InRetail Real Estate Corp. And Subsidiaries

Interim consolidated financial statements as of June 30, 2018 (unaudited) and December 31, 2017 (audited) and for the six-month periods ended as of June 30, 2018 and 2017.

InRetail Real Estate Corp. and Subsidiaries

Interim consolidated financial statements as of June 30, 2018 and December 31, 2017 and for the six-month periods ended June 30, 2018 and 2017.

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InRetail Real Estate Corp. and Subsidiaries

Interim consolidated statements of financial position

As of June 30, 2018 (unaudited) and December 31, 2017 (audited)

	Note	2018	2017
		S/(000)	S/(000)
Assets			
Current assets			
Cash and cash equivalents	4	33,753	56,025
Available for-sale-investments	5	64,041	56,403
Investments at fair value through profit or loss	6	2,614	202,047
Trade receivables, net	7	26,232	25,971
Other receivables	8	24,629	22,866
Accounts receivables from related parties	25	73,270	52,341
Prepaid expenses	9	7,570	5,166
Recoverable taxes	10	7,829	10,045
Total current assets		**239,938**	**430,864**
Non-current assets			
Accounts receivables from related parties	25	402,500	-
Deferred income tax, net	17	1,795	1,521
Recoverable taxes	10	17,298	16,152
Facilities, furniture and equipment, net	11	8,568	9,192
Investment properties	12	3,502,384	3,202,400
Intangible assets		5,335	3,625
Derivative financial instrument	13	92,042	30,279
Other assets		-	367
Total non-current assets		**4,029,922**	**3,263,536**
Total assets		**4,269,860**	**3,694,400**

	Note	2018	2017
		S/(000)	S/(000)
Liabilities and equity			
Current liabilities			
Trade payables	14	37,709	31,866
Other liabilities	15	52,772	60,649
Accounts payable to related parties	25	34,978	23,355
Current portion financial obligations	16	46,198	45,207
Total current liabilities		**171,657**	**161,077**
Trade payables		-	8,539
Other liabilities	15	22,691	19,610
Income tax related to special purpose entity	24(e)	237,240	213,081
Long-term financial obligations	16	1,650,202	1,147,603
Deferred income tax liabilities, net	17	28,932	27,478
Total non-current liabilities		**1,939,065**	**1,416,311**
Total liabilities		**2,110,722**	**1,577,388**
Equity			
Capital stock	19	1,475,706	1,475,706
Unrealized results on financial instruments		1,311	3,706
Retained earnings		682,121	637,600
Total equity		**2,159,138**	**2,117,012**
Total liabilities and equity		**4,269,860**	**3,694,400**

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

InRetail Real Estate Corp. and Subsidiaries

Interim consolidated statements of income and other comprehensive income

For the six-month periods ended as of June 30, 2018 (unaudited) and 2017 (audited)

	Note	2018 S/(000)	2017 S/(000)
Rental income	20	168,535	155,974
Cost of rental income	21	(22,585)	(21,685)
Net rental income		**145,950**	**134,289**
Income from management services	20	75,657	73,927
Cost related to income from management services	21	(57,439)	(57,310)
Net managament service		**18,218**	**16,617**
Gross profit		**164,168**	**150,906**
Fair value adjustment for investment properties	12(b)	8,562	4,724
Administrative expenses	22	(15,522)	(11,977)
Selling expenses	22	(4,252)	(3,770)
Other operating income (expenses)		3,910	1,259
Operating profit		**156,866**	**141,142**
Financial income	23	9,949	3,276
Financial expenses	23	(110,425)	(57,378)
Exchange difference, net	26 (a)(ii)	7,498	7,279
Profit before income tax		**63,888**	**94,319**
Income tax	17(a)	(19,367)	(29,633)
Net profit		**44,521**	**64,686**
Earnings per share:			
Basic and diluted profit for the period attributable to ordinary equity holders of the parent	19(b)	0.078	0.114

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

InRetail Real Estate Corp. and Subsidiaries

Interim consolidated statements of other comprehensive income

For the six-month periods ended as of June 30, 2018 (unaudited) and 2017 (audited)

	2018	2017
	S/(000)	S/(000)
Profit for the period	44,521	64,686
Other comprehensive income		
Unrealized gain (loss) on available-for-sale investments	6,554	(4,159)
Transfer of the unrealized loss on available-for-sale investments to results of the period	(902)	-
Income tax related special purpose entities	(1,966)	1,248
Total other comprehensive income of available for sale investments	**3,686**	**(2,911)**
Unrealized (loss) gain on hedging derivative financial instrument	(361)	14,384
Income tax related special purpose entities	(5,720)	3,306
Total other comprehensive income of financial instrument	**(6,081)**	**17,690**
Other comprehensive income for the period, net of income tax effects	(2,395)	14,779
Total comprehensive income for the period	**42,126**	**79,465**

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

InRetail Real Estate Corp. and Subsidiaries

Interim consolidated statements of changes in equity

For the six-month periods ended as of June 30, 2018 (unaudited) and 2017 (audited)

	Attributable to owners of InRetail Real Estate Corp.			
	Capital stock	Unrealized results on financial instruments	Retained earnings	Total
	S/(000)	S/(000)	S/(000)	S/(000)
Balance as of January 1, 2017	**1,475,706**	**(11,678)**	**500,578**	**1,964,606**
Profit for the period	-	-	64,686	64,686
Other comprehensive income	-	14,779	-	14,779
Total comprehensive income	**-**	**14,779**	**64,686**	**79,465**
Others	-	-	(50)	(50)
Balance as of June 30, 2017	**1,475,706**	**3,101**	**565,214**	**2,044,021**
Balance as of January 1, 2018	**1,475,706**	**3,706**	**637,600**	**2,117,012**
Profit for the period	-	-	44,521	44,521
Other comprehensive income	-	(2,395)	-	(2,395)
Total comprehensive income	**-**	**(2,395)**	**44,521**	**42,126**
Others	-	-	-	-
Balance as of June 30, 2018	**1,475,706**	**1,311**	**682,121**	**2,159,138**

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

InRetail Real Estate Corp. and Subsidiaries

Interim consolidated statements of cash flows

For the six-month periods ended as of June 30, 2018 (unaudited) and 2017 (audited)

