InRetail Real Estate Corp. and Subsidiaries

Interim consolidated financial statements as of June 30, 2015 (unaudited) and December 31, 2014 (audited) and for the six-month periods ended as of June 30, 2015 and 2014.

InRetail Real Estate Corp. and Subsidaries

Interim consolidated statements of financial position

As of June 30, 2015 (unaudited) and December 31, 2014 (audited)

	Note	June 30, 2015	December 31, 2014
		S/.(000)	S/.(000)
Assets			
Current assets			
Cash and cash equivalents	4	17,473	110,769
Available-for-sale investments	5	51,939	13,521
Investments at fair value through profit or loss	6	23,556	23
Trade receivables net	7	27,840	24,741
Accounts receivable to related parties	23	34,210	61,422
Other receivables	8	2,335	1,689
Prepaid expenses	9	10,789	7,320
Recoverable taxes	10	45,418	47,806
Total current assets		213,560	267,291
Recoverable taxes	10	89,298	104,957
Other receivables	8	1,934	1,934
Facilities, furniture and equipment, net	11	10,213	9,195
Investment properties	12	2,814,251	2,719,800
Other assets		14,879	974
Deferred income tax asset	16	22,782	2,918
Total assets		3,166,917	3,107,069
Liabilities and equity			
Current liabilities			
Trade payables	13	17,319	30,414
Accounts payable to related parties	23	713	212
Other liabilities	14	52,215	53,647
Current portion of long-term financial obligations	15	9,918	9,767
Total current liabilities		80,165	94,040
Other long-term liabilities	14	31,714	35,798
Long-term financial obligations	15	1,117,913	1,101,620
Deferred Income tax liability	16	162,899	127,122
Total liabilities		1,392,691	1,358,580
Equity	17		
Capital stock		1,475,706	1,475,706
Unrealized results on financial instruments		1,065	330
Retained earnings		291,375	266,410
		1,768,146	1,742,446
Non-controlling interests		6,080	6,043
Total equity		1,774,226	1,748,489
Total liabilities and equity		3,166,917	3,107,069

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

InRetail Real Estate Corp. and Subsidiaries

Interim consolidated statements of income and other comprehensive income (unaudited)

For the six-month periods ended as of June 30, 2015 and 2014

	Note	June 30, 2015 S/.(000)	June 30, 2014 S/.(000)
Rental income	18	139,878	92,504
Income from management services	18	69,285	52,702
Costs related to income from management services	19	(53,671)	(43,713)
Net rental income		155,492	101,493
Cost of rental income	19	(11,748)	(9,122)
Gross profit		143,744	92,371
Fair value adjustment for investment properties	12(d)	13,758	24,241
Selling and administrative expenses	20	(15,550)	(14,265)
Other income (expenses), net		(328)	23
Operating profit		141,624	102,370
Financial income	21	2,358	6,361
Financial expenses	21	(49,679)	(32,728)
Exchange difference, net	24(a)(ii)	(51,750)	616
Profit before Income Tax		42,553	76,619
Income tax	16(c)	(17,344)	(21,137)
Net profit		25,209	55,482
Attributable to:			
InRetail Real Estate Corp. Shareholders		24,965	55,141
Non-controlling interests		244	341
Net profit		25,209	55,482
Net (loss) / gain on available for-sale investments		1,109	-
Deferred tax on gain of investments available for-sale		(374)	-
Total comprehensive income		25,944	55,482
Earnings per share:	17(b)		
Basic and diluted profit per share attributable to InRetail Real Estate Corp. shareholders		0.0444	0.0976

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

InRetail Real Estate Corp. and Subsidiaries

Interim consolidated statements of changes in equity (unaudited)

For the six-month period ended as of June 30, 2015 and 2014

	Attributable to owners of Parent					
	Capital stock S/.(000)	Unrealized results on financial instruments S/.(000)	Retained earnings S/.(000)	Total S/.(000)	Non-controlling interests S/.(000)	Total Net equity S/.(000)
Balance as of January 1, 2014	1,475,706	-	92,859	1,568,565	4,504	1,573,069
Net profit	-	-	55,141	55,141	341	55,482
Total comprehensive income	-	-	55,141	55,141	341	55,482
Balance as of June 30, 2014	1,475,706	-	148,000	1,623,706	4,845	1,628,551
Balance as of January 1, 2015	1,475,706	330	266,410	1,742,446	6,043	1,748,489
Net profit	-	-	24,965	24,965	244	25,209
Other comprehensive income	-	735	-	735	-	735
Total comprehensive income	-	735	24,965	25,700	244	25,944
Dividends	-	-	-	-	(207)	(207)
Balance as of June 30, 2015	1,475,706	1,065	291,375	1,768,146	6,080	1,774,226

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

InRetail Real Estate Corp. and Subsidiaries

Interim consolidated statements of cash flows (unaudited)

For the six-month periods ended as of June 30, 2015 and 2014

	June 30, 2015 S/.(000)	June 30, 2014 S/.(000)
Operating activities		
Net profit	25,209	55,482
Non-cash adjustment to reconcile profit before tax to net cash flow		
Allowance for doubtful accounts receivable	1,058	825
Depreciation of facilities, furniture and equipment	1,255	673
Amortization of intangible assets	49	45
Fair value adjustment for investment properties	(13,758)	(24,241)
Exchange difference	54,758	(616)
Investment in associates	(9)	(23)
Deferred income tax	15,540	20,633
Structuring fees	4,381	708
Working capital adjustments		
Increase (decrease) in trade accounts receivable	(4,157)	(9,063)
Increase in other accounts receivable	(647)	(8,611)
Increase in trade accounts receivable from related parties	(10,094)	26,039
Increase in prepaid expenses	(3,469)	(657)
Decrease in recoverable taxes	22,995	25,661
Decrease (increase) in other assets	-	933
Decrease in trade accounts payable	(9,187)	(214)
(Decrease) Increase in other liabilities	(1,432)	8,969
Increase in accounts payable to related parties	492	58,220
Increase in deferred income	(4,084)	24,540
Net cash provided by operating activities	78,900	179,303
Investing activities		
Purchase of available-for-sale investments	(36,062)	-
Purchase of investments at fair value through profit or loss	(23,533)	(3,901)
Purchase of certificates of participation in associated companies?	(13,800)	-
Loans granted	(10,054)	-
Collection of loans granted	47,369	-
Purchase or facilities, furniture and equipment, net of acquisitions through leasing contracts	(2,273)	(1,019)
Purchase and development of intangible assets	(145)	(11)
Purchase of investment properties	(84,601)	(258,199)
Value added tax payment corresponding to work in progress	(4,948)	(26,255)
Net cash used in investing activities	(128,047)	(289,385)

Interim consolidated statements of cash flows (unaudited) (continued)

	June 30, 2015 S/.(000)	June 30, 2014 S/.(000)
Financing activities		
Payment of borrowings	(4,466)	(6,321)
Structuring fees	(309)	-
Bond repurchase	(39,167)	-
Increase in borrowings	-	48,300
Sales bonds	-	46,259
Dividends	(207)	-
Net cash provided (used) by financing activities	(44,149)	88,238
Net increase (decrease) of cash and short-term deposits	(93,296)	(21,844)
Cash and short-term deposits at the beginning of year	110,769	80,819
Cash and short-term deposits at the end of year	17,473	58,975
Non cash transactions		
Provisions on investment properties, net	(3,908)	15,644

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

1. Business activity -

(a) Identification –

InRetail Real Estate Corp. (hereinafter “the Company”) is a holding entity incorporated in April 2012 in the Republic of Panama, and is subsidiary of InRetail Perú Corp. The latter is subsidiary of Intercorp Retail Inc., which in turn is a subsidiary of Intercorp Peru Ltd. (a holding company incorporated in The Bahamas, hereinafter “Intercorp Perú”), which is the ultimate holding Company of “Intercorp Perú Group” or the“Group”, which refers to Intercorp Perú and its subsidiaries.

