

InRetail Perú Corp. and Subsidiaries

Interim consolidated financial statements as of September 30, 2014 and December 31, 2013 and for the nine-month periods ended September 30, 2014 and 2013

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Interim consolidated statement of financial position

As of September 30, 2014 and December 31, 2013

	Note	2014	2013		Note	2014	2013
		S/.(000)	S/.(000)			S/.(000)	S/.(000)
Assets				Liabilities and equity			
Current assets				Current liabilities			
Cash and short-term deposits	4	217,353	284,171	Trade payables	11	1,195,733	1,307,483
Investments at fair value through profit or loss		2,111	-	Other payables		209,608	200,205
Trade receivables, net	5	70,392	77,786	Accounts payable to related parties	18(b)	47,018	29,537
Other receivables, net		41,471	28,202	Current income tax	13(b)	32,935	390
Accounts receivables from related parties	18 (b)	55,472	83,184	Interest-bearing loans and borrowings	12	191,810	166,380
Inventories, net	6	812,508	778,988	Deferred revenue		4,168	3,557
Available-for-sale investment	7	18,577	17,171	Total current liabilities		<u>1,681,272</u>	<u>1,707,552</u>
Prepayments		24,890	23,087	Accounts payable to related parties	18(b)	4,035	3,642
Taxes recoverable		135,282	59,016	Interest-bearing loans and borrowings	12	2,074,546	1,552,525
Total current assets		<u>1,378,056</u>	<u>1,351,605</u>	Derivative financial instrument		-	2,747
Non-current assets				Deferred revenue		53,454	25,744
Other receivables, net		8,061	7,027	Deferred income tax liabilities, net	13	<u>241,128</u>	<u>210,526</u>
Prepayments		19,807	19,231	Total non-current liabilities		<u>2,373,163</u>	<u>1,795,184</u>
Taxes recoverable		105,837	102,064	Total liabilities		<u>4,054,435</u>	<u>3,502,736</u>
Property, furniture and equipment, net	8	2,225,820	2,090,549	Equity			
Investment properties	9	2,179,168	1,697,343	Capital stock	14	2,138,566	2,138,566
Intangible assets, net	10	1,174,354	1,170,963	Additional paid in capital		549,793	549,793
Other assets		376	8,653	Unrealized results on financial instruments		1,306	988
Total non-current assets		<u>5,713,423</u>	<u>5,095,830</u>	Retained earnings		<u>342,307</u>	<u>250,728</u>
				Equity attributable to owners of the parent		<u>3,031,972</u>	<u>2,940,075</u>
				Non-controlling interests		5,072	4,624
				Total equity		<u>3,037,044</u>	<u>2,944,699</u>
Total assets		<u>7,091,479</u>	<u>6,447,435</u>	Total liabilities and equity		<u>7,091,479</u>	<u>6,447,435</u>

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

InRetail Perú Corp. and Subsidiaries

Interim consolidated Income statement

For the nine-month periods ended September 30, 2014 and 2013

	Note	2014 S/.(000)	2013 S/.(000)
Net sales of goods		4,157,951	3,658,711
Rental income		163,602	100,112
Rendering of services		86,821	70,978
Revenue		<u>4,408,374</u>	<u>3,829,801</u>
Cost of sales	16	<u>(3,120,230)</u>	<u>(2,759,869)</u>
Gross profit		1,288,144	1,069,932
Other operating income		53,230	46,619
Selling expenses	16	(855,832)	(746,041)
Administrative expenses	16	(126,182)	(116,366)
Other operating expenses		(9,430)	(1,330)
Operating profit		<u>349,930</u>	<u>252,814</u>
Finance income		10,799	19,605
Finance costs	17	(143,052)	(128,237)
Net exchange difference		(56,890)	(116,413)
Profit before income tax		<u>160,787</u>	<u>27,769</u>
Income tax expense	13	<u>(68,762)</u>	<u>(30,693)</u>
Profit (loss) for the period		<u>92,025</u>	<u>(2,924)</u>
Attributable to:			
Owners of the parent		91,579	(2,921)
Non-controlling interests		446	(3)
		<u>92,025</u>	<u>(2,924)</u>
Earnings per share:	19		
Basic and diluted profit for the period attributable to ordinary equity holders of the parent		<u>0.89</u>	<u>(0.03)</u>

All items above are related to continuing operations.

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

InRetail Perú Corp. and Subsidiaries

Interim consolidated statement of comprehensive income
For the nine-month periods ended September 30, 2014 and 2013

	Note	2014 S/.(000)	2013 S/.(000)
Profit (loss) for the period		92,025	(2,924)
Other comprehensive income			
Unrealized gain (loss) on available-for-sale investments		852	(1,647)
Income tax effect		(256)	494
		<hr/> 596	<hr/> (1,153)
Loss on hedging derivative financial instrument		(276)	773
Income tax effect		-	(486)
		<hr/> (276)	<hr/> 287
Other comprehensive income for the period, net of income tax effects		<hr/> 320	<hr/> (866)
Total comprehensive income for the period		<hr/> 92,345	<hr/> (3,790)
Attributable to:			
Owners of the parent		91,897	(3,786)
Non-controlling interests		448	(4)
		<hr/> 92,345	<hr/> (3,790)

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

InRetail Perú Corp. and Subsidiaries

Interim consolidated statement of change in equity

For the nine-month periods ended September 30, 2014 and 2013

	<u>Capital stock</u>	<u>Additional paid in capital</u>	<u>Capital premium</u>	<u>Unrealized results on financial instruments</u>	<u>Retained earnings</u>	<u>Total</u>	<u>Non-controlling interest</u>	<u>Total equity</u>
	S/.(000)	S/.(000)	S/.(000)	S/.(000)	S/.(000)	S/.(000)	S/.(000)	S/.(000)
Balance as of January 1, 2013	2,138,566	-	551,209	2,800	188,065	2,880,640	2,784	2,883,424
Profit for the period	-	-	-	-	(2,921)	(2,921)	(3)	(2,924)
Other Comprehensive income	-	-	-	(865)	-	(865)	(1)	(866)
Total comprehensive income	-	-	-	(865)	(2,921)	(3,786)	(4)	(3,790)
Capital contribution	-	-	-	-	-	-	1,329	1,329
Expenses related to the share	-	-	(1,312)	-	-	(1,312)	-	(1,312)
Others	-	-	-	-	-	-	-	-
Balance as of September 30, 2013	<u>2,138,566</u>	<u>-</u>	<u>549,897</u>	<u>1,935</u>	<u>185,144</u>	<u>2,875,542</u>	<u>2,780</u>	<u>2,879,651</u>
Balance as of January 1, 2014	2,138,566	-	549,793	988	250,728	2,940,075	4,624	2,944,699
Profit for the period	-	-	-	-	91,579	91,579	446	92,025
Other comprehensive income	-	-	-	318	-	318	2	320
	-	-	-	318	91,579	91,897	448	92,345
Dividends	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-
Balance as of September 30, 2014	<u>2,138,566</u>	<u>-</u>	<u>549,793</u>	<u>1,306</u>	<u>342,307</u>	<u>3,031,972</u>	<u>5,072</u>	<u>3,037,044</u>

