetail Group perform these estimations, which are adjusted with the information available at the date of the analysis and conditions expected for the future, as far these are supported.

(ii) Financial liabilities-
The financial liabilities are recognized when InRetail Group is part of contractual agreements of the instrument. Initially, financial liabilities are recognized at fair value through profit or loss. In the case of financial liabilities carried at amortized cost, the direct costs attributable to the transaction are included.

The financial liabilities include: trade accounts payable, other payable, accounts payable to related parties, Interest-bearing loans and borrowings and senior notes issued.

Upon initial recognition, financial liabilities are measured at amortized cost using the interest effective rate method. The amortized cost is calculated considering any discount or prime during the issue and costs are integral part of the interest effective rate.

(d) Derecognition of financial assets and liabilities -

Financial assets:

A financial asset (or, when it's applicable, part of an asset or part of a group of similar financial assets) is derecognized when:

(i) The contractual rights has expired to receive cash flows generated by the asset; or,

(ii) The contractual rights has been transferred over the cash flows generated by the asset, or an obligation has been assumed of paying entirely to a third party the cash flows without a significant delay, through a transfer agreement, and (a) all risks and benefits of the asset were substantially transferred; or (b) all risks and benefits of the assets are neither transferred and retained substantially, but the control of them has been transferred instead.

The InRetail Group will recognize the asset when their rights to receive the cash flows generated by the asset had been transferred, or an intermediation agreement has been agreed, but neither transferred or retained substantially all risks and benefits of the asset, and neither transferred the control of the asset. In this case, the InRetail Group will recognize the transferred asset based on the continuing involvement in the asset and also will recognize the related liability. The transferred asset and the related liability will be measured over a base which reflects the rights and obligations retained by InRetail Group.

Financial liabilities:

A financial liability is derecognized when the specified obligation in the corresponding contract is paid off or canceled or past due.

When an existing financial liability is replaced by another financial liability arisen by the same lender under substantially different conditions, or if the conditions of and existing liability are modified on a substantial way, such barter or modification is recognized as a write off from the original liability and the recognition of a new liability, and the difference between the respective amounts in books is recognized in the consolidated income statement.

(e) Offsetting of financial instruments -

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statements of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

(f) Derivative financial instruments and hedging accounting –

Negotiation –

Derivatives financial instruments for negotiation are initially recognized in the consolidated statements of financial position at cost and subsequently are recognized at fair value. The fair value is obtained based on the prices, exchange rates, and market interest rates. All the derivatives are considered as assets when the fair value is positive and as liabilities when the fair value is negative. The profits and losses arisen by the changes in the fair value are recognized in consolidated income statement.

As of December 31, 2015 and 2014, the InRetail Group does not maintain derivatives financial instruments classified as negotiation.

Hedging -

The InRetail Group uses derivatives instruments in order to manage its exposure to the fluctuation of the interest rates and exchange rates. With the purpose of managing particular risks, the InRetail Group applies hedging accounting for transactions that imply with specific criteria for it.

At the beginning of the hedging relation, the InRetail Group documents formally the relation between the covered part and the hedging instrument; including the nature of the risk, the objective and the strategy to take over the hedge, and the method used to evaluate the effectiveness of the hedging relation.

Also at the beginning of the the hedging relation, a formal evaluation is made in order to ensure that the hedging instrument is highly effective in compensation to the risk assigned of the covered part. Hedging is formally evaluated in every reporting period. A hedge is considered highly effective if it is expected that changes in the fair value or in cash flows, attributed to the covered risk during the period in which the hedge is designed, complies certain management ratios defined by Management.

The accounting treatment established according to the nature of the covered part and compliance with hedging criteria, is such as follows:

(i) Cash flow hedges -

The InRetail Group enters into cash flow hedging contracts for exchange rate risk and interest rate risks. The ineffective portion related to the exchange rate and interest rate contracts are recognized as financial cost.

The effective portion of these hedging is recognized in other comprehensive income and then the covered part is transferred when this affects to profit or loss (exchange rate and interest rate).

The money time value of an option at the beginning of the hedging does not belong to itself, and is recognized in profit or loss on a straight line basis over its term, thus is considered as a financial cost of the option. The change at fair value of an option that covers a covered part related with money time value of the option will be recognized in other comprehensive income.

If there is no expectation of the outcome of the expected transaction or the firm commitment, the accumulated profit or loss in the hedging cash flow reserve is transferred to the consolidated comprehensive income. If the hedging instrument expires, is sold, settled or exercised without a replacement or renewal, or if its designation as hedging has been revoked, any accumulated unrealized profit or loss in cash flow hedging reserve is maintained in such reserve, until the expected transaction or firm commitment affects results.

(g) Fair value of financial instruments -

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

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

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

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

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

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements at fair value on a recurring basis, the InRetail Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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

For the purpose of fair value disclosures, the InRetail Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

(h) Foreign currency transactions -

(i) Functional and presentation currency -
The InRetail Group's consolidated financial statements are presented in Soles, which is also the functional currency of the Company and its Subsidiaries.

(ii) Transactions and balances in foreign currency –
Transactions in foreign currency are those that have been performed in currencies different than the functional currency. Transactions in foreign currencies are initially recorded by the entities at the functional currency using the exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currency are retranslated at the functional currency using the spot rate of exchange prevailing at the reporting date. Exchange rate gains or losses resulting from restating the monetary assets and liabilities into foreign currency at the exchange rates prevailing at the consolidated statements of financial position date or at their settlement date are recorded in "Net exchange difference" of the consolidated statements of comprehensive income. Non-monetary assets and liabilities denominated in foreign currency are translated into the functional currency at the exchange rate prevailing at the transaction date.

(i) Cash and short-term deposits -
Cash and short-term deposits in the consolidated statement of financial position comprise cash in banks and on hand and short-term deposits with an original maturity of three months or less.

For the purpose of the consolidated statement cash flows, cash consists of cash and short-term deposits as defined above.

(j) Inventories -

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

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

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

(k) Prepayments -

The criteria adopted to record these items are the following:

- Operating lease payments made in advance are recorded as an asset and recognized as an expense over the rental period.
- The key money corresponding to the amounts paid by the InRetail Group for the rights for use of certain commercial stores are amortized during the term of the respective contracts.
- Insurance are recorded as the value of the premium paid for the coverage of the different assets and are amortized by applying the straight line method during the term of the policies.
- Payments in advance for advertising are recorded as an asset and are recognized as expenses when the service is accrued.

(l) Property, furniture and equipment -

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

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

Lands are not depreciated. Depreciation is calculated on a straight-line basis over the estimated useful lives described in note 14.

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

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

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

The transfers of investment properties to property, plant and equipment are carried at cost, eliminating any gains from valuation at fair value.

(m) Leases -

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

Group as a lessee

Finance leases which transfer to the InRetail Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in finance costs in the consolidated income statement.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the InRetail Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognized as an operating expense in the consolidated income statement on a straight-line basis over the lease term.

Group as a lessor

Leases in which the InRetail Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same bases as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

(n) Investment properties -

Investment property comprises completed property and property under construction or redevelopment held to earn rentals or for capital appreciation or both.

Investment properties are measured initially at cost, including transaction costs. Transaction costs include transfer taxes, professional fees for legal services and initial leasing commissions to bring the property to the condition necessary for it to be capable of operating. The carrying amount also includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met.

Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included as "Other income" in the income statement in the period in which they arise.

Fair values are evaluated periodically by Management, based on discounted cash flows over the benefits that are expected to be obtained from these investments. Fair values of investment property under construction or investment property held to operate in the future are evaluated periodically by an accredited external independent value applying a recognized valuation model.

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

(o) Intangible assets -

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

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

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

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

(p) Impairment of non-financial assets -

The InRetail Group, assesses at each end of year, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required (goodwill and intangible assets with indefinite useful lives), the InRetail Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's (CGU) fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate any cash inflows that are largely independent of those from other assets or group of assets. When the carrying amount of an asset or CGU exceeds its recoverable value, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. In determining fair value less costs of disposal, are taken into account recent market transactions, if any. If you can identify this type of transaction, using a valuation model is appropriate.

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

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

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

(q) Defined contribution pension plans -

The InRetail Group only operates a defined contribution pension plan. The contribution payable to a defined contribution pension plan is in proportion to the services rendered to the InRetail Group by the employees and it is recorded as administrative and selling expenses in the consolidated statement of comprehensive income. Unpaid contributions are recorded as a liability.

According to Peruvian legislation, employees profit sharing is calculated on the basis of the taxable income determined for tax purposes.

(r) Provisions -

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

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

(s) Contingencies -

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

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

(t) Revenue recognition -

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the InRetail Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The InRetail Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The InRetail Group has concluded that it is acting as a principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognized:

- Sale of goods: Revenue from sale of goods is recognized when all the risks and benefits inherent right of ownership of the asset is probable that the economic benefits associated with the transaction will flow to InRetail Group and the amount of revenue can be measured reliably. Retail sales are generally made in cash or by credit card, so that revenues are recorded at the gross amount of the sale at the time the goods are delivered to the customer, and fees for credit card transactions are recognized as selling expenses at the time the sale occurs.

- Rendering of services: Revenue from rendering of management services are billed on a monthly basis in accordance to the contracts subscribed with the owners of the shopping centers and are recognized in the period in which the services are rendered.

- Rental income: Rental income arising from operating leases, less the InRetail Group's initial direct costs of entering into the leases, is accounted for on a straight-line basis over the term of the lease, except for contingent rental income which is recognized when it arises. Rents collected in advance are initially recognized into the caption "Deferred revenue" in the consolidated statements of financial position and is recognized in profit or loss on a straight line basis over the lease term.

- Key money: the incentives for lessees to enter into lease agreements are recognized into income evenly over the lease term, even if the payments are not made on such a basis. The lease term is the non-cancellable period of the lease.

  Amounts received from tenants to terminate leases or to compensate for wear and tear are recognized in the consolidated income statement when they arise.

- Interest income: For all financial instruments measured at amortized cost and interest bearing financial assets classified as available for sale, interest income or expense is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the consolidated income statement.

(u) Borrowing costs -

Borrowing costs are recorded as expenses in the period they occur. Borrowing costs consist of interest and other costs that InRetail Group incurs in connection with the borrowing of funds.

(v) Taxes -

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

Current income tax -

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are approved.

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

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

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

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

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

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

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

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

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

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

(w) Earnings per share -

Basic and diluted earnings per share amounts are calculated by dividing the net profit for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year. As of December 31, 2015 and 2014, the Company does not have financial instruments with dilutive effect, therefore basic and diluted earnings per share are identical for the years reported.