	2018 S/(000)	2017 S/(000)
Operating activities		
Revenue	242,651	223,531
Payments of goods and services to suppliers	(73,596)	(84,766)
Payments of salaries and social benefits to employees	(16,125)	(14,730)
Taxes paid	(17,043)	(3,809)
Recovery of taxes	17,425	13,356
Other (payments) collections, net	(6,768)	13,641
Net cash flows from operating activities	**146,544**	**147,223**
Investing activities		
Sale of investments at fair value through profit or loss	199,433	175,503
Sale of available for sale investments	24,640	-
Purchase of available for sale investments	(25,889)	-
Purchase of investments at fair value through profit or loss	-	(201,583)
Loans granted to related parties	(406,289)	(7,818)
Purchase of property, furniture and equipment	(949)	(288)
Purchase and development of intangible assets	(232)	(87)
Purchase of investment properties	(298,718)	(34,519)
Purchase of subsidiary	(2,080)	-
Purchase of non-controlling interest shares	-	(50)
Value Added Tax payment related to investment properties	(8,831)	(5,051)
Net cash flows used in investing activities	**(518,915)**	**(73,893)**
Financing activities		
Issuance of bonds, net of structuring expenses	443,063	-
Payment of interest-bearing loans and borrowings	(17,444)	(22,251)
Payment of premium for repurchase of bonds issued	(24,129)	-
Interests paid	(51,391)	(41,871)
Net cash flows used in financing activities	**350,099**	**(64,122)**
Net (decrease) increase of cash and short-term deposits	(22,272)	9,208
Cash and short–term deposits at the beginning of the period	56,025	49,914
Cash and short–term deposits at the end of the period	**33,753**	**59,122**
Non-cash transactions		
Fixed assets purchased through leasing and other financial obligations	172	-

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

InRetail Real Estate Corp. and Subsidiaries

Notes to the interim consolidated financial statements

Interim unaudited consolidated financial statements as of June 30, 2018 and December 31, 2017 (audited) and for the six-month periods ended as of June 30, 2018 and 2017 (audited).

1. Business activity

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

As of June 30, 2018 and December 31, 2017 Intercorp Perú holds directly and indirectly 71.46 percent of the capital stock of InRetail Perú Corp., which in turn holds 100 percent of the capital stock of the Company.

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

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

On January 2018, The Company, through its subsidiary Real Plaza S.R.L. acquired 75.00 percent of the Centro Comercial Estación Central S.A . For the assets acquired, the Company paid S/2,080,000. At the acquisition date, the net assets of the acquired company amounted to S/446,000.

Upon obtaining control, the Group will apply the purchase method established in IFRS 3 "Business Combination" to determine the acquired goodwill. As of March 31, 2018, the Company is in the process of evaluating the allocation exercise of the purchase price and its respective determination of goodwill.

The consolidated financial statements as of June 30, 2018, were approved by the Board of Directors on August 15, 2018.

2. Subsidiaries activities

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

(a) Patrimonio en Fideicomiso – D.S.N°093-2002-EF-InRetail Shopping Malls is a special purpose entity (SPE) formed on July 2014, for the purpose of holding certificates of participation of Patrimonio en Fideicomiso – D.S.N°093-2002-EF-Interproperties Holding and Patrimonio en Fideicomiso – D.S.N°093—2002-EF-Interproperties Holding II and 100 percent of capital stock of Real Plaza S.R.L.

(b) Patrimonio en Fideicomiso –D.S. N°093-2002-EF-Interproperties Holding and Patrimonio en Fideicomiso-D.S. N°093-2002-EF-Interproperties Holding II (hereinafter "Interproperties Holding" and "Interproperties Holding II", respectively).

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

Additionally, Interproperties Holding II owns 100 percent as of June 30, 2018 and December 31, 2017 of participation in the assets of Patrimonio Fideicometido – D.S. N° 093-2002-EF-Interproperties Puerta del Sol which is a special purpose entity formed to own and handle Real Plaza Cusco "San Antonio" Shopping Mall.

(c) Real Plaza S.R.L. (hereinafter "Real Plaza")
An entity focused on operating the shopping malls (21 as of June 30, 2018 and December 31, 2017) and maintaining and developing relationships with the tenants. Real Plaza operates under the name of "Real Plaza Shopping Mall".

As of June 30, 2018, Real Plaza manages shopping malls in Chiclayo, Piura, Chimbote, Trujillo, Huancayo, Arequipa, Juliaca, Huánuco, Cusco, Cajamarca, Pucallpa and Lima.

(d) Centro Comercial Estación Central S.A.
Company dedicated to the management of the shopping center located in the central station of Metropolitan Buses.

3. Summary of significant accounting policies

3.1 Basis of preparation and presentation

The interim consolidated financial statements of InRetail Real Estate have been prepared in accordance with the International Accounting Standard 34 "Interim financial reporting". Also, the accounting policies adopted in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the InRetail Real Estate´s annual consolidated financial statements for the year ended December 31, 2017 which were audited. Therefore, these interim consolidated financial statements should be read in conjunction with such audited consolidated financial statements.

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

The interim consolidated financial statements do not include all information and disclosures required for annual consolidated financial statements and should be read together with consolidated financial statements as of December 31, 2017.

The consolidated financial statements include the financial statements of the Company and its subsidiaries, see note 2.

Subsidiaries are fully consolidated from the acquisition date, being the date on which InRetail Real Estate obtains control, and are consolidated until the date when such control ceases. The financial statements of the Subsidiaries are prepared for the same reporting period as the parent Company, using consistent accounting policies. All intra-group balances, transactions and unrealized gains and losses resulting from intra group transactions have been eliminated in full.

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

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

3.2 New standards and interpretations adopted by InRetail Real Estate

Several standards and amendments have come into effect from January 1, 2018; however, in the opinion of InRetail Real Estate´s Management, they have no impact on the accompanying unaudited consolidated financial statements as of June 30, 2018.

IFRS 9 early implementation

The Company uses derivative instruments to manage its exposure to exchange rates. In order to manage these risks, the Company applies hedge accounting for transactions which meet specific criteria for this. At the beginning of the hedging relationship, the Company formally documents 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 the effectiveness of the hedge.

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 adopted

The InRetail Real estate Group adopt the following standards and interpretations that have been issued by the IASB, and are effective as of January 1, 2018:

IFRS 15 “Revenue from Contracts with Customers”–

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

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

The adoption of IFRS 15 for the company and its subsidiaries did not have an impact on net equity as of January 1, 2018 and 2017.

The revenues of the Company and its Subsidiaries correspond mainly to rental of commercial premises. The transfer of the benefit to customers is over time, given that the customer has the ability to direct its use and to receive the benefits derived from it during the period of the contract.

The other revenues, which are lower in relation to rental of premises, correspond mainly to marketing services, energy sales and other.