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

InRetail Perú Corp. and Subsidiaries

Interim consolidated statement of cash flows

For the nine-month periods ended September 30, 2014 and 2013

	2014	2013
	S/.(000)	S/.(000)
Operating activities		
Net profit (loss) for the period	92,025	(2,924)
Non-cash adjustment to reconcile profit before tax to net cash flows		
Allowance for doubtful accounts receivable, net of recoveries	1,470	879
Depreciation of property, furniture and equipment	85,703	71,805
Amortization of intangible assets	7,413	5,038
Amortization of key money	683	588
Provision for inventory impairment, net of recoveries	3,713	1,080
Loss on disposal of property, furniture and equipment and intangible assets	9,419	1,224
Gain on valuation of investment properties	(41,776)	(14,773)
Gain on valuation of financial instruments	-	(1,067)
Deferred income	(7,390)	(4,533)
Deferred income tax	28,536	(6,503)
Net exchange difference	24,201	77,144
Others	3,052	(17,349)
Working capital adjustments		
Decrease in trade receivables	5,925	5,748
Increase in other receivables	(14,304)	(13,530)
Increase in inventory	(34,646)	(128,513)
Increase in prepayments	(2,266)	(3,324)
Increase in taxes recoverable	(43,193)	(13,016)
(Decrease) increase in trade payables	(106,262)	16,510
Increase (decrease) in deferred income	8,697	(14,333)
Increase (decrease) in accounts receivables and payables to related parties	32,545	(22,842)
Increase in other payables	42,439	33,416
Net cash flows from operating activities	<u>95,984</u>	<u>(29,275)</u>
Investing activities		
Loan collected to related parties	36,529	78,479
Purchase of available for sales investment	(2,111)	(394,803)
Sales of property, furniture and equipment	17,735	723
Purchase of property, furniture and equipment, net of acquisitions through leasing contracts	(174,633)	(181,641)
Purchase and development of intangible assets	(10,804)	(21,515)
Purchase of investment properties, net of acquisitions through leasing contracts	(481,838)	(357,693)
Value Added tax payment corresponding to work in progress	(36,847)	(55,816)
Loan granted to related parties	(28,124)	(75,595)
Sales of fair value investment through profit and loss	-	802,110
Net cash flows used in investing activities	<u>(680,093)</u>	<u>(205,751)</u>

Interim consolidated statement of cash flows (continued)

Financing activities		
Proceeds from interest-bearing loans and borrowings	267,550	33,800
Issuance of bonds, net of structuring expenses and purchase own bonds	1,020,263	-
Repayment of interest-bearing loans and borrowings	(176,761)	(37,798)
Expenses related to the share issuance	-	(1,312)
Repayment of bonds payable	(640,020)	(148,454)
Sales of bonds to related parties	46,259	-
Net cash flows (used in) from financing activities	517,291	(153,764)
Net (decrease) increase of cash and short-term deposits	(66,818)	(388,790)
Cash and short-term deposits at the beginning of the period	284,171	541,716
Cash and short-term deposits at the end of the period	217,353	152,926

The accompanying notes are an integral part of these consolidated statements

Notes to the interim consolidated financial statements (continued)

InRetail Perú Corp. and Subsidiaries

Notes to the interim condensed consolidated financial statements

As of September 30, 2014 December 31, 2013 and September 30, 2013

1. Business activity

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

As of September 30, 2014, the percentages of ownership are:

Owner	Percentage of Ownership %
Intercorp Retail Inc.	58.04
Intercorp Financial Services	2.33
Intercorp Perú Ltd	3.26
Inteligo Bank	6.54
NG Pharma Corp.	6.30
Others	23.53
	<hr/>
	100.00
	<hr/>

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

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

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

The accompanying interim consolidated financial statements as of September 30, 2014 were approved by the Board of Directors on November 13, 2014.

Notes to the interim consolidated financial statements (continued)

2. Subsidiary activities

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

- (a) Supermercados Peruanos S.A., is dedicated to retail as of September 30, 2014, it owns a chain of 100 stores, composed by 59 hypermarkets that operate under the "Plaza Veá" brand, 37 supermarkets that operate under the "Vivanda", Plaza Veá Super" and "Plaza Veá Express" brands, and 4 discount stores that operate under the "Mass" and "Economax" commercial brand (55 hypermarkets, 37 supermarkets and 6 discount stores as of December 31, 2013). Supermercados Peruanos S.A. holds 100 percent of: (i) Peruana de Tiquetes S.A.C. and (ii) Plaza Veá Sur S.A.C.
- (b) Eckerd Perú S.A. is dedicated to the commercialization of pharmaceutical products, cosmetic products, food for medical use and other elements aimed to health protection and recovery through its "InkaFarma" pharmacy chain. As of September 30, 2014 and December 31, 2013 it operates 787 and 725 stores, respectively. Eckerd Perú S.A. holds 100 percent of: (i) Eckerd Amazonía S.A.C. and (ii) Boticas del Oriente S.A.C.
- (c) InRetail Real Estate Corp. is a Holding company incorporated in the Republic of Panama in April 2012. InRetail Real Estate is owner of the 100 percent of capital stock of Patrimonio en Fideicomiso D.S.093-2002-EF- InRetail Shopping Mall (hereinafter "InRetail Shopping Mall"), entity incorporated in May 2014. InRetail Shopping Mall owns 100 percent of the share capital of the following subsidiaries:
 - (i) Real Plaza S.R.L.

Entity dedicated to the management and administration of shopping centers (20 as of September 30, 2014 and 18 as of December 31, 2013) named "Centro Comercial Real Plaza" and located in the cities of Chiclayo, Piura, Chimbote, Trujillo, Huancayo, Arequipa, Juliaca , Huanuco, Cusco, Cajamarca and Lima.
 - (ii) InRetail Properties Management S.R.L. (formerly Interproperties Perú S.A.)

Entity that provides the staff which manages and operates Interproperties Holding.
 - (iii) Patrimonio en Fideicomiso – D.S. N°093-2002-EF-Interproperties Holdings and Patrimonio en Fideicomiso – D.S. N°093-EF-Interproperties Holding II

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

Notes to the interim consolidated financial statements (continued)

3. Basis of preparation and presentation

(a) Interim Financial Statements

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

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

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

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

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

(b) Basis of consolidation

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

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

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

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

The accounting policies followed in the preparation of the consolidated financial statements are consistent with those followed in the preparation of the consolidated financial statements at December 31, 2013.

Notes to the interim consolidated financial statements (continued)

4. Cash and short-term deposits

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

	As of September 30, 2014	As of December 31, 2013
	S/.(000)	S/.(000)
Cash (b)	13,310	12,611
Current accounts (c)	137,797	58,153
Time deposits (d)	62,113	208,964
Other	4,133	4,443
Total	217,353	284,171

(b) The balance as of September 30, 2014 and December 31, 2013, comprises mainly cash held by subsidiaries in the premises of their store chains and in the vaults of a security company, corresponding to sales during the last days of the period.

(c) The Group maintains current accounts in local banks in Nuevos Soles and US Dollars which do not accrue interest and they are freely available.

(d) As of September 30, 2014 and December 31, 2013, the time deposits in local currency are freely available and are kept in local banks, have maturities since inception and bear annual interest rates of 3.70 percent (between 3.00 to 4.40 percent as of December 31, 2013)

5. Trade receivables, net

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

	As of September 30, 2014	As of December 31, 2013
	S/.(000)	S/.(000)
Trade accounts receivable (c)	15,054	21,766
Rent receivable (d)	7,098	6,386
Merchandise vouchers (e)	43,638	44,746
Provision for accrued revenue (f)	8,806	7,616
Others	1,778	1,778
Total	76,374	82,292
Provision for doubtful accounts (g)	(5,982)	(4,506)
	70,392	77,786

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

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

Notes to the interim consolidated financial statements (continued)

- (d) Correspond to accounts receivable for the lease of commercial premises to concession holders inside the stores of Supermercados Peruanos S.A. and the accounts receivable for the rental income of Interproperties Holding.
- (e) Correspond mainly to the balance receivable from the sale of merchandise vouchers to various companies and public institutions. At the date of this report, these balances are mostly collected.
- (f) As of September 30, 2014 and December 31, 2013 relates to services unbilled at period end, mainly due to variable rentals. These amounts were billed in the month subsequent to the reporting date.
- (g) Movements in the provision for doubtful accounts receivable for the nine months periods ended September 30, 2014 and 2013, were as follows:

	2014	2013
	S/.(000)	S/.(000)
Balance at the beginning of the year	4,506	3,112
Provision recognized as year expense, Note 16 (a)	1,653	879
Write offs and recovery's	(177)	(443)
Exchange foreign currency	-	-
Balance at the end of the period	<u>5,982</u>	<u>3,548</u>
Balance as of December 31, 2013		<u>4,506</u>

As of September 30, 2014 and December 31, 2013, the balance of the trade receivable amounts to approximately S/.76,374,000 and S/.82,292,000 respectively, out of which approximately S/.5,982,000 and S/.4,506,000 were provisioned for at those dates. Likewise, the amount of non-impaired past due trade receivables amounted to S/.32,421,000 and S/.55,349,000, respectively.