As of June 30, 2015 and December 31, 2014 Intercorp Perú holds directly and indirectly 71.45 percent of the capital stock of InRetail Perú Corp., which in turn holds 100 percent of the capital stock of the Company.

The Company’s legal address is 50 Street y 74 Street, floor 16 “PH” Building, San Francisco, Republic of Panama. However, its Management and administrative offices are located at Av. Carlos Villarán N° 140, Urb. Santa Catalina, La Victoria, Lima, Peru.

The Company and its Subsidiaries, Patrimonio en Fideicomiso – D.S.N°093-2002 – EF –Inretail Shopping Malls, Patrimonio en Fideicomiso – D.S.N°093-2002 – EF - Interproperties Holding, Patrimonio en Fideicomiso – D.S. N°093-2002-EF-Interproperties Holding II, Real Plaza S.R.L., and InRetail Properties Management S.R.L. (hereinafter and together, "InRetail Real Estate "), are dedicated to operating shopping malls as well as real estate development. InRetail Real Estate operations are concentrated in Peru.

The consolidated financial statements as of December 31, 2014 were approved by Management on February, 2015. The interim consolidated financial statements as of June 30, 2015 will be submitted for their approval by the Board of Directors and the General Shareholders’ Meeting. In Management’s opinion, they will be approved without modifications.

2. Subsidiaries activities

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

(a) Patrimonio en Fideicomiso – D.S.N°093-2002 – EF – Inretail Shopping Malls is a Special Purpose entity (SPE) formed on July 2014, for the purpose of holding certificate of participation of Patrimonio en Fideicomiso – D.S. N°093-2002 – EF - Interproperties Holding and Patrimonio en Fideicomiso – D.S. N°093-2002-EF-Interproperties Holding II and shock of Real Plaza S.R.L. and InRetail Properties Management S.R.L.

(b) Patrimonio en Fideicomiso – D.S.N°093-2002 – EF - Interproperties Holding and Patrimonio en Fideicomiso – D.S. N°093-2002-EF-Interproperties Holding II (hereinafter "Interproperties Holding" and "Interproperties Holding II", respectively)
Interproperties Holding e Interproperties Holding II are two special purpose entities (SPEs) formed for the purpose of holding the certificates of participation of Patrimonio en Fideicomiso- D.S. N° 093-2002-EF Interproperties Perú (hereinafter "Interproperties Perú"), which is a trust fund formed with the purpose of holding the real estate assets of InRetail Real Estate and obtains the necessary funding for developing investment plans.

Additionally, Interproperties Holding II owns 95 percent of participation in the net assets of Patrimonio Fideicometido – D.S. N°093-2002-EF-Interproperties Puerta del Sol which is a special purpose entity formed to own and handle Real Plaza Cusco "San Antonio" Shopping Mall.

(c) Real Plaza S.R.L. (hereinafter "Real Plaza")
An entity focused on operating the shopping malls (20 as of June 30, 2015 and December 31, 2014) and maintaining and developing relationships with the tenants. Real Plaza operates under the name of "Real Plaza Shopping Mall".

As of June 30, 2015, Real Plaza manages shopping malls in Chiclayo, Piura, Chimbote, Trujillo, Huancayo, Arequipa, Juliaca, Huánuco, Cusco, Cajamarca and Lima.

(d) InRetail Properties Management S.R.L. (formerly Interproperties Perú S.A., hereinafter "InRetail Properties Management")
An entity focused on securing new locations and developing shopping malls. Additionally provides the staff which manages and operates Interproperties Holding and Interproperties Holding II.

3. Summary of significant accounting policies

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

3.1 Basis of preparation and presentation

The interim consolidated financial statements of InRetail Real Estate have been prepared in accordance with the International Accounting Standard 34 "Interim financial reporting". Also, the accounting policies adopted in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the InRetail Real Estate´s annual consolidated financial statements for the year ended December 31, 2014 which were audited. Therefore, these interim consolidated financial statements should be read in conjunction with such audited consolidated financial statements.

The interim consolidated financial statements have been prepared on a historical cost basis, except for investment properties, which have been measured at fair value. The interim consolidated financial statements are presented in Nuevos Soles and all values are rounded to the nearest thousands of Nuevos Soles (S/.(000)), except where otherwise indicated.

The interim consolidated financial statements do not include all information and disclosures required for annual consolidated financial statements and should be read together with consolidated financial statements as of December 31, 2014.

3.2 New standards and interpretations adopted by InRetail Real Estate–

Several standards and amendments have come into effect from January 1, 2015; however, in the opinion of InRetail Real Estate´s Management, they have no impact on the accompanying unaudited consolidated financial statements as of June 30, 2015.

3.3 Significant estimations and assumptions

InRetail Real Estate´s Management has used certain estimates and assumptions for the preparation of the interim consolidated financial statements, such as the method of depreciation, useful lives and residual values of facilities, furniture and equipment, fair value of investment properties, impairment of non-financial assets and taxes estimation; therefore, the final results could differ from the amounts recorded by the InRetail Real Estate.

4. Cash and cash equivalent

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

	As of June 30, 2015 S/.(000)	As of December 31, 2014 S/.(000)
Time deposits (b)	3,174	62,945
Current accounts (c)	8,682	33,537
Interest - bearing accounts (d)	436	5,254
Management and security trust current (e)	4,648	7,973
Restricted funds	493	1,027
Cash	40	33
	17,473	110,769

(b) As of June 30, 2015, time deposits are unrestricted, maintained in US dollars in local financial institutions, have maturities of up to one month since its inception and bear annual interests of 0.05 percent annual in foreign currency (3.95 percent annual as of December 31, 2014 for local currency).

(c) The current accounts comprise accounts in Nuevos Soles and US dollars, in local financial institutions, free of liens, unrestricted and do not bear interests.

(d) As of June 30, 2015, the Company maintains interest - bearing accounts in Nuevos Soles and dollars in local financial institutions. These accounts generated average annual interest rates of 3.15 percent for local currency and 0.10 percent for foreign currency.

(e) As of June 30, 2015 corresponds to the bank accounts, which serve as means of payment of the guaranteed obligations with regard to the leasing granted by Banco de Crédito del Perú in favor of Interproperties Holding II in compliance with the contract of management and security trust.

5. Available for-sale investment

As of June 30, 2015, corresponds to bonds issued by Intercorp Ltd, which are denominated in US dollars, have a maturity in 2025, and accrue effective annual interests at a rate of 5.785 percent. The valuation results, net of tax, amounted to S/.1,065,000 as of June 30, 2015 and are presented in the “Unrealized results” caption of the consolidated statements of changes in equity.

