InRetail Perú Corp. and Subsidiaries

Interim consolidated financial statements as of March 31, 2017 (non-audited) and December 31, 2016 (audited) and for the three-month periods ended March 31, 2017 and 2016

InRetail Peru Corp. and Subsidiaries

Interim consolidated financial statements as of March 31, 2017 and December 31, 2016 and for the three-month periods ended March 31, 2017 and 2016.

Contents

Interim consolidated financial statements

InRetail Perú Corp. and Subsidiaries

Interim consolidated statements of financial position

As of March 31, 2017 and December 31, 2016

	Note	2017	2016
		S/(000)	S/(000)
Assets			
Current assets			
Cash and short-term deposits	4	136,580	243,555
Investments at fair value through profit or loss		153,077	158,633
Trade receivables, net	5	62,088	96,033
Other receivables, net		56,338	51,262
Accounts receivables from related parties	19 (b)	61,194	65,659
Inventories, net	6	946,502	978,829
Available-for-sale investment	7	29,103	30,053
Prepayments		29,270	20,409
Taxes recoverable		36,639	37,686
Total current assets		**1,510,791**	**1,682,119**
Non-current assets			
Other receivables, net		14,926	15,245
Prepayments		28,238	26,763
Taxes recoverable		47,240	53,680
Derivative financial instruments	8	75,489	87,644
Property, furniture and equipment, net	9	2,552,073	2,547,832
Investment properties	10	2,759,913	2,687,776
Intangible assets, net	11	1,193,862	1,194,173
Deferred income tax assets		14,405	13,593
Other assets		471	457
Total non-current assets		**6,686,617**	**6,627,163**
Total assets		**8,197,408**	**8,309,282**

	Note	2017	2016
		S/(000)	S/(000)
Liabilities and equity			
Current liabilities			
Trade payables	12	1,396,928	1,593,744
Other payables		308,543	257,348
Accounts payable to related parties	19(b)	67,392	34,028
Current income tax	14(b)	3,479	8,709
Interest-bearing loans and borrowings	13	237,506	188,704
Deferred revenue		3,370	3,737
Total current liabilities		**2,017,218**	**2,086,270**
Accounts payable to related parties	19(b)	19,251	17,177
Interest-bearing loans and borrowings	13	2,375,462	2,470,040
Income tax long term	14 (b)	134,904	125,122
Deferred revenue		41,186	43,934
Deferred income tax liabilities	14 (a)	196,142	192,923
Total non-current liabilities		**2,766,945**	**2,849,196**
Total liabilities		**4,784,163**	**4,935,466**
Equity			
Capital stock	15 (a)	2,138,566	2,138,566
Treasury shares	15 (c)	(39,256)	(39,256)
Additional paid in capital		527,029	527,029
Unrealized results on financial instruments		5,169	(25,450)
Unrealized results on available for-sale-investment		684	673
Retained earnings		780,851	772,055
Equity attributable to owners of the parent		**3,413,043**	**3,373,617**
Non-controlling interests		202	199
Total equity		**3,413,245**	**3,373,816**
Total liabilities and equity		**8,197,408**	**8,309,282**

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

InRetail Perú Corp. and Subsidiaries

Interim consolidated Income statements
For the three-month periods ended March 31, 2017 and 2016

	Note	2017 S/(000)	2016 S/(000)
Net sales of goods		1,786,242	1,646,593
Rental income		79,543	77,866
Rendering of services		47,658	40,171
Revenue		1,913,443	1,764,630
Cost of sales	17	(1,345,013)	(1,234,481)
Gross profit		**568,430**	**530,149**
Selling expenses	17	(375,498)	(344,373)
Administrative expenses	17	(52,993)	(49,270)
Gain on valuation at fair value of investment properties	10(b)	2,637	189
Income from joint venture		5,435	4,699
Other operating (expenses) income		(750)	(2,894)
Operating profit		**147,261**	**138,500**
Finance income		2,982	3,113
Finance costs	18	(54,748)	(57,080)
Net exchange difference		17,867	15,856
Profit before income tax		**113,362**	**100,389**
Income tax expense	14	(40,283)	(36,132)
Profit for the period		**73,079**	**64,257**
Attributable to:			
InRetail Perú Corp. Shareholders		73,076	64,254
Non-controlling interests		3	3
Profit for the period		**73,079**	**64,257**
Earnings per share:			
Basic and diluted profit for the period attributable to ordinary equity holders of the parent	20	0.71	0.62

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 statements of comprehensive income
For the three-month periods ended March 31, 2017 and 2016

	Note	2017	2016
		S/(000)	S/(000)
Profit for the period		73,079	64,257
Other comprehensive income			
Unrealized gain on available-for-sale investments		15	1,273
Income tax effect		(4)	(329)
		11	**944**
Unrealized gain on hedging derivative financial instrument		28,062	30,548
Income tax effect		2,557	(278)
		30,619	**30,270**
Other comprehensive income for the period, net of income tax effects		30,630	31,214
Total comprehensive income for the period		**103,709**	**95,471**
Attributable to:			
InRetail Perú Corp. shareholders		103,706	95,468
Non-controlling interests		3	3
Total comprehensive income for the period		**103,709**	**95,471**

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

InRetail Perú Corp. and Subsidiaries

Interim consolidated statements of change in equity

For the three-month periods ended March 31, 2017 and 2016

	Capital stock	Treasury shares	Capital premium	Unrealized results on financial instruments	Unrealized results on available for-sale-investment	Retained earnings	Total	Non-controlling interest	Total equity
	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)
Balance as of January 1, 2016	2,138,566	(4,791)	549,793	(43,920)	(2,229)	507,004	3,144,423	6,605	3,151,028
Profit for the period					-	64,254	64,254	3	64,257
Other comprehensive income				30,270	944	-	31,214	-	31,214
Total comprehensive income	**-**	**-**	**-**	**30,270**	**944**	**64,254**	**95,468**	**3**	**95,471**
Treasury shares	-	(9,789)	(5,685)		-	-	(15,474)	-	(15,474)
Yields prepayments to non- controlling interest	-	-	-	-	-	(2,620)	(2,620)	(6,419)	(9,039)
Balance as of March 31, 2016	**2,138,566**	**(14,580)**	**544,108**	**(13,650)**	**(1,285)**	**568,638**	**3,221,797**	**189**	**3,221,986**
Balance as of January 1, 2017	2,138,566	(39,256)	527,029	(25,450)	673	772,055	3,373,617	199	3,373,816
Profit for the period	-	-		-	-	73,076	73,076	3	73,079
Other comprehensive income	-	-	-	30,619	11	-	30,630	-	30,630
Total comprehensive income	**-**	**-**		**30,619**	**11**	**73,076**	**103,706**	**3**	**103,709**
Dividends	-	-	-			(64,980)	(64,980)	-	(64,980)
Dividends treasury shares						750	750	-	750
Yields prepayments to non- controlling interest	-	-	-	-	-	(50)	(50)	-	(50)
Balance as of March 31, 2017	**2,138,566**	**(39,256)**	**527,029**	**5,169**	**684**	**780,851**	**3,413,043**	**202**	**3,413,245**

