

**InRetail Real Estate Corp. and Subsidiaries**

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

## InRetail Real Estate Corp. and Subsidiaries

### Interim consolidated statements of financial position

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

	Note	March 31, 2015 S/.(000)	December 31, 2014 S/.(000)
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalent	4	86,339	110,769
Available-for-sale investment	5	63,084	13,521
Investment at fair value through profit or loss	6	12,000	23
Trade receivables net	7	23,299	24,741
Accounts receivable to related parties	23	30,382	61,422
Other receivables	8	8,979	1,689
Prepaid expenses	9	7,180	7,320
Recoverable taxes	10	40,890	47,806
<b>Total current assets</b>		<u>272,153</u>	<u>267,291</u>
Recoverable taxes	10	97,775	104,957
Other receivables	8	1,934	1,934
Facilities, furniture and equipment, net	11	9,792	9,195
Investment properties	12	2,740,725	2,719,800
Other assets		965	974
Deferred Income tax asset	16	16,070	2,918
<b>Total assets</b>		<u>3,139,414</u>	<u>3,107,069</u>
<b>Liabilities and equity</b>			
<b>Current liabilities</b>			
Trade payables	13	20,438	30,414
Accounts payable to related parties	23	971	212
Other liabilities	14	34,872	53,647
Current portion of long-term financial obligations	15	9,872	9,767
<b>Total current liabilities</b>		<u>66,153</u>	<u>94,040</u>
Other long-term liabilities	14	39,048	35,798
Long-term financial obligations	15	1,128,869	1,101,620
Deferred Income tax liability	16	143,955	127,122
<b>Total liabilities</b>		<u>1,378,025</u>	<u>1,358,580</u>
<b>Equity</b>			
Capital stock	17	1,475,706	1,475,706
Unrealized results on financial instruments		376	330
Retained earnings		279,098	266,410
		<u>1,755,180</u>	<u>1,742,446</u>
<b>Non-controlling interest</b>		<u>6,209</u>	<u>6,043</u>
<b>Total equity</b>		<u>1,761,389</u>	<u>1,748,489</u>
<b>Total liabilities and equity</b>		<u>3,139,414</u>	<u>3,107,069</u>

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

## InRetail Real Estate Corp. and Subsidiaries

### Consolidated statements of income and other comprehensive income (unaudited)

For the three-month periods ended as of March 31, 2015 and 2014

	Note	March 31, 2015 \$/.(000)	March 31, 2014 \$/.(000)
Rental income	18	69,643	41,405
Income from management services	18	33,119	24,632
Cost related to income from management services	19	(26,484)	(19,101)
<b>Net rental income</b>		<u>76,278</u>	<u>46,936</u>
Cost of rental income	19	(5,649)	(4,587)
<b>Gross profit</b>		<u>70,629</u>	<u>42,349</u>
Fair value adjustment for investment properties	12(d)	6,202	4,171
Selling and administrative expenses	20	(7,932)	(6,560)
Other income (expenses), net		(65)	68
<b>Operating profit</b>		<u>68,834</u>	<u>40,028</u>
Financial income	21	1,000	1,064
Financial expenses	21	(23,387)	(16,650)
Exchange difference, net	24(a)(ii)	(29,470)	(2,497)
<b>Profit before Income Tax</b>		16,977	21,945
Income tax	16(b)	(4,123)	(6,827)
<b>Net profit</b>		<u>12,854</u>	<u>15,118</u>
<b>Attributable to:</b>			
InRetail Real Estate Corp. Shareholders		12,688	15,072
Non-controlling interest		166	46
<b>Net profit</b>		<u>12,854</u>	<u>15,118</u>
Gain on available for-sale investment		178	-
Deferred tax on gain investment available for-sale		(132)	-
<b>Total comprehensive income</b>		<u>12,900</u>	<u>15,118</u>
<b>Earnings per share:</b>	16(b)		
Basic and diluted profit per share attributable to InRetail Real Estate Corp. shareholders		<u>0.0226</u>	<u>0.0266</u>

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

**InRetail Real Estate Corp. and Subsidiaries**

**Consolidated statements of changes in equity (unaudited)**

For the three-month period ended as of March 31, 2015 and 2014

	Atributable to owners of Parent				Non-controlling interests S/.(000)	Total Net equity S/.(000)
	Capital stock S/.(000)	Unrealized results on financial instruments S/.(000)	Retained earnings S/.(000)	Total S/.(000)		
<b>Balance as of January 1, 2014</b>	1,475,706	-	92,859	1,568,565	4,504	1,573,069
Net profit	-	-	15,072	15,072	46	15,118
<b>Total comprehensive income</b>	-	-	15,072	15,072	46	15,118
<b>Balance as of March 31, 2014</b>	<u>1,475,706</u>	<u>-</u>	<u>107,931</u>	<u>1,583,637</u>	<u>4,550</u>	<u>1,588,187</u>
<b>Balance as of January 1, 2015</b>	1,475,706	330	266,410	1,742,446	6,043	1,748,489
Net profit	-	-	12,688	12,688	166	12,854
Other comprehensive income	-	46	-	46	-	46
<b>Total comprehensive income</b>	-	46	12,688	12,734	166	12,900
<b>Balance as of March 31, 2015</b>	<u>1,475,706</u>	<u>376</u>	<u>279,098</u>	<u>1,755,180</u>	<u>6,209</u>	<u>1,761,389</u>