The fair value is determined by price quotations published in an active market.

6. Investments at fair value through profit or loss

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

	As of June 30, 2015 S/.(000)	As of December 31, 2014 S/.(000)
Mutual funds managed by Interfondos SAF S.A.	4,512	-
Mutual funds managed by Sura SAF S.A.C.	19,044	-
Other	-	23
	23,556	23

As of June 30, 2015 these mutual funds were comprised of a portfolio of financial instruments issued by renowned financial institutions in the local market. The results from this valuation are presented in the "Financial Income" caption of the consolidated statements of income.

7. Trade receivables

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

	As of June 30, 2015 S/.(000)	As of December 31, 2014 S/.(000)
Bills receivable (b)	22,409	19,342
Unbilled services (c)	10,363	9,262
	32,772	28,604
Minus -		
Allowance for doubtful accounts	(4,932)	(3,863)
	27,840	24,741

(b) As of June 30, 2015 and December 31, 2014, trade accounts receivable are denominated in Nuevos Soles and US dollars, have current maturities and do not accrue interests.

(c) As of June 30, 2015 and December 31, 2014, mainly corresponds to unbilled lease services for variable and fixed rents, which are billed during the following quarter.

(d) As of June 30, 2015 and December 31, 2014, the analysis of trade receivables is as follows:

	As of June 30, 2015		
	Non-impaired S/.(000)	**Impaired** S/.(000)	**Total** S/.(000)
Unbilled services	10,363	-	10,363
Past-due			
From 1 to 90 days	8,270	-	8,270
From 91 to 120 days	2,658	-	2,658
From 121 to 180 days	3,074	132	3,206
From 181 to 270 days	2,787	1,685	4,472
More than 271 days	688	3,115	3,803
	27,840	4,932	32,772

	As of December 31, 2014		
	Non-impaired S/.(000)	**Impaired** S/.(000)	**Total** S/.(000)
Unbilled services	9,262	-	9,262
Past-due			
From 1 to 90 days	12,878	6	12,884
From 91 to 120 days	977	17	994
From 121 to 180 days	914	262	1,176
From 181 to 270 days	550	856	1,406
More than 271 days	160	2,722	2,882
	24,741	3,863	28,604

Past-due trade accounts receivable mainly correspond to tenants, who hold current contracts at the date of this report and are operating in the shopping malls. Likewise, the past-due accounts which have a payment agreement are considered as not impaired; therefore they do not represent risk of uncollectibility.

(e) The movement of the provision for impairment as of June 30, 2015 and December 31, 2014 is as follows:

	As of June 31, 2015 S/.(000)	**As of June 31, 2014** S/.(000)
Balance as of January 1	3,863	2,488
Additions net	1,058	825
Exchange difference	11	-
Final balance as of	4,932	3,313

In the opinion of InRetail Real Estate Management, the provision for impairment appropriately covers the credit risk as of June 30, 2015 and December 31, 2014.

8. Other receivables

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

	As of June 30, 2015 S/.(000)	As of December 31, 2014 S/.(000)
By type:		
Claims (b)	1,934	1,934
Outstanding advances	1,643	1,138
Other	692	551
	4,269	3,623
By term:		
Current	2,335	1,689
Non-current	1,934	1,934
	4,269	3,623

(b) Corresponds to the property sales tax (Alcabala) paid in excess to a municipality amounting to S/.1,934,000 for the purchase of a land lot in the city of Piura, for which Interproperties Holding II has filed a complaint to the Tax Administration Service ("SAT", by its Spanish acronym). In the opinion of InRetail Real Estate's management and its legal advisors, this claim will be resolved in favor of them, however will be recovered in a long term.

(c) In the opinion of InRetail Real Estate's Management, it is not necessary to make a provision for impairment as of June 30, 2015 and December 31, 2014, as no credit risk has been identified.

7. Prepaid expenses

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

	As of June 30, 2015 S/.(000)	As of December 31, 2014 S/.(000)
Rental payments made in advance (b)	2,780	3,520
Cost payments of use land contract (c)	2,750	2,750
Insurance	1,431	838
Other	3,828	212
	10,789	7,320

(b) As of June 30, 2015, corresponds to rental payments made in advance in compliance with a surface rights contract for land lots located in the department of Chiclayo and Cusco where a real estate project is being developed. The advance corresponds to the payment of 30 and 36 months of rent and started accruing from the completion date of the project, respectively.

(c) Corresponds to the guarantee provided to a third party for the acquisition of the surface right of a land lot in the city of Chiclayo, which will be returned when InRetail Real Estate makes the first payment of variable rent when operations start on said land.

10. Recoverable taxes

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

By type:	As of June 30, 2015 S/.(000)	As of December 31, 2014 S/.(000)
Tax credit recoverable for value-added-tax (b)	111,534	126,817
Funds held in Banco de la Nación	22,004	24,670
Income Tax payment	1,178	1,276
	134,716	152,763
By term:		
Current	45,418	47,806
Non-current	89,298	104,957
	134,716	152,763

(b) Corresponds to the tax credit for value-added-tax originated mainly by the development and construction of the shopping malls of Lima and provinces, as well as by other payments related to the operations of Interproperties Holding and Interproperties Holding II (SPE´s). In the opinion of InRetail Real Estate´s Management, this tax credit will be recovered by setting off against to the balances payable of said tax generated mainly by the rental income from InRetail Real Estate's properties.

11. Facilities, furniture and equipment, net

(a) The movement of cost and accumulated depreciation is presented below:

	Facilities S/.(000)	Furniture and fixtures S/.(000)	Transport units S/.(000)	Computer equipment and miscellaneous S/.(000).	Work in progress S/.(000)	Total S/.(000)
Cost						
Balance as of January 1, 2015	959	2,851	554	4,927	3,686	12,977
Additions	432	53	109	7	1,672	2,273
Adjustment	3,899	641	(28)	182	(4,694)	-
Disposals	(683)	-	(80)	-	-	(763)
Balance as of June 30, 2015	4,607	3,545	555	5,116	664	14,487
Accumulated depreciation						
Balance as of January 1, 2015	708	1,206	177	1,691	-	3,782
Depreciation of the period	401	225	43	586	-	1,255
Adjustment	(683)	-	(80)	-		(763)
Balance as of June 30, 2015	426	1,431	140	2,277	-	4,274
Net cost as of June 30, 2015	4,181	2,114	415	2,839	664	10,213
Net cost as of December 31, 2014	251	1,645	377	3,236	3,686	9,195

(b) As of June 30, 2015 and December 31, 2014, there are not pledges or guarantees provided to third parties on the facilities, furniture and equipment of InRetail Real Estate.

(c) As of June 30, 2015 and 2014, InRetail Real Estate's Management performed an assessment of the facilities, furniture and equipment, and has not found any impairment indicator on said assets. In its opinion, the book value of the facilities, furniture and equipment is recoverable with the income generated by InRetail Real Estate.