Considering this frame of reference, the analysis of the impacts of IFRS 15 to date, by type of income is as follows:

(a) Rental Service

The Company and its Subsidiaries provide various services, the main ones being rental of commercial premises, temporary rentals of commercial space in shopping centers, visual advertising services and transportation of goods. Consequently, in accordance with IFRS 15, the income from these services is recognized over time, as of the moment when the service starts.

The variable considerations for this performance obligation correspond mainly to the variable income specified in each contract. In this sense, IFRS 15 establishes that revenues will only be recognized if it can be demonstrated that there will be no significant reversions of income when estimating variable considerations; therefore, revenues will be recognized at the time they occur, given that the estimation of the variable consideration for the term of the contracts has a high degree of volatility.

(b) Other Income

The Company and its Subsidiaries generate other income mainly for marketing, energy sales and other services. In accordance with IFRS 15, the variable considerations corresponding to this type of performance obligations are considered by the Management at the time when the recognition of income is given.

Standards not adopted early

The InRetail Real Estate Group decided not to early adopt the following standards and interpretations that have been issued by the IASB, but which are effective as of January 1, 2019:

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 this standard on its consolidated financial statements.

3.3 Significant estimations and assumptions

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

4. Cash and cash equivalent

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

	As of June 30, 2018 S/(000)	As of December 31, 2017 S/(000)
Cash	35	31
Current accounts (b)	29,025	31,545
Time deposits (c)	3,090	22,846
Management and security trust current accounts (d)	1,603	1,603
Total	**33,753**	**56,025**

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

(c) As of June 30, 2018, time deposits are unrestricted, maintained in Soles in local financial institutions, have maturities of up to one month since its inception and bear annual interests between 1.75 and 2.77 percent in Soles, (between 1.25 and 3.30 in Soles as of December 31, 2017).

(d) As of June 30, 2018 and December 31, 2017, correspond to the bank accounts, which serve as means of payment of the guaranteed obligations with regard to the leasing granted by Banco de Crédito del Perú in favor of Interproperties Holding II, see note 16 (e), in compliance with the contract of management and security trust.

5. Available for-sale financial investments

As of December 31, 2017, corresponds to bonds issued by Intercorp Ltd., of US$6,656,000 equivalent to S/21,599,000, which mature in 2025, and accrue effective annual interests at a rate of 5.785 percent. The fair value is determined by price quotations published in an active market.

In February 2018, the Company sold 100 percent of its bonds, generating a gain of US$356,000 equivalent to S/1,164,000 which is presented in the consolidated statement of income.

In June 2018, the Company purchased bonds issued by InRetail Pharma S.A. for an amount of US$1,792,000 equivalent to an amount of S/5,868,000 maturing in the year 2023 and accruing an effective annual interest of 5.375 percent.

Additionally, as of March 31, 2018, the Company has other investments available for sale for an amount of US$17,768,000 equivalent to S/58,173,000 (US$10,725,000 equivalent to S/34,804,000 as of December 31, 2017).

6. Investments at fair value through profit or loss

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

Entity	**As of June 30, 2018** S/(000)	**As of December 31, 2017** S/(000)
Mutual funds managed by Sura SAF S.A.C.	-	180,965
Mutual funds managed by Interfondo S.A. SAF	2,614	21,082
Total	**2,614**	**202,047**

As of June 30, 2018 and December 31, 2017, these mutual funds have been invested in a portfolio of financial instruments issued by renowned financial institutions of the local market. The results from this valuation are presented in the "Financial Income" caption of the consolidated statement of income.

7. Trade receivables

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

	As of June 30, 2018 S/(000)	As of December 31, 2017 S/(000)
Rents receivable (b)	18,862	13,456
Unbilled services (c)	13,258	13,561
Documents receivable	1,525	4,975
Total trade receivables	**33,645**	**31,992**
Allowance for doubtful accounts (e)	(7,413)	(6,021)
Total trade receivables, net	**26,232**	**25,971**

(b) As of June 30, 2018 and December 31, 2017, trade accounts receivable are denominated in Soles and US Dollars, have current maturities and do not accrue interest.

(c) As of June 30, 2018 and December 31, 2017, mainly corresponds to unbilled lease services for variable and fixed rents, which are billed during the following month.

(d) As of June 30, 2018 and December 31, 2017 the analysis of trade receivables is as follows:

	Balance as of June 30, 2018		
	Non-impaired S/(000)	**Impaired** S/(000)	**Total** S/(000)
Unbilled services	13,258	-	13,258
Past-due			
From 1 to 90 days	12,349	9	12,358
From 91 to 120 days	341	149	490
From 121 to 180 days	99	517	616
From 181 to 270 days	185	676	861
More than 271 days	-	6,062	6,062
Total	**26,232**	**7,413**	**33,645**

	Balance as of December 31, 2017		
	Non-impaired S/(000)	**Impaired** S/(000)	**Total** S/(000)
Unbilled services	13,561	-	13,561
Past-due			
From 1 to 90 days	11,550	-	11,550
From 91 to 120 days	317	113	430
From 121 to 180 days	367	240	607
From 181 to 270 days	102	376	478
More than 271 days	74	5,292	5,366
Total	**25,971**	**6,021**	**31,992**

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

(e) The movement of the provision for impairment as of June 30, 2018 and 2017 is as follows:

	2018	2017
	S/(000)	S/(000)
Balance at the beginning of the year	6,021	5,167
Subsidiary acquisition	591	-
Provision recognized as period expense, note 22(b)	1,137	959
Recoveries, note 22(b)	(338)	(636)
Exchange difference	2	(12)
Balance at the end of the period	**7,413**	**5,478**
Balance as of December 31, 2017		**6,021**

In the opinion of InRetail Real Estate Management, the provision for impairment appropriately covers the credit risk as of June 30, 2018 and December 31, 2017.

8. Other receivables

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

	As of June 30, 2018	As of December 31, 2017
	S/(000)	S/(000)
By type:		
Outstanding advances (b)	8,256	680
Fund retained - Banco de la Nación (c)	12,758	20,422
Others	3,615	1,764
Total	**24,629**	**22,866**

(b) As of June 30, 2018 and December 31, 2017, correspond to advances given to suppliers related to projects for the investments properties.

(c) In accordance with Superintendence Resolution N°183-2004/SUNAT, funds held in Banco de la Nación must be used exclusively for the payments of tax debts, or it is possible to request a cash reimbursement. In the case of the Company and its Subsidiaries, these funds have been used entirely for tax payments.

