**InRetail Perú Corp. and Subsidiaries**

Interim unaudited consolidated financial statements as of December 31, 2012 and 2011

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**Contents**

**Interim consolidated financial statements**

## InRetail Perú Corp. and subsidiaries

Interim consolidated statement of financial position
As of December 31, 2012 and 2011

| | Note | 2012 | 2011 |
|---|---|---|---|
| | | S/(000) | S/(000) |
| **Assets** | | | |
| **Current assets** | | | |
| Cash and short-term deposits | 5 | 1,108,261 | 352,914 |
| Trade receivables | 6 | 74,273 | 46,596 |
| Other receivables | | 13,340 | 15,835 |
| Accounts receivables from related parties | 20 (b) | 109,136 | 19,993 |
| Inventories, net | 7 | 601,962 | 614,822 |
| Available-for-sale investments | 8 | 28,319 | 70,628 |
| Prepayments | | 30,039 | 27,233 |
| Tax recoverable | | 59,975 | 41,639 |
| **Total current assets** | | 2,025,305 | 1,189,660 |
| **Non-current assets** | | | |
| Other recivables, net | | 6,395 | 4,983 |
| Prepayments | | 17,641 | 8,553 |
| Property, furniture and equipment, net | 9 | 1,736,877 | 1,515,172 |
| Investments properties | 10 | 1,103,592 | 761,069 |
| Intengible assets, net | 11 | 1,139,742 | 1,116,578 |
| Other assets | | 278 | 210 |
| **Total non-current assets** | | 4,004,525 | 3,406,565 |
| **Total assets** | | 6,029,830 | 4,596,225 |

| | Note | 2012 | 2011 |
|---|---|---|---|
| | | S/(000) | S/(000) |
| **Liabilities and equity** | | | |
| **Current liabilities** | | | |
| Trade payables | 12 | 1,031,858 | 965,321 |
| Other payables | | 163,967 | 112,402 |
| Interest-bearing loans and borrowings | 13 | 59,712 | 58,775 |
| Accounts payable to related parties | 20(b ) | 15,092 | 25,901 |
| Current income tax | 15(b ) | 25,122 | 6,514 |
| Bonds payables | 14 | 9,770 | 20,907 |
| Deferred revenue | | 3,908 | 8,447 |
| **Total current liabilities** | | 1,309,429 | 1,198,267 |
| Interest-bearing loans and borrowings | 13 | 1,343,315 | 1,352,365 |
| Accounts payable to related parties | 20(b ) | 3,157 | 2,470 |
| Bonds payable | 14 | 264,422 | 129,009 |
| Derivative financial instrument | | 4,995 | 4,042 |
| Deferred revenue | | 21,704 | 11,289 |
| Deferred income tax liabilities | 15 | 182,187 | 166,953 |
| **Total non-current liabilities** | | 1,819,780 | 1,666,128 |
| **Total liabilities** | | 3,129,209 | 2,864,395 |
| **Equity** | | | |
| Capital stock | 16 | 2,740,442 | 1,306,455 |
| Additional paid in capital | | (50,667) | 122,019 |
| Unrealized results on financial instruments | | 374 | 2,117 |
| Retained earnings | | 210,353 | 299,468 |
| **Equity attributable to owners of the parent** | | 2,900,502 | 1,730,059 |
| Non-controlling interests | | 119 | 1,771 |
| **Total equity** | | 2,900,621 | 1,731,830 |
| **Total liabilities and equity** | | 6,029,830 | 4,596,225 |

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

**InRetail Perú Corp. and Subsidiaries**

Interim consolidated Income statement
For the periods ended December 31, 2012 and 2011

| | Note | 2012 | 2011 |
|---|---|---|---|
| | | S/.(000) | S/.(000) |
| Net sales of goods | | 4,605,654 | 4,122,441 |
| Rental income | | 111,635 | 85,832 |
| Rendering of services | | 66,630 | 33,893 |
| **Revenue** | | 4,783,919 | 4,242,166 |
| Cost of sales | 18 | (3,434,134) | (3,087,382) |
| **Gross profit** | | 1,349,785 | 1,154,784 |
| Other operating income | | 78,534 | 53,621 |
| Selling expenses | 18 | (874,298) | (778,875) |
| Administrative expenses | 18 | (164,966) | (151,939) |
| Other operating expenses | | (22,862) | (13,983) |
| **Operating profit** | | 366,193 | 263,608 |
| Finance income | | 105,123 | 24,727 |
| Finance costs | 19 | (162,074) | (101,992) |
| **Profit before income tax** | | 309,242 | 186,343 |
| Income tax expense | 15 | (90,931) | (62,772) |
| **Profit for the period** | | 218,311 | 123,571 |
| **Attributable to:** | | | |
| Owners of the parent | | 218,300 | 123,433 |
| Non-controlling interests | | 11 | 138 |
| | | 218,311 | 123,571 |
| **Earnings per share:** | 21 | | |
| Basic and diluted profit for the period attributable to ordinary equity holders of the parent | | 2.56 | 1.69 |

All items above are related to continuing operations

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

**InRetail Perú Corp. and Subsidiaries**

Interim consolidated statement of comprehensive income
For the periods ended December 31, 2012 and 2011

| | Note | 2012 | 2011 |
|---|---|---|---|
| | | S/.(000) | S/.(000) |
| **Profit for the period** | | 218,311 | 123,571 |
| **Other comprehensive income** | | | |
| Unrealized gain on available-for-sale investments | | 306 | 3,202 |
| Transfer of the realized gain on available-for-sale investments to the profit for the period | | - | - |
| Unrealized gain on hedging derivate financial instrument | | 378 | |
| Income tax effect | | - | (960) |
| | | 684 | 2,242 |
| Loss on hedging derivative financial instrument | | - | (460) |
| Restructuring adjustment | | | |
| Income tax effect | | - | 138 |
| | | - | (322) |
| **Other comprehensive income for the period, net of income tax effects** | | 684 | 1,920 |
| **Total comprehensive income for the period** | | 218,995 | 125,491 |
| **Attributable to:** | | | |
| Owners of the parent | | 218,983 | 125,346 |
| Non-controlling interests | | 12 | 145 |
| | | 218,995 | 125,491 |

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

**InRetail Perú Corp. and Subsidiaries**

## Interim consolidated statement of change in equity

For the periods ended December 31, 2012 and 2011

| | Capital stock | Additional paid in capital | Restructuring adjustment | Unrealized results on financial instruments | Retained earnings | Total | Non-controlling interest | Total equity |
|---|---|---|---|---|---|---|---|---|
| | S/(000) | S/(000) | | S/(000) | S/(000) | S/(000) | S/(000) | S/(000) |
| **As of january 1, 2011** | 502,192 | 231,021 | - | 204 | 263,820 | 997,237 | 1,629 | 998,866 |
| Profit for the period | | | | | 123,433 | 123,433 | 138 | 123,571 |
| Other Comprensive income | | | | 1,913 | - | 1,913 | 7 | 1,920 |
| **Total comprehsive income** | - | - | - | 1,913 | 123,433 | 125,346 | 145 | 125,491 |
| Capital contribution | 804,263 | 9,925 | | | | 814,188 | - | 814,188 |
| Dividends | | | | | (21,457) | (21,457) | | (21,457) |
| Deemed distribution | | (118,927) | | | (65,397) | (184,324) | | (184,324) |
| Other | | | | | (931) | (931) | (3) | (934) |
| **As of December 31, 2011** | 1,306,455 | 122,019 | - | 2,117 | 299,468 | 1,730,059 | 1,771 | 1,731,830 |
| **As of january 1, 2012** | 1,306,455 | 122,019 | - | 2,117 | 299,468 | 1,730,059 | 1,771 | 1,731,830 |
| Profit for the period | | | | | 218,300 | 218,300 | 11 | 218,311 |
| Other comprensive income | | | | 683 | | 683 | 1 | 684 |
| | | | | 683 | 218,300 | 218,983 | 12 | 218,995 |
| Capital contribution for reorganization | 197,541 | - | - | (2,426) | (193,372) | 1,743 | (1,743) | - |
| Capital contribution | 597,362 | 560,875 | | | | 1,158,237 | - | 1,158,237 |
| Capitalization | 37,209 | (17,927) | | | (19,282) | - | | |
| Deemed distribution | | (113,758) | | | (91,045) | (204,803) | - | (204,803) |
| Dividends | | | | | (1,950) | (1,950) | - | (1,950) |
| Other | 601,875 | | (601,876) | | (1,766) | (1,767) | 79 | (1,688) |
| **As of December 31, 2012** | 2,740,442 | 551,209 | (601,876) | 374 | 210,353 | 2,900,502 | 119 | 2,900,621 |