12. Investment properties

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

	As of June 30, 2015 S/.(000)	As of December 31, 2014 S/.(000)	Valuation methodology As of June 30, 2015	As of December 31, 2014
Built on owned land				
Real Plaza Chiclayo Shopping Mall (ii)	248,562	253,183	DCF	DCF
Real Plaza Primavera Shopping Mall (ii)	215,312	212,800	DCF	DCF
Real Plaza Piura Shopping Mall (ii)	183,800	181,394	DCF	DCF
Real Plaza Trujillo Shopping Mall (ii)	143,548	141,245	DCF and Appraisal	DCF and Appraisal
Real Plaza Cajamarca Shopping Mall (ii)	118,461	117,268	DCF	DCF
Puruchuco	115,987	115,143	Cost and Appraisal	Cost and Appraisal
Real Plaza Santa Clara Shopping Mall (ii)	102,333	100,534	DCF and Appraisal	DCF and Appraisal
Real Plaza Pro Shopping Mall (ii)	91,734	90,678	DCF	DCF
Real Plaza Chorrillos Shopping Mall (ii)	61,038	58,839	DCF	DCF
Real Plaza Sullana Shopping Mall (ii)	57,507	-	DCF	-
Real Plaza Nuevo Chimbote Shopping Mall (ii)	25,513	25,335	DCF	DCF
Jirón de la Unión-Store	23,784	23,579	DCF	DCF
Chacarilla	22,054	22,054	(iv)	(iv)
Carabayllo	16,522	16,521	(iii)	(iii)
Tarapoto	13,991	13,922	(iii)	(iii)
Zapallal	12,272	12,272	(iii)	(iii)
Cañete Valley land	14,396	13,369	Appraisal	Appraisal
Property in San Juan de Lurigancho	10,430	10,036	DCF	DCF
Pisco	2,874	2,811	(iii)	(iii)
Pueblo Joven Miramar Bajo Mz A Lt 16 – Chimbote – Santa – Ancash (iii)	1,884	1,718	DCF and Appraisal	DCF and Appraisal
Built on surface or usufruct rights				
Real Plaza Salaverry Shopping Mall (i)	402,918	397,374	DCF	DCF
Real Plaza "San Antonio" Cusco Shopping Mall (i), (ii)	240,251	237,428	DCF	DCF
Real Plaza Centro Cívico Shopping Mall (i)	228,140	216,571	DCF	DCF
Real Plaza Huancayo Shopping Mall (i) y (ii)	153,917	150,597	DCF	DCF
Real Plaza Huánuco Shopping Mall (i) y (ii)	118,682	117,335	DCF	DCF
Real Plaza Arequipa Shopping Mall (i) y (ii)	90,634	90,695	DCF	DCF
Real Plaza Juliaca Shopping Mall (i) y (ii)	91,016	90,422	DCF	DCF
Usufruct rights				
Peramás (i)	4,606	4,605	Cost	Cost
La Curva (i)	852	852	Cost	Cost
Moquegua (i)	1,102	1,102	Cost	Cost
Others	131	118	Cost	Cost
	2,814,251	2,719,800		

DCF: Discounted cash flow

(i) For the construction of these shopping malls and properties, surface rights contracts were subscribed with the Arzobispado de Cuzco (on land in Cusco "San Antonio"), Municipalidad provincial de Huánuco (on land of "Real Plaza Huánuco" shopping mall), Oficina de Normalización Previsional – ONP (Centro Cívico), Despensa Peruana S.A. and Mercantil Inca S.A. (Peramás), Inmobiliaria Pazos S.A.C. (La Curva), Gobierno Regional de Moquegua (Moquegua), Ferrovías Central Andina S.A.(Huancayo); the Association denominated "Religiosas del Sagrado Corazón de Jesús" (Arequipa), Ferrocarril Trasandino S.A.(Juliaca), and the Marina de Guerra del Perú (Salaverry). These contracts have terms for periods between 20 to 70 years.

(ii) Correspond to the "Real Plaza" shopping malls, which comprise a hypermarket, department store, commercial premises, a cinema complex and entertainment zone for which there have been subscribed contracts that include minimum monthly fixed rental payments and variable payments based on the retail sales of the tenants.

(iii) Correspond to lands on which real estate projects will be developed, mainly shopping malls branded "Real Plaza". In the opinion of InRetail Real Estate´s Management the book value of these investment properties does not differ significantly from their fair value as of June 30, 2015 and 2014 since Management has been managing the related licenses for their development.

(b) The movement of this caption for the six-month periods ended as of June 30, 2015 is as follows:

	June 30, 2015 S/.(000)
Balance as of January 1	2,719,800
Additions	80,693
Fair value adjustment (*)	13,758
Final balance as of December 31	2,814,251

(*) The fair value adjustment for the period ended as of June 30, 2014 amounted to S/. 24,241,000.

The fair value of the investment properties has been determined by InRetail Real Estate´s Management on the basis of the discounted cash flows method and based on the value assigned by an independent appraiser in the case of the land of investment properties under construction and for those held to operate in the future. The valuation is prepared on an aggregated and deleveraged basis. In order to estimate the fair value of investment properties, Management has used its market knowledge and professional judgment.

A brief description of the cash flow assumptions used as of June 30, 2015 and 2014, is presented below:

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

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

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

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

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

13. Trade payables

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

	As of June 30, 2015 S/.(000)	As of December 31, 2014 S/.(000)
Third parties (b)	17,075	26,262
Provisions for unbilled services but received (c)	244	4,152
	17,319	30,414

(b) As of June 30, 2015 and 2014, trade payables mainly comprise the liabilities with contractors for the construction works and/or refurnishing of shopping malls. Bills payable are denominated in Nuevos Soles and US dollars, do not accrue interests and their maturities are in the current period.

(c) Correspond to provisions for services received but unbilled by suppliers, mainly from services provided by construction companies in the last quarter of the period. In the opinion of InRetail Real Estate's Management, said provisions are enough to fulfill the liabilities once they are billed.

14. Other liabilities

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

	As of June 30, 2015 S/.(000)	As of December 31, 2014 S/.(000)
Deferred income (b)	31,714	35,798
Interests payable (c)	35,984	34,741
Land purchase (d)	3,293	3,097
Deposits from third parties (e)	2,958	3,007
Workers' profit sharing	340	2,135
Taxes payable	214	2,847
Vacations	1,667	1,212
Other payable	7,759	6,608
	83,929	89,445

	As of June 30, 2015 S/.(000)	As of December 31, 2014 S/.(000)
By term:		
Current	52,215	53,647
Non-current	31,714	35,798
	83,929	89,445

(b) The composition of the deferred income caption is presented below:

	As of June 30, 2015 S/.(000)	As of December 31, 2014 S/.(000)
Key money (b.1)	27,584	27,737
Advanced rents (b.2)	3,231	8,061
Others	899	-
	31,714	35,798

(b.1) As of June 30, 2015 and December 31, 2014, corresponds to the payment of key money from several tenants that operate in the Real Plaza shopping malls.

The movement of the deferred income of key money for the six-month period ended as of June 30, 2015 is as follows:

	2015 S/.(000)
Balance as of January 1	27,737
Additions	3,187
Accrued key money	(3,340)
Balance As of June 30,	27,584

(b.2) As of June 30, 2015 and 2014, corresponds mainly to advanced rents made by Cineplex S.A. (a related entity) and Ripley (third entity) for the premises it operates in Real Plaza Pro Shopping Mall and Salaverry Shopping Malls respectively.