(d) In the opinion of InRetail Real Estate´s Management, it is not necessary to make a provision for impairment as of June 30, 2018 and December 31, 2017, as no credit risk has been identified.

9. Prepaid expenses

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

	As of June 30, 2018 S/(000)	As of December 31, 2017 S/(000)
Insurances paid in advance (b)	1,963	1,526
Municipal taxes prepaid (c)	2,416	630
Structuring cost (d)	2,700	2,700
Others	491	310
Total	**7,570**	**5,166**

(b) Corresponds mainly to insurance payments on properties of the Company.

(c) Corresponds mainly to Municipal prepaid taxes on properties.

(d) Corresponds mainly to the structuring cost of the financial lease of the "Puruchuco project".

10. Recoverable taxes

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

	As of June 30, 2018 S/(000)	As of December 31, 2017 S/(000)
By type:		
Tax credit for value-added-tax (b)	20,761	22,471
Income tax payment	3,937	1,821
Others	429	1,905
Total	**25,127**	**26,197**
By term:		
Current	7,829	10,045
Non-current	17,298	16,152
Total	**25,127**	**26,197**

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

11. Facilities, furniture and equipment, net

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

	Facilities	Furniture and fixtures	Transport units	Equipment miscellaneous	Work in progress	Total
	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)
Cost						
Balance as of January 1, 2018	**5,866**	**4,186**	**695**	**9,582**	**310**	**20,639**
Additions	165	29	-	958	27	1,179
Balance as of June 30, 2018	**6,031**	**4,215**	**695**	**10,540**	**337**	**21,818**
Accumulated depreciation						
Balance as of January 1, 2018	**3,093**	**2,661**	**141**	**5,552**	**-**	**11,447**
Depreciation of the period, Note 22(b)	683	254	70	796	-	1,803
Balance as of June 30, 2018	**3,776**	**2,915**	**211**	**6,348**	**-**	**13,250**
Net cost as of June 30, 2018	**2,255**	**1,300**	**484**	**4,192**	**337**	**8,568**
Net cost as of December 31, 2017	**2,773**	**1,525**	**554**	**4,030**	**310**	**9,192**

(b) As of June 30, 2018 and December 31, 2017, there are no pledges or guarantees provided to third parties on the facilities, furniture and equipment of InRetail Real Estate.

(c) As of June 30, 2018 and 2017, InRetail Real Estate´s Management performed an assessment of the facilities, furniture and equipment, and has not found any impairment indicator on those assets. In its opinion, the book value of the facilities, furniture and equipment is recoverable with the income generated by InRetail Real Estate.

12. Investment properties

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

	As of June 30, 2018 S/(000)	As of December 31, 2017 S/(000)
Real Plaza Salaverry shopping mall (i)	463,874	462,095
Real Plaza Chiclayo shopping mall	266,273	262,796
Real Plaza Cuzco shopping mall (i)	262,220	260,128
Real Plaza Centro Cívico shopping mall (i)	234,075	233,451
Real Plaza Piura shopping mall	233,373	231,112
Real Plaza Primavera shopping mall	227,952	222,477
Real Plaza Puruchuco project	212,032	141,736
Real Plaza Trujillo shopping mall	200,513	199,368
Real Plaza Pucallpa shopping mall	171,764	-
Real Plaza Huancayo shopping mall (i)	165,337	158,189
Real Plaza Huánuco shopping mall (i)	116,912	116,370
Real Plaza Santa Clara shopping mall	115,066	113,984
Real Plaza Pro shopping mall	107,762	106,905
Real Plaza Cajamarca shopping mall	96,563	96,057
Real Plaza Juliaca shopping mall (i)	95,103	95,634
Real Plaza Arequipa shopping mall (i)	86,181	85,802
Real Plaza Chorrillos shopping mall	77,132	76,085
Real Plaza Sullana shopping mall	50,725	50,141
Real Plaza Nuevo Chimbote shopping mall	36,161	30,607
Jiron de la Unión	18,918	18,768
Others (ii)	264,448	240,695
Total	**3,502,384**	**3,202,400**

(i) For the construction of these shopping malls and properties, surface rights contracts were subscribed with the Arzobispado de Cuzco (on land in Cusco "San Antonio"), Municipalidad provincial de Huánuco (on land of "Real Plaza Huánuco" shopping mall), Oficina de Normalización Provisional – ONP (Centro Cívico), Ferrovías Central Andina S.A. (Huancayo); the Association denominated "Religiosas del Sagrado Corazón de Jesús" (Arequipa), Ferrocarril Trasandino S.A. (Juliaca), and the Marina de Guerra del Perú (Salaverry). The terms of these contracts range from 20 to 70 years.

(ii) Corresponds mainly to lands on which real estate projects will be developed, mainly shopping malls branded "Real Plaza". In the opinion of InRetail Real Estate´s Management the book values of these investment properties do not differ significantly from their fair values as of June 30, 2018 and as of December 31, 2017 since Management has been managing the related licenses for their development.

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

(b) The movement of this caption for the six-month period ended as of June 30, 2018 and 2017 is as follows:

	2018	2017
	S/(000)	S/(000)
Balance at the beginning of the year	3,202,400	3,105,461
Subsidiary acquisition	1,162	-
Additions	298,718	26,188
Disposal	(8,458)	-
Fair value adjustment	8,562	4,724
Balance at the end of the period	**3,502,384**	**3,136,373**
Balance as of December 31, 2017		**3,202,400**

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

13. Derivative financial instrument

As of June 30, 2018, this item comprises of a principal Call Spread. As of December 31, 2017, the Call Spread contract was designated to hedge cash flows and was recorded at its fair value. The detail of this operation is as follows:

Counterparty	Nominal value	Due	Pay fix at	Book value of the hedged item	Fair value 2018	Fair value 2017
	US$(000)		%		S/(000)	S/(000)
J.P. Morgan (a)	350,000	April 2028	1.05	1,145,900	92,042	-
J.P. Morgan (b)	200,000	July 2021	1.84	649,000	-	30,279
Total					**92,042**	**30,279**

(a) In March 2018, Patrimonio en Fideicomiso D.S. 093-2002-EF InRetail Shopping Malls, Subsidiary of the Company, decided to carry out hedging operations through a Foreign Currency Call Spread for the financial obligations it holds for the "Senior Unsecured Notes", that were issued in April 2018, between the contract date of the Call Spread and the date of issuance of the bond, this contract was registered as a trading instrument. From the date of issue of the "Senior Unsecured Notes" for the purposes of IFRS 9, it was classified as an effective hedging instrument,.