(x) Segment reporting –

The InRetail Group reports financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are a component of an entity for which separate financial information is available that is evaluated regularly by the entity's Chief Operating Decision Maker ("CODM") in making decisions about how to allocate resources and in assessing performance. Generally, financial information is reported on the same basis as it is used internally for evaluating operating segment performance and deciding how to allocate resources to segments, Note 30.

(y) Capital premium -

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

3.3 Significant accounting judgments, estimates and assumptions

The preparation of the consolidated financial statements requires Management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, as well as the reported amounts of revenues and expenses for the years ended December 31, 2015 and 2014.

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

(i) Operating lease contracts – the InRetail Group as lessor -

The InRetail Group has entered into commercial property leases on its investment property portfolio. The InRetail Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these property and so accounts for the leases as operating leases.

(ii) Tax judgments-

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

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

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

The most significant estimations and assumptions considered by Management in relation to the consolidated financial statements are as follows:

(i) Provision for inventory losses (see Note 3.2(j))
This provision is calculated considering the average historic values of losses incurred throughout the year and until the last physical inventory conducted before the year end. This provision is recorded as provision for inventory devaluation with charge to the consolidated income statement.

(ii) Discounts, price reductions and others obtained by purchasing volumes of goods (see Note 3.2(j))
Discounts, price reduction and others obtained by purchasing volumes of goods are deducted from inventory at the date the discount is granted by suppliers and from cost of sales when the related items are sold.

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

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

(iv) Fair value of investment properties (see Note 3.2(n))
The fair value of completed investment property is determined by Management of the InRetail Group using the Discounted Cash Flow Method.

Investment property under construction and investment property held to operate in the future is also valued at fair value as determined through appraisals performed by an accredited external independent value, except if such values cannot be reliably determined. In the exceptional cases when a fair value cannot be reliably determined, such properties are recorded at cost.

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

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

The significant methods and assumptions used in estimating the fair value of investment property are set out in Note 15(b).

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

(v) Impairment of non-financial assets (see Note 3.2(p))
At the end of each year, InRetail Group assesses whether there is existent evidence that the value of its assets has deteriorated. If said evidence exists, InRetail Group performs an estimation of the recoverable amount of the asset.

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

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

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

(vii) Fair value measurement of derivative financial instruments (see note 13)
When the fair values of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values.

Judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. See Note 32 for further disclosures.

(vii) Taxes estimation (see Note 23)
Uncertainty exists with regard to the interpretation of complex tax regulations, the changes in the tax norms and the amount and opportunity in which future taxable income is generated. The subsidiaries of the Company calculate provisions, on the basis of reasonable estimations for the possible consequences derived from the inspections performed by the Tax Authority. The amount of these provisions is based on several factors such as the experience in previous tax examinations, and on the different interpretations about the tax regulations made by the Subsidiaries of the Company and their advisers. These differences in interpretation can arise in a great variety of questions, depending on the circumstances and existing conditions in the place of domicile of the InRetail Group.

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

3.4 New accounting standards

The standards and amendments and improvements to the standards that are issued, but not yet effective, up to the date of issuance of the InRetail Group's consolidated financial statements are disclosed below. The InRetail Group intends to adopt these standards and amendments and improvements to the standards, if applicable, when they become effective.

- IFRS 14 "Regulatory Deferral Accounts", effective for annual periods beginning on or after 1 January, 2016.
- IFRS 15 "Revenue from Contracts with Customers", effective for annual periods beginning on or after 1 January, 2018.
- Amendments to IFRS 11 "Joint Arrangements", effective for annual periods beginning on or after 1 January, 2016.
- Amendments to IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets", effective for annual periods beginning on or after 1 January, 2016.
- Amendments to IAS 16 "Property, Plant and Equipment" and IAS 41 "Agriculture", effective for annual periods beginning on or after 1 January, 2016.
- Amendments to IAS 27 "Separate Financial Statements", effective for annual periods beginning on or after 1 January, 2016.
- Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures", effective for annual periods beginning on or after 1 January, 2016.
- Annual Improvements 2012 – 2014 Cycle, include improvements to IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations", IFRS 7 "Financial Instruments: Disclosures", IAS 19 "Employee Benefits" and IAS 34 "Interim Financial Reporting". These improvements are effective for annual periods beginning on or after 1 January, 2016.
- Amendments to IAS 1 "Presentation of Financial Statements", effective for annual periods beginning on or after 1 January, 2016.
- Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosure of Interests in Other Entities" and IAS 28 "Investments in Associates and Joint Ventures", effective for annual periods beginning on or after 1 January, 2016.

As of the date of this report, the InRetail Group is assessing the possible impact of the application of these standards and amendments and improvements to the standards on its consolidated financial statements when they are effective.

4. 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 December 31, 2015, the weighted average exchange rates in the market for transactions in US Dollars were S/3.408 per US$1.00 bid and S/3.413 per US$1.00 ask (S/2.981 per US$1.00 bid and S/2.989 per US$1.00 ask as of December 31, 2014).

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

	2015 US$(000)	2014 US$(000)
Assets		
Cash and short-term deposits	16,708	5,364
Investments at fair value through profit or loss	8,800	-
Trade receivables, net	1,057	1,119
Other receivables, net	4,967	2,826
Accounts receivable to related parties	4,987	19,519
Investments at fair value through other comprehensive income	16,153	-
	52,672	28,828
Liability		
Trade payables	(15,911)	(20,474)
Other payables	(25,282)	(20,390)
Accounts payable to related parties	-	(349)
Interest - bearing loans and borrowings	(36,890)	(2,494)
Senior notes issued	(445,446)	(581,762)
	(523,529)	(625,469)
"Call Spread" – Short position	300,000	-
Net liability position	(170,857)	(596,641)

As of December 31, 2015, the InRetail Group signed "Call Spread" agreements with notional amounts of US$300,000,000 to reduce its foreign currency risk related to a part of the senior notes issued. The derivatives financial instruments have been qualified as effective hedging instruments; see note 13. During 2015, InRetail Group has recorded a net loss from exchange difference for approximately S/169,338,000 (approximately S/114,511,000 during the year 2014), which is presented into the caption "Exchange difference" in the consolidated income statement.

5. Cash and short-term deposits

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

	2015	2014
	S/(000)	S/(000)
Cash	9,203	4,787
Current accounts (b)	110,790	121,213
Time deposits (c)	115,416	158,998
Total	235,409	284,998

(b) The Group maintains current accounts in local banks in Soles and US Dollars that do not accrue interests and they are freely available.

(c) As of December 31, 2015, time deposits in local currency are freely available and are kept in Soles and US Dollars, in local banks, have maturities until a month since its inception and bear interest rates between 4.00 annual percent in Soles and of 0.20 annual percent in US Dollars. As of December 31, 2014, these amounts corresponded to time deposits of freely availability in Soles in local financial institutions which generated interest between 3.95 and 6.29 annual percent and matured between 1 and 3 months, respectively, since their constitution.

6. Investment at fair value through profit or loss

(a) Management of the InRetail Group has decided to invest its cash surplus in mutual funds of variable rent, which have been designated as financial assets at fair value through profit or loss. The composition of the caption is presented as follows:

Entity	2015	2014
	S/(000)	S/(000)
Funds managed by Sura S.A. SAF	17,886	23
Funds managed by Interfondos S.A. SAF	17,010	-
	34,896	23

These funds are conformed by a portfolio of variable rent commercial papers issued by Peruvian Government and prestigious financial entities in local market and; in Management's opinion they are highly liquid and they have low risk.

7. **Trade receivables, net**

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

	2015 S/(000)	2014 S/(000)
Trade accounts receivable (b)	22,031	19,617
Rent receivable (c)	35,013	8,974
Merchandise vouchers (d)	27,167	50,058
Provision for accrued revenue (e)	13,482	9,262
Other	11,603	2,471
	109,296	90,382
Provision for doubtful accounts (f)	(10,982)	(6,633)
Total	98,314	83,749

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

(b) Corresponds mainly to pending deposits in favor of Supermercados Peruanos and Eckerd Group for the last day of the month, respectively, held by credit card operators and originated from the sales of goods with credit cards in the different stores of Supermercados Peruanos and Eckerd Group.

(c) 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.

(d) 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.

(e) As of December 31, 2015 and 2014, relates to services unbilled at year end, mainly due to variable rentals. These amounts were billed in January of the next year.

(f) The movements in the provision for doubtful accounts receivable for the years ended on December 31, 2015 and 2014, were as follows:

	2015 S/(000)	2014 S/(000)
Balance at the beginning of the year	6,633	4,506
Provision recognized as year expense, note 24(a)	4,343	2,119
Exchange difference	6	8
Balance at the end of the year	10,982	6,633

As of December 31, 2015 and 2014, the amount of trade receivables past due but not impaired amounted to approximately S/42,208,000 and, S/45,039,000, respectively. Receivables which are not impaired are overdue items which have a payment agreement by the customer, so no risk of bad debts.

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

8. Other receivables, net

(a) The table below presents the components of other receivables:

	2015 S/(000)	2014 S/(000)
Funds held in the Banco de la Nación (b)	13,983	9,151
Operating lease deposits	11,796	8,572
Employee loans	9,810	5,016
Funds pending to be returned	-	5,067
Claims and deliveries to be paid	3,677	4,067
Rebates receivable from suppliers	329	2,883
Deposits in guarantee	2,011	2,571
Advances to suppliers	4,847	466
Other	8,311	15,422
	54,764	53,215
Minus -		
Provision for doubtful accounts (c)	(2,213)	(1,994)
Total	52,551	51,221
Current	38,177	42,463
Non-current	14,374	8,758
Total	52,551	51,221

(b) In accordance to Resolution of Superintendence N°183-2004/SUNAT, funds held in Banco de la Nación must be used exclusively for the payment of tax debts, or requested cash reimbursement. In the case of the Company and Subsidiaries, these funds have been used entirely for tax payments during the months of January and February 2016 and 2015, respectively.

(c) The movement in the provision for doubtful collection for the years ended on December 31, 2015 and 2014 was as follows:

	2015 S/(000)	2014 S/(000)
Balances at beginning of year	1,994	1,478
Provision for the period, note 24(a)	219	516
Balance at end of year	2,213	1,994

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

9. Inventories, net

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

	2015 S/(000)	2014 S/(000)
Goods	876,298	777,051
In transit inventories (b)	9,599	27,942
Miscellaneous supplies	15,055	7,829
	900,952	812,822
Minus -		
Provision for impairment of inventories (c)	(9,597)	(9,001)
Total	891,355	803,821

(b) Correspond to goods and miscellaneous supplies imported by the InRetail Group.