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

InRetail Perú Corp. and Subsidiaries

Interim consolidated statements of cash flows

For the three-month periods ended March 31, 2017 and 2016

	2017	2016
	S/(000)	S/(000)
Operating activities		
Revenue	1,951,208	1,809,738
Payments of goods and services to suppliers	(1,696,082)	(1,587,579)
Payments of salaries and social benefits to employees	(169,285)	(161,056)
Taxes paid	(41,714)	(20,673)
Recovery of taxes	13,357	-
Other payments, net	(626)	643
Net cash flows from operating activities	**56,858**	**41,073**
Investing activities		
Sales of property, furniture and equipment	54	2,884
Loan collected from related parties	33,224	-
Sales of investment properties	-	1,733
Sales of investments at fair value through profit or loss	177,459	10,912
Purchase of investments at fair value through profit or loss	(173,106)	-
Purchase of investment properties,net of acquisitions through leasing contracts	(31,302)	(13,833)
Purchase of property, furniture and equipment, net of acquisitions through leasing	(80,956)	(54,490)
Value Added Tax payment related to investment properties	(2,528)	(4,598)
Purchase of non-controlling interest shares	-	(9,039)
Loans granted to related parties	(35,004)	(24,959)
Purchase and development of intangible assets	(3,408)	(3,572)
Net cash flows used in investing activities	**(115,567)**	**(94,962)**
Financing activities		
Proceeds from interest-bearing loans and borrowings	70,000	47,014
Repayment of interest-bearing loans and borrowings	(66,350)	(48,207)
Interest paid	(51,916)	(51,925)
Sales of bonds issued	-	55,000
Purchase of treasury shares	-	(15,474)
Net cash flows used in financing activities	**(48,266)**	**(13,592)**
Net (decrease) increase of cash and short-term deposits	(106,975)	(67,481)
Cash and short–term deposits at the beginning of the period	243,555	235,409
Cash and short–term deposits at the end of the period	**136,580**	**167,928**
Non-cash transactions		
Fixed assets purchased through leasing and other financial obligations	3,344	7,416

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 March 31, 2017 and December 31, 2016

1. Business activity and group reorganization and issuance process

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

As of March 31, 2017, the percentages of ownership are:

Owner	**Ownership**
	%
Intercorp Retail Inc.	58.72
Intercorp Financial Services	2.36
Intercorp Perú Ltd	2.24
Inteligo Bank	7.78
NG Pharma Corp.	6.37
Others	22.53
Total	**100.00**

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

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

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

The accompanying interim consolidated financial statements as of March 31, 2017 were approved by the Board of Directors on May 9, 2017.

2. Subsidiary activities

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

(a) As indicated in Note 1 (b), InRetail Consumer (a SPE controlled by the Company), was incorporated during the year 2014 only for the purpose of offering the "Senior Notes Unsecured". As of March 31, 2017 and December 31, 2016 the representative shares of stock of Supermercados Peruanos S.A. and Subsidiaries and Eckerd Perú S.A. and Subsidiaries are maintained in trust in this entity. A description of such subsidiaries is presented below:

- Eckerd Perú S.A. is dedicated to the commercialization of pharmaceutical products, cosmetic products, food for medical use and other elements related to health protection and recovery through its "InkaFarma" pharmacy chain. As of March 31, 2017 and December 31, 2016, it mainly operates in Lima and provinces, such as Lambayeque, La Libertad, Piura, Arequipa, Loreto, San Martin, Ucayali, Madre de Dios, among others. Eckerd Perú S.A. holds 100 percent of: (i) Eckerd Amazonía S.A.C. and (ii) Boticas del Oriente S.A.C.

- Supermercados Peruanos S.A., is dedicated to retail. As of March 31, 2017 and December 31, 2016, has a chain of stores operating under the "Plaza Vea", "Plaza vea Super", "Plaza Vea Express" "Vivanda" and "Mass" brands, which are located in Lima and provinces, such as Trujillo, Chimbote, Piura, Cusco, Arequipa, Huancayo and others. Supermercados Peruanos S.A. holds 100 percent of: (i) Desarrolladora de Strip Centers S.A.C. (former Peruana de Tiquetes S.A.C.) and (ii) Plaza Vea Sur S.A.C.

(b) InRetail Real Estate Corp. is a Holding company incorporated in the Republic of Panama in April 2012. In July 2014 InRetail Shopping Malls (a SPE controlled by InRetail Real Estate Corp.) was incorporated only for the purpose of issuing "Senior Notes Unsecured". As of March 31, 2017 and December 31, 2016, the representative share of capital stock of InRetail Real Estate Corp.'s subsidiaries are maintained in trust in this entity, which are detailed below:

(i) Real Plaza S.R.L.

Entity dedicated to the management and administration of shopping centers (20 as of March 31, 2017 and December 31, 2016) named "Centro Comercial Real Plaza" and located in the cities of Chiclayo, Piura, Chimbote, Trujillo, Huancayo, Arequipa, Juliaca , Huanuco, Cusco, Cajamarca, Sullana, Pucallpa and Lima.

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

Equity trust funds (henceforth "Interproperties Holding") are Special Purpose Entities (SPE) incorporated with the purpose of creating independent entities of the originators, through which investments are made in real estate projects.

3. Basis of preparation and presentation

(a) Interim Financial Statements

The consolidated financial statements of the InRetail Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Boards (IASB), effective as of March 31, 2017 and December 31, 2016, respectively.

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

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

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

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

(b) Basis of consolidation

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

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

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

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

The accounting policies followed in the preparation of the consolidated financial statements are consistent with those followed in the preparation of the consolidated financial statements at December 31, 2016.

(c) New accounting standards

The accounting policies adopted in the preparation of the interim condensed combined financial statements are consistent with those followed in the preparation of the Companies annual combined financial statements for the year ended December 31, 2016, except for the adoption of the new standards and interpretations as of January 1, 2017.

Standard adopted early

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

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

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

Standards not adopted early

The InRetail Group decided not to early adopt the following standards and interpretations that have been issued by the IASB, but which are not effective as of March 31, 2017:

- IFRS 15 “Revenue from Contracts with Customers”–

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

  The new standard on revenue is applicable to all entities and replaces all revenue recognition requirements under IFRS. Complete or modified retrospective application for annual periods beginning on 1 January 2017 is required and early adoption is permitted.

- IFRS 16 “Leasing”

  IFRS 16 deals with the identification of leases, as well as its accounting treatment for tenants and landlords. Under this IFRS operating leases entered the Statement of Financial Position, recognizing all leases on the balance sheet as an asset more and more passive, like a purchase financed.

  Earlier application is permitted provided that it also applies IFRS 15 "Revenue from contracts with customers", is effective for fiscal years beginning on January 1, 2019.

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

4. Cash and short-term deposits

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

	As of March 31, 2017 S/(000)	**As of December 31, 2016** S/(000)
Cash (b)	16,287	20,294
Current accounts (c)	80,742	91,203
Time deposits (d)	15,254	119,264
Other	24,297	12,794
Total	**136,580**	**243,555**

(b) The balance as of March 31, 2017 and December 31, 2016, comprises mainly cash held by subsidiaries in the premises of their store chains and in the vaults of a security company, corresponding to sales during the last days of the period.

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

(d) As of March 31, 2017 and December 31, 2016, the time deposits are freely available and are kept in local banks in Soles and US Dollars, have maturities up to one month since inception and bear annual interest rates between 3.75 and 4.45 percent annual in soles and between 0.15 and 0.50 percent annual in US Dollars (between 4.15 and 4.70 percent annual in soles and between 0.20 and 0.30 percent annual in US Dollars as of December 31, 2016).