In the opinion of Management of the InRetail Group, the provision for doubtful accounts receivable as of September 30, 2014 and December 31, 2013, appropriately covers the credit risk of this item at those dates.

6. Inventories, net

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

	As of September 30, 2014	As of December 31, 2013
	S/.(000)	S/.(000)
Goods	776,920	773,151
In transit inventories (b)	31,871	10,539
Miscellaneous supplies	<u>10,905</u>	<u>7,299</u>
Total	819,696	790,989
Minus		
Provision for impairment of inventories (c)	(7,188)	(12,001)
Total	<u>812,508</u>	<u>778,988</u>

Notes to the interim consolidated financial statements (continued)

- (b) Correspond to goods and miscellaneous supplies imported by the Group in order to satisfy customer's demand in its stores.
- (c) The movement in the provision for inventory impairment for the nine-month periods ended September 30, 2014 and 2013, was as follows:

	2014 S/.(000)	2013 S/.(000)
Balance at the beginning of the year	12,001	3,652
Provision of the period, Note 16(a)	3,713	1,080
Write-off	-	-
Recovery	-	(924)
Balance at the end of the period	<u>15,714</u>	<u>3,808</u>
Balance as of December 31, 2013		<u>12,001</u>

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

7. Available-for-sale investment

As of September 30, 2014 and December 31, 2013, available for sale investment correspond to notes of the issuance made abroad described in Note 12 (f).

Unrealized loss, net of deferred taxes, from notes maintained as September 30, 2014 and December 31, 2013, amounted to approximately S/.1,315,000 (approximately S/.719,000 as of December 31 2013).

8. Property, furniture and equipment, net

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

	As of September 30, 2014 S/.(000)	As of December 31, 2013 S/.(000)
Cost		
Initial balance	2,650,251	2,220,314
Additions (b)	245,758	446,480
Disposals and/or sales (c)	(28,858)	(16,543)
Transfer to Investment properties	(10,941)	-
Final balance	<u>2,856,210</u>	<u>2,650,251</u>
Accumulated depreciation		
Initial balance	559,702	472,828
Additions (d)	85,703	100,622
Disposals and/or sales	(15,015)	(13,748)
Final balance	<u>630,390</u>	<u>559,702</u>
Net book value	<u>2,225,820</u>	<u>2,090,549</u>

Notes to the interim consolidated financial statements (continued)

- (b) Additions for the nine-months periods ended September 30, 2014 and December 31, 2013 correspond mainly to the construction and equipment of new premises for Supermercados Peruanos S.A. and the Eckerd Group, construction of Eckerd's distribution center and the construction of shopping centers.
- (c) It mainly corresponds to assets sold and to the disposals of unusable assets as a result of the process of change of format in some premises. The resulting income or expense has been included in the "Other operating income" or "Other operating expenses" caption of the consolidated income statement, respectively.
- (d) Depreciation expense for the nine-month periods ended September 30, 2014 and 2013, was recorded as follows in the income statements:

	2014	2013
	S/.(000)	S/.(000)
Sales expenses, Note 16 (a)	75,092	60,101
Administrative expenses, Note 16 (a)	10,611	11,704
Balance as of September 30	<u>85,703</u>	<u>71,805</u>
Balance as of December 31, 2013		<u>100,622</u>

- (e) As of September 30, 2014, Supermercados Peruanos S.A. has mortgaged land lots, buildings and facilities for a net book value of S/.331,296,000 (S/.285,115,000 as of December 31, 2013), as collateral over the financial obligations and the leasing contracts (see Note 12).
- (f) As of September 30, 2014, the cost and corresponding accumulated depreciation of assets acquired through finance leases amount to approximately S/.417,057,000 and S/.62,326,000 respectively (S/.383,939,000 and S/.44,631,000, respectively, as of December 31, 2013).
- (g) The Subsidiaries of the Company maintain insurance policies on their main assets in accordance with the policies established by Management.

Notes to the interim consolidated financial statements (continued)

9. Investment properties

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

	As of September 30, 2014 S/. (000)	As of December 31, 2013 S/. (000)
Real Plaza Salaverry shopping Mall (i)	340,412	266,435
Real Plaza Primavera shopping Mall (ii)	199,363	195,687
Real Plaza Chiclayo shopping Mall (ii)	185,188	176,640
Real Plaza Cuzco shopping Mall	171,366	141,202
Real Plaza Centro Civico shopping Mall (ii)	170,497	-
Real Plaza Piura shopping Mall	138,890	129,553
Real Plaza Cajamarca shopping Mall	119,016	111,359
Real Plaza Trujillo shopping Mall (ii)	118,799	121,688
Real Plaza Puruchuco project	114,128	-
Real Plaza Huancayo shopping Mall (i) and (ii)	107,200	88,537
Real Plaza Huanuco shopping Mall	86,194	84,465
Real Plaza Juliaca shopping Mall (i) and (ii)	71,809	59,682
Real Plaza Arequipa shopping Mall (i) and (ii)	67,426	67,855
Real Plaza Chorrillos shopping Mall (ii)	47,314	35,202
Real Plaza Pro shopping Mall (ii)	43,060	41,641
Real Plaza Santa Clara - Altamirano Shopping Mall	38,317	37,244
Real Plaza Santa Clara shopping Mall (ii)	20,641	19,927
Real Plaza Nuevo Chimbote shopping Mall (i) and (ii)	18,610	19,051
Jr. de la Unión stores	16,612	16,616
Others	104,326	84,559
	2,179,168	1,697,343

- (i) For the construction of these shopping malls and properties, surface right contracts were subscribed with the Arzobispado de Cuzco (on land in Cuzco "San Antonio"), Municipalidad Provincial de Huanuco (on land of "Real Plaza Huanuco" Shopping Mall), Despensa Peruana S.A. and Mercantil Inca S.A. (Perámas), Inmobiliaria Pazos S.A.C. (La Curva), Gobierno Regional de Moquegua, (Moquegua), Ferrovias Central Andina S.A. (Huancayo), the Association denominated "Religiosas del Sagrado Corazón de Jesús" (Arequipa), Ferrocarril Trasandino S.A. (Juliaca) and the Marina de Guerra del Perú (Salaverry). These contracts have term for periods between 20 and 70 years.
- (ii) "Real Plaza" shopping centers consist of department stores, home improvement, supermarket, other retail shops, a cinema complex and an entertainment area which executed contracts that provide a minimum monthly rent and a variable rent based on sales.

Notes to the interim consolidated financial statements (continued)

(b) The movement of this account for years ended September 30, 2014 and 2013 was as follows:

	2014	2013
	S/.(000)	S/.(000)
Balance at the beginning of the year	1,697,343	1,112,099
Additions	431,676	389,862
Disposal	(2,568)	-
Fair value adjustment	41,776	14,773
Transfer from property, furniture and equipment; Note 8(a)	10,941	-
Balance at the end of the period	<u>2,179,168</u>	<u>1,516,734</u>
Balance as of December 31, 2013		<u>1,697,343</u>

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

(c) As of September 30, 2014, some of the investment properties guarantee the debt to Deutsche Bank, Note 12(g). At such date, the book value of these investment properties amounts to approximately S/.1,350,015,000 (S/.1,228,154,000 as of December 31, 2013).

10. Intangible assets, net

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

	As of September 30,	As of December 31,
	2014	2013
	S/.(000)	S/.(000)
Cost		
Initial balance	1,213,280	1,186,416
Additions (c)	10,804	28,076
Disposal and/or sales	(8,036)	(1,212)
Final balance	<u>1,216,048</u>	<u>1,213,280</u>
Accumulated amortization		
Initial balance	42,317	34,507
Additions (d)	7,413	8,371
Disposals and/or sales	(8,036)	(561)
Final Balance	<u>41,694</u>	<u>42,317</u>
Net, book value	<u>1,174,354</u>	<u>1,170,963</u>

Notes to the interim consolidated financial statements (continued)

- (b) As of September 30, 2014 and December 31, 2013, this caption mainly includes approximately S/.373,054,000 and S/.709,472,000 corresponding to the brand “Inkafarma” and goodwill respectively, as a result of the acquisition of the Eckerd Group. and other intangibles with finite lives such as software.