This instrument covers 100 percent of the exposure in foreign currency of the principal of the issuance and protects exchange rate variations between S/3.26 and S/3.75 per US$1.00. The premium price was financed in installments equal to the issuance.

(b) As of December 31, 2017, the financial instrument covered 57 percent of the exposure to foreign currency risk arising from the international bond issuance of July 2014, see note 16 (c). This Call Spread covers variations in the exchange rate between S/3.225 and S/3.750 per US$1.00 and the price of the premium was funded in installments, generating a liability for the same. See note 16.

In March 2018, the Call Spread with J.P. Morgan that expired in 2021 and that covered the 2014 bond issuance of InRetail Shopping Malls for US$200,000,000, was liquidated in advance, generating a premium of S/17,109,000. See note 23.

14. Trade payables

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

	As of June 30, 2018 S/(000)	As of December 31, 2017 S/(000)
Bills payable to third parties (b)	27,877	24,402
Provision of services unbilled (c)	9,832	7,464
Total	**37,709**	**31,866**

(b) As of June 30, 2018 and December 31, 2017, trade payables mainly comprise the liabilities with contractors for the construction works and/or refurbishing of shopping malls. Bills payable are denominated in Soles and US Dollars, do not accrue interests and their maturities don’t exceed the current period.

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

15. Other liabilities

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

	As of June 30, 2018 S/(000)	As of December 31, 2017 S/(000)
By type:		
Deferred income (b)	22,692	23,411
Interest payable (c)	32,390	36,198
Deposits from third parties (d)	3,174	2,719
Workers' profit sharing	1,473	3,486
Vacations	329	280
Tax payables	1,130	1,319
Other payables	14,275	12,846
Total	**75,463**	**80,259**
By term:		
Current	52,772	60,649
Non-current	22,691	19,610
Total	**75,463**	**80,259**

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

	As of June 30, 2018 S/(000)	As of December 31, 2017 S/(000)
Key money (b.1)	15,355	16,019
Advanced rents (b.2)	7,337	6,184
Others	-	1,208
Total	**22,692**	**23,411**

(b.1) As of June 30, 2018 and December 31, 2017, corresponds to the payment of key money from several tenants that operate in the Real Plaza shopping malls.

(b.2) As of June 30, 2018 and December 31, 2017, correspond mainly to rents paid in advance by Cineplex S.A. (a related entity) and Ripley (third-party entity) for the premises it operates in the shopping malls Real Plaza Pro and Real Plaza Salaverry, respectively.

(c) As of June 30, 2018, corresponds mainly to interest payable originated from the private offering of “Senior Unsecured Notes“ maturing in 2028 and 2034 that accrue interest annual at a rate of 5.75, 6,5625 and 7.875 percent annual (with maturity in 2021 and 2034 with annual interest rates of 6.50 and 7.875 as of December 31, 2017).

(d) As of June 30, 2018 and December 31, 2017 it mainly corresponds to deposits from the tenants of the Real Plaza shopping malls Arequipa, Primavera, Pro, Santa Clara, Huancayo, Huánuco, Trujillo, Cajamarca, Juliaca, Salaverry, Pucallpa, Centro Cívico and Nuevo Chimbote.

These deposits do not accrue interest and will be refunded in the original currency at the end of the lease contract.

16. Financial obligations

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

Type of Obligation	Original Currency	Interest Rate %	Maturity final	Original Amount US$ (000)	Original Amount S/(000)	Total As of June 30, 2018 S/(000)	Total As of December 31, 2017 S/(000)	Current As of June 30, 2018 S/(000)	Current As of December 31, 2017 S/(000)	Non-current As of June 30, 2018 S/(000)	Non-current As of December 31, 2017 S/(000)
Bonds issuance (b)											
Foreign currency bond issuance	USD	5.750	2028	350,000	-	1,063,322	-	-	-	1,063,322	-
Foreign currency bond issuance	USD	6.500	2021	350,000	-	-	916,875	-	-	-	916,875
Local currency bond issuance	PEN	7.875	2034	-	141,000	135,413	135,383	-	-	135,413	135,383
Local currency bond issuance	PEN	6.563	2028	-	313,500	309,377	-	-	-	309,377	-
				700,000	**454,500**	**1,508,112**	**1,052,258**	**-**	**-**	**1,508,112**	**1,052,258**
Leasings											
Related entities											
Banco Internacional del Perú-Interbank	USD	5.300	2018 - 2020	208	-	248	326	156	160	92	166
Non-related entities											
Banco de Crédito del Perú (e)	PEN	8.020	2019	-	54,748	7,021	9,321	5,299	5,099	1,722	4,222
Banco de Crédito del Perú (f)	PEN	7.970	2023	-	32,926	21,383	23,003	3,423	3,291	17,960	19,712
Banco de Crédito del Perú (g)	PEN	8.060	2024	-	20,727	14,149	15,072	1,949	1,874	12,200	13,198
Hewlett Packard S.A.	USD	Between 3.300 and 6.200	2018 - 2021	547	-	971	1,152	423	426	548	726
CSI Renting	USD	Between 2.720 and 5.130	2018 - 2021	241	-	599	403	216	209	383	194
Infratech	USD	5.00	2018 - 2021	41	-	138	-	71	-	67	-
				1,240	**108,401**	**44,509**	**49,277**	**11,537**	**11,059**	**32,972**	**38,218**
Promissory notes and loans											
Non-related entities											
JP. Morgan	USD	1.050	2028	32,501	-	106,406	-	9,770	-	96,636	-
JP. Morgan	USD	1.840	2021	18,111	-	-	41,490	-	9,304	-	32,186
Scotiabank Perú S.A.A. (h)	PEN	6.700	2019	-	100,000	37,373	49,785	24,891	24,844	12,482	24,941
				50,612	**100,000**	**143,779**	**91,275**	**34,661**	**34,148**	**109,118**	**57,127**
Total				**751,852**	**662,901**	**1,696,400**	**1,192,810**	**46,198**	**45,207**	**1,650,202**	**1,147,603**

(b) In April, 2018, Patrimonio en Fideicomiso D.S. 093-2002-EF InRetail Shopping Malls, Subsidiary of the Company, has issued debt instruments ("Notes") denominated in US Dollars through a private offer to institutional investors under Rule 144a and Regulation S, for US$350,000,000, equivalent to S/1,145,900,000 that accrues an interest of 5.75 percent per annum, with a maturity of 10 years, with semi-annual interest payments and the principal in a single installment upon maturity of the securities. This borrowing was recorded in the consolidated financial statement at amortized cost to an effective interest rate of 6.752 percent, after considering the respective up-front fees that amounted to US$25,222,000 equivalent to approximately S/82,578,000 as of June 30, 2018.