(c) The movements in the provision for inventory impairment for the years 2015 and 2014 were as follows:

	2015 S/(000)	2014 S/(000)
Balance at the beginning of the year	9,001	12,001
Provision for the period, Note 24(a)	5,934	5,526
Write-off	(5,338)	(8,526)
Balance at the end of the year	9,597	9,001

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.

10. Investments at fair value through other comprehensive income

As of December 31, 2015, investments at fair value through other comprehensive income correspond to senior notes issued by a related party, which are recorded at fair value for approximately S/55,132,000. Since their acquisition, these instruments have generated an unrealized loss for approximately S/2,229,000, which is included into the caption "Unrealized income on investments at fair value through other comprehensive income" in the consolidated statement of changes in equity.

In previous years, the Company had acquired bonds issued abroad by an unrelated entity, which were sold in full during 2014, generating a gain on the sale for approximately S/2,104,000; additionally, during that year these instruments generated an unrealized gain for approximately S/1,431,000, which is presented into the caption "Investments at fair value through other comprehensive income" in the consolidated statements of changes in equity.

11. Prepayments

The composition of this item is presented below:

	2015 S/(000)	2014 S/(000)
Key money	15,667	17,074
Prepaid rent	16,911	13,105
Insurance	535	1,131
Other	9,025	7,866
Total	42,138	39,176
Current	18,790	19,834
Non-current	23,348	19,342
Total	42,138	39,176

12. Taxes recoverable

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

	2015 S/(000)	2014 S/(000)
Tax credit for Valued Added-Tax (b)	119,468	155,138
Income tax payments (c)	42,211	40,022
Other	4,405	3,094
Total	166,084	198,254
Current	85,141	93,297
No-current	80,943	104,957
Total	166,084	198,254

(b) Corresponds to Valued Added-Tax ("VAT") credits generated mainly for the enlargement and construction of shopping centers in Lima and other cities, as well as other disbursements related to operations performed by Interproperties Holding and Interproperties Holding II. These tax credits will be recovered by setting off against VAT payable generated by future activities from the InRetail Group's subsidiaries.

(c) As of December 31, 2015 and 2014, the InRetail Group maintains a credit for income tax due to payments made during said years. The Management of InRetail Group believes that these balances will be used during the following year.

13. Derivative financial instruments – "Call Spread"

(a) As of December 31, 2015, derivative financial instruments have been qualified as effective hedged instruments and are as follows:

Entity	Notional amount US$(000)	Maturity / Settlement	Book value of the covered part S/(000)	Fair value S/(000)
"Call Spread" contracts				
J.P Morgan	200,000	July, 2021	682,600	62,498
Deustche Bank A.G.	100,000	October, 2021	341,300	32,692
Total	300,000			95,190

(b) During 2015, the InRetail Group signed two "Call Spread" for a total notional amount of US$300,000,000 in order to reduce its foreign currency risk related to a part of the senior notes issued in July and October, 2014 in foreign currency (see notes 1(b) and 20). The price paid for such derivative financial instruments (premium) was financed, generating a liability for approximately S/91,486,000 as of December 31, 2015 (see note 19). According to IFRS 9, this premium was recorded into the non-current asset and it is recognized in profit and losses on straight-line basis over the hedging term; consequently, approximately S/7,585,000 were recorded in profit and losses during 2015; see note 25 (a). Additionally, approximately S/43,920,000 were charged into the caption "Unrealized results on derivative financial instruments" in the consolidated statement of changes in equity during 2015, representing the derivative financial instruments hedging during that year.

14. Property, furniture and equipment, net

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

	2015								2014
	Land S/(000)	Buildings infrastructure and facilities S/(000)	Miscellaneous equipment S/(000)	Computer equipment S/(000)	Vehicles S/(000)	Furniture and fixtures S/(000)	Works in progress S/(000)	Total S/(000)	Total S/(000)
Useful lives (years)	-	20 - 50	4 - 10	4	5	2 - 10	-	-	-
Cost									
Balance as of January 1	472,434	1,483,950	722,785	125,353	2,368	67,503	49,075	2,923,468	2,650,251
Additions (c)	12,426	197,967	87,501	18,179	402	11,539	22,211	350,225	339,102
Disposals and/or sales (e)	(3,704)	(37,146)	(51,198)	(14,594)	(297)	(6,100)	(5,063)	(118,102)	(54,944)
Transfers	3,090	26,574	(3,370)	32	-	1,560	(27,886)	-	-
Transfers to investment properties, note 15(b)	-	-	-	-	-	-	-	-	(10,941)
Balance as of December 31	484,246	1,671,345	755,718	128,970	2,473	74,502	38,337	3,155,591	2,923,468
Accumulated depreciation									
Balance as of January 1	-	229,898	309,837	84,969	986	24,877	-	650,567	559,702
Additions, Note 24(a)	-	47,929	66,017	19,936	501	7,833	-	142,216	118,954
Disposals and/or sales (e)	-	(6,079)	(46,929)	(13,752)	(210)	(5,399)	-	(72,369)	(28,089)
Transfers	-	(30)	30	-	-	-	-	-	-
Balance as of December 31	-	271,718	328,955	91,153	1,277	27,311	-	720,414	650,567
Net book value of December 31	484,246	1,399,627	426,763	37,817	1,196	47,191	38,337	2,435,177	2,272,901

(b) As of December 31, 2015, Supermercados Peruanos S.A. maintains mortgaged certain lands, buildings and facilities for a net book value of approximately S/402,391,000 (approximately S/331,856,000 as of December 31, 2014), as guarantee for financial liabilities (see Note 19).

(c) Additions in 2015 and 2014 correspond mainly to the construction and equipment of new stores for Supermercados Peruanos S.A. and Eckerd Group.

(d) As of December 31, 2015 and 2014, the cost and corresponding accumulated depreciation of assets acquired through finance leases are the following:

	December 31, 2015			December 31, 2014		
	Cost S/(000)	Accumulated depreciation S/(000)	Net Cost S/(000)	Cost S/(000)	Accumulated depreciation S/(000)	Net Cost S/(000)
Buildings and facilities	234,292	(21,723)	212,569	225,227	(17,196)	208,031
Miscellaneous equipment	314,172	(121,385)	192,787	212,790	(50,079)	162,711
Total	548,464	(143,108)	405,356	438,017	(67,275)	370,742

(e) The net cost of retired and/or sold fixed assets during the years 2015 and 2014 is detailed as follows:

	2015 S/(000)	2014 S/(000)
Assets sold (1)	45,577	24,818
Assets retired (2)	156	2,037
	45,733	26,855

(1) During 2015, the Group sold certain properties located in Lima for approximately S/43,042,000, (approximately S/31,412,000 as of December 31, 2014), generating a net loss for approximately S/2,535,000 (net income for approximately S/6,594,000 as of December 31, 2014), which is included into the caption "Other operating income, net" in the consolidated income statement.

(2) Corresponds to unusable assets as a result of improving process from some stores. During 2015, a discount store was converted into "Plaza Vea Express" (5 discount stores in 2014). These retirements are included into the caption “Other operating income, net" in the consolidated income statement.

(f) As of December 31, 2015 and 2014, Management of the InRetail Group performed an evaluation of its property, furniture and equipment, and has not found any indicator of impairment.

15. Investment properties

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

	2015 S/(000)	2014 S/(000)
Real Plaza Salaverry shopping center (i)	373,585	364,285
Real Plaza Primavera shopping center (i)	208,371	212,800
Real Plaza Chiclayo shopping center (i)	206,011	208,343
Real Plaza Cuzco shopping center (i)	196,516	191,483
Real Plaza Centro Cívico shopping center (i)	197,095	179,435
Real Plaza Piura shopping center (i)	172,565	151,397
Real Plaza Trujillo shopping center (i)	139,709	118,110
Real Plaza Puruchuco project	124,978	115,143
Real Plaza Huancayo shopping center (i) and (ii)	129,904	116,871
Real Plaza Cajamarca shopping center (i)	98,860	102,582
Real Plaza Huánuco shopping center (i)	91,268	89,728
Real Plaza Juliaca shopping center (i) and (ii)	70,684	70,692
Real Plaza Santa Calara Altamirano shopping center (i)	68,161	64,161
Real Plaza Arequipa shopping center (i) and (ii)	64,862	65,031
Real Plaza Chorrillos shopping center (i)	55,274	48,851
Real Plaza Pro shopping center (i)	51,030	49,723
Real Plaza Sullana shopping center (i)	32,891	-
Real Plaza Nuevo Chimbote shopping center (i) and (ii)	18,471	18,762
Jr. de la Unión stores	15,481	16,758
Other	149,957	107,433
Total	2,465,673	2,291,588

(i) Corresponds to "Real Plaza" shopping centers, consisting of department stores, shops, a cinema complex and an entertainment area which have executed contracts that provide a minimum monthly rent and a variable rent based on sales.

(ii) For the construction of these shopping centers, right of use contracts were signed with Arzobispado de Cuzco, Municipalidad Provincial de Huánuco, Despensa Peruanas S.A., Mercantil Inca S.A., Inmobiliaria Pazos S.A., Gobierno Regional de Moquegua, the Association named "Religiosas del Sagrado Corazón de Jesús" , Ferrocarril Trasandino S.A., and Marina de Guerra del Perú, for periods ranging between 20 and 70 years.

(iii) Mainly includes properties in Lima, Cañete and Tarapoto, where the InRetail Group plans to develop shopping centers.

(b) The movement of this account was as follows:

	2015 S/(000)	2014 S/(000)
Balance at the beginning of the year	2,291,588	1,707,103
Additions	139,144	437,706
Reclassification (*)	2,151	-
Transfers from fixed assets, Note 14(a)	-	10,941
Write-offs	-	(2,568)
Fair value adjustment	32,790	138,406
Balance at the end of the year	2,465,673	2,291,588

(*) Correspond to payments related to investment property that, as of December 31, 2014, were presented into the caption "Prepayments" in the consolidated statements of financial position.

As of December 31, 2015, additions mainly correspond to the purchase of the Real Plaza Sullana shopping center, and work in progress in existing shopping centers and properties. As of December 31, 2014, additions mainly correspond to the purchases of lands for the Real Plaza Puruchuco project, and Real Plaza Centro Cívico shopping center, and work in progress in existing shopping centers and properties.