5. Trade receivables, net

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

	As of March 31, 2017 S/(000)	**As of December 31, 2016** S/(000)
Trade accounts receivable (c)	10,423	35,563
Rent receivable (d)	16,559	16,056
Merchandise vouchers (e)	19,258	28,467
Provision for accrued revenue (f)	11,230	16,562
Others	17,493	12,255
Total	**74,963**	**108,903**
Provision for doubtful accounts (g)	(12,875)	(12,870)
Total	**62,088**	**96,033**

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

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

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

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

(f) As of March 31, 2017 and December 31, 2016 relates to services unbilled at period end, mainly due to variable rentals. These amounts were billed in the month subsequent to the reporting date.

(g) Movements in the provision for doubtful accounts receivable for the three-months periods ended March 31, 2017 and 2016, were as follows:

	2017	**2016**
	S/(000)	S/(000)
Balance at the beginning of the year	12,870	10,982
Provision recognized as year expense, Note 17 (a)	323	1,619
Write offs and recoveries	(318)	(667)
Foreign currency variation	-	41
Balance at the end of the period	**12,875**	**11,975**
Balance as of December 31, 2016		**12,870**

As of March 31, 2017 and December 31, 2016, the amount of trade receivables past due but not impaired amounted to approximately S/27,847,000 and S/44,298,000, respectively. Receivable which are not impaired are overdue items which have a payment agreement by the consumer, so no risk of bad debts.

In the opinion of Management of the InRetail Group, the provision for doubtful accounts receivable as of March 31, 2017 and December 31, 2016, appropriately covers the credit risk of this item at those dates.

6. Inventories, net

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

	As of March 31, 2017 S/(000)	As of December 31, 2016 S/(000)
Goods	914,336	962,870
In transit inventories (b)	24,799	12,258
Miscellaneous supplies	12,250	12,661
Total	**951,385**	**987,789**
Minus		
Provision for impairment of inventories (c)	(4,883)	(8,960)
Total	**946,502**	**978,829**

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

(c) The movement in the provision for inventory impairment for the three-month periods ended March 31, 2017 and 2016, was as follows:

	2017 S/(000)	2016 S/(000)
Balance at the beginning of the year	8,960	9,597
Provision of the period, Note 17(a)	3,844	2,418
Write-off	(7,921)	(7,386)
Balance at the end of the period	**4,883**	**4,629**
Balance as of December 31, 2016		**8,960**

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

7. Available-for-sale investment

As of March 31, 2017, available for sale investments corresponded to notes issued by a related company of Intercorp Group of approximately US$ 8,957,000, equivalent to S/29,103,000 (US$8,944,000 equivalent to S/30,053,000 as of December 31,2016). The unrealized gain, net of deferred income tax, of the notes held as of March 31, 2017 amounted to S/11,000 (gain of S/944,000 as of March 31, 2016) and is presented in the equity.

8. Derivative financial instruments

As of March 31, 2017 and December 31, 2016, this item comprises of three "Principal Call Spread" contracts designated to hedge cash flows from exchange rate variations and recorded at their fair value. The detail of the operations is as follows:

Counterparty	Nominal value	Due	Pay fix at	Book value of the hedged item	Fair value 2017	Fair value 2016
	US$(000)		%		S/(000)	S/(000)
Deutsche Bank A.G.	100,000	October 2021	1.56	324,900	22,420	25,404
Bank of Tokyo	30,000	October 2021	1.20	97,470	5,685	6,332
J.P. Morgan	200,000	July 2021	1.66	649,800	47,384	55,908
Total					**75,489**	**87,644**

The financial instruments cover 43 and 57 percent, respectively, of the exposure to foreign currency risk arising from the international bond issues in July and October 2014, see note 13 (b) and (c). The Call Spreads cover variations in the exchange rate from S/3.220, S/3.379 and S/3.225, respectively to S/3.75 per US$1.00 and the price of the premiums was funded in installments, generating a liability for the same. See Note 13.

9. Property, furniture and equipment, net

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

	As of March 31, 2017	As of December 31, 2016
	S/(000)	S/(000)
Cost		
Initial balance	3,390,798	3,155,591
Additions (b)	84,300	292,971
Disposals and/or sales (c)	(7,014)	(49,313)
Transfer to Investment properties, Note 10 (b)	(39,298)	(8,451)
Final balance	**3,428,786**	**3,390,798**
Accumulated depreciation		
Initial balance	842,966	720,414
Additions (d)	39,779	155,110
Disposals and/or sales	(4,932)	(32,558)
Transfer to Investment properties, Note 10 (b)	(1,100)	-
Final balance	**877,813**	**842,966**
Net book value	**2,550,973**	**2,547,832**

(b) Additions for the three-month periods ended March 31, 2017 and 2016 correspond mainly to the construction and equipment of new premises for Supermercados Peruanos S.A. and the Eckerd Group, and the construction and/or extension 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 three-month periods ended March 31, 2017 and 2016, was recorded as follows in the income statement:

	2017	2016
	S/(000)	S/(000)
Sales expenses, Note 17 (a)	35,311	33,535
Administrative expenses, Note 17 (a)	4,468	4,307
Balance as of March 31	**39,779**	**37,842**

(e) As of March 31, 2017, Supermercados Peruanos S.A. has mortgaged land lots, buildings and facilities for a net book value of S/371,416,000 (S/381,356,000 as of December 31, 2016), as collateral over the financial obligations and the leasing contracts (see Note 13).

(f) As of March 31, 2017, the cost and corresponding accumulated depreciation of assets acquired through finance leases amount to approximately S/578,147,000 and S/194,708,000 respectively (S/569,556,000 and S/175,788,000, respectively, as of December 31, 2016).

(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 March 31, 2017 S/(000)	As of December 31, 2016 S/(000)
Real Plaza Salaverry shopping Mall (i)	395,847	392,691
Real Plaza Chiclayo shopping Mall	211,426	210,013
Real Plaza Primavera shopping Mall	208,023	208,378
Real Plaza Cuzco shopping Mall (i)	205,859	201,106
Real Plaza Centro Civico shopping Mall	196,368	195,638
Real Plaza Piura shopping Mall	192,357	189,398
Real Plaza Trujillo shopping Mall	160,926	157,927
Real Plaza Puruchuco project	138,702	137,298
Real Plaza Huancayo shopping Mall (i)	131,431	132,137
Real Plaza Cajamarca shopping Mall	98,985	98,970
Real Plaza Huánuco shopping Mall (i)	90,659	89,983
Villa Maria del Tirunfo Shopping Mall (La Curva) (i)	85,764	67,152
Real Plaza Arequipa shopping Mall (i)	76,564	72,638
Real Plaza Juliaca shopping Mall (i)	74,601	74,632
Real Plaza Santa Clara - Altamirano shopping Mall	69,256	69,023
Real Plaza Chorrillos shopping Mall	60,679	60,402
Real Plaza Pro shopping Mall	54,946	54,556
Real Plaza Lurin shopping Mall	39,529	34,309
Real Plaza Sullana shopping Mall	31,569	31,842
Real Plaza Nuevo Chimbote shopping Mall	19,454	19,411
Jr. de la Unión stores	14,869	14,751
Others	202,099	175,521
Total	**2,759,913**	**2,687,776**

(i) For the construction of these shopping malls and properties, surface right contracts were subscribed with the Arzobispado de Cuzco (on land in Cuzco “San Antonio”), Municipalidad Provincial de Huánuco (on land of “Real Plaza Huanuco” Shopping Mall), Inmobiliaria Pazos S.A.C. (La Curva), Gobierno Regional de Moquegua, (Moquegua), Ferrovias Central Andina S.A. (Huancayo), the Association denominated “Religiosas del Sagrado Corazón de Jesús” (Arequipa), Ferrocarril Trasandino S.A. (Juliaca) and the Marina de Guerra del Perú (Salaverry). These contracts have term for periods between 20 and 70 years.