Additionally, in April 2018, the Company's Subsidiary issued debt instruments ("Notes") denominated in Soles for S/313,500,000 that bear an annual interest rate of 6.5625 percent, maturing in 10 years and with payment semiannual interest and the principal in a single installment at the expiration of the securities. This borrowing was recorded in the consolidated financial statement at amortized cost to an effective interest rate of 6.730 percent, after considering the respective up-front fees that amounted to S/4,123,000 as of June 30, 2018.

As a result of these issues, InRetail Shopping Malls must comply, until their maturity and full payment, certain obligations and covenants must be met in this type of transactions.

In the opinion of the Management, these covenants do not limit operations of the Company and its subsidiaries and have been complied satisfactorily and are within the agreed limitis as of June 30, 2018. Likewise, 100 percent of the "Senior Unsecured Notes" is guaranteed by the shares of InRetail Real Estate Corp. and Subsidiaries.

(c) In July 2014, InRetail Real Estate Corp. issued, through InRetail Shopping Malls, an offering in the local market and abroad of “Senior Unsecured Notes” for US$350,000,000 equivalent to approximately S/1,135,750,000 as of December 31, 2017, 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$16,636,000 equivalent to approximately S/53,984,000 as of December 31, 2017. Additionally, as of December 31, 2017 the balance is presented net of US$50,814,000 equivalent to S/164,891,000 as of December 31 2017, corresponding to the notes of this issuance held by InRetail Shopping Malls. As of December 31, 2017 the balance of this loan is S/916,875,000.

In April 2018, US$350,000,000 of the "Senior Unsecured Notes", issued in 2014, were redemeend early, by Patrimonio in D.S. Trust. 093-2002-EF InRetail Shopping Malls, Subsidiary of the Company, paying a premium of US$7,473,000 equivalent to S/24,129,000.

(d) In July 2014, InRetail Real Estate Corp. issued, through InRetail Shopping Malls, an offering in the local market and abroad of “Senior Unsecured Notes” 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/1,587,000 as of June 30, 2018 (S/1,617,000 as of December 31, 2017). Additionally, as of June 30, 2018 and December 31, 2017, the balance is presented net of S/4,000,000 corresponding to the notes of this issuance held by InRetail Shopping Malls. As of June 30, 2018 and December 31, 2017, the balance of this loan is S/135,413,000 and S/135,383,000, respectively.

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

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

In August 2014, the loan was restructured with a change in the interest rate, which changed from 9.02 to 8.02.

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

(f) During 2012, Interproperties Holding II (SPE), decided to enlarge Real Plaza Chiclayo shopping mall (hereinafter "Enlargement of Section 2A"), for which it signed an addendum to the Framework Contract with BCP, which committed to finance the project up to US$12,500,000. As of June 30, 2018 and December 31, 2017, it is already operating; therefore, Interproperties Holding II has recorded the corresponding liabilities at such dates.

In June 2014 the debt was restructured with a change in the financing currency of US Dollars to Soles, the loan with the currency exchange amounted to S/32,927,000 and as a result, the interest rate changed to 7.97 from 7.62.

(g) During 2013, Interproperties Holding II (SPE) continued the enlargement of Real Plaza Chiclayo shopping mall (hereinafter "Enlargement of Section 2B"), for which it signed an addendum to the leasing agreement with BCP, which committed to finance the project for up to US$7,500,000. As of June 30, 2018 and December 31, 2017, the expansion of Section 2B is finished.

In June 2014 the debt was restructured with a change in the financing currency of US Dollars to Soles, the loan with the currency exchange amounted to S/20,727,000 and as a result the interest rate changed from 7.02 to 8.06.

(h) Corresponds to a loan agreement with Scotiabank Perú S.A.A. of S/ 100,000,000, for a period of four years, payable in quarterly installments. This loan was used to repay debt and other corporate purposes.

This obligation was recorded in the consolidated financial statements at amortized cost with an effective annual interest rate of 7.135 percent per annum after considering the respective initial charge of approximately S/127,000 in June 30, 2018 (S/215,000 in December 31, 2017).

As of June 30, 2018, InRetail Real Estate amortized the debt with Scotiabank by S/62,500,000.

(i) Financial obligations are payable as follows:

	As of June 30, 2018	**As of December 31, 2017**
	S/(000)	S/(000)
2018	23,378	45,207
2019	45,081	45,488
2020	11,411	17,173
2021	11,642	934,861
2022 onwards	1,604,888	150,081
Total	**1,696,400**	**1,192,810**

17. Income tax

(a) The Deferred Income Tax assets and liabilities presented in the consolidated statements as of June 30, 2018 and December 31, 2017 is detailed as follows:

Statements of financial position	As of June 30, 2018		As of December 31, 2017	
	Assets	Liabilities	Assets	Liabilities
	S/(000)	S/(000)	S/(000)	S/(000)
Real Plaza S.R.L.	1,795	-	1,521	-
Inversiones Real Estate S.R.L.	-	632	-	-
Inmobiliaria Puerta del Sol S.R.L.	-	28,300	-	27,478
Deferred income tax liability, net	**1,795**	**28,932**	**1,521**	**27,478**

Statements of comprehensive income	Income tax for the six-month period ended June 30, 2018 and 2017	
	2018	2017
	S/(000)	S/(000)
Current	(17,912)	(26,702)
Deferred	(1,455)	(2,931)
Income tax expense	**(19,367)**	**(29,633)**

18. Commitments

As of June 30, 2018 , corresponds to guarantee letters in favor of third parties for approximately S/7,790,000 and US$3,532,000 (S/8,827,000 and US$3,391,000 as of December 31, 2017), which guarantee the compliance of obligations from contractual agreements related to the real estate projects of Interproperties Holding and Interproperties Holding II.

19. Equity

(a) Capital stock –

As of June 30, 2018 and December 31, 2017, the capital stock of InRetail Real Estate Corp. amounts to S/1,475,706,000 approximately, represented by 568,201,039 shares, issued at a nominal value of US$1.00 each.