The fair value of investment properties has been determined on a discounted cash flow 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.

Following is the detail of the main assumptions used in the valuation and the estimation of the market value of the investment properties:

	2015 %	2014 %
Long-term inflation	2.5	2.5
Long-term property vacancy rate (*)	2 - 3	2 - 3
Average growth rate of lease income	2.5	2.5
Average EBITDA margin	87	87
Discount rate	9.17	9.17

(*) Depending on the type and size of the store in the shopping center.

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

	Rate change	2015 S/(000)	2014 S/(000)
Average growth rate of lease income (basis)	2.50%		
Increase	+0.25%	83,959	69,324
Decrease	-0.25%	(77,468)	(65,184)
Discount rate (basis)	9.17%		
Increase	+0.5 bp	(194,668)	(148,921)
Decrease	-0.5 bp	221,572	168,306

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

Año	Related parties		Third Parties		Total	
	US$(000)	S/(000)	US$(000)	S/(000)	US$(000)	S/(000)
2016	5,641	64,082	4,923	141,588	10,564	205,670
2017	5,548	61,471	4,291	118,196	9,839	179,667
2018	5,459	58,980	3,653	84,284	9,112	143,264
2019	5,269	56,759	2,832	63,450	8,101	120,209
2020	5,128	52,083	2,557	33,670	7,685	85,753
2021-2046	90,094	873,430	37,773	180,831	127,867	1,054,261
Total	117,139	1,166,805	56,029	622,019	173,168	1,788,824

16. Intangible assets, net

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

	2015						2014
	Software S/(000)	Brand (b) S/(000)	Goodwill (b) S/(000)	Other assets S/(000)	Work in progress	Total S/(000)	Total S/(000)
Cost							
Balance as of January 1	132,226	373,054	709,472	4,772	-	1,219,524	1,213,280
Additions (c)	11,750	-	-	113	9,160	21,023	15,571
Disposals and/or sales	(422)	-	-	-	-	(422)	(9,327)
Transfers	4,209	-	-	-	(4,209)	-	-
Balance as of December 31	147,763	373,054	709,472	4,885	4,951	1,240,125	1,219,524
Accumulated amortization							
Balance as of January 1	43,318	-	-	(286)	-	43,032	42,317
Additions, Note 24(a)	11,147	-	-	62	-	11,209	10,002
Disposals and/or sales	(26)	-	-	-	-	(26)	(9,287)
Balance as of December 31	54,439	-	-	(224)	-	54,215	43,032
Net book value as of December 31	93,324	373,054	709,472	5,109	4,951	1,185,910	1,176,492

(b) Corresponds to the "InkaFarma" commercial brand and goodwill, resulting from applying the purchase method at the moment of the acquisition of Eckerd Peru S.A. in 2011. Both assets have been assigned to the cash generating unit "Drugstores", which is an operating segment reportable for the impairment tests (see Paragraph (c) below). Management of InRetail Group estimated the fair value of the brand by applying the relief-from-royalty method. The principle behind relief from royalty method is that a brand holding company owns the brand avoiding payments of royalties for the use of the brand, to another hypothetical owner, therefore, the economic value of the brand is represented by the avoided royalties.

The factors for assessing the brand as having an indefinite useful life are the following:

- History and expected use of the asset by the Company: this is the most important factor to consider in the definition of the useful life of the brand. Inkafarma is the most recognized brand in the pharmacy industry in Perú and the Company expects to further strengthen it in the market in the long term.

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

- Effect of obsolescence, demand, competition and other economic factors: Inkafarma is the most recognized brand in the pharmacy industry in Perú for nearly 15 years. This implies a low risk of obsolescence.

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

- Relationship of the useful life of an asset or group of assets with the useful life of an intangible asset: The brand does not depend on the useful life of any asset or group of assets as they existed independently and it is not related to sectors subject to technological obsolescence or other causes.

(c) As of December 31, 2015 and 2014, additions mainly correspond to (i) disbursements for the acquisition of a commercial software, a planning system (ERP) and related licenses; and (ii) disbursements for implementation of software and licenses in the new stores the of InRetail Group. Such disbursements include licenses for use acquisition costs, development costs and other directly attributable costs.

(d) As of December 31, 2015 and 2014, in the opinion of Management of the Group, there is no indication of impairment of any intangible asset.

The recoverable amount of the pharmacy chain cash-generating unit has been determined based on fair value less cost to sale calculation using cash flow projections from financial budgets approved by senior management covering a ten-year period. Cash flows beyond the ten-year period are extrapolated using a 3 percent growth rate. As a result of this analysis, Management did not identify impairment for this cash-generating unit.

The calculation of fair value less cost to sale for pharmacy chain cash-generating unit is most sensitive to the following assumptions:

- EBITDA margin
- Same store sales growth
- Discount rate
- Growth rate of long-term

EBITDA margin — EBITDA margins are expected to increase from 10.4 percent to 11.6 percent in the long term.

Same store sales growth - Same store sales growth was assumed to be 4 percent in nominal terms for the projection period.

Discount rate — Discount rates represent the current market assessment of the risks specific to the cash-generating unit, regarding the time value of money and individual risks of the underlying assets which have not been incorporated in the cash flow estimates. The discount rate calculation is derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. WACC was estimated at 11.1 percent.

Long term growth rate – The long term growth rate represents the cash flow growth beyond the explicit forecast period (5 years) which was estimated at 3 percent in nominal terms.

Sensitivity to changes in assumptions
Management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the pharmacy chain unit to materially exceed its recoverable amount.

17. Trade payables

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

	2015 S/(000)	2014 S/(000)
Bills payable for purchase of goods (b)	1,259,258	1,103,965
Bills payable for commercial services	190,830	164,748
Total	1,450,088	1,268,713

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

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

18. Other payables

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

	2015 S/(000)	2014 S/(000)
Interest payable	47,572	53,911
Vacations accrual	23,442	23,401
Employees profit sharing	26,989	22,495
VAT payable	31,570	21,685
VAT withholdings in purchases	11,550	10,940
Salaries and social benefits	13,548	8,764
Merchandise vouchers pending to be used	6,755	17,237
Provisions for unbilled services construction and maintenance (b)	5,852	5,579
Deposits from third parties	4,928	4,936
Taxes payable	4,707	21,656
Land purchase	3,536	3,097
Rent payable	1,135	2,375
Accounts payable to the former shareholders of Eckerd Peru S.A. (c)	-	2,034
Other	34,461	12,421
Total	216,045	210,531

The above items have current maturity and do no bear interest. There have been no liens granted on them.

(b) Corresponds to provisions for non-billed services by suppliers, mainly for services from the construction companies that have been provided during the last quarter of the year. In the opinion of InRetail Group's Management, said provisions are sufficient to comply with the liabilities once they are billed.

(c) As of December 31, 2014, corresponded to taxes recoverable from the Tax Authority held by the subsidiary Eckerd Peru S.A. at the date of its acquisition. According to the purchase agreement, if such taxes are recovered, they must be returned to the former shareholders of Eckerd Peru S.A. by the Company. During 2015, the entire outstanding balance as of December 31, 2014 was returned to the former shareholders of this subsidiary.

19. Interest-bearing loans and borrowings

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

Type of obligation	Original currency	Interest rate	Maturity final	Original amount		Total 2015	Total 2014
		%		US$(000)	S/(000)	S/(000)	S/(000)
Leasing (b) y (c)							
Related entity , Note 26							
Banco International del Perú S.A.A.- Interbank	US$ / S/	Between 6.45 and 11.43	2020	113	172,689	95,894	110,779
Non-related entities							
BBVA Continental S.A.	US$ / S/	Between 4.37 and 10.85	2018	4,658	69,850	12,933	20,730
Banco de Crédito del Perú S.A.	S/	Between 6.59 and 8.06	2024	-	108,401	126,147	126,176
Scotiabank Perú S.A.A.	US$ / S/	Between 6.75 and 7.76	2020	-	-	41,270	33,371
Hewlett Packard S.R.L. (d)	US$ / S/	Between 1.69 and 6.84	2018	20,017	-	31,965	26,894
IBM Perú SAC (d)	US$	Between 1.69 and 7.45	2017	7,598	-	1,443	4,579
Other				-	-	179	-
				32,386	350,940	309,831	322,529
Leaseback (b) y (c)							
Related entity, note 26							
Banco Internacional del Perú S.A.A.- Interbank	S/	4.030	2026	-	108,300	928	988
				-	108,300	928	988
Promissory notes and loans(b)							
Banco de Crédito del Perú S.A.	US$	6.350	2020	-	39,197	38,216	-
Banco Internacional del Perú S.A.A.- Interbank, note 26	US$	6.350	2021	-	60,000	56,848	960
Banco Scotiabank Perú S.A.A.	S/	Between 6.35 and 6.95	2022	-	340,000	322,303	-
				-	439,197	417,367	960
Financed premium "Call Spread", Note 13							
Deutsche Bank AG	US$	1.56	2021	9,366	-	29,670	-
JP Morgan S.A.	US$	1.84	2021	18,111	-	61,816	-
				27,477	-	91,486	-
Total						819,612	324,477
Current						178,689	75,438
Not current						640,923	249,039
Total						819,612	324,477

(b) Promissory notes and bank loans are used to fund working capital and do not have any specific guarantee. Leasing operations are guaranteed by the assets related to them, see Note 13(d). Said obligations do not have any special conditions that must be complied (covenants), or restrictions affecting the operations of the InRetail Group.

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

	2015		2014	
	Minimum payments S/(000)	Present value of the leasing installments S/(000)	Minimum payments S/(000)	Present value of the leasing installments S/(000)
Up to 1 year	93,411	81,379	84,670	74,478
Between 1 and 5 years	263,643	229,380	269,751	249,039
Total minimum payments	357,054	310,759	354,421	323,517
Minus- amounts representing finance charges	(46,295)	-	(30,904)	-
Present value of future minimum payments	310,759	310,759	323,517	323,517

(d) Corresponds to the debt related to the purchase and leasing of computers. These obligations do not have specific guarantees.