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

- (c) As of September 30, 2014 and December 31, 2013, additions mainly correspond to disbursements for the acquisition of a commercial software program, a general planning system (ERP) and the corresponding licenses for use; and disbursements for implementation of the application “E3 InkaFarma”, which will be used in the new distribution center.
- (d) Amortization expense for the nine-month periods ended September 30, 2014 and 2013 has been recorded in the following items of the combined statements:

	2014 S/.(000)	2013 S/.(000)
Sales expenses, Note 16 (a)	4,321	2,924
Administrative expenses, Note 16 (a)	3,092	2,114
Balance as of September 30	<u>7,413</u>	<u>5,038</u>
Balance as of December 31, 2013		<u>8,371</u>

11. Trade payables

The table below presents the composition of this caption:

	As of September 30, 2014 S/.(000)	As of December 31, 2013 S/.(000)
Bills payable for purchase of goods	1,042,770	1,121,720
Bill payable for commercial services	152,963	185,763
Total	<u>1,195,733</u>	<u>1,307,483</u>

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

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

Notes to the interim consolidated financial statements (continued)

12. Interest-bearing loans and borrowings

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

Type of obligation	Original currency	Interes rate %	Maturity final	Original amount		Total		Corriente		No corriente	
				US\$ (000)	S/(000)	2014	2013	2014	2013	2014	2013
				S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)		
Subordinated bonds (b)											
Issued for the restructuring of the financial position											
1st Issuance	USD	7.500	2014	12,000	-	-	33,552	-	33,552	-	-
2nd Issuance	USD	8.040	2014	7,005	-	-	19,586	-	19,586	-	-
3rd Issuance	PEN	8.490	2014	-	21,540	-	21,540	-	21,540	-	-
				<u>19,005</u>	<u>21,540</u>	<u>-</u>	<u>74,678</u>	<u>-</u>	<u>74,678</u>	<u>-</u>	<u>-</u>
Corporate bonds (c) (d)											
1st Issuance	PEN	6.700	2016	-	28,437	-	12,187	-	4,062	-	8,125
2nd Issuance	PEN	7.750	2019	-	57,090	-	34,254	-	5,709	-	28,545
				<u>-</u>	<u>85,527</u>	<u>-</u>	<u>46,441</u>	<u>-</u>	<u>9,771</u>	<u>-</u>	<u>36,670</u>
Leasings (g)											
Related entities											
Banco Internacional del Perú-Interbank	PEN	7.850	2014	-	28,355	27,035	25,153	4,716	13,072	22,319	12,081
Banco Internacional del Perú-Interbank	PEN	Between 6.85 and 11.43	2019	-	145,277	86,210	99,152	25,288	23,366	60,922	75,786
Banco Internacional del Perú-Interbank	USD / PEN	6.450	2016	35	95	239	61	23	20	216	41
Banco Internacional del Perú-Interbank	PEN	8.250	2016	-	7,401	1	4,068	1	1,664	-	2,404
Non-related entities											
Hewlett Packard S.A.	USD	2.930	2017	3,678	-	11,146	7,485	3,994	2,499	7,152	4,986
IBM Perú SAC	USD	3.100	2016	100	-	150	218	88	92	62	126
IBM Perú SAC	USD	2.930	2016	664	-	1,136	1,724	745	839	391	885
Banco de Crédito del Perú	PEN	Between 6.59 and 7.76	2018	-	17,424	44,409	47,367	8,531	3,035	35,878	44,332
Banco de Crédito del Perú	PEN	9.020	2019	-	54,748	22,289	24,629	3,968	3,393	18,321	21,236
Banco de Crédito del Perú	PEN	Entre 7.970 y 8.060	2023 - 2024	-	53,653	52,893	55,838	4,548	3,978	48,345	51,860
BBVA Banco Continental	PEN	Between 5.96 and 10.85	2018	-	69,850	21,540	32,326	7,076	12,509	14,464	19,817
BBVA Banco Continental	USD / PEN	7.000	2017	4,658	9,244	1,175	2,035	818	1,123	357	912
Banco Interamericano de Finanzas	PEN	8.350	2014	-	6,628	-	512	-	512	-	-
Banco Scotiabank	PEN	7.790	2018	-	21,864	31,658	19,122	5,720	3,040	25,938	16,082
Banco Scotiabank	USD	4.700	2014	264	-	-	2	-	2	-	-
				<u>9,505</u>	<u>417,102</u>	<u>299,881</u>	<u>319,692</u>	<u>65,516</u>	<u>69,144</u>	<u>234,365</u>	<u>250,548</u>

Notes to the interim consolidated financial statements (continued)

Type Obligation	Original currency	Interest rate %	Maturity final	Original amount		Total		Corriente		No corriente	
				US\$ (000)	S/(000)	2014	2013	2014	2013	2014	2013
				S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)
Lease back											
Related entities											
Banco Internacional del Perú-Interbank	PEN	8.250	2015	-	588	-	247	-	152	-	95
Banco Internacional del Perú-Interbank	PEN	8.900	2026	-	108,300	988	55,715	40	2,454	948	53,261
				-	108,888	988	55,962	40	2,606	948	53,356
Foreing loans											
Intercorp Retail Trust (f)	USD	10.134	2018	130,000	-	364,831	351,181	-	-	364,831	351,181
Bank of America (f)	USD	10.134	2018	140,000	-	388,366	372,870	-	-	388,366	372,870
Deutsche Bank (g)	USD	9.426	2023	185,000	-	16,119	455,032	16,119	-	-	455,032
Notes Senior Unsecured (d)	USD	7.805	2021	350,000	-	866,502	-	-	-	866,502	-
Notes Senior Unsecured (d)	PEN	7.981	2034	-	141,000	139,536	-	-	-	139,536	-
				805,000	141,000	1,775,354	1,179,083	16,119	-	1,759,235	1,179,083
Promissory notes and loans (h)											
Non-related entities											
Banco de Crédito del Perú	USD	6.600	2021	12,000	-	-	27,990	-	3,201	-	24,789
Banco Interamericano de Finanzas	PEN	Between 4.940 and 5.020	2014	-	8,265	8,265	-	8,265	-	-	-
BBVA Banco Continental	PEN	4.940	2014	-	29,100	29,100	-	29,100	-	-	-
Banco de Crédito del Perú	PEN	5.530	2014	-	42,000	42,000	-	42,000	-	-	-
Banco Scotiabank	PEN	7.800	2021	-	80,000	80,000	-	11,428	-	68,572	-
Banco Citibank	PEN	5.200	2014	-	12,000	12,000	-	12,000	-	-	-
				12,000	171,365	171,365	27,990	102,793	3,201	68,572	24,789
Obligations to third parties (i)											
Hewlett Packard S.A.	USD	Between 2.230 and 8.000	2014	11,549	-	16,537	11,465	5,881	5,129	10,656	6,336
IBM Perú SAC	USD	8.000	2015	6,441	-	2,181	3,526	1,456	1,828	725	1,698
IBM Perú SAC	USD / PEN	7.450	2016	36	86	50	68	5	23	45	45
				18,026	86	18,768	15,059	7,342	6,980	11,426	8,079
Total				863,536	945,508	2,266,356	1,718,905	191,810	166,380	2,074,546	1,552,525

Notes to the interim consolidated financial statements (continued)

- (b) Supermercados Peruanos S.A. had to comply, until maturity and cancellation of the aforementioned bonds, with certain obligations and restrictive clauses. As of December 31, 2013 Supermercados Peruanos S.A. complied with all obligations and restrictive clauses.
- (c) As of December 31, 2013, the Company and Subsidiaries had outstanding corporate bonds for S/.46,441,000, which accrued annual interest rates that fluctuated between 6.70 and 7.75 percent, with maturities between 2016 and 2019. In September 2014, these corporate Bonds were paid fully.
- (d) In July 2014, Patrimonio en Fideicomiso D.S. N 093-2002-EF-InRetail Shopping Mall issued, through In Retail Shopping Malls trust, a private offering of \$ 350,000,000 of senior unsecured notes due in July 2021, at a 6.50 percent nominal interest rate. This loan was recorded in the consolidated financial statement at amortized cost to an effective interest rate of 7.805 percent, after considering the respective up-front fees that amounted to US\$ 23,835,000 (equivalent to S/.66,458,000). Additionally, as of September 30, 2014 the balance is presented net of US\$ 22,504,000 (equivalent to S/.64,992,000 corresponding to the notes of this issuance held by InRetail Shopping Malls.