(b) Earnings per share –

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

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

	Ordinary shares		
	Outstanding shares	**Effective days until period-end**	**Weighted average of shares**
Number as of January 01, 2017	568,201,039	180	568,201,039
Number as of June 30, 2017	568,201,039		568,201,039
Number as of January 01, 2018	568,201,039	180	568,201,039
Number as of June 30, 2018	568,201,039		568,201,039

	For the six-month-period ended June 30, 2018		
	Net income (numerator) S/	**Shares (denominator)**	**Earnings per share** S/
Basic and diluted earnings per share	44,521,000	568,201,039	0.078

	For the six-month-period ended June 30, 2017		
	Net income (numerator) S/	**Shares (denominator)**	**Earnings per share** S/
Basic and diluted earnings per share	64,686,000	568,201,039	0.114

20. Income from real estate service

(a) The composition of the balance for the six-month periods ended as of June 30, 2018 and 2017 is presented below:

	2018 S/(000)	2017 S/(000)
Rental income		
Rental income (b)	158,328	147,623
Rent of space for publicity	6,727	4,724
Key money	3,480	3,627
Total	**168,535**	**155,974**
Income from management services		
Common expenses (c)	33,878	33,181
Electricity and water (d)	26,807	25,528
Promotion and advertisement (e)	8,654	8,050
Parking	4,237	4,193
Management services	313	662
Others	1,767	2,313
Total	**75,657**	**73,927**

(b) As of June 30, 2018 and 2017, corresponds to rental income from the economic exploitation of the "Real Plaza" shopping malls.

The composition of the rental income is presented below:

	2018 S/(000)	2017 S/(000)
Fixed rental income	134,020	126,349
Variable rental income	24,308	21,274
Total	**158,328**	**147,623**

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

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

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

21. Operating costs

(a) The composition of this caption for the six-month period ended as of June 30, 2018 and 2017 is presented below:

	2018 S/(000)	2017 S/(000)
Cost of rental income		
Landlord leases (b)	13,305	13,159
Property tax and duties	6,968	6,480
Property insurance costs	1,966	1,932
Others	346	114
Total	**22,585**	**21,685**
Cost related to income from management services		
Electricity and water	22,692	23,186
Maintenance and administration of parking lot	8,416	9,355
Advertising and marketing	8,285	7,926
Personnel expenses	6,746	5,484
Cleaning services	5,562	5,438
Safety services	4,096	3,818
Leases, professional fees and comunications	1,029	1,306
Other costs	613	797
Total	**57,439**	**57,310**

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

22. Selling and administrative expenses

(a) The composition of this caption for the six-month period ended as of June 30, 2018 and 2017 is presented below:

	2018 S/(000)	2017 S/(000)
Administrative expenses	15,522	11,977
Selling expenses	4,252	3,770
Total	**19,774**	**15,747**

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

	2018		
	Selling expenses	**Administrative expenses**	**Total**
	S/(000)	S/(000)	S/(000)
Personnel expenses	2,986	8,868	11,854
Depreciation, Note 11 (a)	-	1,803	1,803
Amortization	-	157	157
Services provided by third parties	445	2,664	3,109
Allowance for doubtful accounts, Note 7 (e)	1,137	-	1,137
Recovery of allowance for doubtful accounts, Note 7 (e)	(338)	-	(338)
Other charges	22	2,030	2,052
Total	**4,252**	**15,522**	**19,774**

	2017		
	Selling expenses	**Administrative expenses**	**Total**
	S/(000)	S/(000)	S/(000)
Personnel expenses	2,851	5,432	8,283
Depreciation	-	1,783	1,783
Amortization	-	141	141
Services provided by third parties	103	1,925	2,028
Allowance for doubtful accounts, Note 7 (e)	959	-	959
Recovery of allowance for doubtful accounts, Note 7 (e)	(636)	-	(636)
Other charges	493	2,696	3,189
Total	**3,770**	**11,977**	**15,747**

23. Financial income and expenses

The composition of this caption for the six-month period ended as of June 30, 2018 and 2017 is presented below:

	2018	2017
	S/(000)	S/(000)
Income		
Interest on deposits	1,069	1,749
Gain from valuation of financial instruments	1,164	603
Interest from loans granted	7,716	315
Others	-	609
Total	**9,949**	**3,276**

	2018	2017
	S/(000)	S/(000)
Expenses		
Bond interest expenses	45,430	37,153
Premium for early settlement of bonds	24,129	-
Accrual of the Call Spread premium	4,233	4,405
Debt structuring expenses	4,455	6,448
Interest from leasing and others	4,680	4,495
Call spread early settlement	17,109	-
Other	10,389	4,877
Total	**110,425**	**57,378**

24. Tax situation

(a) InRetail Real Estate Corp. is incorporated in Panama; therefore, it is not subject to any Income Tax.

Entities and individuals not domiciled in Peru are subject to retention of an additional tax on dividends received. In this regard, attention to Legislative Decree N° 1261, published on December 10, 2017 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
- 6.8 percent for the profits generated in the years 2015 and 2017.
- 5.0 percent for the profits generated since January 1, 2017.

(b) Real Plaza is domiciled in Perú and is subject to the Peruvian tax system and, in compliance with current Peruvian legislation calculate their income tax on the basis of their separate financial statements. As of June 30, 2018 and December 31, 2017, the statutory income tax rate was 29.5 percent on tax payable income, after calculating the employees profit sharing, which according to prevailing standards is computed with a rate between 5 to 8 percent.

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

(i) In first place, the market value of the shares of Peruvian society must represent 50 percent or more of the market value of non-domiciled, in any period of twelve months and,

(ii) In second place, 10 percent or more of the shares of the non-resident must be sold in any twelve month period;

(d) Transactions entered into between related parties and/or with tax heaven residents fall into the scope of the Peruvian Transfer Pricing rules. Such rules are based on the application of the arm´s length principle, as understood by the OECD. It is important to mention that Transfer Pricing rules are only applicable for Income Tax purposes, and adjustments are allowed under certain conditions only. Based on the analysis of operations of InRetail, its Management and legal advisors believe that the implementation of these standards does not generate any significant contingencies for InRetail Real Estate as of June 30, 2018 and December 31, 2017.

(e) The Peruvian Tax Authority is legally entitled to perform tax audit procedures on local taxpayers for up to four years subsequent to the year of the presentation of the tax return. The Tax Authority is entitled to challenge the Income Tax calculation performed by such taxpayers. Following are the years subject to review by the tax authority of the Subsidiaries of InRetail Real estate Corp. incorporated in Perú:

	Income Tax	**Value added tax**
Real Plaza S.R.L.	From 2015 to 2017	From 2013 to 2017
Inmobiliaria Puerta del Sol S.A.	From 2014 to 2017	From 2013 to 2017
Inversiones Real Estate S.R.L	From 2014 to 2017	From 2014 to 2017

In accordance with Peruvian law, InRetail Shopping Malls, Interproperties Holding and Interproperties Holding II, Special Purpose Entities, are not considered to be taxpayers due to their conditions as trusts but they attribute their obtained income, net losses and tax credits on their foreign source income to the holders of their certificates of participation. Therefore, to reflect this obligation, the Company has provisioned 30 percent of long term income tax over the profits earned to date. As of June 30, 2018 and December 31, 2017, the accrued income tax amounted to S/237,240,000 and S/213,081,000, respectively.