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

	2015 S/(000)	2014 S/(000)
2015	-	75,438
2016	178,689	61,905
2017	185,736	80,884
2018	102,943	40,770
2019 onwards	352,244	65,480
Total	819,612	324,477

20. Senior notes issued

(a) The table below presents the composition of bonds issued:

Entity	Type of obligation	Original currency	Interest rate %	Maturity	Original amount US$(000)	Original amount S/(000)	Total 2015 S/(000)	Total 2014 S/(000)
InRetail Shopping Malls (b)	Senior Notes Unsecured	US$	6.500	2021	350,000	-	938,518	899,188
InRetail Shopping Malls (b)	Senior Notes Unsecured	S/	7.875	2034	-	141,000	80,365	135,530
InRetail Consumer(c)	Senior Notes Unsecured	S/	6.8125	2021	-	250,000	249,197	249,088
InRetail Consumer(c)	Senior Notes Unsecured	US$	5.250	2021	300,000	-	582,122	837,220
Total					650,000	391,000	1,850,202	2,121,026

(*) The payment of the principal of the senior notes is at their maturity; consequently, balances as of December 31, 2015 and 2014, are presented in the long-term.

(b) As indicated in Note 1(b), in July 2014 InRetail Real Estate Corp. issued through InRetail Shopping Malls, in the local market and abroad, the "Senior Notes Unsecured" for US$350,000,000 and S/141,000,000, due in 2021 at a 6.50 and 7.875 percent nominal interest rate, respectively. These borrowings were recorded in the consolidated financial statements at their amortized cost at a 7.806 and 7.988 percent effective interest rate for issuance in Dollars and Soles, respectively, after considering the respective up-front fees for approximately US$24,203,000 and S/1,635,000 (equivalent to a total amount of approximately S/84,239,000 as of December 31, 2015 and approximately S/82,838,000 as of December 31, 2014). Additionally, as of December 31, 2015, the balance is presented net of US$50,814,000 and S/59,000,000 (equivalent to a total amount of approximately S/232,428,000) corresponding to notes maintained by InRetail Shopping Malls (the senior notes held by InRetail Shopping Malls as of December 31, 2014 amounts to approximately S/69,594,000). The funding was mainly used to purchase properties, investments in real estate projects and the prepayment of certain debts obtained in previous years.

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

Debt in Soles:

- The Company and its subsidiaries maintain assets free of charges for not less than 150 percent of the total amount of unsecured consolidated debt.
- Leverage: the total amount of capital of all outstanding debts will not exceed 60 percent of the sum of total assets.
- Secured debt: the total amount of capital of all outstanding debts guarantee shall not exceed 40 percent of the sum of total assets.
- EBITDA / financial expenses: Between 1.50 to 1.00.

Debt in Dollars:

- The Company and its subsidiaries maintain unencumbered assets of no less than 150 percent of the total amount of unsecured consolidated debt.
- Leverage: the total amount of capital of all outstanding debts will not exceed 60 percent of sum of total assets.
- Secured debt: the total amount of capital of all outstanding debts guarantee shall not exceed 30 percent of the sum of total assets.
- EBITDA / financial expenses: Between 1.00 to 1.20.

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

(c) As indicated in Note 1(b), in October 2014 the Company issued through InRetail Consumer, in the local market and abroad, the "Senior Notes Unsecured" for US$300,000,000 and S/250,000,000, due in 2021 at a 5.250 and 6.8125 percent nominal interest rate, respectively. These borrowings were recorded in the consolidated financial statements at their amortized cost at a 5.5869 and 6.8805 percent effective interest rate for issuance in Dollars and Soles, respectively, after considering the respective up-front fees for approximately US$4,933,000 and S/803,000 (equivalent to a total amount of approximately S/17,620,000 as of December 31, 2015 and approximately S/17,525,000 as of December 31, 2014). Additionally, as of December 31, 2014, the balance is presented net of US$124,526,000 (equivalent to a total amount of approximately S/424,942,000) corresponding to notes of these issuance acquired by the Company itself (as December 31, 2014, the balance of senior notes held by the InRetail Group amounted to approximately S/ 42,867,000).

The funding was mainly used to prepay certain debts obtained in previous years, property purchases and investments in new projects for the subsidiaries of the Company. 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 or 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 following limits:

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

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

(d) As indicated in paragraphs (b) and (c) above, during 2015 the InRetail Group has repurchased senior notes issued for totaling approximately US$ 111,000,000. As a result, the premiums paid (penalties) amounted to approximately S/19,028,000 during that year; Note 25(a).

21. Deferred income tax

(a) The following is the detailed caption by Subsidiary:

	Deferred asset (liability), net	
	2015 S/(000)	2014 S/(000)
Eckerd Perú S.A. y Subsidiarias	15,573	15,517
Supermercados Peruanos S.A. y Subsidiarias	(49,563)	(37,780)
InRetail Perú Corp.	(110,778)	(86,719)
InRetail Real Estate Corp. y Subsidiarias.	(16,919)	(124,204)
InRetail Properties Management S.R.L.	220	-
Deferred liability, net	(161,467)	(233,186)

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

	Balance as of January 1, 2014 S/(000)	Income (expense) S/(000)	Equity S/(000)	Balance as of December 31, 2014 S/(000)	Reclassifications of change in accounting estimate, Note 23(d) S/(000)	Income (expense) S/(000)	Balance as of December 31, 2015 S/(000)
Deferred asset -							
Losses due to theft of goods	13,907	8,630	-	22,537	-	4,067	26,604
Vacation provision	6,247	1,016	-	7,263	-	(54)	7,209
Estimate for trade discounts	7,443	(1,339)	-	6,104	-	1,150	7,254
Tax loss of SPE's	-	5,661	-	5,661	(4,851)	(810)	-
Provision for impairment of inventories	5,078	(3,251)	-	1,827	-	358	2,185
Difference in amortization rates for tax purposes	1,450	(924)	-	526	-	1,097	1,623
Total	34,125	9,793	-	43,918	(4,851)	5,808	44,875
Deferred liability -							
Brand value – "Inkafarma"	(111,916)	14,922	-	(96,994)	-	(14,922)	(111,916)
Valuation of investment properties	(50,369)	(26,379)	-	(76,748)	65,103	511	(11,134)
Increased tax depreciation for leasing	(33,097)	(11,535)	-	(44,632)	-	(15,623)	(60,255)
Tax depreciation of investment properties	(21,208)	(13,001)	-	(34,209)	32,248	(1,982)	(3,943)
Deemed cost of property, plant and equipment (IFRS 1)	(21,508)	3,523	-	(17,985)	-	-	(17,985)
Income tax attributable to SPE's	(422)	422	-	-	-	-	-
Update on the fair value of investments at fair value through other comprehensive income	(308)	-	308	-	-	-	-
Other	(6,045)	206	(697)	(6,536)	7,452	(2,025)	(1,109)
Total	(244,873)	(31,842)	(389)	(277,104)	104,803	(34,041)	(206,342)
Deferred liability, net	(210,748)	(22,049)	(389)	(233,186)	99,952	(28,233)	(161,467)

Due to decrease in the income tax rate as indicated in Note 23, during 2014 generated in the deferred tax liabilities and assets have decreased in S/37,071,000 and S/3,056,000, respectively; consequently, a net gain for approximately S/34,015,000 was include in the caption "Income tax" of the consolidated income statement.

(c) The table below presents the Income Tax expenses reported in the consolidated statements of income as of December, 2015 and 2014:

	2015 S/(000)	2014 S/(000)
Current	(39,758)	(65,416)
Deferred	(28,233)	(22,049)
Total	(67,991)	(87,465)

(d) As of December 31, 2015 and 2014 the provision for current income tax payable, net of advanced payments, amounts to approximately S/3,907,000 y S/2,545,000, respectively.

(e) The table below presents the reconciliations of the effective tax rate to the legal tax rate:

	For year then ended December 31, 2015		For year then ended December 31, 2014	
	S/(000)	%	S/(000)	%
Profit before Income Tax	212,436	100.00	200,914	100.00
Theoretical tax	(59,482)	(28.00)	(60,274)	30.00
Net expenses of holding not domiciled in Peru	(31,879)	(15.01)	(48,854)	(24.32)
Effect of change in accounting estimate, note 23(d)	23,082	10.87	-	-
Effect of change in the income tax rate (b)	-	-	34,015	16.93
Non-deductible expenses	288	0.14	(12,352)	(6.14)
Expenses recognized for Income Tax	(67,991)	(32.00)	(87,465)	(43.53)

22. Equity

(a) Capital stock –

As of December 31, 2015 and 2014 and as of January 1, 2014, the capital stock of InRetail Perú Corp. is represented by 102,807319 shares entirely subscribed and paid with an initial issuance value of US$10.00.

(b) Capital premium -
Corresponds to the difference between the initial issuance value (US$10.00) and the issuance value (US$20.00), which corresponds to their subscription value from the international offer of the new shares mentioned in (a) above, net of the expenses related to the issuance (professional fees to lawyers, investment bankers, transaction commissions, among others) for approximately S/549,793,000.

(c) Treasury shares -
As of December 31, 2015, the subsidiary Eckerd Peru S.A. has acquired 125,000 shares issued by the Company for approximately S/4,791,000.

(d) Transactions with non-controlling interests -
During 2015, yield prepayments to non-controlling interests amounted to approximately S/207,000.

23. Tax Situation

(a) InRetail Perú 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 are subject to retention of an additional tax on dividends received. In this regard, attention to Law 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.
- By 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 percent.
  - For 2019 onwards will be 9.3 percent.

(b) According to the text of the Law on Income Tax, as amended by Law 29663 and 29757, since year 2012, among the transactions subject to capital duty, are those obtained by the indirect sale of shares of Peruvian companies. For these purposes, an indirect transfer is set when two instances occur together:

(i) First, 10 percent or more of the shares of non-residents must be sold in any twelve month period (assumed effective from February 16, 2011); and,
(ii) Second, the market value of the shares of the Peruvian society must represent 50 percent or more of the market value of non-domiciled, in any period of twelve months (assumption in force since July 22, 2011).

(c) In Peru, for purposes of determining income tax, transfer pricing transactions with related companies and companies resident in territories with low or no taxation, must be supported with documentation and information on the valuation methods used and the criteria considered in its determination. Based on the analysis of operations, Management and its legal advisors believe that, as a result of the application of the regulation in force, there will not emerge significant contingencies for the InRetail Group as of December 31, 2015 and 2014.