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

## InRetail Real Estate Corp. and Subsidiaries

### Consolidated statements of cash flows (unaudited)

For the three-month periods ended as of March 31, 2015 and 2014

	March 31, 2015 S/.(000)	March 31, 2014 S/.(000)
<b>Operating activities</b>		
Net profit	12,854	15,118
<b>Non-cash adjustment to reconcile profit before tax to net cash flow</b>		
Allowance for doubtful accounts receivable	483	295
Depreciation of facilities, furniture and equipment	613	392
Amortization of intangible assets	24	22
Fair value adjustment for investment properties	(6,202)	(4,171)
Exchange difference	34,590	2,497
Investment in associates	(8)	(68)
Deferred income tax	3,549	6,465
Structuring Cost	(1,458)	-
<b>Working capital adjustments</b>		
Increase (decrease) in trade accounts receivable	959	(239)
Increase in other accounts receivable	(7,290)	(2,981)
Increase in trade accounts receivable from related parties	(6,223)	(2,688)
Increase in prepaid expenses	140	761
Decrease in recoverable taxes	16,753	3,081
Decrease (increase) in other assets	-	(1,959)
Decrease in trade accounts payable	(10,267)	(1,697)
(Decrease) Increase in other liabilities	(18,775)	15,702
Increase in accounts payable to related parties	759	179
Increase deferred income	3,250	11,787
<b>Net cash provided by operating activities</b>	<u>23,751</u>	<u>42,496</u>
<b>Investing activities</b>		
Purchase of available-for-sale investment	(49,488)	-
Purchase of investment at fair value through profit or loss	(11,977)	-
Loans granted	(3,800)	-
Collection of loans granted	41,063	-
Purchase or facilities, furniture and equipment, net of acquisitions through leasing contracts	(1,210)	(85)
Purchase and development of intangible assets	(7)	(11)
Purchase of investment properties	(14,432)	(92,576)
Value added tax payment corresponding to work in progress	(2,654)	(11,223)
<b>Net cash used in investing activities</b>	<u>(42,505)</u>	<u>(103,895)</u>

## Consolidated statements of cash flows (unaudited) (continued)

	<b>March 31, 2015</b>	<b>March 31, 2014</b>
	S/.(000)	S/.(000)
<b>Financing activities</b>		
Payment of borrowings	(2,370)	(1,406)
Bond Repurchase	(3,306)	-
Increase in borrowings	-	22,451
	<u>(5,676)</u>	<u>21,045</u>
<b>Net cash provided (used) by financing activities</b>		
<b>Net increase (decrease) of cash and short-term deposits</b>	(24,430)	(40,354)
Cash and short-term deposits at the beginning of year	110,769	80,819
	<u>86,339</u>	<u>40,465</u>
<b>Cash and short-term deposits at the end of year</b>		
<b>Non cash transactions</b>		
Leasing contracts	-	
Provisions on investment properties, net	291	15,833

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 (unaudited)**

Interim unaudited consolidated financial statements as of March 31, 2015 and for the three-month period ended as of March 31, 2015 and 2014

#### **1. Business activity -**

##### **(a) Identification –**

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

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

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

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

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

## Notes to the interim consolidated financial statements (continued)

### 2. Subsidiaries activities

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

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

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

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

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

(c) Real Plaza S.R.L. (hereinafter “Real Plaza”)

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

As of March 31, 2015, Real Plaza manages shopping malls in Chiclayo, Piura, Chimbote, Trujillo, Huancayo, Arequipa, Juliaca, Huánuco, Cusco, Cajamarca and Lima.

(d) InRetail Properties Management S.R.L. (formerly Interproperties Perú S.A., hereinafter “InRetail Properties Management”)

An entity focused on securing new locations and developing shopping malls. Additionally provides the staff which manages and operates Interproperties Holding and Interproperties Holding II.



## Notes to the interim consolidated financial statements (continued)

### 3. Summary of significant accounting policies

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

#### 3.1 Basis of preparation and presentation

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

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

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

#### 3.2 New standards and interpretations adopted by InRetail Real Estate—

Several standards and amendments have come into effect from January 1, 2015; however, in the opinion of InRetail Real Estate's Management, they have no impact on the accompanying unaudited consolidated financial statements as of March 31, 2015.

#### 3.3 Significant estimations and assumptions

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

## Notes to the interim consolidated financial statements (continued)

### 4. Cash and cash equivalent

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

	As of March 31, 2015 S/.(000)	As of December 31, 2014 S/.(000)
Time deposits (b)	58,914	62,945
Current accounts (c)	11,318	33,537
Interest - bearing accounts (d)	5,473	5,254
Management and security trust current (e)	9,388	7,973
Restricted funds	1,208	1,027
Cash	38	33
	<u>86,339</u>	<u>110,769</u>

- (b) As of March 31, 2015, time deposits are unrestricted, maintained in Nuevos Soles in local financial institutions, have maturities of up to one month since its inception and bear annual interests between 3.50 and 3.90 percent annual (3.95 percent annual as of December 31, 2014).
- (c) The current accounts comprise accounts in Nuevos Soles and US dollars, in local financial institutions, free of liens, unrestricted and do not bear interests.
- (d) As of March 31, 2015, the Company maintains Interest - bearing accounts in Nuevos Soles and dollars in local financial institutions. These accounts generated average annual interest rate of 3.15 percent for local currency and 0.10 percent for foreign currency.
- (e) As of March 31, 2015 corresponds to the bank accounts, which serve as means of payment of the guaranteed obligations with regard to the leasing granted by Banco de Crédito del Perú in favor of Interproperties Holding II in compliance with the contract of management and security trust
- (f) The current accounts comprise accounts in Nuevos Soles and US dollars, in local financial institutions, free of liens, unrestricted and do not bear interests.

### 5. Available for-sale investment

As of March 31, 2015, corresponds to bonds issued by InRetail Consumer and bond issued by Intercorp Ltd, which are denominated in US dollars, have a maturity in 2021 and 2025, and accrue effective annual interests at a rate of 5.250 and 5.785 percent respectively. The valuation results amounted to S/.376,000 as of March 31, 2015 and are presented in the "Unrealized results" caption of the consolidated statements of changes in equity.