The accompanying notes are an integral part of these consolidated statements

**InRetail Perú Corp. and Subsidiaries**

## Interim consolidated statement of cash flows

For the periods ended December 31, 2012 and 2011

| | 2012 | 2011 |
|---|---|---|
| | S/.(000) | S/.(000) |
| **Operating activities** | | |
| Profit net | 218,311 | 123,571 |
| **Non-cash adjustment to reconcile profit before tax to net cash flows** | | |
| Allowance for doubtful accounts receivable, net of recoveries | 796 | 1,517 |
| Depreciation of property, furniture and equipment | 91,201 | 93,390 |
| Amortization of intangible assets | 6,728 | 7,197 |
| Provision for inventory impairment, net of recoveries | 2,777 | 2,128 |
| Loss on disposal of property, furniture and equipment and intangible assets | 2,212 | 10,325 |
| Gain on valuation of investment properties | (53,685) | (51,478) |
| Deferred income | (4,496) | (7,374) |
| Finance costs | 168,134 | 95,545 |
| Finance income | (10,213) | (24,727) |
| Other | 15,322 | (3,603) |
| **Working capital adjustments** | | |
| Decrease (increase) in trade receivables | (28,473) | (13,167) |
| Increase in other receivables | 3,586 | 62,727 |
| Decrease (increase) in inventory | 10,083 | (125,479) |
| Increase in prepayments | (11,895) | (15,699) |
| Increase in taxes recoverable | (18,336) | 32,133 |
| Increase in trade payables | 76,909 | 116,968 |
| Increase (decrease) in other payables | 88,889 | (18,288) |
| | 339,539 | 162,115 |
| **Net cash flows from operating activities** | 557,850 | 285,686 |
| **Investing activities** | | |
| Sale of property, furniture and equipment, net of | - | 664 |
| Purchase of property, furniture and equipment, net of acquisitions through leasing contracts | (246,371) | (311,383) |
| Purchase and development of intangible assets | (29,892) | (5,593) |
| Purchase of investment properties | (288,838) | (95,480) |
| Purchase of subsidiary, net of cash received | - | (1,019,267) |
| Proceeds from available-for-sale investments | (99,265) | - |
| Proceeds from available-for-sale investments | 45,881 | (68,906) |
| **Net cash flows used in investing activities** | (618,485) | (1,499,965) |

## Interim consolidated statement of cash flows (continued)

| | 2012 S/.(000) | 2011 S/.(000) |
|---|---|---|
| **Financing activities** | | |
| Proceeds from interest-bearing loans and borrowings | 601,040 | 1,516,768 |
| Capital contribution | 1,158,237 | 814,188 |
| Proceeds from issuance of bonds | - | - |
| Repayment of interest-bearing loans and borrowings | (532,990) | (510,418) |
| Deemed distribution | (204,803) | (184,324) |
| Repayment of bonds payable | (203,552) | (166,370) |
| Interest paid | - | - |
| Dividends | (1,950) | (21,457) |
| **Net cash flows (used in) from financing activities** | 815,982 | 1,448,387 |
| Net (decrease) increase of cash and short-term deposits | 755,347 | 234,108 |
| **Cash and short–term deposits at the beginning of the period** | 352,914 | 118,806 |
| **Cash and short–term deposits at the end of the period** | 1,108,261 | 352,914 |

The accompanying notes are an integral part of these consolidated statements

## InRetail Perú Corp. and Subsidiaries

## Notes to the interim condensed consolidated financial statements

As of December 31, 2012 and 2011

### 1. Business activity and Eckerd Group acquisition

(a) Business activity -

InRetail Peru Corp, formerly IFH Pharma Corp. (hereinafter "the Company), is a limited liability holding incorporated in January 2011 in the Republic of Panama, a subsidiary of Intercorp Retail Inc. Likewise, Intercorp Retail Inc. is a subsidiary of Intercorp Peru Ltd. Formerly IFH Peru Ltd. (a holding company incorporated in Bahamas, hereinafter "Intercorp Peru") which is the ultimate parent of Intercorp Group.

As of December 31, 2012, Intercorp Peru Ltd. owns directly and indirectly 71.75 percent of the Company's capital stock, including 58.04 owned by Intercorp Retail Inc. As of that date the non-controlling interest of the Company is owned by NG Pharma Corp. (a private equity fund), see Note 16.

The Company's legal address is 50 Street and 74 Street, floor 16, PH Building, San Francisco, Republic of Panama; however, its Management and administrative offices are located at Calle Morelli N° 181 4to piso, San Borja, Lima Perú.

The accompanying interim consolidated financial statements as of December 31, 2012 and 2011 were approved by the Board of Directors on February 21, 2013.

(b) Eckerd Group acquisition -

In January 2011, the Company acquired directly and indirectly (i) Eckerd Perú S.A. and subsidiaries, (ii) Droguería de Los Andes S.A. and (iii) Inmobiliaria Espíritu Santo S.A.C. (hereinafter and together "Eckerd Group"); which operate under the commercial brand "Inkafarma" and are dedicated to the nationwide commercialization of pharmaceutical products, cosmetic products, food for medical use and other elements aimed at health protection and recovery through its "Inkafarma" pharmacy chain.

As of December 31, 2012, Eckerd Perú S.A. is the sole owner of Eckerd Amazonía S.A.C. and Boticas del Oriente S.A.C., while Droguería de Los Andres S.A. and Inmobiliaria Espíritu Santo S.A.C. were absorbed in March 2011 and August 2012 respectively, by Eckerd Peru S.A. at book value since it was made between entities under common control. The acquisition of Eckerd Group was accounted for in accordance with IFRS 3 "Business Combinations", by applying the purchase accounting method; as a result, the assets and liabilities acquired including certain intangibles assets not recorded by the acquired companies were recorded at their fair value on the date of their acquisition.

**2. Reorganization of Intercorp Peru's Subsidiaries**

Intercorp Perú and its Subsidiaries ("Intercorp Perú Group"), which comprises several companies operating in Perú and other countries, began the reorganization of its Subsidiaries in the retail and shopping center businesses, in order to have a more organized and effective structure where the Company is the holding that groups the majority of the subsidiaries of Intercorp Perú that operate in the retail and shopping center businesses.

As a result of the reorganization plan, the Company became the direct owner of InRetail Real Estate Corp., which is a new intermediate holding company incorporated in order to group all the companies that comprise the shopping center business, consisting of Real Plaza S.R.L., InRetail Properties Management S.R.L. (formerly Interproperties S.A.), Patrimonio en Fideicomiso – D.S. N° 093-2002-EF-Interproperties Holding and Patrimonio en Fideicomiso – D.S. N° 093-2002-EF-Interproperties Holding II. Likewise, in a series of transactions, 9 shopping centers were transferred to the new organization from Interseguro Compañia de Seguros and Urbi Propiedades S.A. (related entities), recorded by Patrimonio en Fideicomiso – D.S. N° 093-2002-EF-Interpropierties Holding and Patrimonio en Fideicomiso – D.S. N° 093-2002-EF-Interproperties Holding II. The Company also became the direct owner of Supermercados Peruanos S.A., which, along with its subsidiaries Plaza Vea Sur S.A.C. and Peruana de Tiquetes S.A.C., comprise the supermarkets business. Finally, the Company continues to indirectly control the Eckerd Group.

The Reorganization process was accomplished by August 2012. After this reorganization, the Company owns directly:

- 99.98% of Supermercados Peruanos S.A.

- 100.00% of Eckerd Group, and

- 100.00% of InRetail Real Estate Corp.

After the reorganization of Intercorp Perú, the Company became the main retail and shopping center operator of the Intercorp Peru Group. The company and its Subsidiaries, Supermercados Peruanos S.A., Eckerd Group and InRetail Real Estate Corp. (hereinafter and together "The InRetail Group") are dedicated to operating supermarkets, hypermarkets, pharmacies and shopping centers, as well as real estate development. The InRetail Group operation are concentrated in Peru, see Note 3.

The activities, main financial information and other relevant data of each Company's subsidiary are explained in Note 3 below. After the aforementioned transactions, Intercorp Perú continues holding the control of the Company, direct and indirectly.