(c) As of June 30, 2015 corresponds mainly to interest's payable originated by Senior Notes offered maturing in 2021. Interest on the notes will accrue at a rate of 6.5% per year and will be semi-annually in arrears on January and July of each year.

(d) As of June 30, 2015 and December 31, 2014, correspond to the balance payable from the acquisition of land lots located in Carabayllo. These accounts will be cancelled during the next quarter, in compliance with the purchase contracts, and do not accrue interests.

(e) As of June 30, 2015 and December 31, 2014 it mainly correspond to cash deliveries from the tenants of the Real Plaza shopping malls Arequipa, Primavera, Pro, Santa Clara, Huancayo, Huánuco, Trujillo, Cajamarca, Juliaca, Salaverry, Centro Cívico and Nuevo Chimbote. These deposits do not accrue interests and will be refunded in the original currency at the end of the lease contract.

15. Financial obligations

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

Type of obligation	Original currency	Interest rate %	Maturity	Original amount in thousands	As of June 30, 2015 Total S/.(000)	Current S/.(000)	Non-current S/.(000)	As of December 31, 2014 Total S/.(000)	Current S/.(000)	Non-current S/.(000)
Leasing										
Related parties										
Banco Internacional del Perú S.A.A – Interbank, Real Plaza San Antonio del Cusco Shopping Mall (b)	S/.	8.90	2026	108,300	964	74	890	988	47	941
Banco Internacional del Perú S.A.A – Interbank, purchase of transport units	US$	6.45	2016	113	181	107	74	219	102	117
Unrelated parties										
Banco de Crédito del Perú S.A., purchase of property of Real Plaza Chiclayo Shopping Mall (c)	S/.	8.02	2019	54,748	19,578	4,201	15,377	21,103	3,746	17,357
Banco de Crédito del Perú S.A., enlargement of Section 2A of Real Plaza Chiclayo Shopping Mall (d)	S/.	7.97	2023	32,926	30,205	2,711	27,494	31,489	2,614	28,875
Banco de Crédito del Perú S.A., enlargement of Section 2B of Real Plaza Chiclayo Shopping Mall (e)	S/.	8.06	2024	20,727	19,167	1,540	17,627	19,897	1,485	18,412
IBM Perú S.A.C.	US$	3.10	2016	100	53	53	-	119	88	31
IBM Perú S.A.C.	US$	4.26	2017	613	1,384	646	738	1,595	602	993
Hewlett Packard S.A.	US$	1.92	2017	103	237	117	120	256	92	164
Promissory notes										
Unrelated parties										
IBM Perú S.A.C.	US$	7.45	2015	86	27	27	-	43	31	12
Banco Internacional del Perú S.A.A – Interbank, working capital	US$	4.02	2015	322	442	442	-	960	960	-
Notes Issuance (f)										
Foreign currency notes issuance	US$	6.50	2021	350,000	926,351	-	926,351	899,188	-	899,188
Local currency notes issuance	S/.	7.875	2034	141,000	129,242	-	129,242	135,530	-	135,530
Total					1,127,831	9,918	1,117,913	1,111,387	9,767	1,101,620

(b) Inmobiliaria Puerta del Sol S.A. (IPS) entered into a leaseback agreement with Banco Internacional del Perú S.A.A. - Interbank to build the building where the Real Plaza San Antonio shopping mall operates. This leaseback was agreed for a former amount of S/.108,300,000, with a term of 144 months and a grace period of 6 months, which will be computed from the date the asset is finished. During the first semester of 2014, the bank disbursed the total amount of the debt, however on September 2014 the Company made a prepayment of S/.107,300,000, and as of result of this transaction the debt balance amounted to S/.1,000,000.

In order to secure the payment of this funding, IPS subscribed a cash flow trust contract with La Fiduciaria S.A., through which the former binds to channel all the future cash flows from the credit rights derived, generated or caused, as consequence of each and every asset comprised in the Real Plaza San Antonio project to the escrow accounts so that these assets serve as security for the guaranteed obligations.

(c) Corresponds to a leasing agreement with Banco de Crédito del Perú (hereinafter "BCP"), for an approximate amount of S/.54,748,000, over a term of 120 months, for the properties Interseguro sold through a landlord lease contract. This loan was used mainly for the acquisition of the property where Real Plaza Chiclayo shopping mall is located. BCP put at disposal the buildings in leasing in favor of Interproperties Peru, due to it made the payment of an initial installment amounting to S/.18,748,000 on October 28, 2009, in accordance to the leasing contract.

This obligation is associated solely with the Real Plaza Chiclayo shopping mall project and is provided with a guarantee and management trust through La Fiduciaria S.A., which securitized the future cash flows of the collection rights of the contracts of lease, sublease, usufruct and any other type of contract that the tenants of Real Plaza Chiclayo shopping mall must pay for: (a) rent (fixed and/or variable), use, penalties, indemnifications, key right and/or any type of consideration for the use or enjoyment of said premises; (b) commissions on events and sponsorships or the leases of spaces for advertisement; and, (c) in a general way, any type of collection related to the activity of Real Plaza Chiclayo shopping mall, which constitute the assets in trust that have been transferred to the trust managed by La Fiduciaria S.A.

In the opinion of InRetail Real Estate´s Management, these obligations have been complied satisfactorily and are within the agreed limits.

(d) During 2012, Interproperties Holding II (SPE), decided to enlarge Real Plaza Chiclayo shopping mall (hereinafter "Enlargement of Section 2A"), for which on December 26, 2012, signed an addendum to the Framework Contract with BCP, which committed to finance the project up to US$12,500,000. As of June 30, 2015 and 2014, it is already operating; therefore, Interproperties Holding II has recorded the corresponding liabilities at such dates.

(e) During 2013, Interproperties Holding II (SPE) continued the enlargement of Real Plaza Chiclayo shopping mall (hereinafter "Enlargement of Section 2B"), for which it signed an addendum to the leasing agreement with BCP, which committed to finance the project for up to US$7,500,000. As of June 30, 2015 and December 31, 2014, the expansion of Section 2B is under construction; however, Interproperties Holding II (SPE) has recorded the corresponding liabilities at such dates.

(f) In July 2014 InRetail Real Estate Corp. issued through In Retail Shopping Malls, a private offering in the local market and abroad of "Senior Unsecured Notes" for US$350,000,000 and S/.141,000,000, bearing an interest rate of 6.50 and 7.875 percent, respectively, and matures in 2021 and 2034. These obligations were recorded in the consolidated financial statements at amortized cost at an annual effective interest rate of 7.783 and 8.012 percent for dollars and nuevos soles issuance, respectively, after considering the respective initial charges of approximately US$29,072,000 and S/.1,800,000. Additionally, as of June 30, 2015, is presented net of US$ 32,775,000 and S/.10,000,000 (approximately equivalent to S /.114,028,000) corresponding to these "Senior Unsecured Notes" held by InRetail Shopping Malls. The proceeds from these issuances were allocated mainly for purchasing property, investments in real estate projects and prepaid of debts owed to Deutsche Bank AG, London Branch, and other local financial institutions.