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

## Notes to the interim consolidated financial statements (continued)

### 6. Investment at fair value through profit or loss

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

	As of March 31, 2015 S/.(000)	As of December 31, 2014 S/.(000)
Mutual funds managed by Interfondos S.A. SAF	6,000	-
Mutual funds managed by Scotia Fondos SAF	6,000	-
Other	-	23
	<u>12,000</u>	<u>23</u>

As of March 31, 2015 these mutual funds were comprised by portfolio of financial instruments issued by renowned financial institutions on the local market. The results from this valuation are presented in the "Financial Income" captions of the consolidated statements of income.

### 7. Trade receivables

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

	As of March 31, 2015 S/.(000)	As of December 31, 2014 S/.(000)
Bills receivable (b)	17,639	19,342
Unbilled services (c)	10,012	9,262
	<u>27,651</u>	<u>28,604</u>
<b>Minus -</b>		
Allowance for doubtful accounts	(4,352)	(3,863)
	<u>23,299</u>	<u>24,741</u>

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

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

## Notes to the interim consolidated financial statements (continued)

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

	As of March 31, 2015		
	Non-impaired S/.(000)	Impaired S/.(000)	Total S/.(000)
<b>Unbilled services</b>	10,012	-	10,012
<b>Past-due</b>			
From 1 to 90 days	4,221	-	4,221
From 91 to 120 days	1,386	30	1,416
From 121 to 180 days	2,259	46	2,305
From 181 to 270 days	3,424	2,073	5,497
More than 271 days	1,997	2,203	4,200
	<u>23,299</u>	<u>4,352</u>	<u>27,651</u>

  

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

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

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

	As of March 31, 2015 S/.(000)	As of March 31, 2014 S/.(000)
<b>Balance as of January 1</b>	3,863	2,488
Additions net	483	295
Exchange difference	6	2
<b>Final balance as of</b>	<u>4,352</u>	<u>2,785</u>

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

## Notes to the interim consolidated financial statements (continued)

### 8. Other receivables

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

	As of March 31, 2015 S/.(000)	As of December 31, 2014 S/.(000)
<b>By type:</b>		
Claims (b)	1,934	1,934
Outstanding advances	7,726	1,138
Other	1,253	551
	<u>10,913</u>	<u>3,623</u>
<b>By term:</b>		
Current	8,979	1,689
Non-current	1,934	1,934
	<u>10,913</u>	<u>3,623</u>

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

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

### 7. Prepaid expenses

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

	As of March 31, 2015 S/.(000)	As of December 31, 2014 S/.(000)
Rental payments made in advance (b)	3,083	3,520
Cost payments of use land contract (c)	2,750	2,750
Insurance	799	838
Other	548	212
	<u>7,180</u>	<u>7,320</u>

(b) As of March 31, 2015, corresponds to rental payments made in advance in compliance with a surface rights contract for land lots located in the department of Chiclayo and Cusco where a real estate project is being developed. The advance corresponds to the payment of 30 and 36 months of rent and started accruing from the completion date of the project, respectively.

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

## Notes to the interim consolidated financial statements (continued)

### 10. Recoverable taxes

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

By type:	As of March 31,	As of December 31,
	2015 S/.(000)	2014 S/.(000)
Tax credit recoverable for value-added-tax (b)	116,221	126,817
Funds held in Banco de la Nación	20,951	24,670
Income Tax payment	1,493	1,276
	<u>138,665</u>	<u>152,763</u>
<b>By term:</b>		
Current	40,890	47,806
Non-current	97,775	104,957
	<u>138,665</u>	<u>152,763</u>

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

Notes to the interim consolidated financial statements (continued)

11. Facilities, furniture and equipment, net

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

	Facilities S/.(000)	Furniture and fixtures S/.(000)	Transport units S/.(000)	Computer equipment and miscellaneous S/.(000).	Work in progress S/.(000)	Total S/.(000)
<b>Cost</b>						
<b>Balance as of January 1, 2015</b>	959	2,851	554	4,927	3,686	12,977
Additions	78	-	12	-	1,120	1,210
Adjustment	3,899	641	(28)	182	(4,694)	-
Disposals	(683)	-	(80)	-	-	(763)
<b>Balance as of March 31, 2015</b>	<u>4,253</u>	<u>3,492</u>	<u>458</u>	<u>5,109</u>	<u>112</u>	<u>13,424</u>
<b>Accumulated depreciation</b>						
<b>Balance as of January 1, 2015</b>	708	1,206	177	1,691	-	3,782
Depreciation of the period	191	108	22	292	-	613
Adjustment	(683)	-	(80)	-	-	(763)
<b>Balance as of March 31, 2015</b>	<u>216</u>	<u>1,314</u>	<u>119</u>	<u>1,983</u>	<u>-</u>	<u>3,632</u>
<b>Net cost as of March 31, 2015</b>	<u>4,037</u>	<u>2,178</u>	<u>339</u>	<u>3,126</u>	<u>112</u>	<u>9,792</u>
<b>Net cost as of December 31, 2014</b>	<u>251</u>	<u>1,645</u>	<u>377</u>	<u>3,236</u>	<u>3,686</u>	<u>9,195</u>

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

(c) As of March 31, 2015 and 2014, InRetail Real Estate's Management performed an assessment of the facilities, furniture and equipment, and has not found any impairment indicator on said assets. In its opinion, the book value of the facilities, furniture and equipment is recoverable with the income generated by InRetail Real Estate.