As the above-described restructuring of Intercorp Perú Group will not lead to a change in Intercorp Perú's control of the Subsidiaries now grouped under the Company, according to international Financial Reporting Standards, the transactions correspond to a reorganization of entities under common control, therefore the reorganization was accounted for using the pooling-of-interest method. Therefore, these interim consolidated financial statements have been prepared under the assumption that the reorganization took place as of January 1, 2010, and the Company was operating in each of the periods presented. Before the effective date of the reorganization (August 2012), the financial statements were denominated Combined Financial Statements. The interim consolidated financial statements as of December 31, 2012, and 2011, reflect the Company as having the 99.98 percent interest in Supermercados Peruanos S.A. and 100.00 percent interest in InRetail Real Estate Corp.

## 3. Subsidiary activities

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

(a) Supermercados Peruanos S.A.

Retail company incorporated and with operations in Perú.  As of December 31, 2012, it owns 49 hypermarkets that operate under the "Plaza Vea" brand, 26 supermarkets that operate under the "Vivanda" and "Plaza Vea Super" brands, and 11 discount stores that operate under the "Mass" and "Economax" commercial brand (43 hypermarkets, 20 supermarkets and 12 discount stores as of December 31, 2011). Supermercados Peruanos S.A. holds 100 percent of: (i) Peruana de Tiquetes S.A.C. and (ii) Plaza Vea Sur S.A.C., those subsidiaries represent the 0.14 percent of the total assets of Supermercados Peruanos S.A. as December 31, 2012.

(b) Eckerd Group-

Group of companies that include Eckerd Perú S.A. and subsidiaries

Eckerd Perú S.A.

Entity dedicated to the nationwide commercialization of pharmaceutical products, cosmetic products, food for medical use and other elements aimed to health protection and recovery through its "Inkafarma" pharmacy chain. As of December 31, 2012, it operated 580 stores across the country (432 stores as of December 31, 2011). Eckerd Perú S.A. holds 100 percent of: (i) Eckerd Amazonía S.A.C. and (ii) Boticas del Oriente S.A.C. In August 2012 Eckerd Perú S.A. absorbed Inmobiliaria Espiritú Santo S.A.C. entity dedicated exclusively to the renting of its 8 properties to Eckerd Perú S.A.

(c) InRetail Real Estate Corp.-

Holding company incorporated in the Republic of Panama in April 2012 as a part of the reorganization process described in Note 2. InRetail Real Estate owns the following subsidiaries:

Real Plaza S.R.L.

Entity dedicated to the management and administration of fourteen shopping centers as of December 31, 2012 (twelve shopping centers as of December 31, 2011) named "Centro Comercial Real Plaza", located in Peru (Chiclayo, Piura, Chimbote, Trujillo, Huancayo, Arequipa, Juliaca , Huanuco and Lima). InRetail Real Estate holds 100 percent of the capital stock of Real Plaza S.A.

InRetail Properties Management S.R.L. (formerly Interproperties Perú S.A.)

Entity that provides the staff which manages and operates IInterproperties Holding InRetail Real Estate Corp. holds 100 percent of the capital stock of InRetail Properties Management S.R.L.

Patrimonio en Fideicomiso – D.S. N°093-2002-EF-Interproperties Holdings and Patrimonio en Fideicomiso – D.S. N°093-EF-Interproperties Holding II

Equity trust funds (henceforth "Interproperties Holding") are Special Purpose Entities (SPE) incorporated with the purpose of creating independent entities to own and handle the shopping center business of the Group. InRetail Real Estate owns 100 percent of participation in the net assets of IInterproperties Holding.

**4. Basis of preparation and presentation**

(a) Interim Financial Statements

The consolidated financial statements of the InRetail Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Boards (IASB).

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

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

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

At the date of this report, all the entities consolidated into de accompanying financial statements became legal subsidiaries of InRetail Peru Corp. as a consequence of the reorganization described in Note 2. Consequently, the entity's denomination for these consolidated financial statements for all periods presented is "InRetail Peru Corp. and Subsidiaries".

(b) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries; see Note 3, after the date of reorganization (August 2012).

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the InRetail Group obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same period as the parent company, using consistent accounting policies. All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends are eliminated in full.

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

The accounting policies followed in the preparation of the consolidated financial statements are consistent with those followed in the preparation of the consolidated financial statements at December 31, 2011.

**5. Cash and short-term deposits**

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

| | **As of December 31, 2012** S/(000) | **As of December 31, 2011** S/(000) |
|---|---|---|
| Cash (b) | 11,256 | 25,049 |
| Current accounts (c) | 457,444 | 77,850 |
| Time deposits (d) | 634,956 | 249,586 |
| Other | 4,605 | 429 |
| **Total** | 1,108,261 | 352,914 |

(b) The balance as of December 31, 2012 and 2011, comprises mainly cash held by subsidiaries in the premises of their store chains and in the vaults of a security company, corresponding to sales during the last days of the period.

(c) The Group maintains current accounts in local banks, both in Nuevos Soles and US Dollars which do not accrue interest.

(d) As of December 31,2012 and 2011, corresponds to time deposits and bank certificates, with original maturities of up to 30 days, in local banks and denominated mainly in Nuevos Soles. These have annual average interest rates ranging from 3.80 to 3.95 percent in 2012 and from 4.00 to 4.5 percent in 2011. Time deposits outstanding at December 31, 2012, matured in full during January 2013.

(e) Current accounts and time deposits are unrestricted and free of any lien.

**6. Trade receivables, net**

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

| | As of December 31, 2012 S/(000) | As of December 31, 2011 S/(000) |
|---|---|---|
| Trade accounts receivable (c ) | 26,955 | 26,535 |
| Rent receivable (d ) | 10,036 | 9,364 |
| Merchandise vouchers (e ) | 28,606 | 8,390 |
| Provisión for accrued revenue (f ) | 4,097 | 2,458 |
| Others | 5,427 | 1,457 |
| **Total** | 75,121 | 48,204 |
| Provision for doubtful accounts (g ) | (848) | (1,608) |
| | 74,273 | 46,596 |

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

(c) Corresponds to (i) pending deposits in favor of Supermercados Peruanos and Eckerd for the last day of the month, respectively, held by credit card operators and originated from the sales of goods with credit cards in the different stores of Supermercados Peruanos S.A. and Grupo Eckerd and (ii) trade accounts receivable from corporate sales.

(d) Correspond to accounts receivable for the lease of commercial premises to concession holders inside the stores of Supermercados Peruanos S.A. and the accounts receivable for the rental income of Interproperties Holding.

(e) Correspond mainly to the balance receivable from the sale of merchandise vouchers to various companies and public institutions. At the date of this report, these balances are mostly collected.

(f) As of December 31, 2012 and 2011 relates to services unbilled at year end, mainly due to variable rentals. These amounts were billed in the month subsequent to the reporting date.

(g) Movements in the provision for doubtful accounts receivable for the periods ended December 31, 2012 and 2011, were as follows:

| | **2,012** | **2,011** |
|---|---|---|
| | S/(000) | S/(000) |
| **Balance at the beginning of the year** | 1,608 | 219 |
| Acquisition of subsidiaries | - | 650 |
| Provision recognized as year expense, Note 18 (a) | 177 | 1,440 |
| Write offs and recovery's | (937) | (701) |
| **Balance at the end of the year** | 848 | 1,608 |

As of December 31, 2012 and 2011, the balance of the trade receivable amounts to approximately S/.75,121,000 and S/.48,204,000 respectively, out of which approximately S/.848,000 and S/.1,608,000 were provisioned for at those dates. Likewise, the amount of non impaired past due trade receivables amounted to S/.26,873,000 and S/.12,613,000, respectively.

In the opinion of Management of the InRetail Group, the provision for doubtful accounts receivable as of December 31, 2012 and 2011, appropriately covers the credit risk of this item at those dates.

## 7. Inventories, net

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

| | **As of December 31, 2012** | **As of December 31, 2011** |
|---|---|---|
| | S/(000) | S/(000) |
| Goods | 594,945 | 593,289 |
| In transit inventories (b) | 8,038 | 20,277 |
| Miscellaneous supplies | 5,776 | 5,276 |
| **Total** | 608,759 | 618,842 |
| **Minus** | | |
| Provision for impairment of inventories (c) | (6,797) | (4,020) |
| **Total** | 601,962 | 614,822 |

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

(c) The movement in the provision for inventory impairment for the periods ended December 31, 2012 and 2011, was as follows:

| | **2,012**<br>S/(000) | **2,011**<br>S/(000) |
|---|---|---|
| **Balance at the beginning of the year** | 4,020 | 1,034 |
| Acquisition of subsidiaries | - | 858 |
| Provision of the period | 5,100 | 2,426 |
| Write-off | (2,323) | (298) |
| **Balance at the end of the year** | 6,797 | 4,020 |

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.