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

	Income tax	Value added tax
Supermercados Peruanos S.A.	Since 2011 to 2015	Since 2011 to 2015
Eckerd Perú S.A.	Since 2013 to 2015	Since 2013 to 2015
Eckerd Amazonía S.A.C.	Since 2012 to 2015	Since 2012 to 2015
Boticas del Oriente S.A.C.	Since 2012 to 2015	Since 2012 to 2015
Real Plaza S.R.L.	Since 2011 to 2015	Since 2011 to 2015
InRetail Properties Management S.R.L.	Since 2011 to 2015	Since 2011 to 2015

According to Peruvian law, Interproperties Holding I, Interproperties Holding II, InRetail Consumer and InRetail Shopping Mall are not considered as income taxpayers due to its status as SPS's. Such entities attribute their 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. Until December 31, 2014, the tax liability related to these SPE's was presented into the caption "Deferred income tax liabilities, net" in the consolidated statements of financial position. During 2015, the InRetail Group analyzed how this tax liability was estimated and its presentation in the consolidated financial statements. Considering its nature and the tax regulation in force, the InRetail Group decided to change them according to IFRS, recording prospectively the effect of this change in accounting estimate; consequently, during 2015 a total amount of approximately S/99,952,000 was reclassified from the caption "Deferred income tax liabilities, net" to the caption "Taxes related to Special Purpose Entities"; see Note 21(b). After this change in accounting estimate, the balance of said caption amounts to approximately S/75,637,000 as of December 31, 2015.

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 said 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 December 31, 2015 and 2014. (See Note29).

24. Operating expenses

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

	2015 S/(000)	2014 S/(000)
Cost of sales and services	4,741,708	4,337,078
Selling expenses	1,317,240	1,178,436
Administrative expenses	181,933	166,724
Total	6,240,881	5,682,238

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

	2015			
	Cost of sales and services S/(000)	**Selling expenses** S/(000)	**Administrative expenses** S/(000)	**Total** S/(000)
Initial balance of goods, Note 9(a)	777,051	-	-	777,051
Purchase of goods	4,704,580	-	-	4,704,580
Final balance of goods, Note 9(a)	(876,298)	-	-	(876,298)
Impairment of inventories, Note 9(c)	5,934	-	-	5,934
Cost of services (d)	130,441	-	-	130,441
Packing and packaging	-	42,228	228	42,456
Personnel expenses	-	513,849	100,365	614,214
Depreciation, Note 14(a)	-	125,812	16,404	142,216
Amortization of intangible assets, Note 16(a)	-	6,759	4,450	11,209
Amortization of key money	-	1,338	-	1,338
Services provided by third parties (b)	-	199,175	29,576	228,751
Advertising	-	82,347	-	82,347
Rental of premises	-	159,486	6,413	165,899
Taxes	-	26,468	2,739	29,207
Provision for doubtful accounts, Notes 7(f) and 8(c)	-	4,562	-	4,562
Insurance	-	9,325	640	9,965
Other charges (c)	-	145,891	21,118	167,009
Total	4,741,708	1,317,240	181,933	6,240,881

	2014			
	Cost of sales and services S/(000)	**Selling expenses** S/(000)	**Administrative expenses** S/(000)	**Total** S/(000)
Initial balance of goods	773,151	-	-	773,151
Purchase of goods	4,222,960	-	-	4,222,960
Final balance of goods, Note 9(a)	(777,051)	-	-	(777,051)
Impairment of inventories, Note 9(c)	5,526	-	-	5,526
Cost of services (d)	112,492	-	-	112,492
Packing and packaging	-	39,272	1,124	40,396
Personnel expenses	-	481,636	98,256	579,892
Depreciation, Note 14(a)	-	104,007	14,947	118,954
Amortization of intangible assets, Note 16(a)	-	5,491	4,511	10,002
Amortization of key money	-	1,011	-	1,011
Services provided by third parties (b)	-	181,809	33,789	215,598
Advertising	-	78,171	-	78,171
Rental of premises	-	109,560	6,462	116,022
Taxes	-	24,526	3,564	28,090
Provision for doubtful accounts, Notes 7(f) and 8(c)	-	2,635	-	2,635
Insurance	-	9,219	566	9,785
Other charges (c)	-	141,099	3,505	144,604
Total	4,337,078	1,178,436	166,724	5,682,238

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

(c) Mainly include general expenses in stores and supplies consumption.

(d) Corresponds to costs directly related to the real estate services, which mainly include electricity, advertising, maintenance, cleaning, among other in shopping centers.

25. Finance income and cost

The table below presents the components of this caption:

	2015 S/(000)	2014 S/(000)
Finance income		
Interest	7,699	15,274
Settlement of derivative financial instruments	-	547
Other	2,753	3,840
	10,452	19,661
Finance cost		
Interest on loans, borrowings and senior notes issued	(178,290)	(185,940)
Other financial costs	(20,755)	(28,331)
Repurchase premium (b)	(19,028)	(96,554)
"Call Spread" premium, Note 13(b)	(7,585)	-
Effect of financial liabilities derecognition (c)	-	(4,453)
Interest from derivatives instruments	-	(1,227)
	(225,658)	(316,505)

(b) During 2015, corresponds to premiums paid for the repurchase of senior notes issued by the Company itself. As is indicated in Note 20(d), during said year the InRetail Group has repurchased these financial instruments for approximately US$111 million (during 2014 the InRetail Group purchases certain debt instruments issued by itself for approximately US$324 million, generating a repurchase premium for approximately S/96,554,000).

(c) As indicated in Note 20(c), a part of funding proceeded from issuances made by InRetail Consumer was used to replace, under substantially different terms, certain obligations obtained in previous years; consequently, such exchanges or modifications have been treated as a derecognition of the original liabilities and the recognition of a new liability, and the difference in the respective carrying amounts for approximately S/4,453,000 was recorded in profit or loss.

26. Transactions with related parties

(a) The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year 2015 and 2014:

	2015 S/(000)	2014 S/(000)
Income		
Rent income	79,501	53,017
Rendering of services	52,870	26,675
Revenues related to contract between Supermercados Peruanos S.A. and FUNO (d)	13,843	-
Reimbursement of expenses for promotion and sale of merchandise vouchers	5,331	4,078
Other	17,470	21,335
	169,015	105,105
Expenses		
Renting of premises and land	(37,881)	(9,770)
Reimbursements of expenses	(30,295)	(9,370)
Refund	(17,049)	(118)
Other	(10,089)	(9,613)
Commissions	(150)	(196)
Other services	(4)	(986)
	(95,468)	(30,053)
Other transactions		
Purchase of own issue senior notes	512,584	-
Purchase of own shares	4,791	-
Offsetting of loan	-	379,340
Settlement of "Senior Secured Notes"	-	347,726
Refund from purchasing of "Senior Secured Notes" on behalf of Intercorp Retail Inc.	-	95,947

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

	2015 S/(000)	2014 S/(000)
Receivables		
Tiendas Peruanas S.A.	9,346	5,137
Interseguro Compañía de Seguros S.A.	5,969	218
Bembos S.A.C.	4,856	1,986
Homecenter Peruanos S.A.	6,007	4,362
Cineplex S.A.	4,590	5,435
Financiera Uno S.A. (f)	3,701	4,964
Banco Internacional del Perú S.A.A. – Interbank (f)	3,321	5,645
Intercorp Perú Ltd. (e)	2,652	37,457
Intercorp Retail Inc. (i)	267	19,652
Other	15,695	10,550
	56,404	95,188
Payables		
Financiera Uno S.A. (d)	21,828	15,813
Banco Internacional del Perú S.A.A. – Interbank:		
Guarantee deposits	5,188	4,242
Credit lines and other (h)	243	471
Tiendas Peruanas S.A.	2,161	-
Inmobiliaria Milena S.A.	663	-
Other	2,107	1,724
	32,190	22,795
Current portion	27,002	18,553
Non – Current portion	5,188	4,242
Total	32,190	22,795
Debts and loans bearing interest, Note 19		
Banco Internacional del Perú S.A.A. – Interbank	153,670	112,727

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

(c) Outstanding balances at the year-end are unsecured and interest free, except for the financial obligations explained in this note. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2015 and 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) On June 30, 2013, Supermercados Peruanos S.A. and Financiera Uno S.A. (Funo), a related entity, signed the “Contract of Issuance and Administration of the “Oh!” credit card”. Said contract established that Funo can exclusively operate its “Oh!” credit card in the Supermercados Peruanos stores, instead of the “Vea” credit card of Banco Internacional del Perú S.A.A. - Interbank, which was operating until that moment. Also, as a result of this agreement, as of December 31, 2015 and 2014 the InRetail Group holds InRetail accounts payable to Funo for approximately S/21,828,000 and S./.15,813,000, respectively, which correspond mainly to the collection of installments to users of the "Oh!" credit card, which are normally transferred to Funo the day after their collection.

Additionally, on April 27, 2015, Supermercados Peruanos S.A. and FUNO signed an agreement through both companies participate in the business related to consumer loans for customers who purchase with "Oh!" credit card goods and services in Supermercados Peruanos S.A.’ stores. As a result, during 2015 the InRetail Group has recognized approximately S/13,843,000, which are included into the caption "Other operating income, net" in the consolidated income statement.

(e) As of December 31, 2014, the balance receivable from Intercorp Perú Ltd. corresponded to a promissory note in Soles and included the accrued interests at market rates. This promissory note matured during 2015.

(f) Corresponds to revenues for reimbursements of the operating costs, promotions with credit cards of Interbank and Financiera Uno S.A., sales of fixed assets and commissions. Likewise, it includes the amounts billed to diverse related companies for the sale of merchandise coupons and diverse services provided.

(g) Supermercados Peruanos S.A. and Banco Internacional del Perú S.A.A.- Interbank, signed contracts on leases of financial stores for 15 and 7 years in October 2004 and September 2009, respectively. Said contracts amount to approximately S/27,212,000 (equivalent to approximately US$8,000,000) and S/14,788,000 (equivalent to approximately US$5,016,000) which were collected in advance by Supermercados Peruanos S.A. and are presented in the "Deferred revenue" caption in the consolidated statements of financial position. Additionally, and only in the case of the 2004 contract, Supermercados Peruanos S.A. received from Banco Internacional del Perú S.A.A.- Interbank US$2,000,000 as collateral for the contract. As of December 31, 2015 and 2014, Supermercados Peruanos S.A. has credited the update of the present value of this deposit in the "Financial income" caption. The net present value of the balances related to guarantee deposit amount to S/5,188,000, S/4,242,000, respectively, as of December 31, 2015 and 2014.

In relation to said contracts, during 2015 Supermercados Peruanos S.A. recognized accrued renting revenue that amounted to approximately S/2,917,000, equivalent to US$971,000 (S/3,901,000, equivalent to approximately US$1,060,000, during 2014).

As of December 31, 2015, Supermercados Peruanos S.A. maintains deferred revenue that amounts to approximately S/4,552,000 (S/6,889,000 as of December 31, 2014) which will be recognized as income in upcoming periods.