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

(b) The movement of this account for the three-month periods ended March 31, 2017 and 2016 was as follows:

	2017	2016
	S/(000)	S/(000)
Balance at the beginning of the year	2,687,776	2,465,673
Additions	31,302	13,833
Disposal	-	(1,705)
Fair value adjustment	2,637	189
Other adjustments	-	-
Transfer from property, furniture and equipment; Note 9 (a)	38,198	8,451
Balance at the end of the period	**2,759,913**	**2,486,441**
Balance as of December 31, 2016		**2,687,776**

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 has used their market knowledge and professional judgment and not only relied on historical transactional comparables. Fair value adjustment is included in the "Other operating income" caption of the consolidated income statement.

11. Intangible assets, net

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

	As of March 31, 2017	As of December 31, 2016
	S/(000)	S/(000)
Cost		
Initial balance	1,262,105	1,240,125
Additions (c)	3,408	24,073
Disposal and/or sales	(95)	(2,093)
Final balance	**1,265,418**	**1,262,105**
Accumulated amortization		
Initial balance	67,932	54,215
Additions (d)	3,638	13,718
Disposals and/or sales	(14)	(1)
Final Balance	**71,556**	**67,932**
Net, book value	**1,193,862**	**1,194,173**

(b) As of March 31, 2017 and December 31, 2016, this caption mainly includes approximately S/373,054,000 and S/709,472,000 corresponding to the brand "Inkafarma" and goodwill respectively, as a result of the acquisition of the Eckerd Group and other intangibles with finite lives such as software.

The Goodwill and the “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 March 31, 2017 and December 31, 2016, additions mainly correspond to disbursements for the acquisition of a commercial software program, a general planning system (ERP) and related licenses; and (ii) disbursements for implementation of software and licenses in the new store of InRetail Group. Such disbursements include licenses for the use acquisition cost, development costs and other directly attributable costs.

(d) Amortization expense for the three-month periods ended March 31, 2017 and 2016 has been recorded in the following items of the combined statements:

	2017 S/(000)	2016 S/(000)
Sales expenses, Note 17 (a)	2,079	1,859
Administrative expenses, Note 17 (a)	1,559	1,402
Balance as of March 31	**3,638**	**3,261**

12. Trade payables

The table below presents the composition of this caption:

	As of March 31, 2017 S/(000)	As of December 31, 2016 S/(000)
Bills payable from purchase of goods	1,187,931	1,354,097
Bills payable from commercial services	208,997	239,647
Total	**1,396,928**	**1,593,744**

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

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

13. Interest-bearing loans and borrowings

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

Type of obligation	Original currency	Interes rate %	Final maturity	Original amount		Total		Current		Non-current	
				US$ (000)	S/(000)	2017 S/(000)	2016 S/(000)	2017 S/(000)	2016 S/(000)	2017 S/(000)	2016 S/(000)
Notes Senior Unsecured											
Notes Senior unsecured (b)	USD	6.500	2021	350,000	-	908,325	936,147	-	-	908,325	936,147
Notes Senior unsecured (b)	PEN	7.875	2034	-	141,000	135,338	135,324	-	-	135,338	135,324
Notes Senior unsecured (c)	USD	5.250	2021	300,000	-	557,140	575,535	-	-	557,140	575,535
Notes Senior unsecured (c)	PEN	6.813	2021	-	250,000	249,343	249,314	-	-	249,343	249,314
				650,000	**391,000**	**1,850,146**	**1,896,320**	**-**	**-**	**1,850,146**	**1,896,320**
Leasings (d)											
Related entities											
Banco Internacional del Perú-Interbank	PEN	7.850	2019	-	27,412	14,295	15,627	6,086	5,485	8,209	10,142
Banco Internacional del Perú-Interbank	PEN	Between 6.850 and 8.480	2020	-	132,181	38,891	45,921	21,913	24,865	16,978	21,056
Banco Internacional del Perú-Interbank	USD	Between 5.250 and 5.400	2017 - 2019	129	-	99	124	44	56	55	68
Non related entities											
Hewlett Packard S.A. (f)	USD	2.930	2021	11,834	-	20,086	20,794	7,870	8,560	12,216	12,234
IBM Perú SAC (f)	USD	3.000	2017	129	-	18	25	18	25	-	-
Hewlett Packard S.A. (f)	USD	Between 2.750 and 6.202	2017 - 2020	1,131	-	1,656	1,998	661	852	995	1,146
IBM Perú SAC (f)	USD	Between 1.919 and 2.584	2017 - 2018	172	-	141	194	115	147	26	47
IBM Perú SAC (f)	USD	2.170	2019	335	-	160	185	77	74	83	111
Banco de Crédito del Perú	PEN	Between 6.590 and 7.850	2020	-	81,335	45,575	49,583	16,694	16,409	28,881	33,174
Banco de Crédito del Perú	PEN	Between 7.970 and 8.060	2019 - 2024	-	108,401	54,058	56,178	9,308	9,161	44,750	47,017
BBVA Banco Continental	PEN	Between 5.960 and 8.000	2020	-	44,123	5,482	6,807	4,272	4,611	1,210	2,196
BBVA Banco Continental	USD	8.000	2017	-	1,028	99	144	99	144	-	-
Banco Scotiabank	PEN	Between 6.750 and 7.760	2018	-	57,972	29,813	32,574	11,511	11,318	18,302	21,256
				13,730	**452,452**	**210,373**	**230,154**	**78,668**	**81,707**	**131,705**	**148,447**

Type of Obligation	Original currency	Interest rate %	Final maturity	Original amount		Total		Current		Non-current	
						2017	2016	2017	2016	2017	2016
				US$ (000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)
Notes and Loans (d)											
Related entities											
Banco Internacional del Perú-Interbank	PEN	6.350	2020	-	60,000	43,476	46,234	11,592	11,415	31,884	34,819
Non related entities											
Banco de Crédito del Perú	PEN	6.350	2020	-	40,293	41,637	31,079	20,876	8,335	20,761	22,744
Banco Scotiabank	PEN	Between 6.350 and 6.950	2022	-	240,000	212,209	182,389	81,143	41,143	131,066	141,246
Banco Scotiabank	PEN	6.700	2019	-	100,000	68,357	74,539	24,775	24,822	43,582	49,717
Bank of Tokyo (e)	USD	Between 2.540 and 2.640	2019	30,000	-	96,824	100,048	-	-	96,824	100,048
				30,322	**440,293**	**462,503**	**434,289**	**138,386**	**85,715**	**324,117**	**348,574**
Call spread financing											
JP Morgan	USD	1.840	2021	18,111	-	45,957	51,940	9,019	9,307	36,938	42,633
Deutsche Bank	USD	1.560	2021	9,366	-	23,874	24,690	4,492	5,091	19,382	19,599
Bank of Tokyo (e)	USD	1.200	2021	1,953	-	5,749	5,945	1,118	1,163	4,631	4,782
				29,430	**-**	**75,580**	**82,575**	**14,629**	**15,561**	**60,951**	**67,014**
Other obligations (f)											
Hewlett Packard S.A.	USD	Between 1.450 and 5.640	2021	15,886	-	14,208	15,213	5,716	5,609	8,492	9,604
CSI Renting	USD	Between 4.635 and 5.132	2018 -2019	99	-	158	193	107	112	51	81
				15,985	**-**	**14,366**	**15,406**	**5,823**	**5,721**	**8,543**	**9,685**
Total				**739,467**	**1,283,745**	**2,612,968**	**2,658,744**	**237,506**	**188,704**	**2,375,462**	**2,470,040**

(b) In July 2014, InRetail Real Estate Corp. issued, through In Retail Shopping Malls, an offering in the local market and abroad of “Senior Notes Unsecured” for US$350,000,000 equivalent to approximately S/1,176,000,000 as of March 31, 2017 (equivalent to approximately S/1,137,150,000 as of December 31, 2016), due in July 2021, at a 6.50 percent nominal interest rate. This borrowing was recorded in the consolidated financial statement at amortized cost to an effective interest rate of 7.806 percent, after considering the respective up-front fees that amounted to US$ 19,615,000 equivalent to approximately S/63,730,000 as of March 31, 2017 (US$20,571,000 equivalent to approximately S/ 69,118,000 as of December 31, 2016). Additionally, as of March 31, 2017 the balance is presented net of US$50,814,000 equivalent to S/165,095,000 (US$50,814,000 equivalent to S/170,735,000 as of December 31 2016), corresponding to the notes of this issuance held by InRetail Shopping Malls. As of March 31, 2017 and December 31, 2016 the balance of this loan are S/908,325,000 and S/936,147,000, respectively.