Notes to the interim consolidated financial statements (continued)

12. Investment properties

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

	As of March 31, 2015 S/.(000)	As of December 31, 2014 S/.(000)	Valuation methodology	
			As of March 31, 2015	As of December 31, 2014
<b>Built on owned land</b>				
Real Plaza Chiclayo Shopping Mall (ii)	249,609	253,183	DCF	DCF
Real Plaza Primavera Shopping Mall (ii)	213,925	212,800	DCF	DCF
Real Plaza Piura Shopping Mall (ii)	182,504	181,394	DCF	DCF
Real Plaza Trujillo Shopping Mall (ii)	141,818	141,245	DCF and Appraisal	DCF and Appraisal
Real Plaza Cajamarca Shopping Mall (ii)	117,793	117,268	DCF	DCF
Puruchuco	115,677	115,143	Cost and Appraisal	Cost and Appraisal
Real Plaza Santa Clara Shopping Mall (ii)	101,515	100,534	DCF and Appraisal	DCF and Appraisal
Real Plaza Pro Shopping Mall (ii)	91,218	90,678	DCF	DCF
Real Plaza Chorrillos Shopping Mall (ii)	60,522	58,839	DCF	DCF
Real Plaza Nuevo Chimbote Shopping Mall (ii)	24,991	25,335	DCF	DCF
Jirón de la Unión-Store	23,682	23,579	DCF	DCF
Chacarilla	22,054	22,054	(iv)	(iv)
Carabayllo	16,522	16,521	(iii)	(iii)
Tarapoto	13,953	13,922	(iii)	(iii)
Zapallal	12,272	12,272	(iii)	(iii)
Cañete Valley land	14,024	13,369	Appraisal	Appraisal
Property in San Juan de Lurigancho	10,361	10,036	DCF	DCF
Pisco	2,811	2,811	(iii)	(iii)
Pueblo Joven Miramar Bajo Mz A Lt 16 – Chimbote – Santa – Ancash (iii)	1,802	1,718	DCF and Appraisal	DCF and Appraisal
<b>Built on surface or usufruct rights</b>				
Real Plaza Salaverry Shopping Mall (i)	401,552	397,374	DCF	DCF
Real Plaza “San Antonio” Cusco Shopping Mall (i), (ii)	238,980	237,428	DCF	DCF
Real Plaza Centro Cívico Shopping Mall (i)	225,972	216,571	DCF	DCF
Real Plaza Huancayo Shopping Mall (i) y (ii)	150,839	150,597	DCF	DCF
Real Plaza Huánuco Shopping Mall (i) y (ii)	118,000	117,335	DCF	DCF
Real Plaza Arequipa Shopping Mall (i) y (ii)	90,653	90,695	DCF	DCF
Real Plaza Juliaca Shopping Mall (i) y (ii)	90,987	90,422	DCF	DCF
<b>Usufruct rights</b>				
Peramás (i)	4,605	4,605	Cost	Cost
La Curva (i)	851	852	Cost	Cost
Moquegua (i)	1,102	1,102	Cost	Cost
Others	131	118	Cost	Cost
	<u>2,740,725</u>	<u>2,719,800</u>		

DCF: Discounted cash flow

- (i) For the construction of these shopping malls and properties, surface rights contracts were subscribed with the Arzobispado de Cuzco (on land in Cusco “San Antonio”), Municipalidad provincial de Huánuco (on land of “Real Plaza Huánuco” shopping mall), Oficina de Normalización Previsional – ONP (Centro Cívico), Despensa Peruana S.A. and Mercantil Inca S.A. (Peramás), Inmobiliaria Pazos S.A.C. (La Curva), Gobierno Regional de Moquegua (Moquegua), Ferrovías Central Andina S.A.(Huancayo); the Association denominated “Religiosas del Sagrado Corazón de Jesús” (Arequipa), Ferrocarril Trasandino S.A.(Juliaca), and the Marina de Guerra del Perú (Salaverry). These contracts have terms for periods between 20 to 70 years.
- (ii) Correspond to the “Real Plaza” shopping malls, which comprise a hypermarket, department store, commercial premises, a cinema complex and entertainment zone for which there have been subscribed contracts that include minimum monthly fixed rental payments and variable payments based on the retail sales of the tenants.
- (iii) Correspond to lands on which real estate projects will be developed, mainly shopping malls branded “Real Plaza”. In the opinion of InRetail Real Estate’s Management the book value of these investment properties does not differ significantly from their fair value as of March 31, 2015 and 2013 since Management has been managing the related licenses for their development.



**Notes to the interim consolidated financial statements** (continued)

(b) The movement of this caption for the three-month periods ended as of March 31, 2015 is as follows:

	<b>March 31, 2015</b>
	S/.(000)
<b>Balance as of January 1</b>	2,719,800
Additions	14,723
Fair value adjustment (*)	<u>6,202</u>
<b>Final balance As of December 31</b>	<u>2,740,725</u>

(\*) The fair value adjustment for the period ended as of March 31, 2014 amounted to S/. 4,171,000.

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

A brief description of the cash flow assumptions used as of March 31, 2015 and 2014, is presented below:

- Long-term inflation -  
It is the increase of the general level of prices expected in Peru for the long term.
- Long-term average occupancy rate -  
It is the expected occupancy level of tenants in the leased properties.
- Average growth rate of rental income -  
It is the index that expresses the rental income growth and includes growth factors of the industry, inflation rates, stable exchange rate, per capita income and increasing expenses.
- Average NOI margin -  
It is projected from the rental income from leasable areas by property and marketing income, less costs related to administration fees, other administrative expenses, insurance, taxes and other expenses.
- Discount rate -  
It reflects the current market risk and the uncertainty associated to the obtaining of cash flows.

## Notes to the interim consolidated financial statements (continued)

### 13. Trade payables

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

	As of March 31, 2015 S/.(000)	As of December 31, 2014 S/.(000)
Third parties (b)	15,995	26,262
Provisions for unbilled services but received (c)	4,443	4,152
	<u>20,438</u>	<u>30,414</u>

(b) As of March 31, 2015 and 2014, trade payables mainly comprise the liabilities with contractors for the construction works and/or refurbishing of shopping malls. Bills payable are denominated in Nuevos Soles and US dollars, do not accrue interests and their maturities are in the current period.

