InRetail Perú Corp. and Subsidiaries

Interim consolidated financial statements as of December 31, 2015 (non-audited) and December 31, 2014 (audited) and for the twelve-month periods ended December 31, 2015 and 2014

InRetail Peru Corp. and Subsidiaries

Interim consolidated financial statements as of December 31, 2015 and December 31, 2014 and for the twelve-month periods ended December 31, 2015 and 2014.

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Interim consolidated financial statements

InRetail Perú Corp. and Subsidiaries

Interim consolidated statement of financial position
As of December 31, 2015 and December 31, 2014

	Note	2015	2014
		S/(000)	S/(000)
Assets			
Current assets			
Cash and short-term deposits	4	235,409	284,998
Investments at fair value through profit or loss		34,896	23
Trade receivables, net	5	98,314	83,749
Other receivables, net		38,177	42,463
Accounts receivables from related parties	19 (b)	56,404	95,188
Inventories, net	6	891,355	803,821
Available-for-sale investment	7	55,132	-
Prepayments		18,790	19,834
Taxes recoverable		85,141	93,297
Total current assets		1,513,618	1,423,373
Non-current assets			
Other receivables, net		14,374	8,758
Prepayments		23,348	19,342
Taxes recoverable		80,943	104,957
Derivative financial instruments	8	95,190	-
Property, furniture and equipment, net	9	2,435,177	2,272,901
Investment properties	10	2,465,673	2,291,588
Intangible assets, net	11	1,185,910	1,176,492
Others assets		362	356
Total non-current assets		6,300,977	5,874,394
Total assets		7,814,595	7,297,767

	Note	2015	2014
		S/(000)	S/(000)
Liabilities and equity			
Current liabilities			
Trade payables	12	1,450,088	1,268,713
Other payables		216,045	210,531
Accounts payable to related parties	19(b)	27,002	18,553
Current income tax	14(b)	3,907	2,545
Interest-bearing loans and borrowings	13	178,689	75,438
Deferred revenue		4,326	3,950
Total current liabilities		1,880,057	1,579,730
Accounts payable to related parties	19(b)	5,188	4,242
Interest-bearing loans and borrowings	13	2,491,125	2,370,065
Income tax long term		75,637	-
Deferred revenue		50,093	52,814
Deferred income tax liabilities, net	14(a)	161,467	233,186
Total non-current liabilities		2,783,510	2,660,307
Total liabilities		4,663,567	4,240,037
Equity			
Capital stock	15	2,138,566	2,138,566
Treasury shares		(4,791)	-
Additional paid in capital		549,793	549,793
Unrealized results on financial instruments		(43,920)	-
Unrealized results on available for-sale-investment		(2,229)	-
Retained earnings		507,004	363,208
Equity attributable to owners of the parent		3,144,423	3,051,567
Non-controlling interests		6,605	6,163
Total equity		3,151,028	3,057,730
Total liabilities and equity		7,814,595	7,297,767

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

InRetail Perú Corp. and Subsidiaries

Interim consolidated Income statement
For the twelve-month periods ended December 31, 2015 and 2014

	Note	2015	2014
		S/(000)	S/(000)
Net sales of goods		6,326,561	5,771,044
Rental income		308,418	241,904
Rendering of services		163,094	133,702
Revenue		6,798,073	6,146,650
Cost of sales	17	(4,741,708)	(4,337,078)
Gross profit		2,056,365	1,809,572
Selling expenses	17	(1,317,240)	(1,178,436)
Administrative expenses	17	(181,933)	(166,724)
Gain on valuation at fair value of investment properties	10(b)	32,790	138,406
Income from joint venture		13,843	-
Other operating (expenses) income,net		(6,845)	9,451
Operating profit		596,980	612,269
Finance income		10,452	19,661
Finance costs	18	(225,658)	(316,505)
Net exchange difference		(169,338)	(114,511)
Profit before income tax		212,436	200,914
Income tax expense	14	(67,991)	(87,465)
Profit for the period		144,445	113,449
Attributable to:			
InRetail Perú Corp. Shareholders		143,867	111,908
Non-controlling interests		578	1,541
		144,445	113,449
Earnings per share:	20		
Basic and diluted profit for the period attributable to ordinary equity holders of the parent		1.40	1.09

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 twelve-month periods ended December 31, 2015 and 2014