Also, In July 2014, InRetail Real Estate Corp. issued, through In Retail Shopping Malls, an offering in the local market and abroad of “Senior Notes Unsecured” for S/141,000,000, due in July 2034, at a 7.875 percent nominal interest rate. This borrowing was recorded in the consolidated financial statement at amortized cost to an effective interest rate of 7.988 percent, after considering the respective up-front fees that amounted to S/1,662,000 as of March 31, 2017 (S/ 1,676,000 as of December 31, 2016). Additionally, as of March 31, 2017, the balance is presented net of S/4,000,000 (S/4,000,000 as of December 31, 2016) corresponding to the notes of this issuance held by InRetail Shopping Mall. As of March 31, 2017 and December 31, 2016 the balance of this loan are S/135,338,000 and S/135,324,000, respectively.

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

As of March 31, 2017 and December 31, 2016, InRetail Shopping Malls complied with certain obligations and restrictive clauses that are referred to the compliance with financial ratios. Amongst the main obligations are presented as follows:

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 its restricted subsidiaries.
- 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.

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 subsidiaries.
- 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.

In the opinion of InRetail Real Estate’s Management, these obligations have been complied satisfactorily and are within the agreed limits as of March 31, 2017 and December 31, 2016. Additionally, 100 percent of the “Senior Notes Unsecured” is guaranteed by InRetail Real estate Corp. and Subsidiaries’ shares.

(c) On October 2014 the Company issued through InRetail Consumer, an offering in the local market and abroad of “Senior Notes Unsecured” for US$300,000,000 equivalent to approximately S/974,700,000 as of March 31, 2017 (S/1,008,000,000 as of December 31, 2016), due in 2021 at and 5.25 percent nominal interest rate. This borrowing was recorded in the consolidated financial statements at amortized cost at a 5.5869 percent effective interest rate, after considering the respective up-front fees for approximately US$3,994,000, equivalent to a total amount of approximately S/12,976,000 as of March 31, 2017 (US$4,184,000 equivalent to approximately S/14,058,000 as of December 31, 2016). Additionally, as of March 31, 2017, the balance is presented net of US$124,526,000 equivalent to a total amount of approximately S/404,584,000 (US$124,526,000 equivalent to a total amount of approximately S/418,407,000 as of December 31, 2016) corresponding to notes of this issuance acquired by the Company itself. As of March 31, 2017 and December 31, 2016 the balance of this loan is S/557,140,000 and S/575,535,000, respectively.

Also, in October 2014 the Company issued through InRetail Consumer, an offering in the local market and abroad of “Senior Notes Unsecured” for S/250,000,000, due in 2021 at an 6.8125 percent nominal interest rate. This borrowing was recorded in the consolidated financial statements at amortized cost at a 6.8805 percent effective interest rate, after considering the respective up-front fees for approximately S/657,000, as of March 31, 2017 (S/686,000, as of December 31, 2016). As of March 31, 2017 and December 31, 2016 the balance of this loan is S/249,343,000 and S/249,314,000, respectively.

The funding was mainly used to:

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

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

  (i) 130,000,000 were offset with the promissory note held by the Company with Intercorp Retail Trust.

  (ii) 117,277,000 were settled in cash.

  (iii) 30,000,000 were purchased on behalf of Intercorp Retail Inc.

- Restructuring of liabilities, purchase of properties and investments in new projects for the Company´s subsidiaries.

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

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

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

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

In Management´s opinion, these clauses do not limit the operations of the InRetail Group and have been complied as of March 31, 2017 and December 31, 2016.

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

(e) On September 2016, the Company received a loan from Bank of Tokyo for US$30,000,000 equivalent to S/97,470,000 as of March 31, 2017 (US$30,000,000 equivalent to S/100,800,000 as of December 31, 2016)), with maturity in September 2019 and which bears an annual interest rate of 2.54 percent during the first year and 2.64 during the following two years . This loan was recorded at its amortized cost after considering the respective up-front fees of approximately S/646,000 (S/752,000 as of December 31, 2016).

(f) Corresponds to the debt that Subsidiaries. acquired with IBM del Perú S.A.C. and Hewlett Packard S.A. to purchase computer equipment. Said contracts do not have any specific guarantee.

(g) During the three-month-periods ended March 31, 2017 and 2016, loans and borrowings accrued interest which is recorded in the "Finance costs" caption of the consolidated income statements, see Note 18. Also, as of March 31, 2017 and December 31, 2016, there are interests payable which are recorded in the "Other payables" caption of the consolidated statements of financial position.

(h) 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 March 31, 2017 and December 31, 2016, said standard clauses do not limit the normal operation of the Group and have been fulfilled.

(i) Financial obligations are payable as follows:

	2017	2016
	S/ (000)	S/ (000)
2017	237,506	188,704
2018	130,655	170,668
2019	247,227	250,052
2020	85,006	83,332
2021 onwards	1,912,574	1,965,988
Total	**2,612,968**	**2,658,744**

14. Deferred income tax liabilities, net

(a) The amounts presented in the statement of financial position as of March 31, 2017 and December 31, 2016, as well as the consolidated income statements for the three-month periods ended March 31, 2017 and 2016 are shown below:

Statements of financial position	**As of March 31, 2017**		**As of December 31, 2016**	
	Assets	**Libialities**	**Assets**	**Liabilities**
	S/(000)	S/(000)	S/(000)	S/(000)
Eckerd Perú and Subsidiaries	12,942	-	12,193	-
Supermercados Peruanos and Subsidiaries	-	67,974	-	65,682
InRetail Real Estate and Subsidiaries	1,106	20,043	1,106	19,052
InRetail Management	357	-	294	-
Consolidation adjustment	-	108,125	-	108,189
Total	**14,405**	**196,142**	**13,593**	**192,923**

Statements of comprehensive income	Income tax for the three-month periods ended March 31, 2017 and 2016	
	2017	**2016**
	S/(000)	S/(000)
Current	(41,443)	(30,080)
Deferred	(2,410)	(6,052)
Income tax expense	**(43,853)**	**(36,132)**

(b) As of March 31, 2017 and December 31, 2016 the provision for current income tax payable, net of advanced payments amounts to approximately S/3,479,000 and S/8,709,000, respectively.

Also, as of March 31, 2017 and December 31, 2016, non-current income tax of S/134,904,000 and S/125,122,000, respectively, is payable as a result of the net taxable income from the assets in the trusts, the Company's subsidiaries.