Also, In July 2014, Patrimonio en Fideicomiso D.S. N 093-2002-EF-InRetail Shopping Mall issued, through In Retail Shopping Malls trust, a private offering of S/.141,000,000 of senior unsecured notes due in July 2034, at a 7.875 percent nominal interest rate. This loan was recorded in the consolidated financial statement at amortized cost to an effective interest rate of 7.981 percent, after considering the respective up-front fees that amounted to S/.1,489,000.

This private and placed supply in the international market is fully guaranteed by InRetail Estate Corp., as well as In Retail Shopping Malls' Subsidiaries.

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

- (e) Some of the bonds issued include standard clauses requiring the InRetail Group to meet financial ratios, use of funds criteria and other administrative matters. In Management's opinion, as of September 30, 2014 and December 31, 2013, said standard clauses do not limit the normal operation of the Group and have been fulfilled.

Notes to the interim consolidated financial statements (continued)

- (f) In November 2011, InterCorp Retail Inc. issued through InterCorp Retail Trust, a financial trust incorporated in the Cayman Islands with the purpose of perform this issuance, an offering of US\$300,000,000 in Senior Guarantee Notes due in November 2018 at an 8.875 percent nominal interest rate. From this issuance, US\$ 270,000,000 were channelled to the Company through a promissory note in favor of InterCorp Retail Trust subscribed by the Company and to Supermercados Peruanos S.A. through a "Loan Agreement" in favor of Bank of America, subscribed by Supermercados Peruanos S.A. The consolidated amount of said loans amounted to US\$270,000,000 (equivalent to S/.780,840,000 as of September 30, 2014 (S/.754,920,000 as of December 31,2013), which accrue interests at an 8.875 percent nominal annual rate. Said loans were recorded in the consolidated financial statements at their amortized cost and at a 10.134 percent effective interest rate after considering the respective up-front fees that amounted to S/. 9,293,000 and a guarantee deposit of S/. 35,997,000 (equivalent to US\$13,312,000), which is not refundable and will be applied to the principal related to the Bank of America at the maturity date. InRetail Group allocated the funding, mainly to the cancellation of a loan previously obtained for the acquisition of Eckerd Peru S.A., promissory notes and commercial papers, as well as to the payment for the acquisition of land lots and the construction of new commercial premises for its Subsidiaries.

Said financial obligations are presented net of the aforementioned initial charges and the guarantee deposit. The consolidated net balance of these borrowings as of September 30, 2014 and December 31,2013, amounted S/.753,197,000 and S/.724,051,000; respectively.

The 100 percent of the senior notes is guaranteed by the Subsidiaries Supermercados Peruanos S.A. and Eckerd Peru S.A., as well as other related entities which are subsidiaries of InterCorp Retail Inc.

- (g) In November 2011, Interproperties Holding issued through Interproperties Holding Trust, a financial trust incorporated in the Cayman Islands with the purpose of perform this issuance, and offering of US\$185,000,000 in Senior Guaranteed Notes due in November 2023 at an 8.75 percent nominal interest rate. This issuance was channelled to Interproperties Holding trough a "Loan agreement" in favor of Deutsche Bank AG, London Branch. The funds from this financing were used to purchase properties, invest in new building projects, to repay debts and payments, including fees and expenses, in connection with this transaction. Interproperties Holding has given certain investment properties in guarantee for this debt, see Note 9(c).

Said financial obligation was recorded in the consolidated financial statement at amortized cost at a 9.426 percent annual effective interest rate after considering the respective up-front fees that amounted to S/.18,227,000 (equivalent to US\$6,783,984). Additionally, as of September 30, 2014 and December 31, 2013, the balance is presented net of S/.518,901,000 and S/.44,960,000 respectively, corresponding to notes of this issuance held by InRetail Real Estate Corp., a Subsidiary of the Company.

- (h) Promissory notes and bank loans are used to fund working capital and do not have any specific guarantee. Leasing operations are guaranteed by the assets related to them; see Note 8(f). Such obligations do not have any special conditions that must be complied (covenants), or restrictions affecting the operations of the InRetail Group.
- (i) Corresponds to the debt that Subsidiaries. acquired with IBM del Perú S.A.C. to purchase computer equipment. Likewise, Hewlett Packard S.A. signed a promissory note with Supermercados Peruanos S.A. to finance the payment of the balances indebted to SAP Andina del Caribe S.A. for the development of the SAP system. Said contracts do not have any specific guarantee.
- (j) During the nine-month-periods ended September 30, 2014 and 2013, loans and borrowings accrued interest which is recorded in the "Finance costs" caption of the consolidated income statements, see Note

Notes to the interim consolidated financial statements (continued)

17. Also, as of September 30, 2014 and December 31, 2013, there are interests payable which are recorded in the "Other payables" caption of the consolidated statements of financial position.

- (k) Some of the interest-bearing loans and borrowing include standard clauses requiring the InRetail Group to meet financial ratios, use of funds criteria and other administrative matters. Management's opinion, as of September 30, 2014 and December 31, 2013, said standard clauses do not limit the normal operation of the Group and have been fulfilled.

13. Deferred income tax liabilities, net

- (a) The amounts presented in the statement of financial position as of September 30, 2014 and December 31, 2013, as well as the consolidated income statements for the nine-month periods ended September 30, 2014 and 2013 are shown below:

Statements of financial position	Deferred liability, net	
	As of September 30, 2014 S/. (000)	As of December 31, 2013 S/.(000)
Deferred income tax asset	49,845	43,197
Deferred income tax liabilities	<u>(290,973)</u>	<u>(253,723)</u>
Deferred income tax liability, net	<u>(241,128)</u>	<u>(210,526)</u>

Statements of comprehensive income	Income tax for the nine-month periods ended September 30, 2014 and 2013	
	2014 S/. (000)	2013 S/.(000)
Current	(40,226)	(37,196)
Deferred	<u>(28,536)</u>	<u>6,503</u>
	<u>(68,762)</u>	<u>(30,693)</u>

- (b) As of September 30, 2014 and December 31, 2013 the provision for current income tax payable, net of advanced payments amounts to approximately S/.32,935,000 and S/.390,000, respectively.

Notes to the interim consolidated financial statements (continued)

14. Equity

- (a) Capital stock –
As of September 30, 2014 and December 31, 2013, the capital stock of InRetail Perú Corp. is represented by 102,807,319 shares with no par value, issued at US\$10.00 each, which were totally paid and issued.(equivalent to S/.2,138,566,000).
- (b) Capital premium
It corresponds to the difference between the nominal value of shares issued and their offering value. The international offering of new shares, mentioned in paragraph (a)above, was made at a price of US\$20 per share, being the issuance value of shares US\$ 10.00 per share, and recording a capital Premium which is presented net of expenses related to the issuance (professional services of legal advisors, investment bankers, transaction commissions, among others) for approximately S/.549,793,000.

15. Tax Situation

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

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

- (c) The Company's Subsidiaries domiciled in Peru are subject to the Peruvian Tax System and, in compliance with current Peruvian legislation they calculate their Income tax on the basis of their individual financial statements. As of September 30, 2014 and December 31, 2013, the statutory Income Tax rate was 30 percent on taxable income, after calculating the employees profit sharing, which according to prevailing standards is computed with a rate between 5 to 8 percent.
- (d) Law No. 29663, later amended by law 29757, which are considered established Peruvian source income to those obtained by the indirect sales of shares representing the capital stock of companies domiciled in the country.