(h) Include amounts payable for professional services, commissions and financial expenses. Financial expenses were generated from loans received during the period, which accrue interest at market rates.

(i) As of December 31, 2014, corresponded to accounts payable for certain expenses incurred by Intercorp Retail Inc. The balance payable to Intercorp Retail Inc. did not accrue interest, didn't have specific warranties and they were returned to the Company during 2015.

(j) The compensation of key management personnel of the InRetail Group is detailed below:

	2015 S/(000)	**2014** S/(000)
Short term employee benefits	15,528	13,562
Insurance and medical benefits	452	471
Total	15,980	14,033

(k) As of December 31, 2015 and 2014, the InRetail Group holds the following balances in the cash and cash equivalent captions:

	2015 S/(000)	2014 S/(000)
Banco Internacional del Perú- Interbank S.A.A.	66,617	55,633
Inteligo Bank Ltd.	1,009	1,899

27. Deferred revenue

The table below presents the components of this caption:

	2015 S/(000)	2014 S/(000)
Leases (related parties)	4,551	6,890
Other operating leases as lessor	18,274	9,974
Key money	31,594	39,900
Total	54,419	56,764
Current portion	4,326	3,950
Non-current portion	50,093	52,814
Total	54,419	56,764

28. Earnings per share

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

The following reflects basic and diluted earnings per share computations:

	Common shares		
	Outstanding shares	Number of days until end of year	Outstanding shares
2014 -			
Number as of January 1,2014	102,807,319	365	102,807,319
Number as of December 31, 2014	102,807,319	365	102,807,319
2015-			
Number as of January 1, 2015	102,807,319		102,807,319
Number as of December 31, 2015	102,807,319		102,807,319

	2015		
	Net profit (numerator) S/	Shares (denominator)	Earnings per share S/
Basic and diluted earnings per share	143,867,000	102,807,319	1.40

	2014		
	Net profit (numerator) S/	Shares (denominator)	Earnings per share S/
Basic and diluted earnings per share	111,908,000	102,807,319	1.09

29. Commitments and contingencies

Commitments -

The main commitments assumed are presented below:

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

The assumed commitments, calculated on the basis of the leasing fixed amounts will be paid until 2043.

The total commitments assumed up until 2044, calculated on the basis of the fixed rental amounts, will be paid as follows:

	2015 S/(000)	2014 S/(000)
2014 - 2018	451,808	268,506
2019 - 2023	402,632	187,958
2024 - 2028	467,181	189,891
2029 - 2033	370,037	170,603
2034 - 2044	473,993	306,936
Total	2,165,651	1,123,894

(b) As of December 31, 2015, the Company and its Subsidiaries agreed with several financial entities on the issuance joint by and severally irrevocable letters of guarantee for approximately S/31,370,000 and US$5,626,000 (S/27,979,000 and US$5,565,000 as of December 31, 2014) for compliance with the payment for purchase of goods to foreign suppliers.

(c) As indicated in Note 1(b), during 2014 InRetail Consumer and InRetail Shopping Malls issued offerings in Senior Notes in the local market and abroad for US$300,000,000 and S/250,000,000 and US$350,000,000 and S/141,000,000, respectively, which are secured by the assets of the issuing companies.

Contingencies -

(a) Supermercados Peruanos S.A. has been examined by the Tax Authority on its Income Tax returns and its monthly Value Added Tax returns for the years since 2004 to 2010. Said examinations resulted in Resolutions generating higher taxes, fines and interests for an approximate total of S/162 million to date. The resolutions issued by the years 2004 to 2009 have been challenged and are pending before the Tax Court. The resolutions issued by the year 2010 are still to be challenged to the Tax Administration, which, in the Management's opinion, take place since 2016. In the Management's opinion and its legal advisors, Supermercados Peruanos has sufficient grounds supporting its case; hence it expects favorable results on the contingent issues explained above, and therefore has not recorded any provision for these processes as of December 31, 2015 and 2014, respectively.

(b) Eckerd Amazonia S.A.C. is in the process to claim against the Tax Authority for determinations of debts and fines related to VAT for the period between January 2003 and June 2005 for approximately S/32,507,000. In Management's opinion and its legal advisors, these contingencies are considered as "Possible" and significant liabilities will not arise as result of these as of December 31, 2015 and 2014.

(c) Eckerd Perú S.A. maintains the following processes:

(c.1) Legal process with its supplier Ekalmi S.A. as consequence of disagreements on the services that it provides. At the date of this report, Ekalmi S.A. has demanded Eckerd Peru S.A. a pending payment for approximately S/12,000,000. As of December 31, 2015 and 2014, Eckerd Perú S.A. holds liabilities with this supplier for approximately S/5,000,000; and, in Management's opinion, it would be the maximum amount that it would pay.

(c.2) Eckerd Perú S.A. has received a notification issued by Instituto Nacional de Defensa de la Competencia y de la Protección de la Propiedad Intelectual (INDECOPI), in which INDECOPI imposed a 204 UIT's fine for alleged offenses committed in previous years. In Management's opinion and its legal advisors, this contingency is considered as "Possible" and no material liabilities will be generated as of December 31, 2015.

(c.3) Certain labor demands for approximately S/1,071,000. These claims are mainly related to compensation for arbitrary dismissal, non-payment of social benefits, reinstatement in the workplace, among others. In the Management's opinion and its legal advisors, these must be resolved favorably for Eckerd Peru S.A.; consequently, it is not necessary to record additional liabilities for these items.

30. Business segments

For management purposes, the InRetail Group is organized into business units based on their products and services and has three reportable segments i) supermarkets, ii) drugstores and iii) shopping centers 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.

The following table presents the financial information of InRetail Perú Corp. and Subsidiaries by business segments for 2015 and 2014:

	Supermarkets S./(000)	Drugstores S./(000)	Shopping centers S./(000)	Total segments S./(000)	Holding accounts, combination adjustments and intercompany eliminations S./(000)	Consolidated S./(000)
2015						
Revenue						
External income	4,064,766	2,339,061	396,603	6,800,430	(2,357)	6,798,073
Inter-segment	12,276	14	38,528	50,818	(50,818)	-
Total revenue	4,077,042	2,339,075	435,131	6,851,248	(53,175)	6,798,073
Cost of sales	(3,012,534)	(1,598,733)	(134,551)	(4,745,818)	4,110	(4,741,708)
Gross profit	1,064,508	740,342	300,580	2,105,430	(49,065)	2,056,365
Gain on valuation at fair value of investment properties	-	-	37,569	37,569	(4,779)	32,790
Selling expenses	(830,350)	(520,203)	(7,857)	(1,358,410)	41,170	(1,317,240)
Administrative expenses	(94,736)	(54,605)	(25,158)	(174,499)	(7,434)	(181,933)
Other operating expenses	10,305	1,153	(3,789)	7,669	(671)	6,998
Operating profit	149,727	166,687	301,345	617,759	(20,779)	596,980
Finance income	2,720	2,526	4,352	9,598	854	10,452
Finance costs	(53,501)	(2,901)	(107,869)	(164,271)	(61,387)	(225,658)
Exchange difference net	(48,483)	705	(80,967)	(128,745)	(40,593)	(169,338)
Profit before income tax	50,463	167,017	116,861	334,341	(121,905)	212,436
Income tax expense	(23,548)	(50,617)	(7,221)	(81,386)	13,395	(67,991)
Net profit	(26,915)	116,400	109,640	252,955	(108,510)	144,445
Attributable to :						
InRetail Perú Corp.	26,915	116,400	109,057	252,372	(108,505)	143,867
Non-controlling interests	-	-	583	583	(5)	578
	26,915	116,400	109,640	252,955	(108,510)	144,445
Other information						
Operating assets (*)	2,674,283	1,868,849	3,324,335	7,867,467	(52,872)	7,814,595
Operating liabilities	1,740,977	648,173	1,498,914	3,888,064	775,503	4,663,567
Additions to non-current assets -						
Property, furniture and equipment	270,725	43,426	11,370	325,521	24,734	350,225
Investment properties	-	-	203,690	203,690	(64,546)	139,144
Intangible assets	16,249	3,430	-	19,679	1,344	21,023
Increase on revaluation of investment properties	-	-	37,569	37,659	(4,869)	32,790
Depreciation and amortization	(107,411)	(34,969)	(2,922)	(145,302)	(8,123)	(153,425)

(*) As of December 31, 2015 and 2014, the "Pharmacies" segment includes approximately S/373,054,000 and S/709,472,000 corresponding to the brand "InkaFarma" and the goodwill, respectively, as a result of the acquisition of the Eckerd Group; see Note 16.

	Supermarkets S./(000)	Drugstores S./(000)	Shopping centers S./(000)	Total segments S./(000)	Holding accounts, combination adjustments and intercompany eliminations S./(000)	Consolidated S./(000)
2014						
Revenue						
External income	3,745,608	2,086,075	314,967	6,146,650	-	6,146,650
Inter-segment	11,045	12	34,423	45,480	(45,480)	-
Total revenue	3,756,653	2,086,087	349,390	6,192,130	(45,480)	6,146,650
Cost of sales	(2,794,066)	(1,430,520)	(118,348)	(4,342,934)	5,856	(4,337,078)
Gross profit	962,587	655,567	231,042	1,849,196	(39,624)	1,809,572
Gain on valuation at fair value of investment properties	-	-	150,025	150,025	(11,619)	138,406
Selling expenses	(753,843)	(450,290)	(6,633)	(1,210,766)	32,330	(1,178,436)
Administrative expenses	(83,972)	(56,794)	(22,944)	(163,710)	(3,014)	(166,724)
Other operating expenses	11,427	8,388	(855)	18,960	(9,509)	9,451
Operating profit	136,199	156,871	350,635	643,705	(31,436)	612,269
Finance income	5,933	756	8,491	15,180	4,481	19,661
Finance costs	(83,915)	(5,261)	(89,301)	(178,477)	(138,028)	(316,505)
Exchange difference net	(32,108)	(589)	(54,850)	(87,547)	(26,964)	(114,511)
Profit before income tax	26,109	151,777	214,975	392,861	(191,947)	200,914
Income tax expense	(11,673)	(53,099)	(39,885)	(104,657)	17,192	(87,465)
Net profit	14,436	98,678	175,090	288,204	(174,755)	113,449
Attributable to :						
InRetail Perú Corp.	14,436	98,678	173,551	286,665	(174,757)	111,908
Non-controlling interests	-	-	1,539	1,539	2	1,541
	14,436	98,678	175,090	288,204	(174,755)	113,449
Other information						
Operating assets (*)	2,530,160	1,759,465	3,106,525	7,396,150	(98,383)	7,297,767
Operating liabilities	1,624,019	566,026	1,358,036	3,548,081	691,956	4,240,037
Additions to non-current assets -						
Property, furniture and equipment	239,129	42,898	7,142	289,169	49,933	339,102
Investment properties	-	-	485,641	485,641	(47,935)	437,706
Intangible assets	10,684	4,850	-	15,534	37	15,571
Increase on revaluation of investment properties	-	-	150,021	150,021	(11,615)	138,406
Depreciation and amortization	(94,032)	(26,992)	(1,467)	(122,491)	(6,465)	(128,956)

(*) As of December 31, 2015 and 2014, the "Pharmacies" segment includes approximately S/373,054,000 and S/709,472,000 corresponding to the brand "InkaFarma" and the goodwill, respectively, as a result of the acquisition of the Eckerd Peru S.A.; see Note 16.