15. Equity

(a) Capital stock –
As of March 31, 2017 and December 31, 2016, the capital stock of InRetail Perú Corp. is represented by 102,807,319 shares with no par value, issued at US$10.00 each, which were totally paid and issued (equivalent to S/2,138,566,000).

(b) Capital premium
It corresponds to the difference between the nominal value of shares issued and their offering value. The international offering of new shares, mentioned in paragraph (a) above, was made at a price of US$20 per share, being the issuance value of shares US$ 10.00 per share, and recording a capital Premium which is presented net of expenses related to the issuance (professional services of legal advisors, investment bankers, transaction commissions, among others) for approximately S/549,793,000.

(c) Treasury shares
As of March 31, 2017 and December 31, 2016, the Company and Its Subsidiaries have acquired 1,187,815 Shares issue for InRetail Perú Corp., for approximately S/57,229,000, The nominal value of said shares being S/39,256,000, with the difference of S / 22,764,000 being recorded as a decrease in the capital premium.

(d) Dividends
At the General Shareholders' Meeting held on March 31, 2017, it was agreed to distribute dividends of US$20,000,000 equivalent to S/ 64,980,000. Of this amount S / 750,000 corresponds to the dividends related to treasury shares maintained by the Company.

16. Tax Situation

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

Entities and individuals not domiciled in Peru must pay an additional tax over dividends received. In this regard, attention to Legislative Decree N° 1261, published on December 10, 2016 and effective from January 1, 2017, the additional tax on dividend income generated is as follows:

- 4.1 percent of the profits generated until December 31, 2014
- For the profits generated in the years 2015 and 2016 shall be 6.8 percent.
- 5.0 percent of the profits generated since January 1, 2017.

(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 March 31, 2017, the statutory Income Tax rate was 29.5 percent (28.0 percent as of December 31, 2016) on taxable income, after calculating the employees profit sharing, which according to prevailing standards is computed with a rate between 5 to 8 percent.

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

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

(I) In first place, 10 percent or more of shares of the non domiciliated company must be sold in a period of twelve months.

(ii) In second place, the market value of the Peruvian company's shares must represent 50 percent or more of the market value of the non domiciliated company, in a period of twelve months.

(d) For purposes of determining the Income Tax, transfer pricing of transactions with related companies and companies domiciled in territories with low or no taxation must be supported with documentation and information on assessment methods applied and criteria considered. Based on the analysis of the operations of the Group, Management and its legal advisors consider that as consequence of the application of the regulation in force, there will not be any significant contingencies for the Group as of March 31, 2017 and December 31, 2016.

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

	Income Tax	**Value added tax**
Supermercados Peruanos S.A.	From 2012 to 2016	From 2013 to 2016
Eckerd Perú S.A.	From 2014 to 2016	From 2013 to 2016
Eckerd Amazonia S.A.C.	From 2013 to 2016	From 2013 to 2016
Boticas del Oriente S.A.C.	From 2013 to 2016	From 2013 to 2016
Real Plaza S.R.L.	From 2015 to 2016	From 2013 to 2016
InRetail Management S.R.L.	2012, 2013, 2015 and 2016	From 2013 to 2016
Inmobiliaria Puerta del Sol S.A.	From 2012 to 2016	From 2013 to 2016

According to Peruvian law, InRetail Consumer, InRetail Shopping Malls and Interproperties Holding, special purpose entities, are not considered an income taxpayer due to its status as a trust. InRetail Shopping Malls and Interproperties Holding attribute its generated results, the net losses and Income Tax credits on foreign source income, to the holders of its certificates of participation or whoever holds those rights. Therefore, to reflect this obligation, the Company has provisioned 30 percent of long term income tax over the profit earned to date. As of March 31, 2017 and December 31, 2016, the accrued income tax amounted to S/134,904,000 and S/125,122,000, respectively.

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

In opinion of Management of the InRetail Group as well as its legal advisors opinion, any eventual additional tax settlement would not be significant to the consolidated financial statements as of March 31, 2017 and December 31, 2016.

17. Operating expenses

(a) The table below presents the components of this caption for the three-month periods ended March 31, 2017 and 2016:

	2017 S/(000)	2016 S/(000)
Cost of sales	1,345,013	1,234,481
Selling expenses	375,498	344,373
Administrative expenses	52,993	49,270
Total	**1,773,504**	**1,628,124**

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

	2017			
	Cost of sales S/(000)	**Selling expenses** S/(000)	**Administrative expenses** S/(000)	**Total** S/(000)
Initial balance of goods, Note 6(a)	962,870	-	-	962,870
Purchase of goods	1,254,263	-	-	1,254,263
Final balance of goods, Note 6(a)	(914,336)	-	-	(914,336)
Impairment of inventories Note 6 (c)	3,844	-	-	3,844
Cost of services	38,372	-	-	38,372
Personnel expenses	-	139,187	29,907	169,094
Depreciation, Note 9(d)	-	35,311	4,468	39,779
Amortization, Note 11(d)	-	2,079	1,559	3,638
Key money amortization	-	328	-	328
Services provided by third parties (b)	-	66,871	7,611	74,482
Advertising	-	20,811	-	20,811
Packing and packaging	-	9,700	35	9,735
Rental of premises	-	51,114	1,918	53,032
Taxes	-	6,745	859	7,604
Provision for doubtful trade receivables, Note 5(g)	-	5	-	5
Insurance	-	2,583	251	2,834
Other charges (c)	-	40,764	6,385	47,149
Total	**1,345,013**	**375,498**	**52,993**	**1,773,504**

	2016			
	Cost of sales	Selling expenses	Administrative expenses	Total
	S/(000)	S/(000)	S/(000)	S/(000)
Initial balance of goods	876,298	-	-	876,298
Purchase of goods	1,221,716	-	-	1,221,716
Final balance of goods	(899,851)	-	-	(899,851)
Impairment of inventories, Note 6(c)	2,418	-	-	2,418
Cost of services	33,900	-	-	33,900
Personnel expenses	-	132,518	28,538	161,056
Depreciation, Note 9(d)	-	33,535	4,307	37,842
Amortization, Note 11(d)	-	1,859	1,402	3,261
Key money amortization	-	373	-	373
Services provided by third parties (b)	-	56,444	7,444	63,888
Advertising	-	18,134	-	18,134
Packing and packaging	-	10,140	57	10,197
Rental of premises	-	46,151	1,963	48,114
Taxes	-	6,614	623	7,237
Provision for doubtful trade receivables, Note 5(g)	-	952	-	952
Insurance	-	2,630	196	2,826
Other charges (c)	-	35,023	4,740	39,763
Total	**1,234,481**	**344,373**	**49,270**	**1,628,124**

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

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

18. Finance costs

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

	2017	2016
	S/(000)	S/(000)
Interest on loans, borrowings and bonds payable	40,069	43,829
Effect of financial liabilities "Call Spread"	3,586	3,454
Other financial costs	11,093	9,797
Total	**54,748**	**57,080**

(b) As of March 31, 2017 and December 31, 2016, there are interests payable for these obligations for approximately S/43,318,000 and S/52,651,000, respectively, which are recorded in the “Other payables” caption of the consolidated statements of financial position.