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

- (i) In first place, 10 percent or more of shares of the non domiciliated company must be sold in a period of twelve months.
- (ii) In second place, the share's market value of the Peruvian company must represent 50 percent or more of the market value of the non domiciliated company, in a period of twelve months.
- (d) For purposes of determining the Income Tax and Value Added Tax, transfer pricing of transactions with related companies and companies domiciled in territories with low or no taxation must be supported with documentation and information on assessment methods applied and criteria considered. As of August 2012, has eliminated the application of transfer pricing rules for purposes only Value Added Tax. Based on the analysis of the operations of the Group, Management and its legal advisors consider that as consequence of the application of the regulation in force, there will not emerge any significant contingencies for the Group as of September 30, 2014 and December 31, 2013.

Notes to the interim consolidated financial statements (continued)

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

	Income Tax	Value added tax
Supermercados Peruanos S.A.	From 2009 to 2013	From 2009 to 2013
Eckerd Perú S.A.	2012 and 2013	2012 and 2013
Eckerd Amazonia S.A.C.	2010, 2012 and 2013	2010, 2012 and 2013
Boticas del Oriente S.A.C.	2009, 2010, 2012 and 2013	2009, 2010, 2012 and 2013
Real Plaza S.R.L.	From 2009 to 2013	From 2009 to 2013
InRetail Properties Management S.R.L.	From 2010 to 2013	From 2010 to 2013

According to Peruvian law, InRetail Shopping Mall and Interproperties Holding are not considered an income taxpayer due to its status as a trust. InRetail Shopping Mall and Interproperties Holding attributes its generated results, the net losses and Income Tax credits on foreign source income, to the holders of its certificates of participation or whoever holds those rights.

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

In opinion of Management of the InRetail Group as well as its legal advisors opinion, any eventual additional tax settlement would not be significant to the consolidated financial statements as of September 30, 2014 and December 31, 2013.

16. Operating expenses

- (a) The table below presents the components of this caption for the nine-month periods ended September 30, 2014 and 2013:

	2014	2013
	S/.(000)	S/.(000)
Cost of sales	3,120,230	2,759,869
Selling expenses	855,832	746,041
Administrative expenses	<u>126,182</u>	<u>116,366</u>
	<u>4,102,244</u>	<u>3,622,276</u>

Notes to the interim consolidated financial statements (continued)

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

	2014			
	Cost of sales	Selling expenses	Administrative expenses	Total
	S/.(000)	S/.(000)	S/.(000)	S/.(000)
Initial balance of goods, Note 6(a)	773,151	-	-	773,151
Purchase of goods	3,040,398	-	-	3,040,398
Final balance of goods, Note 6(a)	(776,920)	-	-	(776,920)
Impairment of inventories note 6 (c)	3,713	-	-	3,713
Cost of services	79,888	-	-	79,888
Packing and packaging	-	22,724	161	22,885
Personnel expenses	-	347,504	71,496	419,000
Depreciation, Note 8(d)	-	75,092	10,611	85,703
Amortization, Note 10(d)	-	4,321	3,092	7,413
Key money amortizacion	-	683	-	683
Services provided by third parties (b)	-	133,819	23,572	157,391
Advertising	-	58,628	-	58,628
Rental of premises	-	79,986	5,563	85,549
Taxes	-	17,904	2,308	20,212
Provision for doubtful trade receivables, Note 5(g)	-	1,476	-	1,476
Provision for doubtful other account receivables,	-	1	-	1
Insurance	-	6,848	417	7,265
Other charges (c)	-	106,846	8,962	115,808
	3,120,230	855,832	126,182	4,102,244
	2013			
	Cost of sales	Selling expenses	Administrative expenses	Total
	S/.(000)	S/.(000)	S/.(000)	S/.(000)
Initial balance of goods,	591,800	-	-	591,800
Purchase of merchandise	2,824,594	-	-	2,824,594
Final balance of goods	(704,790)	-	-	(704,790)
Impairment of inventories,	1,080	-	-	1,080
Cost of services	47,185	-	-	47,185
Packing and packaging	-	26,205	1,052	27,257
Personnel expenses	-	302,274	65,736	368,010
Depreciation, Note 8(d)	-	60,101	11,704	71,805
Amortization, Note 10(d)	-	2,924	2,114	5,038
Key money amortizacion	-	588	-	588
Services provided by third parties (b)	-	109,241	22,422	131,663
Advertising	-	56,137	-	56,137
Rental of premises	-	74,325	6,460	80,785
Taxes	-	15,478	1,145	16,623
Provision for doubtful trade receivables, Note 5(g)	-	436	-	436
Insurance	-	5,813	389	6,202
Other charges (c)	-	92,519	5,344	97,863
	2,759,869	746,041	116,366	3,622,276

Notes to the interim consolidated financial statements (continued)

- (b) Correspond mainly to expenses on electricity, water, telephone, premises maintenance services and transport services.
- (c) Mainly include general expenses in stores and shopping centers.

17. Finance costs

For the nine-month periods ended as of September 30, 2014 and 2013, this caption mainly includes interests generated by bonds issued and loans and borrowings for a total amount of approximately S/.143,052,000 and S/.128,237,000, respectively. Also, as of September 30, 2014 and December 31, 2013, there are interests payable for these obligations for approximately S/.51,389,000 and S/.19,023,000, respectively, which are recorded in the "Other payable" caption of the consolidated statements of financial position.

18. Transactions with related parties

(a) The following table provides the total amount of transactions that have been entered into with related parties for the nine-month periods ended as of September 30, 2014 and 2013:

	2014 S/.(000)	2013 S/.(000)
Income		
Sales	3,104	4,388
Rental income	64,837	19,033
Rendering of services	44,595	39,584
Other	17,190	8,100
	<u>129,726</u>	<u>71,105</u>
Expenses		
Renting of premises and land	29,990	3,799
Reimbursements of expenses	9,666	159
Commissions	200	218
Other services	24	986
Interest	10,001	2,691
Others	20,406	6,536
	<u>70,287</u>	<u>14,389</u>

Notes to the interim consolidated financial statements (continued)

(b) As a result of the transactions with related companies, the InRetail Group recorded the following balances as of September 30, 2014 and December 31, 2013:

	As of September 30, 2014 S/.(000)	As of December 31, 2013 S/.(000)
Receivables		
Banco Internacional del Perú S.A.A. – Interbank	5,218	6,944
Interseguro Compañía de Seguros S.A.	728	1,099
Cineplex S.A.	1,846	1,132
Tiendas Peruanas S.A.	14,644	3,132
Urbi	196	177
Intercorp Perú Ltd. (d)	-	24,394
Home Centers Peruanos S.A. (e)	14,558	28,755
Financiera Uno S.A.	4,416	7,988
Bembos	1,543	1,409
Others	12,323	8,154
	<u>55,472</u>	<u>83,184</u>

	As of September 30, 2014 S/.(000)	As of December 31, 2013 S/.(000)
Payables		
Banco Internacional del Perú S.A.A. – Interbank:		
Credit line and others (f)	338	1,236
Guarantee deposit (g)	4,035	3,642
Horizonte Global Opportunities Perú S.A. (h)	503	554
Cineplex S.A.	35	59
Interseguro Compañía de Seguros S.A.	1,454	803
Intercorp Retail Inc. (i)	23,114	25,544
Tiendas Peruanas S.A.	-	268
Financiera Uno S.A.	19,279	21
Others	2,295	931
	<u>51,053</u>	<u>33,058</u>
Remunerations payable to key management (j)	-	121
	<u>51,053</u>	<u>33,179</u>
Current portion	47,018	29,537
Non-current portion	4,035	3,642
Total	<u>51,053</u>	<u>33,179</u>

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

Notes to the interim consolidated financial statements (continued)

- (c) Outstanding balances at the year-end are unsecured and interest free, except for the financial obligations explained in this one. There have been no guarantees provided or received for any related party receivables or payables. As of September 30, 2014 and December 31, 2013, the Group has not recorded any impairment of receivables relating to amounts owed by related parties. This assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.
- (d) As of December 31, 2013, the balance receivable from Intercorp Peru Ltd. corresponds to a loan in Nuevos soles that includes accrued interest at market rates of 7 percent annual, which was collected entirely in May 2014.
- (e) As of September 30, 2014, the balance receivable from Home Center Include S/.4,993,000 for the reimbursement of import of goods and merchandise.
- (f) Includes amounts payable corresponding to professional services, commissions and financial cost. Financial costs have been generated from loans received during the period, which accrued market interest rates.
- (g) Supermercados Peruanos S.A. and Banco Internacional del Perú – Interbank, signed contracts on future leases of financial stores for 15 and 7 years in October 2004 and September 2009, respectively. These contracts amount to approximately S/.27,212,000, (equivalent to approximately US\$8,000,000) and S/.14,788,000 (equivalent to approximately US\$5,016,000) which were collected in advance by Supermercados Peruanos S.A. and are presented in the “Deferred revenue” caption in the consolidated statements of financial position.