**8. Available-for-sale investment**

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

| | **As of December 31, 2012**<br>S/(000) | **As of December 31, 2011**<br>S/(000) |
|---|---|---|
| **Balance at the beginning of the year** | 70,628 | - |
| Acquisition of corporate bond (b ) | - | 67,426 |
| Sales of corporate bond (b ) | (45,950) | - |
| Unrealized results | 3,641 | 3,202 |
| **Balance at the end of the year** | 28,319 | 70,628 |

(b) Correspond to the acquisition of bonds issued abroad in November 2011 by a trust fund constituted by a subsidiary of Maples FS Limited (a non-related entity). The acquisition value of these bonds was US$25,000,000; they have semiannual coupons until November 2018 and accrue interests at effective fixed annual rate of 8.875 percent. These debt instruments are traded in Luxemburg Stock Exchange.

During 2012, the Group sold part of these bonds to a non-related entity for approximately US$15,325,960. The net realized gain for this transaction amounts to approximately S/.3,229,000, which is included in "Finance income" caption of the consolidated income statement.

**9. Property, furniture and equipment, net**

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

| | As of December 31, 2012 | As of December 31, 2011 |
|---|---|---|
| | S/.(000) | S/.(000) |
| **Cost** | | |
| **Initial balance** | 1,906,989 | 1,529,489 |
| Additions (b ) | 337,626 | 368,482 |
| Acquisition of subsidiary, net of depreciation | - | 93,594 |
| Disposals and/or sales (c ) | (28,973) | (75,353) |
| Transfer to investment properties, note 10 (b ) | (6,529) | (9,223) |
| **Final balance** | 2,209,113 | 1,906,989 |
| **Accumulated depreciation** | | |
| **Initial balance** | 391,817 | 362,791 |
| Additions ( d ) | 91,201 | 93,390 |
| Disposals and/or sales | (10,782) | -64,364 |
| **Final balance** | 472,236 | 391,817 |
| **Net book value** | 1,736,877 | 1,515,172 |

(b) Additions for the periods ended December 31, 2012 and 2011 correspond mainly to the construction and equipment of new premises for Supermercados Peruanos S.A. and the Eckerd Group, and the construction of shopping centers.

(c) It mainly corresponds to assets sold and to the disposals of unusable assets as a result of the process of change of format in some premises. The resulting income or expense has been included in the "Other operating income" or "Other operating expenses" caption of the consolidated income statement, respectively.

d) Depreciation expense for the periods ended December 31, 2012 and 2011, was recorded as follows in the income statements:

| | 2012 | 2011 |
|---|---|---|
| | S/.(000) | S/.(000) |
| Sales expenses, Note 18 (a ) | 80,661 | 84,158 |
| Administrative expenses, Note 18 (a ) | 10,540 | 9,232 |
| **Balance as of December 31** | 91,201 | 93,390 |

(e) As of December 31, 2012, Supermercados Peruanos S.A. has mortgaged land lots, buildings and facilities for a net book value of S/.247,362,000 (S/.211,011,000 as of December 31, 2011), as collateral over the issuance of the bonds class A, series 1 and 2 (see Note 14) and the leasing contracts (see Note 13).

(f) As of December 31, 2012, the cost and corresponding accumulated depreciation of assets acquired through finance leases amount to approximately S/.205,879,000 and S/.29,087,000 respectively (S/.220,904,000 and S/.42,640,000, respectively, as of December 31, 2011).

(g) The Subsidiaries of the Company maintain insurance policies on their main assets in accordance with the policies established by Management.

**10. Investment properties**

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

| | **As of December 31, 2012** S/. (000) | **As of December 31, 2011** S/. (000) |
|---|---|---|
| Real Plaza Primavera shopping center (ii) | 207,558 | 194,008 |
| Real Plaza Trujillo shopping center (ii) | 124,665 | 103,532 |
| Real Plaza Chiclayo shopping center (ii) | 140,613 | 104,182 |
| Real Plaza Huancayo shopping center (i) and (ii) | 85,874 | 74,354 |
| Real Plaza Arequipa shopping center (i) and (ii) | 67,173 | 66,915 |
| Real Plaza Chorrillos shopping center (ii) | 41,720 | 42,017 |
| Real Plaza Juliaca shopping center (i) and (ii) | 59,110 | 26,753 |
| Real Plaza Pro shopping center (ii) | 43,534 | 30,820 |
| Jr. de la Unión stores | 21,579 | 21,329 |
| Real Plaza Santa Clara shopping center (ii) | 19,074 | 9,849 |
| Real Plaza Nuevo Chimbote shopping center (i) and (ii) | 5,516 | 5,806 |
| Other | 287,175 | 81,504 |
| | 1,103,592 | 761,069 |

“Real Plaza” shopping centers consist of department stores, other retail shops, home improvement, supermarket , a cinema complex and an entertainment area which executed contracts that provide a minimum monthly rent and a variable rent based on sales.

For Huancayo, Arequipa, Juliaca and Nuevo Chimbote shopping centers, right of use contracts (contractual agreement between the owner of the land and the Company, which allows the Company to construct the shopping centers) were subscribed with Ferrovias Central Andina S.A. the Association named "Religiosas del Sagrado Corazón de Jesús", Ferrocarril Trasandino S.A. and Urbi Propiedades S.A. (a related entity), respectively, for periods ranging between 10 and 30 years.

(b) The movement of this account for periods ended December 31, 2012 and 2011 was as follows:

| | **2012** | **2011** |
|---|---|---|
| | S/.(000) | S/.(000) |
| **Balance at the beginning of the year** | 761,069 | 604,888 |
| Additions | 282,309 | 95,480 |
| Fair value adjustment | 53,685 | 51,478 |
| Transfer from property, furniture and equipment; Note 9(a) | 6,529 | 9,223 |
| **Balance at the end of the year** | 1,103,592 | 761,069 |

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

(c) As of December 31, 2012, some of the investment properties guarantee the debt to Deutsche Bank, Note 13(d). At such date, the book value of these investment properties amounts to approximately S/.866,573,000 (S/.376,992,000 as of December 31,2011).

**11. Intangible assets, net**

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

| | As of December 31, 2012 S/.(000) | As of December 31, 2011 S/.(000) |
|---|---|---|
| **Cost** | | |
| **Initial balance** | 1,144,401 | 65,997 |
| Additions (c ) | 29,892 | 5,593 |
| Acquisition of subsidiary, net of depreciation ( b ) | - | 1,073,013 |
| Disposal and/or sales | - | (202) |
| **Final balance** | 1,174,293 | 1,144,401 |
| **Accumulated amortization** | | |
| **Initial balance** | 27,823 | 20,735 |
| Additions ( d ) | 6,728 | 7,197 |
| Disposals and/or sales | - | (109) |
| **Final Balance** | 34,551 | 27,823 |
| **Net, book value** | 1,139,742 | 1,116,578 |

(b) As of December 31, 2012 and 2011, this caption mainly includes approximately S/.373,054,000 and S/.694,283,000 corresponding to the brand "Inkafarma" and goodwill respectively, as a result of the acquisition of the Eckerd Group; see Note 1b .

Goodwill and "Inkafarma" brand are tested for impairment annually (as of December 31) and when circumstances indicate that the carrying value may be impaired. The Company and Subsidiaries' impairment test for goodwill and intangible assets with indefinite useful lives is based on value-in-use calculations which use a discounted cash flow model.

(c) As of December 31, 2012 and 2011, additions mainly correspond to disbursements made in the purchase of a commercial software program, a general planning system (ERP) and the corresponding licenses of use.

(d) Amortization expense for the periods ended December 31, 2012 and 2011 has been recorded in the following items of the combined statements:

| | 2012 | 2011 |
|---|---|---|
| | S/.(000) | S/.(000) |
| Sales expenses, Note 18 (a ) | 4,779 | 5,557 |
| Administrative expenses, Note 18 (a ) | 1,949 | 1,640 |
| **Balance as of December 31** | 6,728 | 7,197 |

**12. Trade payables**

The table below presents the composition of this caption:

| | As of December 31, 2012 | As of December 31, 2011 |
|---|---|---|
| | S/(000) | S/(000) |
| Bills payable for purchase of goods | 887,378 | 844,965 |
| Bill payable for commercial services | 144,480 | 120,356 |
| **Total** | 1,031,858 | 965,321 |

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

The InRetail Group offers to its suppliers 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.