As of December 31, 2014 Inretail Shopping Malls complied with certain obligations and restrictive clauses that are referred to the compliance with financial ratios. Amongst the main obligations:

Local currency debt:

- The Parent and its restricted subsidiaries will maintain at all times unencumbered assets of not less than 150 percent of the aggregate principal amount of the consolidated unsecured indebtedness of the parent and it’s restricted.
- Leverage Test: The aggregate principal amount of all outstanding indebtedness is not greater than 60 percent of the sum of total assets.
- Secured Debt Test: the aggregate principal amount of all outstanding secured indebtedness is not greater than 40 percent of the sum of total assets.
- Debt Service Test: The ratio of consolidated adjusted EBITDA to consolidated Interest Expense for the period consisting of the four consecutive fiscal quarters ending with the Latest Completed Quarter is greater than 1.50 to 1.00.

Foreign currency debt:

- The Parent and its restricted subsidiaries will maintain at all times unencumbered assets of not less than 150 percent of the aggregate principal amount of the consolidated unsecured indebtedness of the parent and its restricted.
- Leverage Test: The aggregate principal amount of all outstanding indebtedness is not greater than 60 percent of the sum of total assets.
- Secured Debt Test: the aggregate principal amount of all outstanding secured indebtedness is not greater than 30 percent of the sum of total assets.
- Debt Service Test: The ratio of consolidated adjusted EBITDA to consolidated Interest Expense for the period consisting of the four consecutive fiscal quarters ending with the Latest Completed Quarter is greater than 2.00 to 1.00.

In the opinion of InRetail Real Estate’s Management, these obligations have been complied satisfactorily and are within the agreed limits as of June 30, 2015.

(g) Financial obligations are payable as follows:

	As of June 30, 2015 S/.(000)	As of December 31, 2014 S/.(000)
2014	-	9,767
2015	4,017	9,438
2016	8,544	9,438
2017 onwards	1,115,270	1,082,744
	1,127,831	1,111,387

16. Income Tax

(a) The Deferred Income Tax assets and liabilities presented in the consolidated statements as June 30, 2015 and December 31, 2014 is detailed as follows:

	June 30, 2015		December 31, 2014	
	Deferred asset, net S/.(000)	Deferred liability, net S/.(000)	Deferred asset, net S/.(000)	Deferred liability, net S/.(000)
Patrimonio en Fideicomiso – D.S.N°093-2002 – EF - Interproperties Holding	-	83,843	-	62,764
Patrimonio en Fideicomiso – D.S. N°093-2002-EF-Interproperties Holding II	-	78,683	-	64,358
Patrimonio en Fideicomiso – D.S. N°093-2002-EF-Inretail Shopping Malls	22,390	373	2,526	-
Real Plaza S.R.L.	281	-	281	-
InRetail Properties Management S.R.L	111	-	111	-
Total	22,782	162,899	2,918	127,122

(b) Following is the detail of the deferred Income Tax asset and liability as of June 30, 2015 and 2014:

	Balance as of January 1, 2014 S/.(000)	Effect in consolidated statements of comprehensive income S/.(000)	Balance as of June 30, 2014 S/.(000)	Balance as of January 1, 2015 S/.(000)	Effect in consolidated statements of comprehensive income S/.(000)	Effect in equity	Balance as of June 30, 2015 S/.(000)
Deferred asset							
Provision for unpaid vacations	205	-	205	261	-	-	261
Provision for doubtful accounts	29	-	29	115	-	-	115
Depreciation	81	-	81	123	-	-	123
Income tax attributed to trust participants	-	-	-	32,781	19,864	-	52,645
Others	8	-	8	-	-	-	-
	323	-	323	33,280	19,864	-	53,144
Deferred liability, net							
Fair value adjustment for -investment properties	60,971	7,272	68,243	92,039	3,577	-	95,616
Tax depreciation of investment properties	24,026	7,449	31,475	38,088	10,433	-	48,521
Income Tax attributed to trust participants (c)	303	5,912	6,215	27,250	21,394	-	48,644
Others	-	-	-	107	-	373	480
Deferred liabilities, net	85,300	20,633	105,933	157,484	35,404	373	193,261

(c) The Income Tax expense presented in the consolidated statements of income and other comprehensive income for the six-month periods ended as of June 30, 2015 and December 31, 2014 is comprised as follows:

	As of June 30, 2015 S/.(000)	**As of June 30, 2014** S/.(000)
Current	(1,804)	(504)
Deferred	(15,540)	(20,633)
Total	(17,344)	(21,137)

17. Equity

(a) Capital stock -

As of June 30, 2015 and December 31, 2014, the capital stock of InRetail Real Estate Corp. amounts to S/.1,475,706,000 approximately, represented by 568,201,039 shares, issued at a nominal value of US$ 1.00 each.

(b) Earnings per share -

Earnings per share are calculated by dividing the income of the period attributable to the common shareholders of InRetail Real Estate Corp. by the weighted average number of shares outstanding during the year. Because outstanding instruments with dilutive effect are not held, basic and diluted earnings per share are the same.

The calculation of basic and diluted earnings per share is presented as follows:

	Common shares		
	Shares outstanding (000)	**Effective days**	**Weighted average of shares (000)**
For the six-month period as of June 30, 2014			
Number as of June 30, 2014	568,201	183	568,201
Number as of June 30, 2014	568,201		568,201
For the six-month period as of June 30, 2015			
Number as of June 30, 2015	568,201	183	568,201
Number as of June 30, 2015	568,201		568,201

	As of June 30, 2015		
	Net income (numerator) S/.(000)	**Shares (denominator)** (000)	**Earnings per share** S/.(000)
Basic and diluted earnings per share	25,209	568,201	0.0444

	As of June 30, 2014		
	Net income (numerator) S/.(000)	**Shares (denominator)** (000)	**Earnings per share** S/.(000)
Basic and diluted earnings per share	55,482	568,201	0.0976

18. Income from real estate service

(a) The composition of the balance for the six-month periods ended as of June 30, 2015 and 2014 is presented below:

	June 30, 2015 S/.(000)	June 30, 2014 S/.(000)
Rental income		
Rental income (b)	130,933	86,410
Key money	3,340	1,994
Rent of space for publicity	5,605	4,100
	139,878	92,504
Income from management services		
Common expenses (c)	29,220	21,711
Electricity and water (d)	21,671	17,346
Promotion and advertisement fund (e)	7,451	5,158
Advisory and supervision	4,450	4,188
Management service	1,212	1,180
Negotiations of land and buildings	1,630	287
Other	3,651	2,832
	69,285	52,702
	209,163	145,206

(b) As of June 30, 2015 and 2014, corresponds to rental income from the economic exploitation of the “Real Plaza” Shopping Malls.

For the six-month period ended as of June 30, 2015 and 2014, corresponds to rental income from the economic exploitation of the “Real Plaza” shopping malls.

The composition of the rental income is presented below:

	June 30, 2015 S/.(000)	June 30, 2014 S/.(000)
Fixed rental income	113,231	78,341
Variable rental income	17,702	8,069
	130,933	86,410

(c) Corresponds to income from common expenses including expenses of maintenance, safety, management and supervision of shopping malls, which are billed to each tenant according to the terms established in the lease contract.