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

### 14. Other liabilities

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

	As of March 31, 2015 S/.(000)	As of December 31, 2014 S/.(000)
Deferred income (b)	39,048	35,798
Interests payable (c)	16,974	34,741
Land purchase (d)	3,208	3,097
Deposits from third parties (e)	3,097	3,007
Workers' profit sharing	1,090	2,135
Taxes payable	1,030	2,847
Vacations	1,410	1,212
Other payable	8,063	6,608
	<u>73,920</u>	<u>89,445</u>
	<b>As of March 31, 2015</b> S/.(000)	<b>As of December 31, 2014</b> S/.(000)
<b>By term:</b>		
Current	34,872	53,647
Non-current	39,048	35,798
	<u>73,920</u>	<u>89,445</u>

## Notes to the interim consolidated financial statements (continued)

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

	<b>As of March 31, 2015</b>	<b>As of December 31, 2014</b>
	S/.(000)	S/.(000)
Key money (b.1)	34,531	27,737
Advanced rents (b.2)	4,517	8,061
	<u>39,048</u>	<u>35,798</u>

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

The movement of the deferred income of key money for the three-month period ended as of March 31, 2015 is as follows:

	<b>March, 2015</b>
	S/.(000)
<b>Balance as of January 1</b>	27,737
Additions	8,438
Accrued key money	(1,644)
	<u>34,531</u>
<b>Balance as of March 31,</b>	<u>34,531</u>

- (b.2) As of March 31, 2015 and 2014, corresponds mainly to advanced rents made by Cineplex S.A. (a related entity) and Ripley (third entity) for the premises it operates in Real Plaza Pro Shopping Mall and Salaverry Shopping Malls respectively.
- (c) As of March 31, 2015 corresponds mainly to interest's payable originated by Senior Notes offered maturing in 2021. Interest on the notes will accrue at a rate of 6.5% per year and will be semi-annually in arrears on January and July of each year.
- (d) As of March 31, 2015 and December 31, 2014, correspond to the balance payable from the acquisition of land lots located in Carabayllo. These accounts will be cancelled during the next quarter, in compliance with the purchase contracts, and do not accrue interests.
- (e) As of March 31, 2015 and December 31, 2014 it mainly correspond to cash deliveries from the tenants of the Real Plaza shopping malls Arequipa, Primavera, Pro, Santa Clara, Huancayo, Trujillo, Cajamarca, Juliaca and Nuevo Chimbote. These deposits do not accrue interests and will be refunded in the original currency at the end of the lease contract.

Notes to the interim consolidated financial statements (continued)

15. Financial obligations

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

Type of obligation	Original currency	Interest rate %	Maturity	Original amount in thousands	As of March 31, 2015			As of December 31, 2014		
					Total S/.(000)	Current S/.(000)	Non-current S/.(000)	Total S/.(000)	Current S/.(000)	Non-current S/.(000)
<b>Leasing</b>										
<b>Related parties</b>										
Banco Internacional del Perú S.A.A – Interbank, Real Plaza San Antonio del Cusco Shopping Mall (b)	S/.	8.90	2026	108,300	982	73	909	988	47	941
Banco Internacional del Perú S.A.A – Interbank, purchase of transport units	US\$	6.45	2016	35	218	113	105	219	102	117
<b>Unrelated parties</b>										
Banco de Crédito del Perú S.A., purchase of property of Real Plaza Chiclayo Shopping Mall (c)	S/.	8.02	2019	54,748	20,194	3,816	16,378	21,103	3,746	17,357
Banco de Crédito del Perú S.A., enlargement of Section 2A of Real Plaza Chiclayo Shopping Mall (d)	S/.	7.97	2023	32,926	30,853	2,665	28,188	31,489	2,614	28,875
Banco de Crédito del Perú S.A., enlargement of Section 2B of Real Plaza Chiclayo Shopping Mall (e)	S/.	8.06	2024	20,727	19,535	1,514	18,021	19,897	1,485	18,412
IBM Perú S.A.C.	US\$	3.10	2016	100	86	86	-	119	88	31
IBM Perú S.A.C.	US\$	4.26	2017	613	1,557	808	749	1,595	602	993
Hewlett Packard S.A.	US\$	1.92	2017	103	193	92	101	256	92	164
<b>Promissory notes</b>										
<b>Unrelated parties</b>										
IBM Perú S.A.C.	US\$	7.45	2016	86	40	28	12	43	31	12
Banco Internacional del Perú S.A.A – Interbank, working capital	US\$	4.02	2015	322	677	677	-	960	960	-
<b>Notes Issuance (f)</b>										
Foreign currency notes issuance	US\$	6.50	2021	350,000	932,177	-	932,177	899,188	-	899,188
Local currency notes issuance	S/.	7.875	2034	141,000	132,229	-	132,229	135,530	-	135,530
<b>Total</b>					<b>1,138,741</b>	<b>9,872</b>	<b>1,128,869</b>	<b>1,111,387</b>	<b>9,767</b>	<b>1,101,620</b>

## Notes to the interim consolidated financial statements (continued)

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

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

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

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

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

- (d) During 2012, Interproperties Holding II (SPE), decided to enlarge Real Plaza Chiclayo shopping mall (hereinafter "Enlargement of Section 2A"), for which on December 26, 2012, signed an addendum to the Framework Contract with BCP, which committed to finance the project up to US\$12,500,000. As of March 31, 2015 and 2014, it is already operating; therefore, Interproperties Holding II has recorded the corresponding liabilities at such dates.
- (e) During 2013, Interproperties Holding II (SPE) continued the enlargement of Real Plaza Chiclayo shopping mall (hereinafter "Enlargement of Section 2B"), for which it signed an addendum to the leasing agreement with BCP, which committed to finance the project for up to US\$7,500,000. As of March 31, 2015 and December 31, 2014, the expansion of Section 2B is under construction; however, Interproperties Holding II (SPE) has recorded the corresponding liabilities at such dates.