Additionally, and only in the case of the 2004 contract, Supermercados Peruanos S.A. received from Banco Internacional del Perú – Interbank US\$2,000,000 as collateral for the contract. As of September 30, 2014 and December 31, 2013, Supermercados Peruanos S.A. has credited the update of the present value of this deposit in the “Financial income” caption. As of September 30, 2014 and December 31, 2013, the net present value of the balances related to guarantee deposits amounts to S/.4,035,000 and S/.3,642,000, respectively, and is accounted for in the “Other payables” caption.

In relation to such contracts, during the nine-month periods ended September 30, 2014 Supermercados Peruanos S.A. recognized accrued renting revenue that amounted to approximately S/.2,413,000 equivalent to US\$804,000 (S/.2,633,000, equivalent to approximately US\$877,000 during the nine-month periods ended September 30, 2013), which are recorded net of the renting expenses in the “Rental income” caption in the consolidated statements of income.

As of September 30, 2014 Supermercados Peruanos S.A. maintains deferred revenue that amounts to approximately S/.7,406,000 (S/.9,407,000 as of December 31, 2013) which will be recognized as income in upcoming periods.

- (h) Correspond to balances payable on land an premises renting.
- (i) As of September 30, 2014 and December 31, 2013 corresponded to the account payable for some expenses assumed by Intercorp Retail Inc. This balance did not generate interest and current maturities.

Notes to the interim consolidated financial statements (continued)

- (j) The compensation of key management personnel of the Group for the nine-month periods ended September 30, 2014 and 2013, is detailed below:

	2014 S/.(000)	2013 S/.(000)
Short term employee benefits	11,942	7,004
Post-employment pension and medical benefits	386	211
Termination benefits	-	53
	<u>12,328</u>	<u>7,268</u>

- (k) As of September 30, 2014 and December 31, 2013, the Group maintains the following balances in the cash and cash equivalent captions:

	2014 S/.(000)	2013 S/.(000)
Banco Internacional del Peru – Interbank S.A.A.	48,903	180,476
Inteligo Bank Ltd.	41,500	348

Interest-bearing loans and borrowings (Note,12)

- (l) Banco Internacional del Perú – Interbank signed leasing and leaseback contracts with Supermercados Peruanos S.A., Eckerd S.A., Interproperties Holding and Real Plaza for approximately S/ .145,277,000, S/ .28,355,000, S/ .116,289,000, and S/ .95,000 respectively, for the construction of new stores, Real Plaza shopping center building located in Santa Clara and working capital. These leasing contracts accrue annual interest rates that fluctuate between 6.45 and 11.43 percent, and whose maturities are between 2014 and 2016. These transaction are included in Interest-bearing loans and borrowings, see Note 12. During the nine-month periods ended September 30, 2014 and 2013, leasing contracts generated interests which are recorded in the “Financial costs” caption of the consolidated income statements.

Notes to the interim consolidated financial statements (continued)

19. Earnings per share

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

The following reflects basic and diluted earnings per share computations:

	Ordinary shares		
	Outstanding shares	Effective days until period-end	Weighted average of shares
Number as of January 1, 2013	102,807,319		102,807,319
Number as of September 30, 2013	102,807,319		102,807,319
Number as of January 1, 2014	102,807,319		102,807,319
Number as of September 30, 2014	102,807,319		102,807,319
	For the nine-month-periods ended september 30,		
	Net income (numerator)	Shares (denominator)	Earnings per share
	S/.		S/.
Basic and diluted earnings per share	91,579,000	102,807,319	0.89
	For the nine-month-periods ended September 30,		
	Net income (numerator)	Shares (denominator)	Earnings per share
	S/.		S/.
Basic and diluted earnings per share	(2,921,000)	102,807,319	(0.03)

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

Notes to the interim consolidated financial statements (continued)

20. Commitments and contingencies

Commitments –

The main commitments assumed are presented below:

- (a) As of September 30, 2014 and December 31, 2013, the Company and its Subsidiaries have signed renting contracts with third parties for the premises in which some of its stores operate. The assumed commitments correspond to fixed and/or variable monthly rents base on sales, whichever is highest.

The total commitments are assumed to be calculated on the basis of the fixed renting and paid up until 2043.

- (b) As of September 30, 2014, the Company as its Subsidiaries agreed with several financial entities on the issuance joint by and severally irrevocable letters of guarantee for approximately S/.12,921,000 and US\$13,500,000 (S/.17,826,000 as of December 31, 2013), respectively, for compliance with the payment for purchase of goods to foreign suppliers.
- (c) During 2014 and 2013, Interproperties Holding holds a letter of guarantee, which guarantees the right and timely compliance of certain obligations related to shopping center projects.
- (d) As of September 30, 2014, Intercorp Retail Inc. (see Note 1(a)), maintains a loan granted by Intercorp Retail Trust, a non-related entity, for US\$30,000,000, which is unconditionally and irrevocable guaranteed by the Eckerd Group.

Contingencies –

- (a) Eckerd Amazonía S.A.C. is in the process of claim against the Tax Authority for determinations of debts and fines related to VAT for the period between January 2003 and September 2005. In opinion of Management and its legal advisors these contingencies are stated as possible and significant liabilities will not arise as result of this contingency as of September 30, 2014 and December 31, 2013.
- (b) Supermercados Peruanos S.A. is a party to tax proceedings related to Income Tax and monthly Value Added Tax presented in taxable years 2004, 2005, 2006, 2007 and 2008. As of the date of this report, Supermercados Peruanos S.A. has challenged the Tax Administration for these resolutions and, in Management's opinion and its legal advisors, significant liabilities will not arise as result of this situation as of September 30, 2014 and December 31, 2013.

21. Business segments

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

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

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

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

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

Notes to the interim consolidated financial statements

As of September 30, 2014 and 2013 and for the nine-month periods ended September 30, 2014 and 2013, InRetail Peru Corp. is organized into three main business lines, see Note 2. Transactions between the business segments are carried out under normal commercial terms and conditions. The following table presents the financial information of InRetail Perú Corp. and subsidiaries by business segments for the nine-month periods ended September 30, 2014 and 2013

	Supermarkets S/.(000)	Pharmacies S/.(000)	Shopping center S/.(000)	Total segments S/.(000)	Holding accounts, consolidation adjustments and intercompany eliminations S/.(000)	Consolidated S/.(000)
For the nine-month periods ended September 30, 2014						
Revenue						
External income	2,670,348	1,575,132	239,748	4,485,228	-	4,485,228
Inter-segment	(7,996)	(30,422)	(9)	(38,427)	(38,427)	(76,854)
Total revenue	2,662,352	1,544,710	239,739	4,446,801	(38,427)	4,408,374
Cost of sales	(1,981,911)	(1,058,431)	(84,640)	(3,124,982)	4,752	(3,120,230)
Gross profit	680,441	486,279	155,099	1,321,819	(33,675)	1,288,144
Other operating income	32,826	659	34,579	68,064	(14,834)	53,230
Selling expenses	(550,307)	(328,699)	(5,329)	(884,335)	28,503	(855,832)
Administrative expenses	(66,673)	(40,951)	(16,642)	(124,266)	(1,916)	(126,182)
Other operating expenses	(20,365)	(6)	-	(20,371)	10,941	(9,430)
Operating profit	75,922	117,282	167,707	360,911	(10,981)	349,930
Net, Exchange difference	(14,296)	(788)	(29,082)	(44,166)	(12,724)	(56,890)
Finance income	3,099	378	7,356	10,833	(34)	10,799
Finance costs	(56,730)	(3,379)	(59,056)	(119,165)	(23,887)	(143,052)
Profit before income tax	7,995	113,493	86,925	208,413	(47,626)	160,787
Income tax expense	(7,068)	(35,719)	(25,049)	(67,836)	(926)	(68,762)
Profit for the year	927	77,774	61,876	140,577	(48,552)	92,025
Attributable to:						
Owners of the parent	927	77,774	61,432	140,133	(48,554)	91,579
Non-controlling interests	-	-	444	444	2	446
	927	77,774	61,876	140,577	(48,552)	92,025