(d) Corresponds to income from electricity and water that are assumed by the Company and are then billed to every tenant of shopping malls.

(e) Corresponds to income from advertising and promotional activities of Shopping malls, which are billed to every tenant of the shopping malls according to the terms established in the lease contract.

19. Operating costs

(a) The composition of this caption for the six-month periods ended as of June 30, 2015 and 2014 is presented below:

	June 30, 2015 S/.(000)	June 30, 2014 S/.(000)
Cost of rental income		
Property Tax and duties	5,250	4,357
Landlord leases (b)	4,315	3,259
Property insurance costs	1,810	1,506
Others	373	-
	11,748	9,122
Cost related to income from management services		
Electricity and water	22,287	17,171
Personnel expenses	8,679	7,910
Advertising and marketing	7,763	6,997
Cleaning	3,899	3,517
Safety services	3,410	3,113
Maintenance and administration of parking lot	5,582	3,445
Other costs	2,051	1,560
	53,671	43,713

(b) Correspond to the leases of land over which Interproperties Holding and Interproperties Holding II have built or have a shopping mall under construction.

20. Selling and administrative expenses

(a) The composition of this caption for the six-month periods ended as of June 30, 2015 and 2014 is presented below:

	June 30, 2015 S/.(000)	June 30, 2014 S/.(000)
Administrative expenses	11,661	10,875
Selling expenses	3,889	3,390
	15,550	14,265

(b) The components of operating expenses included in the selling and administrative expenses captions are presented below:

	For the six-month periods ended as of June 30,2015		
	Administrative expenses S/.(000)	Sales expenses S/.(000)	Total S/.(000)
Personnel expenses	6,582	2,558	9,140
Professional fees	407	-	407
Depreciation	1,225	-	1,225
Amortization	49	-	49
Allowance for doubtful accounts	-	1,058	1,058
Other expenses	3,398	273	3,671
	11,661	3,889	15,550

	For the six-month periods ended as of June 30,2014		
	Administrative expenses S/.(000)	Sales expenses S/.(000)	Total S/.(000)
Personnel expenses	6,725	2,243	8,968
Professional fees	743	-	743
Depreciation	638	-	638
Amortization	45	-	45
Allowance for doubtful accounts	-	825	825
Other expenses	2,724	322	3,046
	10,875	3,390	14,265

21. Financial income and expenses

The composition of this caption for the six-month periods ended as of June 30, 2015 and 2014 is presented below:

	June 30, 2015 S/.(000)	June 30, 2014 S/.(000)
Income		
Gain from valuation of financial instrument	405	5,024
Interests on deposits	584	590
Interests from granted loan	498	747
Others	871	-
	2,358	6,361
Expenses		
Bond interest expense	(40,003)	-
Interest long-term bank loan	-	(22,306)
Leasing – Real Plaza Chiclayo	(2,714)	(3,162)
Leasing - Real Plaza San Antonio del Cusco	(43)	(3,341)
Debt structuring expenses	(4,381)	(705)
Loss on sale of financial instruments	-	(1,496)
Promissory notes – Real Plaza Primavera	-	(884)
Leasing - Real Plaza Santa Clara	-	(158)
Other financial expenses	(2,538)	(676)
	(49,679)	(32,728)

22. Tax situation

(a) InRetail Real Estate Corp. is incorporated in Panama; therefore, it is 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) Real Plaza and InRetail Properties Management are domiciled in Peru and are subject to the Peruvian tax regime and calculate their Income Tax on the basis of their separate financial statements.

According to 30,296 Act, the tax rate applicable on taxable income, after deducting the of workers profit sharing is as follows:

- Exercise 2015 and 2016: 28 percent
- Exercise 2017 and 2018: 27 percent
- Exercise 2019 onward: 26 percent

(c) 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-resident must be sold in any twelve month period (assumed effective from February 16, 2011); and,

(ii) Second, the market value of the shares of Peruvian society must represent 50 percent or more of the market value of non-domiciled, in any period of twelve months (of course in force since July 22 2011).

(d) Transactions entered into between related parties and/or with tax heaven residents fall into the scope of the Peruvian Transfer Pricing rules. Such rules are based on the application of the arm’s length principle, as understood by the OECD. It is important to mention that Transfer Pricing rules are only applicable for Income Tax purposes, and adjustments are allowed under certain conditions only. Based on the analysis of operations of InRetail, it’s Management and legal advisors believe that the implementation of these standards does not generate any significant contingencies for InRetail Real Estate as of June 30, 2015 and 2014.

(e) The Peruvian Tax Authority is legally entitled to perform tax audit procedures on local taxpayers for up to four years subsequent to the year of the presentation of the tax return. The Tax Authority is entitled to challenge the Income Tax calculation performed by such taxpayers.

In accordance with Peruvian law, Interproperties Holding and Interproperties Holding II are not considered to be taxpayers due to their condition as trusts but they attribute their obtained income, net losses and tax credits on their foreign source income to the holders of their certificates of participation however holds those rights.

Due to the possible interpretations that the Tax Auditory may give to the legal regulations currently in force, it is not possible to determine, to date, whether the examinations performed will or will not result in liabilities for InRetail Real Estate and its Subsidiaries. Thus, any higher tax or charges that could result from eventual tax examinations would be applied to the results of the period in which such tax or surcharge are determined.

In the opinion of the Management of InRetail Real Estate and of its legal advisors, any subsequent additional settlement of taxes would not be significant for the consolidated financial statements as of June 30, 2015 and December 31, 2014.

23. Transactions with related companies

(a) As result of transactions with related parties, InRetail Real Estate presents the following balances in the consolidated statements of financial position as of June 30, 2015 and December 31, 2014:

	June 30,2015 S/.(000)	December 31,2014 S/.(000)
Trade and other receivable		
Supermercados Peruanos S.A.	8,011	9,580
Tiendas Peruanas S.A	4,611	2,945
Cineplex S.A.	5,161	4,687
Homecenters Peruanos S.A.	5,116	2,445
Bembos	1,291	839
Banco Internacional del Perú S.A.A.-Interbank	1,172	977
Eckerd Perú S.A.	256	72
Intercorp Perú Ltd. (b)	1,160	37,457
Interseguro Compañía de Seguros S.A.	1,772	-
Other related companies	5,660	2,420
	34,210	61,422
Trade and other payable		
Tiendas Peruanas S.A	177	-
Interseguro Compañía de Seguros S.A.	-	55
Supermercados Peruanos S.A.	14	28
Inteligo	-	106
Other related companies	522	23
	713	212
Financial obligations		
Leasing		
Banco Internacional del Perú S.A.A.-Interbank	1,406	988

(b) As of June 30, 2015 corresponds to bonds issued for Intercorp Perú Ltd and accrue effective annual interests at a rate of 5.785 percent. As of December 31, 2014 corresponds to loans to Intercorp Perú; it accrued interests at an annual interest rate of 6.625 percent.

(c) As of June 30, 2015 and December 31,2014, InRetail Real Estate holds balances with its related entity Banco Internacional del Perú S.A.A. – Interbank in the cash and cash equivalent caption for an amount of S/.12,723,000 and S/.92,726,000, respectively.