19. Transactions with related parties

(a) The following table provides the total amount of transactions that have been entered into with related parties for the three-month periods ended as of March 31, 2017 and 2016:

	2017 S/(000)	2016 S/(000)
Income		
Sales	975	1,144
Rental income	24,719	26,440
Rendering of services	13,624	6,030
Other	7,279	6,105
Total	**46,597**	**39,719**
Expenses		
Renting of premises and land	991	2,856
Reimbursement of expenses	691	1,265
Commissions	71	31
Interest	970	862
Others	1,595	4,052
Total	**4,318**	**9,066**

(b) As a result of the transactions with related companies, the InRetail Group recorded the following balances as of March 31, 2017 and December 31, 2016:

	As of March 31, 2017 S/(000)	As of December 31, 2016 S/(000)
Receivables		
Tiendas Peruanas S.A.	20,058	22,558
Bembos S.A.C.	5,580	3,988
Cineplex S.A.	4,103	4,138
Home Centers Peruanos S.A.	3,884	4,057
Banco Internacional del Perú S.A.A.-Interbank	3,770	2,581
Financiera Uno S.A.	2,771	4,533
Interseguro Compañía de Seguros S.A.	540	342
Intercorp Retail Inc. (h)	391	429
Urbi Propiedades S.A.	205	213
Intercorp Perú Ltd. (d)	160	476
Others	19,732	22,344
Total	**61,194**	**65,659**

	As of March 31, 2017 S/(000)	As of December 31, 2016 S/(000)
Payables		
Intercorp Retail Inc. (l)	37,714	-
Financiera Uno S.A. (i)	20,540	24,573
Home Centers Peruanos S.A (j)	14,330	12,179
Tiendas Peruanas S.A.	5,147	4,698
Banco Internacional del Perú S.A.A. – Interbank:		
Depósito en garantía (f)	5,024	5,470
Intercorp Peru Ltd. (l)	2,119	-
Interseguro Compañía de Seguros S.A.	726	741
Horizonte Global Opportunities Perú S.A. (g)	25	25
Inmobiliaria Milenia S.A.	5	478
Others	1,013	3,041
	86,643	**51,205**
Remunerations payable to key management	-	-
Total	**86,643**	**51,205**
Current portion	67,392	34,028
Non-current portion	19,251	17,177
Total	**86,643**	**51,205**

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

(c) Outstanding balances at the period-end are unsecured and interest free, except for the financial obligations explained in this one. There have been no guarantees provided or received for any related party receivables or payables. As of March 31, 2017 and December 31, 2016, the Group has not recorded any impairment of receivables relating to amounts owed by related parties. This assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.

(d) As of December 31, 2016, the balance receivable from Intercorp Peru Ltd. corresponds to a loan in Soles that includes accrued interest at market rates of 6.625 percent annual.

(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. The contract signed in September 2009 finished in April 2016.

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 March 31, 2017 and December 31, 2016, Supermercados Peruanos S.A. has credited the update of the present value of this deposit in the "Financial income" caption. As of March 31, 2017 and December 31, 2016, the net present value of the balances related to guarantee deposits amounts to S/5,624,000 and S/5,470,000, respectively, and is accounted for in the "Other payables" caption.

In relation to such contracts, during the three-month periods ended March 31, 2017 Supermercados Peruanos S.A. recognized accrued renting revenue that amounted to approximately S/258,000 equivalent to US$81,000 (S/690,000, equivalent to approximately US$230,000 during the three-month periods ended March 31, 2016), which are recorded net of the renting expenses in the "Rental income" caption in the consolidated statements of income.

As of March 31, 2017 Supermercados Peruanos S.A. maintains deferred revenue that amounts to approximately S/2,345,000 (S/2,698,000 as of December 31, 2016) which will be recognized as income in upcoming periods.

(g) Corresponds to balances payable on land and premises renting.

(h) As of March 31, 2017 and December 31, 2016 it corresponds to the account receivable for some expenses assumed for Intercorp Retail Inc. This balance does not generate interest and is of current maturity.

(i) On June 2013, Supermercados Peruanos S.A. y Financiera Oh! S.A., a related entity, signed the "Contract of Issuance and Administration of the "Oh!" credit card". Said contract established that Financiera Oh! S.A. can exclusively operate its "Oh!" credit card in the Supermercados Peruanos stores, instead of the "Vea" credit card of Banco Internacional del Perú S.A.A. –Interbank, which was operating until that moment. Also, as a result of this agreement, as of March 31, 2017 and December 31, 2016, the InRetail Group holds Inretail accounts payables to Financiera Oh! S.A for S/20,539,000 and S/24,573,000, respectively, which correspond mainly to the collection of installments to user of the Oh! Credit card.

(j) As of March 31, 2017 mainly includes contributions from the affiliate Homecenters Peruanos S.A. (hereinafter "The associate")) for approximately S/14,227,000, (S/11,707,000 as of December 31, 2016), these contributions arise from the joint venture agreements celebrated with the Company which establishes that the associate undertake to deliver cash in favor of the Company in exchange of having a participation in the results of the project Mall "Lurín". This agreement have a term of 60 years, for this reason is recognized as long-term liability.

Interest-bearing loans and borrowings (Note, 13)

(k) Banco Internacional del Perú – Interbank signed leasing and leaseback contracts with Supermercados Peruanos S.A., Eckerd S.A., and Real Plaza which to date have outstanding balances of approximately S/38,891,000, S/14,295,000, and S/99,000 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 5.25 and 8.48 percent, and whose maturities are between 2016 and 2019. These transactions are included in "Interest-bearing loans and borrowings". During the three-month periods ended March 31, 2017 and 2016, leasing contracts generated interests which are recorded in the "Financial costs" caption of the consolidated income statements.

(l) Corresponds to dividends declared by the Company paid in April 2017, see Note 15 (d)

(m) The compensation of key management personnel of the Group for the three-month periods ended March 31, 2017 and 2016, is detailed below:

	2017	**2016**
	S/(000)	S/(000)
Short term employee benefits	6,998	4,919
Insurance and medical benefits	187	159
Total	**7,185**	**5,078**

(n) As of March 31, 2017 and December 31, 2016, the Group maintains the following balances in the cash and cash equivalent captions:

	2017	**2016**
	S/(000)	S/(000)
Banco Internacional del Peru – Interbank S.A.A.	35,439	33,503
Inteligo Bank Ltd.	3,157	6,832

20. Earnings per share

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

The following reflects basic and diluted earnings per share computations:

	Ordinary shares		
	Outstanding shares	Effective days until period-end	Weighted average of shares
Number as of January 1, 2016	102,807,319		102,807,319
Number as of March 31, 2016	102,807,319		102,807,319
Number as of January 1, 2017	102,807,319		102,807,319
Number as of March 31, 2017	102,807,319		102,807,319

	For the three-month-periods ended March 31, 2017		
	Net income (numerator) S/	Shares (denominator)	Earnings per share S/
Basic and diluted earnings per share	73,076,000	102,807,319	0.71

	For the three-month-periods ended March 31, 2016		
	Net income (numerator) S/	Shares (denominator)	Earnings per share S/
Basic and diluted earnings per share	64,254,000	102,807,319	0.62

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.

21. Commitments and contingencies

Commitments –
The main commitments assumed are presented below:

(a) As of March 31, 2017 and December 31, 2016, 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 2076.

(b) As of March 31, 2017, the Company as its Subsidiaries agreed with several financial entities on the issuance of solidary and irrevocable letters of guarantee for approximately S/18,992,000 and US$3,718,000 (S/18,261,000 and US$ 3,794,000 as of December 31, 2016), respectively, to comply with the payment of goods purchased to foreign suppliers.

Contingencies –

(a) Eckerd Amazonía S.A.C. is in the process of claim against the Tax Authority for determinations of debts and fines related to VAT for the period between January 2003 and September 2005. In opinion of Management and its legal advisors these contingencies are stated as possible and significant liabilities will not arise as result of this contingency as of March 31, 2017 and December 31, 2016.