	Note	2015	2014
		S/(000)	S/(000)
Profit for the period		144,445	113,449
Other comprehensive income			
Unrealized gain (loss) on available-for-sale investments		(3,014)	(714)
Income tax effect		785	-
		(2,229)	(714)
Unrealized loss on hedging derivative financial instrument		(42,694)	(276)
Income tax effect		(1,226)	-
		(43,920)	(276)
Other comprehensive income for the period, net of income tax effects		(46,149)	(990)
Total comprehensive income for the period		98,296	112,459
Attributable to:			
InRetail Perú Corp. shareholders		97,718	110,920
Non-controlling interests		578	1,539
		98,296	112,459

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 twelve-month periods ended December 31, 2015 and 2014

	Capital stock	Treasuary Shares	Capital premiun	Unrealized results on financial instruments	Unrealized results on available for-sale-investment	Retained earnings	Total	Non-controlling interest	Total equity
	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)
Balance as of january 1, 2014	2,138,566	-	549,793	988	-	251,300	2,940,647	4,624	2,945,271
Profit for the period					-	111,908	111,908	1,541	113,449
Other comprehensive income				(988)	-	-	(988)	(2)	(990)
Total comprehensive income	-	-	-	(988)	-	111,908	110,920	1,539	112,459
Capital contribution	-	-					-	-	-
Expenses related to the share issuance	-	-	-		-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-
Balance as of December 31, 2014	2,138,566	-	549,793	-	-	363,208	3,051,567	6,163	3,057,730
Balance as of January 1, 2015	2,138,566	-	549,793	-	-	363,208	3,051,567	6,163	3,057,730
Profit for the period	-	-		-	-	143,867	143,867	578	144,445
Other comprehensive income	-	-	-	(43,920)	(2,229)	-	(46,149)	-	(46,149)
Total comprehensive income	-	-		(43,920)	(2,229)	143,867	97,718	578	98,296
Advancement of minority returns to participants	-	-	-	-	-	-	-	(207)	(207)
Treasuary Shares	-	(4,791)	-	-	-	-	(4,791)	-	(4,791)
Attribution of the equity premium to non-controlling interest	-	-	-	-	-	(71)	(71)	71	-
Balance as of December 31, 2015	2,138,566	(4,791)	549,793	(43,920)	(2,229)	507,004	3,144,423	6,605	3,151,028

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

InRetail Perú Corp. and Subsidiaries

Interim consolidated statement of cash flows

For the twelve-month periods ended December 31, 2015 and 2014

	2015	2014
	S/(000)	S/(000)
Operating activities		
Revenue	6,778,319	6,114,869
Payments of goods and services to suppliers	(5,341,992)	(5,026,488)
Payments of salaries and social benefits to employees	(614,214)	(579,892)
Taxes paid	(91,921)	(87,175)
Recovery of taxes	41,154	-
Other payments, Net	15,532	28,351
Net cash flows from operating activities	786,878	449,665
Investing activities		
Settlement of senior notes	-	347,726
Refund from purchasing of senior notes on behalf of shareholders	-	95,947
Loan collected from related parties	57,106	36,529
Sales of property, furniture and equipment	-	31,423
Sales of investments at fair value through profit or loss	-	16,144
Bonds repurchase (Including nominal value and repurchase premium)	-	(917,905)
Purchase of investment properties,net of acquisitions through leasing contracts	(139,144)	(418,523)
Purchase of property, furniture and equipment, net of acquisitions through leasing	(295,490)	(275,447)
Value Added tax payment related to Investment Properties	(8,199)	(40,507)
Purchase of available for sale investment	(54,401)	-
Loans granted to related parties	-	(40,441)
Purchase and development of intangible assets	(21,023)	(15,571)
Purchase of investments at fair value through profit or loss	(34,873)	(23)
Net cash flows used in investing activities	(496,024)	(1,180,648)
Financing activities		
Proceeds from interest-bearing loans and borrowings	439,898	52,016
Proceeds from bonds issuances	-	2,045,003
Repayment of interest-bearing loans and borrowings	(92,962)	(1,088,578)
Repurchase of own bonds	(512,584)	(121,119)
Interest paid	(169,797)	(155,512)
Purchase of treasury shares	(4,791)	-
Advancement of returns to minority shareholders	(207)	-
Net cash flows (used) obtained in financing activities	(340,443)	731,810
Net (decrease) increase of cash and short-term deposits	(49,589)	827
Cash and short–term deposits at the beginning of the period	284,998	284,171
Cash and short–term deposits at the end of the period	235,409	284,998
Non-cash transactions		
Fixed assets purchased through leasing and other financial obligations	54,735	63,655
Invesment properties purchased through leasing and other financial obligations	-	19,183