(d) Transactions with related companies have been performed under normal market conditions. The taxes that these transactions generated, as well as the calculation bases for their determination, are the usual ones in the industry and they are settled in accordance with the current tax regulations.

24. Financial risks management

The activities of InRetail Real Estate expose it to a variety of financial risks, which include the effects of the changes in the exchange rates, interest rate, credit and liquidity. The program of risk management of InRetail Real Estate tries to minimize the potential adverse effects in its financial performance.

InRetail Real Estate'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.

The most important aspects for the management of these risks are:

(a) Market risk -

It is the risk that the fair values of the future cash flows of a financial instrument fluctuate due to changes in market prices. Market prices comprise three types of risk: interest rate risk, currency risk and investments in shares risk. In the case of InRetail Real Estate, the financial instruments affected by market risks include loans, which are exposed to currency risk and interest rate risk.

The sensitivity analysis shown in the following section relates to the position as of June 30, 2015 and December 31, 2014. The sensitivity analysis has been prepared considering that the total amount of the net debt and the proportion of financial instruments in foreign currency is constant.

(i) Interest rate risk -

It is the risk that the fair values or future cash flows of a financial instrument fluctuate due to changes in market interest rates. InRetail Real Estate manages its interest rate risk through the obtaining of debt with fixed interest rate. As of June 30, 2015 and December 2014, InRetail Real Estate does not maintain debts at variable rate, which would be exposed to the risk of change in the interest rate.

(ii) Exchange rate risk -

It is the risk that the fair values or future cash flows of a financial instrument fluctuate due to changes in exchange rates. The exposure of InRetail Real Estate to exchange rate risk is related mainly to the operating activities of InRetail Real Estate related to rental income in foreign currency and financial obligations.

As of June 30, 2015 and December 31, 2014, assets and liabilities by currency were the following (expressed in US$ dollars):

	As of June 30, 2015 US$(000)	As of December 31, 2014 US$(000)
Assets		
Cash and cash equivalent	1,412	1,227
Available-for-sale investment	6,000	4,536
Investment at fair value through profit or loss	16,364	
Trade receivables	643	944
Other receivables	66	11
Accounts receivable from related parties	2,928	13,449
	27,413	20,167
Liabilities		
Trade payable	(388)	(146)
Other liabilities	(11,150)	(11,949)
Accounts payable from related parties	-	(10)
Financial obligations	(292,036)	(301,784)
	(303,574)	(313,889)
Net liability position	(276,161)	(293,722)

InRetail Real Estate is exposed to the effects of fluctuations in the exchange rates of the prevailing foreign currency in its financial position and cash flows. Management sets limits on the exposure levels by currency for the entirety of the daily operations which are monitored daily.

Transactions in foreign currency are performed at free market exchange rates. As of June 30, 2015, the market weighted average exchange rate for transactions in US dollars was S/.3.174 per US$1.00 bid and S/.3.179 per US$1.00 ask (S/.2.981 per US$1.00 bid and S/.2.989 for US$1.00 ask as of December 31, 2014).

For the six-period ended as of June 30, 2015, InRetail Real Estate has incurred into a net loss for exchange difference of approximately S/.51,750,000 (gain of S/.616,000 as of June 30, 2014), which is presented in the caption “Exchange difference, net” the consolidated statements of income and other comprehensive income.

InRetail Real Estate manages the exchange rate risk by monitoring and controlling the values of the exchange position that is not significant in Nuevos Soles (functional currency) exposed to the movements in the exchange rates. InRetail Real Estate measures its yield in Nuevos Soles so that if the exchange position in foreign currency is positive, any depreciation of the US dollar would be affected in a negative manner by the consolidated statements of financial position of InRetail Real Estate. Any devaluation/revaluation of the foreign currency would affect the statements of income and other comprehensive income. The following table presents the sensitivity analysis of US dollars, the currency at which InRetail Real Estate has a significant exposure as of June 30, 2015 and December 31, 2014, in its monetary assets and liabilities and its estimated cash flows. The analysis determines the effect of a reasonably possible change of the US dollar exchange rate, considering other variables to be constant in the consolidated statement of income and other comprehensive income. Any negative amount shows a potential net decrease in the consolidated statement of income and other comprehensive income, while a positive amount reflects a net potential increase.

		Income (expense)	
Sensitivity analysis	**Change in exchange rates**	**As of June 30, 2015**	**As of December 31, 2014**
	%	S/.(000)	S/.(000)
Devaluation -			
US dollars	5	43,903	43,905
US dollars	10	87,805	87,810
Revaluation -			
US dollars	5	(43,903)	(43,905)
US dollars	10	(87,805)	(87,810)

(b) Credit risk –

It is the risk that counterparty could not comply with its obligations regarding a financial instrument or sales contract, thus generating a financial loss. InRetail Real Estate is exposed to credit risk for its operating activities (mainly accounts receivable and loans) and for its financing activities, including bank deposits.

Credit risk related to accounts receivable –

The credit risk of clients is managed by Management, and it is subject to policies, procedures and controls properly established. The pending balances on accounts receivable are reviewed periodically to assure their recovery. The maximum exposure to credit risk at the date of the consolidated statement of financial position is the book value of each class of financial asset.

Credit risk related to financial instruments and bank deposits –

The credit risk of bank balances is managed by Management in accordance with the policies of InRetail Real Estate. The investments of cash surpluses are performed through a first-level related financial institution. The maximum exposure to credit risk as of June 30, 2015 and December 31, 2014, is the book value of the balances of cash and cash equivalent.

(c) Liquidity risk –

Liquidity is controlled through the matching of the maturities of assets and liabilities, the obtaining of credit lines and/or maintaining of liquidity surpluses, which allows InRetail Real Estate to develop its activities in a normal way.

Managing liquidity risk implies maintaining sufficient cash and financing availability, through a suitable amount of committed credit sources and the ability to settle transactions, mainly of indebtedness. In this matter, Management directs its efforts to maintain financing sources through the availability of credit lines.

It is the possibility of losses due to the changes or the volatility of the market prices of market of properties.

25. Fair value of financial instruments –

Fair value is defined as the amount at which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction, assuming an on-going enterprise.

When a financial instrument is traded on 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, to determine such fair value it is possible to use the current fair value of another financial instrument that is substantially similar, discounted cash flow analysis or other techniques applicable thereto, all of which are significantly affected by the assumptions applied. 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 value or settlement value of the financial instruments.

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

(a) Financial Instruments whose fair value is similar to their book value -

For financial assets and liabilities that are liquid or have short-term maturities (less than six months), such as cash and cash equivalents, trade receivables, accounts receivable to related parties and other receivables, trade accounts payable and other current liabilities, it is deemed that their book values are similar to their fair values.

(b) Financial instruments at fixed rate –

The fair value of the financial assets and liabilities at fixed rate and at amortized cost is determined by comparing the market interest rate at the moment of their initial recognition to the current market rates related to similar financial instruments. The estimated fair value of financial obligations that accrue interests is determined through discounted cash flows by using the currently available rates for debts with similar conditions, credit risk and maturities.

26. Subsequent events

From the June 30, 2015 until the date of the present report, there has not been any significant event affecting the interim consolidated financial statements.