## Notes to the interim consolidated financial statements (continued)

- (f) In July 2014 InRetail Real Estate Corp. issued through In Retail Shopping Malls, a private offering in the local market and abroad of "Senior Unsecured Notes" for US\$350,000,000 and S/.141,000,000, bearing an interest rate of 6.50 and 7.875 percent, respectively, and matures in 2021 and 2034. These obligations were recorded in the consolidated financial statements at amortized cost at an annual effective interest rate of 7.806 and 7.988 percent for dollars and nuevos soles issuance, respectively, after considering the respective initial charges of approximately US\$27,296,000 and S/.1,470,000 (approximately equivalent to S/.82,838,000 as of December 31, 2014). Additionally, as of March 31, 2015, is presented net of US\$22,304,000 and S/.7,000,000 (approximately equivalent to S/.76,009,000) corresponding to these "Senior Unsecured Notes" held by InRetail Shopping Malls. The proceeds from these issuances were allocated mainly for purchasing property, investments in real estate projects and prepaid of debts owed to Deutsche Bank AG, London Branch, and other local financial institutions.

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

### Local currency debt:

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

### Foreign currency debt:

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

In the opinion of InRetail Real Estate's Management, these obligations have been complied satisfactorily and are within the agreed limits as of March 31, 2015.

## Notes to the interim consolidated financial statements (continued)

(g) Financial obligations are payable as follows:

	<b>As of March 31, 2015 S/.(000)</b>	<b>As of December 31, 2014 S/.(000)</b>
2014	-	9,767
2015	9,872	9,438
2016	9,438	9,438
2017 onwards	1,119,431	1,082,744
	<u>1,138,741</u>	<u>1,111,387</u>

Notes to the interim consolidated financial statements (continued)

16. Income Tax

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

	March 31, 2015		December 31, 2014	
	Deferred asset, net S/.(000)	Deferred liability, net S/.(000)	Deferred asset, net S/.(000)	Deferred liability, net S/.(000)
Patrimonio en Fideicomiso – D.S.N°093-2002 – EF - Interproperties Holding	-	73,051	-	62,764
Patrimonio en Fideicomiso – D.S. N°093-2002-EF-Interproperties Holding II	-	70,904	-	64,358
Patrimonio en Fideicomiso – D.S. N°093-2002-EF-Inretail Shopping Malls	15,678	-	2,526	-
Real Plaza S.R.L.	281	-	281	-
InRetail Properties Management S.R.L	111	-	111	-
<b>Total</b>	<b>16,070</b>	<b>143,955</b>	<b>2,918</b>	<b>127,122</b>

(b) Following is the detail of the deferred Income Tax asset and liability as of March 31, 2015 and 2014:

	Balance as of January 1, 2014 S/.(000)	Effect in consolidated statements of comprehensive income S/.(000)	Balance as of March 31, 2014 S/.(000)	Balance as of January 1, 2015 S/.(000)	Effect in consolidated statements of comprehensive income S/.(000)	Effect in equity	Balance as of March 31, 2015 S/.(000)
<b>Deferred asset</b>							
Provision for unpaid vacations	205	-	205	261	-	-	261
Provision for doubtful accounts	29	-	29	115	-	-	115
Depreciation	81	-	81	123	-	-	123
Income tax attributed to trust participants	-	-	-	32,781	13,152	-	45,933
Others	8	-	8	-	-	-	-
	<u>323</u>	<u>-</u>	<u>323</u>	<u>33,280</u>	<u>13,152</u>	<u>-</u>	<u>46,432</u>
<b>Deferred liability, net</b>							
Fair value adjustment for -investment properties	60,971	1,251	62,222	92,039	1,613	-	93,652
Tax depreciation of investment properties	24,026	3,634	27,660	38,088	4,757	-	42,845
Income Tax attributed to trust participants (c)	303	1,580	1,883	27,250	10,331	132	37,713
Others	-	-	-	107	-	-	107
<b>Deferred liabilities, net</b>	<u>85,300</u>	<u>6,465</u>	<u>91,765</u>	<u>157,484</u>	<u>16,701</u>	<u>132</u>	<u>174,317</u>



**Notes to the interim consolidated financial statements** (continued)

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

	<b>As of March 31, 2015</b>	<b>As of March 31, 2014</b>
	\$/(000)	\$/(000)
Current	(574)	(362)
Deferred	(3,549)	(6,465)
	<hr/>	<hr/>
<b>Total</b>	<b>(4,123)</b>	<b>(6,827)</b>
	<hr/>	<hr/>

## Notes to the interim consolidated financial statements (continued)

### 17. Equity

#### (a) Capital stock -

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

#### (b) Earnings per share -

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

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

	Common shares		
	Shares outstanding (000)	Effective days	Weighted average of shares (000)
<b>For the three-month period as of March 31, 2014</b>			
Number as of March 31, 2014	568,201	90	568,201
<b>Number as of March 31, 2014</b>	<b>568,201</b>		<b>568,201</b>
<b>For the three-month period as of March 31, 2015</b>			
Number as of March 31, 2015	568,201	90	568,201
<b>Number as of March 31, 2015</b>	<b>568,201</b>		<b>568,201</b>
<b>As of March 31, 2015</b>			
	Net income (numerator) S/.(000)	Shares (denominator) (000)	Earnings per share S/.(000)
Basic and diluted earnings per share	12,854	568,201	0.0226
<b>As of March 31, 2014</b>			
	Net income (numerator) S/.(000)	Shares (denominator) (000)	Earnings per share S/.(000)
Basic and diluted earnings per share	15,118	568,201	0.0266