(b) Eckerd Perú S.A. received a notification issued by Instituto Nacional de Defensa de la Competencia y de la Propiedad Intelectual (INDECOPI), whereby Eckerd Perú SA was sanctioned for alleged offenses committed in previous years. In November 2016, Eckerd Perú S.A. decided not to appeal and pay in full that sanction. The reason for this decision is that the facts investigated occurred in 2008 and 2009, before InKafarma was acquired by the Intercorp Group in 2011. As part of the Intercorp Group, Inkafarma rejects any kind of practice that would Market and the consumer.

(c) Supermercados Peruanos S.A. has been examined by the Tax Authority of Income Tax returns and monthly Value Added Tax returns for the years 2004 to 2010. 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 March 31, 2017 and December 31, 2016.

22. Business segments

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

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

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

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

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

As of March 31, 2017 and December 31, 2016 and for the three-month periods ended March 31, 2017 and 2016, InRetail Peru Corp. is organized into three main business lines, see Note 2. Transactions between the business segments are carried out under normal commercial terms and conditions. The following table presents the financial information of InRetail Perú Corp. and subsidiaries by business segments for the three-month periods ended March 31, 2017 and 2016

	Supermarkets S/(000)	**Pharmacies** S/(000)	**Shopping center** S/(000)	**Total segments** S/(000)	**Holding accounts, consolidation adjustments and intercompany eliminations** S/(000)	**Consolidated** S/(000)
For the three-month periods ended March 31, 2017						
Revenue						
External income	1,148,326	662,070	100,508	1,910,904	2,539	1,913,443
Inter-segment	3,126	-	11,007	14,133	(14,133)	-
Total revenue	1,151,452	662,070	111,515	1,925,037	(11,594)	1,913,443
Cost of sales	(857,244)	(449,396)	(38,448)	(1,345,088)	75	(1,345,013)
Gross profit	**294,208**	**212,674**	**73,067**	**579,949**	**(11,519)**	**568,430**
Gain on valuation at fair value of investment properties	-	-	3,643	3,643	(1,006)	2,637
Selling expenses	(230,109)	(154,939)	(1,798)	(386,846)	11,348	(375,498)
Administrative expenses	(28,390)	(15,672)	(5,772)	(49,834)	(3,159)	(52,993)
Other operating income (expenses)	5,216	(1,239)	714	4,691	(6)	4,685
Operating profit	**40,925**	**40,824**	**69,854**	**151,603**	**(4,342)**	**147,261**
Net, exchange difference	6,346	(772)	7,722	13,296	4,571	17,867
Finance income	1,273	699	1,270	3,242	(260)	2,982
Finance costs	(13,617)	(490)	(29,034)	(43,141)	(11,607)	(54,748)
Profit before income tax	**34,927**	**40,261**	**49,812**	**125,000**	**(11,638)**	**113,362**
Income tax expense	(13,502)	(12,287)	(15,045)	(40,834)	551	(40,283)
Profit for the year	**21,425**	**27,974**	**34,767**	**84,166**	**(11,087)**	**73,079**
Attributable to:						
Owners of the parent	21,425	27,974	34,767	84,166	(11,090)	73,076
Non-controlling interests	-	-	-	-	3	3
Profit for the year	**21,425**	**27,974**	**34,767**	**84,166**	**(11,087)**	**73,079**

	Supermarkets S/(000)	Pharmacies S/(000)	Shopping center S/(000)	Total segments S/(000)	Holding accounts, consolidation adjustments and intercompany eliminations S/(000)	Consolidated S/(000)
For the three-month periods ended March 31, 2016						
Revenue						
External income	1,035,291	629,411	97,629	1,762,331	2,299	1,764,630
Inter-segment	3,076	-	10,040	13,116	(13,116)	-
Total revenue	1,038,367	629,411	107,669	1,775,447	(10,817)	1,764,630
Cost of sales	(770,644)	(429,937)	(33,913)	(1,234,494)	13	(1,234,481)
Gross profit	267,723	199,474	73,756	540,953	(10,804)	530,149
Gain on valuation at fair value of investment properties	-	-	448	448	(259)	189
Selling expenses	(213,717)	(139,185)	(2,341)	(355,243)	10,870	(344,373)
Administrative expenses	(26,323)	(14,439)	(5,974)	(46,736)	(2,534)	(49,270)
Other operating income (expenses)	7,042	(170)	326	7,198	(5,393)	1,805
Operating profit	**34,725**	**45,680**	**66,215**	**146,620**	**(8,120)**	**138,500**
Net, exchange difference	5,761	(342)	6,252	11,671	4,185	15,856
Finance income	815	711	1,707	3,233	(120)	3,113
Finance costs	(13,242)	(767)	(30,215)	(44,224)	(12,856)	(57,080)
Profit before income tax	**28,059**	**45,282**	**43,959**	**117,300**	**(16,911)**	**100,389**
Income tax expense	(9,817)	(13,350)	(13,392)	(36,559)	427	(36,132)
Profit for the year	**18,242**	**31,932**	**30,567**	**80,741**	**(16,484)**	**64,257**
Attributable to:						
Owners of the parent	18,242	31,932	30,567	80,741	(16,487)	64,254
Non-controlling interests	-	-	-	-	3	3
Profit for the year	**18,242**	**31,932**	**30,567**	**80,741**	**(16,484)**	**64,257**

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 March 31, 2017 and December 31, 2016, the operations of all the Subsidiaries of the Company are concentrated in Peru, therefore, there are no revenues from external customers, or assets located in a foreign country as of those dates.

23. Fair value

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

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

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

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

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

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

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 three-month periods ended March 31, 2017 and 2016. The InRetail Group maintains the following financial instruments at fair value:

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

24. Transactions in foreign currency

Transactions in foreign currency are carried out using exchange rates prevailing in the market as published by the Superintendence of Banks, Insurance and Pension Funds Administration. As of March 31, 2017, the weighted average exchange rates in the market for transactions in US Dollars were S/3.246 per US$ 1.00 bid and S/ 3.249 per US$ 1.00 ask (S/3.352 and S/3.360 per US$1.00 for bid and ask as of December 31, 2016).

As of March 31, 2017 and December 31, 2016, The InRetail Group held the following foreign currency assets and liabilities:

	As of March 31, 2017	**As of December 31, 2016**
	US$(000)	US$(000)
Assets		
Cash and short-term deposits	6,972	7,000
Investments at fair value through profit or loss	36,329	16,147
Available-for-sale investment	8,958	8,944
Trade receivables, net	869	900
Other accounts receivables, net	3,610	4,846
Accounts receivable from related parties	3,107	3,325
Total assets	**59,845**	**41,162**
Liabilities		
Trade payables	(15,676)	(18,138)
Other payables	(28,931)	(27,938)
Accounts payable to related parties	(16,921)	(2,487)
Interest - bearing loans and borrowings	(515,358)	(515,824)
Total Liabilities	**(576,886)**	**(564,387)**
Call Spread	330,000	330,000
Net liability position	**(187,041)**	**(193,225)**

As of March 31, 2017 and December 31, 2016 InRetail Perú Corp.and its Subsidiaries have decided to reduce its exchange rate risk by entering into three hedging operations through a Call Spread written over its “Senior Notes Unsecured”, which are considered effective hedging instruments. The Call Spreads have been written over a nominal amount of US$100,000,000, US$30,000,000 and US$200,000,000, respectively, and will be effective until maturity of the “Senior Notes Unsecured”. See further detail in Note 8.

25. Additional explanation for English translation

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