Notes to the interim consolidated financial statements (continued)

	Supermarkets S/.(000)	Pharmacies S/.(000)	Shopping center S/.(000)	Total segments S/.(000)	Holding accounts, consolidation adjustments and intercompany eliminations S/.(000)	Consolidated S/.(000)
For the nine-month periods ended September 30, 2013						
Revenue						
External income	2,383,862	1,336,073	176,336	3,896,271	-	3,896,271
Inter-segment	(8,184)	(8)	(25,039)	(33,231)	(33,239)	(66,470)
Total revenue	2,375,678	1,336,065	151,297	3,863,040	(33,239)	3,829,801
Cost of sales	(1,781,179)	(931,505)	(54,209)	(2,766,893)	7,024	(2,759,869)
Gross profit	594,499	404,560	97,088	1,096,147	(26,215)	1,069,932
Other operating income	30,326	278	16,194	46,798	(179)	46,619
Selling expenses	(488,633)	(268,698)	(4,143)	(761,474)	15,433	(746,041)
Administrative expenses	(65,912)	(37,448)	(17,863)	(121,223)	4,857	(116,366)
Other operating expenses	(1,253)	-	(77)	(1,330)	-	(1,330)
Operating profit	69,027	98,692	91,199	258,918	(6,104)	252,814
Net, exchange difference	(37,720)	(1,292)	(47,308)	(86,320)	(30,093)	(116,413)
Finance income	5,016	1,421	12,612	19,049	556	19,605
Finance costs	(53,931)	(2,192)	(48,665)	(104,788)	(23,449)	(128,237)
Profit before income tax	(17,608)	96,629	7,838	86,859	(59,090)	27,769
Income tax expense	4,113	(29,876)	(3,425)	(29,188)	(1,505)	(30,693)
Profit for the year	(13,495)	66,753	4,413	57,671	(60,595)	(2,924)
Attributable to:						
Owners of the parent	(13,495)	66,753	4,413	57,671	(60,592)	(2,921)
Non-controlling interests	-	-	-	-	(3)	(3)
	(13,495)	66,753	4,413	57,671	(60,595)	(2,924)

Notes to the interim consolidated financial statements

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

Geographic information-

As of September 30, 2014 and December 31, 2013, the operations of all the Subsidiaries of the Company are concentrated in Peru, therefore, there are no revenues from external customers, or assets located in a foreign country as of those dates.

22. Fair value

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

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

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

- (a) Financial instruments whose fair value is similar to book value –
Assets and liabilities that are liquid or have short maturities (less than three months), such as cash and short-term deposits, trade and other receivables, trade and other payables and other current liabilities, approximate to their carrying amounts largely due to the short-term maturities of these instruments. Also, the derivative instrument by the Group is recorded at fair value.
- (b) Fixed-rate financial instruments –
The fair value of financial assets and liabilities at fixed interest rates and amortized cost is determined by comparing market interest rates at their initial recognition to current market rates related to similar financial instrument. The estimated fair value of interest-bearing deposits is determined through discounted cash flows by using market interest rates in the prevailing currency with similar maturities and credit risks.
- (c) Available-for-sale investment –
Fair value of available-for-sale financial assets is derived from quoted market prices in active markets, if available. Fair value of unquoted available-for-sale financial assets is estimated using a discounted cash flow technique.

Notes to the interim consolidated financial statements (continued)

Fair value hierarchy –

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

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

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

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

The InRetail Group does not maintain any financial instrument with fair value determination under level 3 and there were no transfers between levels during the nine months periods ended September 30, 2014 and 2013. The InRetail Group maintains the following financial instruments at fair value:

- Available-for-sale investments which fair value was determined under level 1 hierarchy.
- Derivative instrument which fair value was determined under level 2 hierarchy. This instrument was liquidated in July 2014, see Note 23.

23. Transactions in foreign currency

Transactions in foreign currency are carried out using exchange rates prevailing in the market as published by the Superintendence of Banks, Insurance and Pension Funds Administration. As of September 30, 2014, the weighted average exchange rates in the market for transactions in US Dollars were S/.2.888 per US\$ 1.00 bid and S/. 2.892 per US\$ 1.00 ask (S/.2.794 and S/.2.796 per US\$1.00 for bid and ask as of December 31, 2013).

As of September 30, 2014 and December 31, 2013, The InRetail Group held the following foreign currency assets and liabilities:

	As of September 30, 2014 US\$(000)	As of December 31, 2013 US\$(000)
Assets		
Cash and short-term deposits	1,431	2,041
Available-for-sale investment	6,424	6,141
Trade receivables, net	1,512	614
Other accounts receivables, net	2,273	3,239
Accounts receivable from related parties	4,969	6,255
	<u>16,609</u>	<u>18,290</u>
Liability		
Trade payables	(16,420)	(17,603)
Other payables	(20,974)	(11,648)
Accounts payable to related parties	(8,022)	(4,851)
Interest - bearing loans and borrowings	(576,347)	(485,720)
	<u>(621,763)</u>	<u>(519,822)</u>
Currency swap transactions-Short position	-	7,005
	<u>(605,154)</u>	<u>(494,527)</u>
Net liability position	<u>(605,154)</u>	<u>(494,527)</u>

Notes to the interim consolidated financial statements (continued)

As of September 30, 2014 and December 31, 2013, the InRetail Group has decided to accept its exchange rate risk and so it has not performed, at these dates, any hedging of exchange rate risk with the exception of a hedging operation help by Supermercados Peruanos S.A. which relates to a currency swap written over its subordinated bonds, which had qualified as an effective hedging instrument. The net position in derivatives related to the currency swap agreements corresponds to exchange operations (Nuevos soles exchanged for US\$ dollars) with notional amounts of approximately US\$7,005,000. This financial instrument was liquidated in July 2014.

24. Subsequent Event

On October 6, 2014, InRetail Consumer, successfully completed the process of private tender offer (Tender Offer) of bonds issued and placed in 2011 by InterCorp Retail Trust "8.875% Senior Guaranteed Notes due 2018" (see note 7) , achieving an acceptance of the offer to purchase approximately 92.43 percent of the bonds issued.

On October 10, 2014, InRetail Perú Corp., through Patrimonio en Fideicomiso D.S.N°093-2002-EF-InRetail Consumer issued, a private offering of \$ 300,000,000 of senior unsecured notes, maturing in October 2021, at a nominal rate of 5.25 percent, being the effective rate 5.375 percent after considering the initial discount. This offer private and positioned in the international market is guaranteed by Supermercados Peruanos S.A. and Eckerd Perú S.A..

The funds from the bond issue were used to (i) pay for the purchase of bonds "8.875% Senior Guaranteed Notes due 2018" Tender Offer acquired by the above and (ii) the balance for general corporate purposes.

Also, in October 2014, InRetail Perú Corp., through Patrimonio en Fideicomiso D.S.N°093-2002-EF-InRetail Consumer culminated the process of placing its private offering of S/.250,000,000 of senior unsecured notes, maturing in October 2021, at a nominal rate of 6.8125 percent. This offer private and positioned in the international market is guarantee by Supermercados Peruanos S.A. and Eckerd Perú S.A.

The proceeds of such financing will be used to restructure debt and payment of fees and expenses related to that issue.

25. Additional explanation for English translation

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