**13. Interest-bearing loans and borrowings**

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

| | As of December 31, 2012 S/(000) | As of December 31, 2011 S/(000) |
|---|---|---|
| **By type:** | | |
| Leasings (b) - | | |
| Related entities, Note 20(k) | 80,999 | 40,740 |
| Non-related entities | 138,126 | 123,693 |
| Promissory notes and loans (b) - | | |
| Related entities, Note 20(l) | - | 21,664 |
| Non-related entities | 27,856 | 31,973 |
| Foreign loans (c) and (d) | 1,138,805 | 1,163,618 |
| Other obligations to third parties (e) | 17,241 | 29,452 |
| Total | 1,403,027 | 1,411,140 |
| **By term:** | | |
| Current portion | 59,712 | 58,775 |
| Non - current portion | 1,343,315 | 1,352,365 |
| | 1,403,027 | 1,411,140 |

(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 9(f). Such obligations do not have any special conditions that must be complied (covenants), or restrictions affecting the operations of the InRetail Group.

(c) In November 2011, InRetail Corp (formerly IFH Pharma Corp.) was granted a loan by Intercorp Retail Trust, a non related entity. Likewise, as part of the same operation and at the same date, Supermercados Peruanos S.A. was also granted a loan by Bank of America. The consolidated amount of these loans amount to S/.728,190,000 (US$270,000,000) which accrue interest at a 8.875 percent nominal annual rate. These loans were recorded in the consolidated financial statements at amortized cost at an annual effective interest rate of 10.134 percent after considering the related initial charges of S/.9,293,000 and a guarantee deposit amounting to S/.35,997,000 (US$13,312,000), which is non refundable and will be applied to the principal of the Bank of America loan at maturity. The InRetail Group allocated these funds, mainly, to the cancellation of promissory notes and commercial papers, payment for land acquisition and the construction of new commercial premises for its subsidiaries.

Those financial obligations are presented net of the aforementioned initial charges and the guarantee deposit.

(d) Foreign loans caption includes loans granted by Deutsche Bank AG, London Branch in November 2011 to Interproperties Holding, which balances as of December 31, 2012 and 2011 amounts to approximately S/.456,014,000 and S/.480,718,000 respectively. The funds from this financing were used to purchase properties, invest in new building projects, to repay debts and payments, including fees and expenses, in connection with this transaction. In support of this financing, Interproperties Holding has given certain investment properties in guarantee for this debt; see Note 10(b).

The above financial obligations are presented net of initial costs amounting to US$6,783,984 equivalent to S/.18,227,000, considering an effective annual interest rate of 9.426 percent.

(e) Corresponds to the debt that Supermercados Peruanos S.A. acquired with IBM del Perú S.A.C. to purchase computer equipment. Likewise, Hewlett Packard S.A. signed a promissory note with Supermercados Peruanos S.A. to finance the payment of the balances indebted to SAP Andina del Caribe S.A. for the development of the SAP system. Said contracts do not have any specific guarantee.

(f) During the periods ended December 31, 2012 and 2011, loans and borrowings accrued interest which is recorded in the "Finance costs" caption of the consolidated income statements. Also, as of December 31, 2012 and 2011, there are interests payable which are recorded in the "Other payables" caption of the consolidated statements of financial position; see Note 19.

(g) Some of the interest-bearing loans and borrowing include standard clauses requiring the InRetail Group to meet financial ratios, use of funds criteria and other administrative matters. Management's opinion, as of December 31, 2012 and 2011, said standard clauses do not limit the normal operation of the Group and have been fulfilled.

**14. Bonds payable**

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

| | As of December 31, 2012<br>S/(000) | As of December 31, 2011<br>S/(000) |
|---|---|---|
| **By type:** | | |
| Secured bonds | - | 11,136 |
| Subordinated bonds (b ) | 70,022 | 72,796 |
| Corporate bonds (c ) | 204,170 | 65,984 |
| | 274,192 | 149,916 |
| **By term:** | | |
| Current portion | 9,770 | 20,907 |
| Non - current portion | 264,422 | 129,009 |
| | 274,192 | 149,916 |

(b) The General Shareholders' Meeting of Supermercados Peruanos S.A. held on March 28, 2007, approved the general terms and conditions of the issuance of the First Program of Subordinated Bonds Supermercados Peruanos S.A. up to maximum of US$30,000,000 or its equivalent in Nuevos Soles. The maximum amount of the program is revolving, which means that the total amount of issuances approved can exceed the aforementioned amount as long as the total debit balance is lower than the amount of the program.

During 2007, Supermercados Peruanos S.A. conducted the public auctions of its Subordinated Bonds for US$12,000,000, US$7,005,000 and S/.21,540,000, corresponding to the first, second and third issuances respectively. Principal amounts of this issuance will be paid at maturity (2014).

These issuances are guaranteed by the equity of Supermercados Peruanos S.A. and do not have any other specific guarantees.

(c) As of December 31, 2012 and 2011, the Company and Subsidiaries has outstanding corporate bonds for S/.204,170,000 and S/.65,984,000, respectively, which accrue annual interest rates that fluctuate between 6.70 and 8.00 percent, and whose maturities are between 2015 and 2019.

In May 2012, InRetail Real Estate issued corporate bonds through a private offering for US$58,000,000 (equivalent to approximately S/.154,918,000). The funds from these bonds were used to purchase properties and accrued a nominal annual interest rate of 8.00 percent. The maturity date of these bonds is in June, 2015. The bonds issued include standard clauses requiring the InRetail Group to comply certain administrative matters.

(d) During the periods ended December 31, 2012 and 2011, bonds issued accrued interest which is recorded in the "Financial costs" caption of the consolidated income statements. Also, as of December 31, 2012 and 2011, there is a balance of interest payable which is recorded in the "Other payables" caption of the consolidated statements of financial position, see Note 19.

(e) Some of the bonds issued include standard clauses requiring the InRetail Group to meet financial ratios, use of funds criteria and other administrative matters. In Management's opinion, as of December 31, 2012 and 2011, said standard clauses do not limit the normal operation of the Group and have been fulfilled.

## 15. Deferred income tax

(a) The amounts presented in the statement of financial position as of December 31, 2012 and 2011, as well as the consolidated income statements for the periods ended December 31, 2012 and 2011 are shown below:

| **Statements of financial position** | **Deferred liability** | |
|---|---|---|
| | **As of December 31, 2012**<br>S/. (000) | **As of December 31, 2011**<br>S/.(000) |
| Deferred income tax asset | 10,352 | 25,756 |
| Deferred income tax liabilities | (192,539) | (192,709) |
| Deferred income tax liability, net | (182,187) | (166,953) |

| **Statements of comprehensive income** | **Income tax for the periods ended December, 2012 and 2011** | |
|---|---|---|
| | **2012**<br>S/. (000) | **2011**<br>S/.(000) |
| Current | (57,227) | (41,464) |
| Deferred | (33,704) | (21,308) |
| | (90,931) | (62,772) |

(b) As of December 31, 2012 and 2011 the provision for current income tax payable, net of advanced payments amounts to approximately S/.25,122,000 and S/.6,514,000, respectively.

## 16. Equity

Capital stock –
As of December 31, 2011, InRetail Corp. (formerly IFH Pharma Corp.) capital stock was represented by 250,537,848 shares with no par value, issued at US$1.00 per share (totally paid and issued).

In August 2012, the Board of Directors agreed on the modification of the issuance value of shares from US$1.00 to US$10.00 per share. Consequently; the capital stock of the Company was represented by 25,053,784 shares with no par value. Additionally, as part of the reorganization described in Note 2(a), the capital stock of the Company also includes the capital stock of the subsidiaries contributed by Intercorp Retail Inc. to the Company in all the years presented in the accompanying consolidated financial statements which were represented by 54,753,535 shares with no par value, issued at US$10.00 per share.

In July 2012, the Company's Board of Directors agreed to carry out an International Offering, under rule 144a of the U.S.Securities and Exchange Commission of new ordinary shares in the international market.

Said Offering took place on October 3, 2012 with the issuance of 20,000,000 shares, at a price of US$19.40 per share (after any commission associated) and an option to initial purchasers for a period of 30 days to purchase up to 3,000,000 additional shares (before any commission associated). The Issuance of the new shares represented to the Company a cash contribution, approximately US$ 388,000,000.