## Notes to the interim consolidated financial statements (continued)

### 18. Income from real estate service

- (a) The composition of the balance for the three-month periods ended as of March 31, 2015 and 2014 is presented below:

	March 31, 2015 S/.(000)	March 31, 2014 S/.(000)
<b>Rental income</b>		
Rental income (b)	65,706	39,423
Key money	1,644	791
Rent of space for publicity	2,293	1,191
	<u>69,643</u>	<u>41,405</u>
<b>Income from management services</b>		
Common expenses (c)	14,465	10252
Electricity and water (d)	9,816	8802
Promotion and advertisement fund (e)	3,813	2390
Advisory and supervision	2,133	1607
Management service	618	426
Negotiations of land and buildings	554	37
Other	1,720	1,118
	<u>33,119</u>	<u>24,632</u>
	<u>102,762</u>	<u>66,037</u>

- (b) As of March 31, 2015 and 2014, corresponds to rental income from the economic exploitation of the "Real Plaza" Shopping Malls.

For the three-month period ended as of March 31, 2015 and 2014, corresponds to rental income from the economic exploitation of the "Real Plaza" shopping malls.

The composition of the rental income is presented below:

	March 31, 2015 S/.(000)	March 31, 2014 S/.(000)
Fixed rental income	56,996	35,945
Variable rental income	8,710	3,478
	<u>65,706</u>	<u>39,423</u>

- (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.

## Notes to the interim consolidated financial statements (continued)

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

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

### 19. Operating costs

(a) The composition of this caption for the three-month periods ended as of March 31, 2015 and 2014 is presented below:

	March 31, 2015 S/.(000)	March 31, 2014 S/.(000)
<b>Cost of rental income</b>		
Property Tax and duties	2,645	2,072
Landlord leases (b)	2,057	1,777
Property insurance costs	848	738
Others	99	-
	<u>5,649</u>	<u>4,587</u>
<b>Cost related to income from management services</b>		
Electricity and water	10,870	8,457
Personnel expenses	4,011	3,737
Advertising and marketing	4,068	1,556
Cleaning	1,878	1,590
Safety services	1,752	1,601
Maintenance and administration of parking lot	2,844	570
Leases, professional fees and communications	543	269
Other costs	518	1,321
	<u>26,484</u>	<u>19,101</u>

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

### 20. Selling and administrative expenses

(a) The composition of this caption for the three-month periods ended as of March 31, 2015 and 2014 is presented below:

	March 31, 2015 S/.(000)	March 31, 2014 S/.(000)
Administrative expenses	6,073	5,046
Selling expenses	1,859	1,514
	<u>7,932</u>	<u>6,560</u>

## Notes to the interim consolidated financial statements (continued)

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

	<b>For the three-month periods ended as of March 31, 2015</b>		
	<b>Administrative expenses</b>	<b>Sales expenses</b>	<b>Total</b>
	<b>S/.(000)</b>	<b>S/.(000)</b>	<b>S/.(000)</b>
Personnel expenses	3,231	1,231	4,462
Professional fees	511	-	511
Depreciation	613	-	613
Amortization	24	-	24
Allowance for doubtful accounts	-	483	483
Other expenses	1,694	145	1,839
	<u>6,073</u>	<u>1,859</u>	<u>7,932</u>

	<b>For the three-month periods ended as of March 31, 2014</b>		
	<b>Administrative expenses</b>	<b>Sales expenses</b>	<b>Total</b>
	<b>S/.(000)</b>	<b>S/.(000)</b>	<b>S/.(000)</b>
Personnel expenses	3,177	1,092	4,269
Professional fees	460	-	460
Depreciation	391	-	391
Amortization	22	-	22
Allowance for doubtful accounts	-	295	295
Other expenses	996	127	1,123
	<u>5,046</u>	<u>1,514</u>	<u>6,560</u>

## Notes to the interim consolidated financial statements (continued)

### 21. Financial income and expenses

The composition of this caption for the three-month periods ended as of March 31, 2015 and 2014 is presented below:

	March 31, 2015 S/.(000)	March 31, 2014 S/.(000)
<b>Income</b>		
Gain from valuation of financial instrument		-
Interests on deposits	422	386
Interests from granted loan	221	212
Others	357	466
	<u>1,000</u>	<u>1,064</u>
<b>Expenses</b>		
Bond interest expense	(20,107)	-
Interest long-term bank loan	-	(10,537)
Leasing – Real Plaza Chiclayo	(1,380)	(1,560)
Debt structuring expenses	(1,458)	(1,677)
Leasing - Real Plaza San Antonio del Cusco	(21)	-
Loss on sale of financial instruments	-	(1,496)
Promissory notes – Real Plaza Primavera	-	(445)
Leasing - Real Plaza Santa Clara	-	(83)
Other financial expenses	(421)	(852)
	<u>(23,387)</u>	<u>(16,650)</u>

### 22. Tax situation

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

Entities and individuals not domiciled in Peru are subject to retention of an additional tax on dividends received. In this regard, attention to Law 30296, published on December 31, 2014 and effective from January 1, 2015, the additional tax on dividend income generated is as follows:

- 4.1 percent of the profits generated until December 31, 2014.
- By the profits generated from 2015, whose distribution is made after that date, shall be:
  - For 2015 and 2016 will be 6.8 percent.
  - For 2017 and 2018 will be 8 percent.
  - For 2019 onwards will be 9.3 percent.

(b) Real Plaza and InRetail Properties Management are domiciled in Peru and are subject to the Peruvian tax regime and calculate their Income Tax on the basis of their separate financial statements.