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.

31. Objectives and policies of financial risk management

The risk is inherent in the InRetail Group's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the InRetail Group's continuing profitability and each individual within the InRetail Group is accountable for the risk exposures relating to his or her responsibilities.

InRetail Group is exposed to market risk, credit risk and liquidity risk.

The independent risk control process does not include business risks such as changes in the environment, technology and industry. These are monitored through the Group's strategic planning process.

(a) Risk management structure -

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

(i) Board of Directors

The Group's Board of Directors is responsible for the overall risk management approach and for the approval of the policies and strategies currently in place. The Board provides principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments.

(ii) Internal Audit

Risk management processes throughout the InRetail Group are monitored by the internal audit functions, which examine both the adequacy of the procedures and the compliance of them. Internal Audit discusses the findings and recommendations to the top Management and Board of Directors.

(iii) Management

The InRetail Group's senior management oversees the management of the Company's risks. The Finance Managers provide assurance to the InRetail Group's senior management that the procedures and those financial risks are identified, measured and managed in accordance with the Board of Directors guidelines.

The Board of Directors reviews and agrees policies for managing each of these risks which are summarized below.

Credit risk -

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

This risk is managed by the Finance Managers in accordance with the Board's principles to minimize risk concentration and, consequently, mitigate financial losses from potential defaults of the counterpart. The maximum exposure to credit risk of the components of the consolidated financial statements as of December 31, 2015 and 2014, comes from the captions "Cash and cash equivalent", "Accounts receivable", "Accounts receivable from related parties", "Investments at fair value through profit or loss and other comprehensive income" and "Derivative financial instruments". The maximum exposure to credit risk of the components of the consolidated financial statements as of December 31, 2015 and 2014, is their book value, net of the respective provisions for impairment.

(a) Credit risk associated with:

(a.1) Trade accounts receivable

InRetail Group assess the risk concentration of the trade accounts receivable and other accounts receivable. In general, the Company does not hold significant concentrations of accounts receivable with any entity in particular. The Company assesses the collectability risk of the accounts receivable in order to determine the respective provision.

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

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

(a.2) Bank deposits, derivatives financial instruments and investments through profit or loss and other comprehensive income

The balances of cash and derivative financial instruments are held in top-level financial entities, including a related financial entity. In case of investments through profit or loss and other comprehensive income, as explained in Note 10, corresponding to senior notes issued by a related entity.

Market risk -

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

The sensitivity analysis in the following sections refers to the positions as of December 31, 2015 and 2014. Said analysis assumes that the net debt amount, the relation of fixed and floating interest rates, derivatives and the position in foreign currency instruments are constant.

(i) Foreign currency risk -

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Finance Managers of the Subsidiaries are responsible for identifying, measuring, controlling and informing on the exposure to global exchange rate risk of the Group. As of December 31, 2015, the InRetail Group maintains "Call Spread" contracts for a total notional amount of US$300,000,000 to reduce its foreign currency risk related to a part of senior notes issued. These derivative financial instruments have been qualified as effective hedging instruments; see Note 13.

The following table demonstrates the sensitivity to a reasonably possible change in the US Dollar exchange rate, with all other variables held constant, of the Group's profit before tax. A negative amount shows a potential net decrease in the consolidated statements of income and comprehensive income, whereas a positive amount reflects a potential net increase.

Sensitivity analysis	Change in exchange rates	Gain/(loss) before taxes	
	%	2015 S/(000)	2014 S/(000)
Devaluation			
US Dollars	5	29,170	89,180
US Dollars	10	58,340	178,359
Revaluation			
US Dollars	5	(29,170)	(89,180)
US Dollars	10	(58,340)	(178,359)

(ii) Interest rate risk -

The interest rate risk is the risk that the future fair values of cash flows of a financial instrument fluctuate due to changes of the market interest rates. InRetail Group manages its interest rate risk based on the Management's experience, balancing the asset and liable interest rates.

Following is the sensibility of the statements of comprehensive income to the possible effect of changes in the interest rate on the financial expenses for a year, before Income Tax, assuming that the financial liabilities as of December 31, 2015 and 2014, are renewed at their maturity and will be held for the rest of the following year:

Changes in basis points	Effect on profit before taxes	
	2015 S/(000)	2014 S/(000)
+ (-) 50	437	397
+ (-) 100	873	794
+ (-) 200	1,746	1,588

The sensitivities of interest rates shown above are only for illustrative purposes and are based on simplified scenarios. The effect does not include the actions that Management would take to mitigate the impact of this type of risk.

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

Liquidity risk management implies maintaining sufficient cash and availability of funding through an adequate amount of committed credit sources and the ability to settle transactions, mainly debt. To that respect, Management of the InRetail Group focuses its efforts to maintain funding sources through the availability of credit lines.

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

	As of December 31, 2015				
	Less than 3 months S/(000)	From 3 to 12 months S/(000)	1 - 5 years S/(000)	More than 5 years S/(000)	Total S/(000)
Senior notes issued and interest-bearing loans and borrowings -					
Capital amortization	45,294	133,396	2,226,725	264,399	2,669,814
Interest payments flow	55,733	157,733	913,168	128,150	1,254,784
Trade payables	1,450,088	-	-	-	1,450,088
Accounts payable to related parties	27,002	-	5,188	-	32,190
Other payables and current income tax	216,416	-	3,536	75,637	295,589
Total liabilities	1,794,533	291,129	3,148,617	468,186	5,702,465

	As of December 31, 2014				
	Less than 3 months S/(000)	From 3 to 12 months S/(000)	1 - 5 years S/(000)	More than 5 years S/(000)	Total S/(000)
Senior notes issued and interest-bearing loans and borrowings -					
Capital amortization	19,755	55,683	213,054	2,157,011	2,445,503
Interest payments flow	43,921	116,151	601,564	405,927	1,167,563
Trade payables	1,264,718	3,995	-	-	1,268,713
Accounts payable to related parties	18,341	212	4,242	-	22,795
Other payables and current income tax	158,509	54,567	-	-	213,076
Total liabilities	1,505,244	230,608	818,860	2,562,938	5,117,650

Capital management risk -
The InRetail Group actively manages a capital base in order to cover inherent risks to their activities. The capital adequacy of the InRetail Group is monitored using, among other measures, ratios established by Management.

The objectives of the InRetail Group when managing capital is a concept broader than the "Consolidated equity" presented in the consolidated statements of financial position. Those objectives are: (i) to safeguard the ability of the Group to continue operating in a way that continues to provide returns to shareholders and benefits to the rest of stakeholders; and (ii) to maintain a strong capital base to support the development and growth of its activities.

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2015 and 2014.

32. Fair value

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

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

The following methods and assumptions were used to estimate the fair values of the main financial instruments:

(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.

(b) Fixed-rate financial instruments -
The fair value of financial assets and liabilities at fixed interest rates and amortized cost is determined by comparing market interest rates at their initial recognition to current market rates related to similar financial instruments. The estimated fair value of interest-bearing deposits is determined through discounted cash flows by using market interest rates in the prevailing currency with similar maturities and credit risks.

(c) Investments at fair value through profit or loss and other comprehensive income -
Fair value of Investments at fair value through profit or loss and other comprehensive income is derived from quoted market prices in active markets, if available. Fair value of unquoted Investments at fair value through profit or loss and other comprehensive income is estimated using a discounted cash flow technique.

On the basis of the aforementioned criteria's, set out below is a comparison by class of the carrying amounts and fair values of the Group's financial instrument and investment properties as of December 31, 2015 and 2014:

	2015		2014	
	Book value S/(000)	**Fair value** S/(000)	**Book value** S/(000)	**Fair value** S/(000)
Assets				
Cash and short-term deposits	235,409	235,409	284,998	284,998
Investments at fair value through profit or loss	34,896	34,896	23	23
Trade receivables, net	98,314	98,314	83,749	83,749
Other receivables, net	52,551	52,551	51,221	51,221
Accounts receivable from related parties	56,404	56,404	95,188	95,188
Investments at fair value through other comprehensive income	55,132	55,132	-	-
Investment properties	2,465,673	2,465,673	2,291,588	2,291,588
Liabilities				
Trade payables	1,450,088	1,450,088	1,268,713	1,268,713
Accounts payable to related parties	32,190	32,190	22,795	22,795
Other payables and current income tax	295,589	295,589	213,076	213,076
Bonds issued and interest-bearing loans and borrowings	2,669,814	3,277,908	2,445,503	2,786,259

Fair value hierarchy -
InRetail Group uses the following hierarchy to record or disclose, as required by the IFRS, the fair value of the financial instruments and investment properties recorded in the consolidated statements of financial position:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
- Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

The InRetail Group has not performed transfers of financial instruments from Level 3 to Level 1 or to Level 2 during the years 2013 and 2012. The financial instruments and its level of hierarchy for the determination of the fair value, to record or disclose, are the following:

- Investments at fair value through profit or loss and other comprehensive income which fair value was determined under level 1 hierarchy.
- Derivative instrument which fair value was determined under level 2 hierarchy.
- Senior notes issued, and debts and loans that accrue interests, whose exposure fair values were determined through the Level 2 hierarchy.

InRetail Group has determined the fair value of the investment properties through the Level 3 hierarchy for lands lots and shopping centers; see Note 15.

33. Explanation added for English translation

The accompanying consolidated financial statements were originally issued in Spanish and are presented on the basis of International Financial Reporting Standards, as described in Note 3. Certain accounting practices applied by the Company that conform to those accounting principles may not conform to generally accepted accounting principles in other countries. In the event of a discrepancy, the Spanish language version prevails.

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