On October 22, 2012, the Company approved the issuance and delivery of 3,000,000 new ordinary shares in satisfaction of its obligations pursuant to the Option mentioned in the paragraph above. This issuance represented to the company a cash contribution, approximately US$ 58,200,000.

After the issuances mentioned in paragraph above, Intercorp Perú Ltd. will own directly and indirectly 71.75 percent of the Company's capital stock.

Taking into consideration all the changes mentioned above, as of December 31, 2012, the capital stock of the Company was represented by 102,807,319 shares with no par value, issued at US$10 per share (totally paid and issued). Following is the corporate structure of the Company as of December 31, 2012:

| **Owner** | **Percentage of Ownership** % |
|---|---|
| Intercorp Retail Inc. | 58.04 |
| Intercorp Perú Ltd. | 3.26 |
| NG Pharma Corp. | 6.30 |
| Intercorp Financial Services Inc. | 2.33 |
| Inteligo Bank | 8.03 |
| Interseguro Compañía de Seguros S.A. | 0.09 |
| Others | 21.95 |
| | 100.00 |

The reorganization described in Note 2 has been accomplished at market values; but recorded at book values in the InRetail Group's consolidated financial statements, according to the pooling of interests method. Contribution adjustments represent the difference between the market and the book value of Subsidiaries reorganized under the Company. Likewise, Note 21 shows a pro-forma presentation of earnings per share as if the reorganization had been effected as of January 1, 2011.

Consequently, the total consolidated capital stock as of December 31, 2012 amounted to S/.2,740,442 As of December 31, 2011 amounted to S/. 1,306,455,000, which corresponded to the addition of the capital stock of the Subsidiaries acquired as a part of the reorganization, see Note 2.

Additional paid in capital –
The additional paid in capital corresponds to the pooled book value of the shopping centers included in the structure and recorded by the InRetail Group as entities under common control, see Note 2. In this sense, applying the pooling of interest method, InRetail Group accounted for these transactions under the assumption that those shopping centers were in the combined financial statements as of the beginning of the earliest year presented herein ad were considered as additional paid in capital.

Likewise, due to the fact that during the period ended December 31, 2012 and 2011, the InRetail Group paid in cash for part of these shopping centers to related entities, the contribution paid has been presented as deemed distribution in equity, reducing the corresponding amounts of additional paid in capital and retained earnings for the amount paid and remaining net profit previously recognized by such entities.

**17. Tax Situation**

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

Entities and individuals not domiciled in Peru must pay an additional tax of 4.1 percent over dividends received from entities domiciled in Peru. The entity that distributes the dividends is responsible of performing the retention of the indicated tax.

(b) The Company's Subsidiaries domiciled in Peru are subject to the Peruvian Tax System and, in compliance with current Peruvian legislation they calculate their Income tax on the basis of their individual financial statements. As of December 31, 2012 and 2011, the statutory Income Tax rate was 30 percent on taxable income, after calculating the employees profit sharing, which according to prevailing standards is computed with a rate between 5 to 8 percent.

The tax exemption over capital gains arising from the disposal of securities through the Lima Stock Exchange, as well as interests and other gains deriving from debt instruments issued by the Peruvian Government was extended until December 31, 2009. Likewise, the tax exemption was eliminated on gains generated by deposits in the domestic financial system when the receiver is a legal entity.

(b) For purposes of determining the Income Tax and Value Added Tax, transfer pricing of transactions with related companies and companies domiciled in territories with low or no taxation must be supported with documentation and information on assessment methods applied and criteria considered. Based on the analysis of the operations of the Group, Management and its legal advisors consider that as consequence of the application of the regulation in force, there will not emerge any significant contingencies for the Group as of December 31, 2012, and 2011.

(d) The tax authority is legally entitled to review and, if necessary, adjust the Income Tax computed during a term of four years following the year in which the tax declaration has been submitted. Following are the years subject to review by the tax authority of the Subsidiaries of InRetail Peru Corp. (formerly IFH Pharma Corp.) incorporated in Peru:

| | **Income Tax** | **Value added tax** |
|---|---|---|
| Supermercados Peruanos S.A. | From 2008 to 2012 | From 2008 to 2012 |
| Eckerd Perú S.A. | 2008, 2010 and 2012 | 2008, 2010 and 2012 |
| Real Plaza S.R.L. | From 2008 to 2012 | From 2008 to 2012 |
| Inmobiliaria Espíritu Santo S.A.C. | From 2008 to 2012 | From 2008 to 2012 |
| InRetail Properties Management S.R.L. | From 2008 to 2012 | From 2008 to 2012 |

According to Peruvian law, Interproperties Holding is not considered an income taxpayer due to its status as a trust. Interproperties Holding attributes its generated results, the net losses and Income Tax credits on foreign source income, to the holders of its certificates of participation or whoever holds those rights. The review by the Tax Authority of income attributions and VAT declarations made for the years 2008 to 2012 are pending.

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

In the 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, 2012 and 2011.

## 18. Operating expenses

(a) The table below presents the components of this caption for the periods ended December 31, 2012 and 2011:

| | **2012** S(000) | **2011** S(000) |
|---|---|---|
| Cost of sales | 3,434,134 | 3,087,382 |
| Selling expenses | 874,298 | 778,875 |
| Administrative expenses | 164,966 | 151,939 |
| | 4,473,398 | 4,018,196 |

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

| | 2012 | | | |
|---|---|---|---|---|
| | Cost of sales | Selling expenses | Administrative expenses | Total |
| | S(000) | S(000) | S(000) | S(000) |
| Initial balance of goods, Note 7(a) | 593,289 | - | - | 593,289 |
| Purchase of goods | 3,389,029 | - | - | 3,389,029 |
| Final balance of goods, Note 7(a) | (594,945) | - | - | (594,945) |
| Impairment of inventories note 7 (c ) | 5,100 | - | - | 5,100 |
| Cost of services | 41,661 | - | - | 41,661 |
| Packing and packaging | - | 31,577 | 688 | 32,265 |
| Personnel expenses | - | 344,487 | 96,424 | 440,911 |
| Depreciation, Note 9(d) | - | 80,661 | 10,540 | 91,201 |
| Amortization, Note 11(d) | - | 4,779 | 1,949 | 6,728 |
| Services provided by third parties (b ) | - | 125,687 | 32,181 | 157,868 |
| Advertising | - | 69,467 | - | 69,467 |
| Rental of premises | - | 77,898 | 2,510 | 80,408 |
| Taxes | - | 18,155 | 10,060 | 28,215 |
| Provision for doubtful trade receivables, Note 6(g) | - | 249 | 540 | 789 |
| Insurance | - | 6,067 | 573 | 6,640 |
| Other charges (c) | - | 115,271 | 9,501 | 124,772 |
| | 3,434,134 | 874,298 | 164,966 | 4,473,398 |

| | 2011 | | | |
|---|---|---|---|---|
| | Cost of sales | Selling expenses | Administrative expenses | Total |
| | S(000) | S(000) | S(000) | S(000) |
| Initial balance of merchandise | 253,698 | - | - | 253,698 |
| Acquisition of Subsidiary, Note 2 | 224,524 | - | - | 224,524 |
| Purchase of merchandise | 3,166,148 | - | - | 3,166,148 |
| Final balance of goods | (593,289) | - | - | (593,289) |
| Impairment of inventories, note 7 (c ) | 2,426 | - | - | 2,426 |
| Cost of services | 33,875 | - | - | 33,875 |
| Packing and packaging | - | 28,457 | 781 | 29,238 |
| Personnel expenses | - | 279,434 | 83,873 | 363,307 |
| Depreciation, Note 9(d) | - | 84,158 | 9,232 | 93,390 |
| Amortization, Note 11(d) | - | 5,557 | 1,640 | 7,197 |
| Services provided by third parties (b ) | - | 126,452 | 25,975 | 152,427 |
| Advertising | - | 58,458 | 3,263 | 61,721 |
| Rental of premises | - | 75,762 | 1,139 | 76,901 |
| Taxes | - | 15,695 | 6,254 | 21,949 |
| Provision for doubtful trade receivables, Note 6(g) | - | 1,517 | - | 1,517 |
| Insurance | - | 4,797 | 354 | 5,151 |
| Other charges (c) | - | 98,588 | 19,428 | 118,016 |
| | 3,087,382 | 778,875 | 151,939 | 4,018,196 |

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

(c) Mainly include general expenses in stores.