## Notes to the interim consolidated financial statements (continued)

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

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

- (c) According to the text of the Law on Income Tax, as amended by Law 29663 and 29757, since year 2012, among the transactions subject to capital duty, are those obtained by the indirect sale of shares of Peruvian companies. For these purposes, an indirect transfer is set when two instances occur together:
- (i) First, 10 percent or more of the shares of non-resident must be sold in any twelve month period (assumed effective from February 16, 2011); and,
  - (ii) Second, the market value of the shares of Peruvian society must represent 50 percent or more of the market value of non-domiciled, in any period of twelve months (of course in force since July 22 2011).
- (d) Transactions entered into between related parties and/or with tax heaven residents fall into the scope of the Peruvian Transfer Pricing rules. Such rules are based on the application of the arm's length principle, as understood by the OECD. It is important to mention that Transfer Pricing rules are only applicable for Income Tax purposes, and adjustments are allowed under certain conditions only. Based on the analysis of operations of InRetail, its Management and legal advisors believe that the implementation of these standards does not generate any significant contingencies for InRetail Real Estate as of March 31, 2015 and 2014.
- (e) The Peruvian Tax Authority is legally entitled to perform tax audit procedures on local taxpayers for up to four years subsequent to the year of the presentation of the tax return. The Tax Authority is entitled to challenge the Income Tax calculation performed by such taxpayers.

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

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

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

## Notes to the interim consolidated financial statements (continued)

### 23. Transactions with related companies

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

	March 31, 2015 S/.(000)	December 31, 2014 S/.(000)
<b>Trade and other receivable</b>		
Supermercados Peruanos S.A.	8,831	9,580
Tiendas Peruanas S.A.	8,364	2,945
Cineplex S.A.	4,109	4,687
Homecenters Peruanos S.A.	2,393	2,445
Bembos	627	839
Banco Internacional del Perú S.A.A.-Interbank	334	977
Eckerd Perú S.A.	126	72
Intercorp Perú Ltd. (b)	396	37,457
Interseguro Compañía de Seguros S.A.	1,460	-
Patrimonio Fideicometido Inretail Consumer	328	-
Other related companies	3,414	2,420
	<u>30,382</u>	<u>61,422</u>
<b>Trade and other payable</b>		
Tiendas Peruanas S.A.	746	-
Interseguro Compañía de Seguros S.A.	-	55
Supermercados Peruanos S.A.	-	28
Inteligo	-	106
Other related companies	225	23
	<u>971</u>	<u>212</u>
<b>Financial obligations</b>		
Leasing		
Banco Internacional del Perú S.A.A.-Interbank	982	988

- (b) As of December 31, 2014 corresponds to loans to Intercorp Perú; it accrued interests at an annual interest rate of 6.625 percent.
- (c) As of March 31, 2015 and December 31, 2014, InRetail Real Estate holds balances with its related entity Banco Internacional del Perú S.A.A. – Interbank in the cash and cash equivalent caption for an amount of S/.76,130,000 and S/.92,726,000, respectively.
- (d) Transactions with related companies have been performed under normal market conditions. The taxes that these transactions generated, as well as the calculation bases for their determination, are the usual ones in the industry and they are settled in accordance with the current tax regulations.



## Notes to the interim consolidated financial statements (continued)

### 24. Financial risks management

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

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

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

(a) Market risk -

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

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

(i) Interest rate risk -

It is the risk that the fair values or future cash flows of a financial instrument fluctuate due to changes in market interest rates. InRetail Real Estate manages its interest rate risk through the obtaining of debt with fixed interest rate. As of March 31, 2015 and December 2014, InRetail Real Estate does not maintain debts at variable rate, which would be exposed to the risk of change in the interest rate.

(ii) Exchange rate risk -

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

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

## Notes to the interim consolidated financial statements (continued)

	As of March 31, 2015 US\$(000)	As of December 31, 2014 US\$(000)
<b>Assets</b>		
Cash and cash equivalent	17,496	1227
Available-for-sale investment	20,389	4536
Trade receivables	668	944
Other receivables	931	11
Accounts receivable from related parties	2,169	13,449
	<u>41,653</u>	<u>20,167</u>
<b>Liabilities</b>		
Trade payable	(308)	(146)
Other liabilities	(7,255)	(11,949)
Accounts payable from related parties	(6)	(10)
Financial obligations	(301,844)	(301,784)
	<u>(309,413)</u>	<u>(313,889)</u>
<b>Net liability position</b>	<u>(267,760)</u>	<u>(293,722)</u>

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

Transactions in foreign currency are performed at free market exchange rates. As of March 31, 2015, the market weighted average exchange rate for transactions in US dollars was S/.3.094 per US\$1.00 bid and S/.3.097 per US\$1.00 ask (S/.2.981 per US\$1.00 bid and S/.2.989 for US\$1.00 ask as of December 31, 2014).

For the three-period ended as of March 31, 2015, InRetail Real Estate has incurred into a net loss for exchange difference of approximately S/.29,470,000 (S/.2,497,000 as of March 31, 2014), which is presented in the caption "Exchange difference, net" the consolidated statements of income and other comprehensive income.

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

## Notes to the interim consolidated financial statements (continued)

Sensitivity analysis	Change in exchange rates %	Income (expense)	
		As of March 31, 2015 S/.(000)	As of December 31, 2014 S/.(000)
		Devaluation -	
US dollars	5	41,469	43,905
US dollars	10	82,938	87,810
Revaluation -			
US dollars	5	(41,469)	(43,905)
US dollars	10	(82,938)	(87,810)

(b) Credit risk –

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

Credit risk related to accounts receivable –

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

Credit risk related to financial instruments and bank deposits –

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

(c) Liquidity risk –

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

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

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

## Notes to the interim consolidated financial statements (continued)

### 25. Fair value of financial instruments –

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

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

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

- (a) Financial Instruments whose fair value is similar to their book value -  
For financial assets and liabilities that are liquid or have short-term maturities (less than 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.

### 26. Subsequent events

From the March 31, 2015 until the date of the present report, there has not been any significant event affecting the interim consolidated financial statements.