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

In the opinion of the Management of InRetail Real Estate and of its legal advisors, any subsequent additional settlement of taxes would not be significant for the consolidated financial statements as of June 30, 2018 and December 31, 2017.

25. Transactions with related companies

(a) As a result of transactions with related parties, InRetail Real Estate presents the following balances in the consolidated statements of financial position as of June 30, 2018 and December 31, 2017:

	As of June 30, 2018 S/(000)	As of December 31, 2017 S/(000)
Receivables		
Tiendas Peruanas S.A.	6,606	4,419
Homecenters Peruanos S.A.	1,879	1,591
Cineplex S.A.	919	754
Bembos	1,053	1,817
IR Management S.R.L.	1,922	1,874
Supermercados Peruanos S.A.	3,199	5,364
Banco Internacional del Perú S.A.A.- Interbank	893	1,139
Intercorp Perú Ltd	92	552
Eckerd Perú S.A.	280	127
InRetail Perú Corp. (d)	409,405	-
Others	49,522	34,704
Total	**475,770**	**52,341**
Current	73,270	52,341
Non Current	402,500	-
	475,770	52,341

	As of June 30, 2018 S/(000)	As of December 31, 2017 S/(000)
Payables		
Tiendas Peruanas S.A.	-	270
Supermercados Peruanos S.A.	637	513
Homecenters Peruanos S.A.	101	51
Interseguro Compañía de Seguros S.A.	27,900	22,424
InRetail Pharma S.A. (formerly Eckerd Perú S.A.)	6,012	-
Others	328	97
	34,978	**23,355**
Financial Obligations		
Leasing:		
Banco Internacional del Pérú - Interbank	248	326

InRetail Real Estate's policy with related parties is to establish transactions on similar terms and conditions to those made with third parties.

(b) As of June 30, 2018 and December 31, 2017, InRetail Real Estate holds balances with its related entity Banco International del Perú S.A.A. – Interbank in the cash and cash equivalent caption for an amount of S/24,460,000 and S/16,652,000, respectively.

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

(d) In April 2018, InRetail Shopping Malls, subsidiary of the Company, granted a loan to InRetail Perú Corp. of S/402,500,000 that accrues an effective annual interest rate of 6.90 percent and matures in May 2018.

As of June 30, 2018, it includes S/6,770,000 corresponding to accrued and unpaid interest.

26. Financial risks management

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

InRetail Real Estate´s Board of Directors is responsible for the overall risk management approach and for the approval of the policies and strategies currently in place. The Board provides principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk and credit risk.

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

(a) Market risk –

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

The sensitivity analysis shown in the following section relates to the position as of June 30, 2018 and December 31, 2017. The sensitivity analysis has been prepared considering that the total amount of the net debt and the proportion of financial instruments in foreign currency is constant.

(i) Interest rate risk –

It is the risk that the fair values or future cash flows of a financial instrument fluctuate due to changes in market interest rates. InRetail Real Estate manages its interest rate risk through the obtaining of debt with fixed interest rate. As of June 30, 2018 and December 31, 2017, InRetail Real Estate does not maintain debts at variable rate, which would be exposed to the risk of change in the interest rate.

(ii) Exchange rate risk –

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

As of June 30, 2018 and December 31, 2017, assets and liabilities by currency were the following (expressed in Thousands US Dollars):

	As of June 30, 2018 US$(000)	As of December 31, 2017 US$(000)
Assets		
Cash and cash equivalents	4,532	2,595
Investment at fair value through profit or loss	204	18,985
Available-for-sale investments	19,569	17,381
Trade receivables, net	6,194	402
Other receivables, net	1,475	403
Accounts receivable from related parties	3,369	2,722
Total assets	**35,343**	**42,488**
Liabilties		
Trade payables	(1,625)	(1,498)
Other liabilities	(13,054)	(11,303)
Accounts payable to related parties	(10)	(362)
Financial obligations	(357,800)	(295,916)
Total liabilities	**(372,489)**	**(309,079)**
Call Spread	350,000	200,000
Net liability position	**12,854**	**(66,591)**

(a) As of June 30, 2018 and December 31, 2017, InRetail Real Estate and its Subsidiaries have decided to reduce its exchange rate risk by entering into a hedging operation through a Call Spread written over its "Senior Unsecured Notes", which is considered an effective hedging instrument.

The Call Spread is written over a nominal amount of US$350,000,000 as of June 30,2018 (US$200,000,000 as of December 31, 2017), protects it from exchange rate fluctuations between S/3.26 and S/3.75 as of June 30, 2018 (S/3.225 and S/3.750 as of December 31, 2017) and will be effective until maturity of the Senior Unsecured Notes". See further detail in Note 13 and 16.

In March 2018, the Call Spread with J.P.Morgan that covered InRetail Shopping Malls bonds of US$200,000,000 was liquidated in advance, paying an exit premium of S/17,109,000. See note 23.

(b) Also, in March 2018, the Company acquired a Call Spread to hedge a new bond issuance of US$400,000,000 that was issued in April 2018.

Transactions in foreign currency are performed at free market exchange rates. As of June 30, 2018, the market weighted average exchange rate for transactions in US dollars was S/3.269 per US$1.00 bid and S/3.274 per US$1.00 ask (S/3.238 per US$1.00 bid and S/3.245 per US$1.00 ask as of December 31, 2017).

For the six-month period ended as of June 30, 2018, InRetail Real Estate incurred into a net gain for exchange difference of approximately S/7,498,000 (gain of S/7,279,000 as of June 30, 2017), which is presented in the caption "Exchange difference, net" the consolidated statements of income and other comprehensive income.

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

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

Credit risk related to financial instruments and bank deposits –
The credit risk of bank balances is managed by Management in accordance with the policies of InRetail Real Estate. The investments of cash surpluses are performed through a first-level related financial institution. The maximum exposure to credit risk as of June 30, 2018 and December 31, 2017, is the book value of the balances of cash and cash equivalent.

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

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

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

27. Fair value of financial instruments –

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

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

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

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

(b) Financial instruments at fixed rate –

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