**19. Finance costs**

For the periods ended as of December 31, 2012 and 2011, this caption mainly includes interests generated by bonds issued and loans and borrowings for a total amount of approximately S/.131,273,000 and S/.89,744,000, respectively. Also, as of December 31, 2012 and 2011, there are interests payable for these obligations for approximately S/.18,797,000 and S/.18,599,000, respectively, which are recorded in the "Other payable" caption of the consolidated statements of financial position.

**20. Transactions with related parties**

(a) The following table provides the total amount of transactions that have been entered into with related parties for the periods ended as of December 31, 2012 and 2011:

| | 2012<br>S(000) | 2011<br>S(000) |
|---|---|---|
| **Income** | | |
| Sales | 21,627 | 21,046 |
| Rental income | 32,627 | 50,146 |
| Rendering of services | 11,428 | 11,499 |
| Other | 4,468 | 1,553 |
| | 70,150 | 84,244 |
| **Expenses** | | |
| Renting of premises and land | (7,471) | (1,171) |
| Reimbursements of expenses | (498) | (5,535) |
| Commissions | (1,077) | (500) |
| Other services | (11,256) | (7,157) |
| Interest | (2,455) | (2,678) |
| | (22,757) | (17,041) |

(b) As a result of the transactions with related companies, the InRetail Group recorded the following balances as of December 31, 2012 and 2011:

| | As of December 31, 2012 S(000) | As of December 31, 2011 S(000) |
|---|---|---|
| **Receivables** | | |
| Banco Internacional del Perú S.A.A. – Interbank | 5,412 | 5,809 |
| Interseguro Compañía de Seguros S.A. | 194 | 121 |
| Cineplex S.A. | 401 | 312 |
| Tiendas Peruanas S.A. | 1,074 | 337 |
| Urbi (c) | 1,051 | 12,075 |
| Intercorp Perú Ltd. | 78,479 | 629 |
| Other | 22,525 | 710 |
| | 109,136 | 19,993 |

| | As of December 31, 2012 S(000) | As of December 31, 2011 S(000) |
|---|---|---|
| **Payables** | | |
| Intercorp Perú Ltd. (d) | - | 1,168 |
| Banco Internacional del Perú S.A.A. – Interbank: | | |
| Credit line and others (e) | 170 | 537 |
| Guarantee deposit (f) | 3,157 | 2,278 |
| Horizonte Global Opportunities Perú S.A. (g) | 4,429 | 5,585 |
| Cineplex S.A. | 26 | 45 |
| N.G. Management Perú S.A.C. | - | 166 |
| Intercorp Retail Inc. (h) | - | 14,448 |
| Others | 8,967 | 296 |
| | 16,749 | 24,523 |
| Remunerations payable to key management (i ) | 1,500 | 3,848 |
| | 18,249 | 28,371 |
| Current portion | 15,092 | 25,901 |
| Non-current portion | 3,157 | 2,470 |
| **Total** | 18,249 | 28,371 |

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) Corresponds to a loan granted to Urbi Propiedades S.A., which earned interest and has been collected during the period ended December 31, 2012.

(d) As of December 31, 2012, it mainly includes a loan obtained from Intercorp Peru Ltd. For approximately S/.32,076,000 for new real estate projects of InRetail Real Estate Corp. and its subsidiaries. This loan has not specific guarantees, earns market interest rates and has a current maturity. In October 2012, this loan was paid.

(e) Includes amounts payable corresponding to professional services, commissions and financial costs. Financial costs have been generated from loans received during the period, which accrued market interest rates.

(f) Supermercados Peruanos S.A. and Banco Internacional del Perú – Interbank, signed contracts on future leases of financial stores for 15 and 7 years in October 2004 and September 2009, respectively. These contracts amount to approximately S/.27,212,000, (equivalent to approximately US$8,000,000) and S/.14,788,000 (equivalent to approximately US$5,016,000) which were collected in advance by Supermercados Peruanos S.A. and are presented in the "Deferred revenue" caption in the consolidated statements of financial position. Additionally, and only in the case of the 2004 contract, Supermercados Peruanos S.A. received from Banco Internacional del Perú – Interbank US$2,000,000 as collateral for the contract. As of December 31, 2012 and 2011, Supermercados Peruanos S.A. has credited the update of the present value of this deposit in the "Financial income" caption. As of December 31, 2012 and 2011, the net present value of the balances related to guarantee deposits amounts to S/.3,157,000 and S/.2,278,000, respectively, and is accounted for in the "Other payables" caption.

In relation to such contracts, during the periods ended December 31, 2012 Supermercados Peruanos S.A. recognized accrued renting revenue that amounted to approximately S/.3,790,000, equivalent to US$1,261,000 (S/.4,136,000, equivalent to approximately US$1,377,000 during the period ended December 31,2011), which are recorded net of the renting expenses in the "Rental income" caption in the consolidated statements of income.

As of December 31, 2012 Supermercados Peruanos S.A. maintains deferred revenue that amounts to approximately S/.11,533,000 (S/.15,596,000 as of December 31, 2011) which will be recognized as income in upcoming periods.

(g) Correspond to balances payable on land an premises renting.

(h) As of December 31, 2011 corresponded to the account payable for some expenses assumed by Intercorp Retail Inc. This balance did not generate interest and has been paid during the periods ended December 31, 2012.

(i) The compensation of key management personnel of the Group for the periods ended December 31, 2012 and 2011, is detailed below:

| | **2012**<br>S(000) | **2011**<br>S(000) |
|---|---|---|
| Short term employee benefits | 11,853 | 19,102 |
| Post-employment pension and medical benefits | 1,045 | 1,856 |
| Termination benefits | 692 | 650 |
| | 13,590 | 21,608 |

(j) As of December 31, 2012 and 2011, the Group maintains the following balances in the cash and cash equivalent captions:

| | 2012 | 2011 |
|---|---|---|
| | S(000) | S(000) |
| Banco Internacional del Peru – Interbank S.A.A. | 82,344 | 44,087 |

(k) Banco Internacional del Perú – Interbank signed leasing contracts with Supermercados Peruanos S.A., Eckerd S.A. and Interproperties Holding for approximately S/.66,754,0000, S/. 8,376,000 and S/.7,401,000, respectively, for the construction of new stores, Real Plaza shopping center building located in Santa Clara and working capital. These leasing contracts accrue annual interest rates that fluctuate between 8.25 and 11.43 percent, and whose maturities are between 2014 and 2016. These transaction are included in Interest-bearing loans and borrowings, see Note 13. During the periods ended December 31, 2012 and 2011, leasing contracts generated interests which are recorded in the "Financial costs" caption of the consolidated income statements.

(l) During 2010, Corporation Union 600 sold a building located in Lima to Interproperties Holding amounting to S/.17,645,200, to be paid within 120 months through monthly installments amounting to S/.213,219. These transactions are included in Interest-bearing loans and borrowings, see Note 13.

## 21. 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, on a pro-forma basis, reflecting the reorganization described in Note 2, as if the equity structure of the InRetail Group had been in place for all periods presented:

| | Ordinary shares | | |
|---|---|---|---|
| | **Outstanding shares** | **Effective days until period-end** | **Weighted average of shares** |
| **Number as of January 1, 2011** | 49,647,632 | | 49,647,632 |
| Capital contribution | 18,479,591 | 348 | 17,618,898 |
| Capital contribution | 6,571,564 | 183 | 3,294,784 |
| Capital contribution | 4,549,307 | 182 | 2,268,422 |
| **Number as of December 31, 2011** | 79,248,094 | | 72,829,736 |
| **Number as of January 1, 2012** | 79,248,094 | | 79,248,094 |
| Capital contribution | 559,225 | 275 | 421,334 |
| Capital contribution | 20,000,000 | 90 | 4,931,507 |
| Capital contribution | 3,000,000 | 71 | 583,562 |
| **Number as of December 31, 2012** | 102,807,319 | | 85,184,497 |

| | For the period ended December 31, 2012 | | |
|---|---|---|---|
| | Net income (numerator) | Shares (denominator) | Earnings per share |
| | S/. | | S/. |
| Basic and diluted earnings per share | 218,300,000 | 85,184,497 | 2.56 |

| | For the period ended december 31, 2011 | | |
|---|---|---|---|
| | Net income (numerator) | Shares (denominator) | Earnings per share |
| | S/. | | S/. |
| Basic and diluted earnings per share | 123,433,000 | 72,829,736 | 1.69 |

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

## 22. Commitments and contingencies

Commitments –
The main commitments assumed are presented below:

(a) As of December 31, 2012 and 2011, the Company and its Subsidiaries have signed renting contracts with third parties for the premises in which some of its stores operate. The assumed commitments correspond to fixed and/or variable monthly rents base on sales, whichever is highest.

The total commitments are assumed to be calculated on the basis of the fixed renting and paid up until 2040.

(b) As of December 31, 2012, the Company as its Subsidiaries agreed with several financial entities on the issuance joint by and severally irrevocable letters of guarantee for approximately S/.9,683,000 (S/.6,235,000 as of December 31, 2011), respectively, for compliance with the payment for purchase of goods to foreign suppliers.

(c) During 2012 and 2011, Interproperties Holding holds a letter of guarantee, which guarantees the right and timely compliance of certain obligations related to shopping center projects.

(d) As of December 31, 2012, Intercorp Retail Inc. (see Note 1(a)), maintains a loan granted by Intercorp Retail Trust, a non-related entity, for US$30,000,000, which is unconditionally and irrevocable guaranteed by the Eckerd Group.

Contingencies –

(a) Eckerd Amazonía S.A.C. is in the process of claim against the Tax Authority for determinations of debts and fines related to VAT for the period between January 2003 and June 2005. In opinion of Management and its legal advisors these contingencies are stated as possible and significant liabilities will not arise as result of this contingency as of December 31, 2012 and 2011.

(b) Supermercados Peruanos S.A. is a party to tax proceedings related to Income Tax and monthly Value Added Tax presented in taxable years 2004, 2005, 2006 and 2007. As of the date of this report, Supermercados Peruanos S.A. has challenged the Tax Administration for these resolutions and, in Management's opinion and its legal advisors, significant liabilities will not arise as result of this situation as of December 31, 2012 and 2011.

**23. Business segments**

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

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

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

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

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

As of December 31, 2012 and 2011, InRetail Peru Corp. is organized into three main business lines, see Note 3. Transactions between the business segments are carried out under normal commercial terms and conditions. The following table presents the financial information of InRetail Perú Corp. and subsidiaries by business segments for 2012 and 2011

| | Supermarkets S(000) | Pharmacies S(000) | Shopping center S(000) | Total segments S(000) | Holding accounts, consolidation adjustments and intercompany eliminations S(000) | Consolidated S(000) |
|---|---|---|---|---|---|---|
| **As of and for the period ended Diembre 31, 2012** | | | | | | |
| **Revenue** | | | | | | |
| External income | 3,053,426 | 1,599,777 | 130,716 | 4,783,919 | - | 4,783,919 |
| Inter-segment | 6,330 | 398 | 29,121 | 35,849 | (35,849) | - |
| **Total revenue** | 3,059,756 | 1,600,175 | 159,837 | 4,819,768 | (35,849) | 4,783,919 |
| Cost of sales | (2,253,933) | (1,138,540) | (41,661) | (3,434,134) | - | (3,434,134) |
| **Gross profit** | 805,823 | 461,635 | 118,176 | 1,385,634 | (35,849) | 1,349,785 |
| Other operating income | 27,607 | 215 | 77,860 | 105,682 | (27,148) | 78,534 |
| Selling expenses | (611,117) | (283,679) | (582) | (895,378) | 21,080 | (874,298) |
| Administrative expenses | (71,796) | (58,240) | (36,688) | (166,724) | 1,758 | (164,966) |
| Other operating expenses | (28,593) | (448) | 569 | (28,472) | 5,610 | (22,862) |
| **Operating profit** | 121,924 | 119,483 | 159,335 | 400,742 | (34,549) | 366,193 |
| Finance income | 36,432 | 2,053 | 45,441 | 83,926 | 21,197 | 105,123 |
| Finance costs | (69,606) | (1,033) | (60,912) | (131,551) | (30,523) | (162,074) |
| **Profit before income tax** | 88,750 | 120,503 | 143,864 | 353,117 | (43,875) | 309,242 |
| Income tax expense | (31,601) | (35,805) | (23,525) | (90,931) | - | (90,931) |
| **Profit for the year** | 57,149 | 84,698 | 120,339 | 262,186 | (43,875) | 218,311 |
| **Attributable to:** | | | | | | |
| Owners of the parent | 57,149 | 84,698 | 120,339 | 262,186 | (43,886) | 218,300 |
| Non-controlling interests | - | - | - | - | 11 | 11 |
| | 57,149 | 84,698 | 120,339 | 262,186 | (43,875) | 218,311 |
| **Other information** | | | | | | |
| Operating assets | 2,035,495 | 1,666,079 | 2,208,307 | 5,909,881 | 119,949 | 6,029,830 |
| Operating liabilities | 1,441,688 | 450,035 | 780,872 | 2,672,595 | 456,614 | 3,129,209 |

| | Supermarkets S(000) | Pharmacies S(000) | Shopping center S(000) | Total segments S(000) | Holding accounts, consolidation adjustments and intercompany eliminations S(000) | Consolidated S(000) |
|---|---|---|---|---|---|---|
| **As of and for the period ended December 31, 2011** | | | | | | |
| **Revenue** | | | | | | |
| External income | 2,812,968 | 1,333,194 | 96,004 | 4,242,166 | - | 4,242,166 |
| Inter-segment | 7,153 | 234 | 18,347 | 25,734 | (25,734) | - |
| **Total revenue** | 2,820,121 | 1,333,428 | 114,351 | 4,267,900 | (25,734) | 4,242,166 |
| Cost of sales | (2,089,834) | (963,910) | (33,875) | (3,087,619) | 237 | (3,087,382) |
| **Gross profit** | 730,287 | 369,518 | 80,476 | 1,180,281 | (25,497) | 1,154,784 |
| Other operating income | 3 | 720 | 62,722 | 63,445 | (9,824) | 53,621 |
| Selling expenses | (555,567) | (223,498) | (3,706) | (782,771) | 3,896 | (778,875) |
| Administrative expenses | (73,311) | (66,043) | (23,185) | (162,539) | 10,600 | (151,939) |
| Other operating expenses | (10,097) | (3,865) | (21) | (13,983) | - | (13,983) |
| **Operating profit** | 91,315 | 76,832 | 116,286 | 284,433 | (20,825) | 263,608 |
| Finance income | 9,286 | 850 | 6,270 | 16,406 | 8,321 | 24,727 |
| Finance costs | (40,110) | (899) | (26,350) | (67,359) | (34,633) | (101,992) |
| **Profit before income tax** | 60,491 | 76,783 | 96,206 | 233,480 | (47,137) | 186,343 |
| Income tax expense | (25,003) | (26,263) | (10,758) | (62,024) | (748) | (62,772) |
| **Profit for the year** | 35,488 | 50,520 | 85,448 | 171,456 | (47,885) | 123,571 |
| **Attributable to:** | | | | | | |
| Owners of the parent | 35,488 | 50,520 | 85,448 | 171,456 | (48,023) | 123,433 |
| Non-controlling interests | - | - | - | - | 138 | 138 |
| | 35,488 | 50,520 | 85,448 | 171,456 | (47,885) | 123,571 |
| **Other information** | | | | | | |
| Operating assets | 1,888,345 | 1,564,922 | 1,222,728 | 4,675,995 | (79,770) | 4,596,225 |
| Operating liabilities | 1,431,230 | 371,420 | 633,529 | 2,436,179 | 428,216 | 2,864,395 |

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

**Geographic information-**
As of December 31, 2012 and 2011, the operations of all the Subsidiaries of the Company are concentrated in Peru, therefore, there are no revenues from external customers, or assets located in a foreign country as of those dates.

## 24. Fair value

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

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

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

(a) Financial instruments whose fair value is similar to book value –
Assets and liabilities that are liquid or have short maturities (less than three months), such as cash and short-term deposits, trade and other receivables, trade and other payables and other current liabilities, approximate to their carrying amounts largely due to the short-term maturities of these instruments. Also, the derivate instrument by the Group is recorded at fair value.

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

(c) Available-for-sale investment –
Fair value of available-for-sale financial assets is derived from quoted market prices in active markets, if available. Fair value of unquoted available-for-sale financial assets is estimated using a discounted cash flow technique.

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

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

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

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

The InRetail Group does not maintain any financial instrument with fair value determination under level 3 and there were no transfers between levels during the periods ended December 31, 2012 and 2011. The InRetail Group maintains the following financial instruments at fair value:

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

**25. Additional explanation for English translation**

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