The accompanying notes are an integral part of these consolidated statements

InRetail Perú Corp. and Subsidiaries

Notes to the interim condensed consolidated financial statements

As of December 31, 2015 and December 31, 2014

1. Business activity and group reorganization and issuance process

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

As of December 31, 2015, the percentages of ownership are:

Owner	**Ownership**
	%
Intercorp Retail Inc.	58.11
Intercorp Financial Services	2.33
Intercorp Perú Ltd	3.26
Inteligo Bank	6.68
NG Pharma Corp.	6.31
Others	23.31
	100.00

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

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

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

The accompanying interim consolidated financial statements as of December 31, 2015 were approved by the Board of Directors on February 29, 2016.

(b) Reorganization and issuance processes –

Only for purposes of issuing debt in the local market and abroad, during the year 2014, the following Trusts were incorporated (Special Purpose Entities – SPE´s), which are controlled directly or indirectly by the Company (see Note 2).

- Patrimonio en Fideicomiso D.S.N° 093-2002-EF-InRetail Shopping Mall (hereinafter "InRetail Shopping Mall"). As of December 31, 2015 and December 31, 2014, the representative shares of capital stock of InRetail Real Estate Corp.´s subsidiaries are maintained in trust in this entity which in July 2014 issued an offering of "Senior Notes Unsecured" for US$350,000,000 and S/141,000,000.

- Patrimonio en Fideicomiso D.S.N°093-2002-EF-InRetail Consumer (hereinafter "InRetail Consumer"). As of December 31, 2015 and December 31, 2014, the representative shares of capital stock of Supermercados Peruanos S.A. and Subsidiaries and Eckerd Perú S.A. and Subsidiaries are maintained in trust in this entity which in October 2014 issued an offering of "Senior Notes Unsecured" for US$300,000,000 and S/250,000,000.

The funding was mainly used for the restructuring of long-term liabilities, property purchases and investments in new projects for the Company´s Subsidiaries.

2. Subsidiary activities

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

(a) As indicated in Note 1 (b), InRetail Consumer (a SPE controlled by the Company), was incorporated during the year 2014 only for the purpose of offering the "Senior Notes Unsecured". As of December 31, 2015 and December 31, 2014 the representative shares of stock of Supermercados Peruanos S.A. and Subsidiaries and Eckerd Perú S.A. and Subsidiaries are maintained in trust in this entity. A description of such subsidiaries is presented below:

- Eckerd Perú S.A. is dedicated to the commercialization of pharmaceutical products, cosmetic products, food for medical use and other elements related to health protection and recovery through its "InkaFarma" pharmacy chain. As of December 31, 2015 and December 31, 2014, it operates 921 and 837 stores, respectively. Eckerd Perú S.A. holds 100 percent of: (i) Eckerd Amazonía S.A.C. and (ii) Boticas del Oriente S.A.C.

- Supermercados Peruanos S.A., is dedicated to retail. As of December 31, 2015, it owns a chain of 106 stores, composed of 66 hypermarkets that operate under the "Plaza Vea" brand, 38 supermarkets that operate under the "Vivanda", Plaza Vea Super" and "Plaza Vea Express" brands, and 2 discount stores that operate under the "Mass" commercial brand (61 hypermarkets, 37 supermarkets and 3 discount stores as of December 31, 2014). Supermercados Peruanos S.A. holds 100 percent of: (i) Desarrolladora de Strip Centers S.A.C. (former Peruana de Tiquetes S.A.C.) and (ii) Plaza Vea Sur S.A.C.

(b) InRetail Real Estate Corp. is a Holding company incorporated in the Republic of Panama in April 2012. As indicated in Note 1(b), in July 2014 InRetail Shopping Mall (a SPE controlled by InRetail Real Estate Corp.) was incorporated only for the purpose of issuing "Senior Notes Unsecured". As of December 31, 2015 and December 31 2014, the representative share of capital stock of InRetail Real Estate Corp.'s subsidiaries are maintained in trust in this entity, which are detailed below:

(i) Real Plaza S.R.L.

Entity dedicated to the management and administration of shopping centers (20 as of December 31, 2015 and December 31, 2014) named "Centro Comercial Real Plaza" and located in the cities of Chiclayo, Piura, Chimbote, Trujillo, Huancayo, Arequipa, Juliaca , Huanuco, Cusco, Cajamarca, Sullana, Pucallpa and Lima.

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

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

(c) In September 2015, the Company acquired 100 percent of the capital stock of InRetail Properties Management S.R.L. to InRetail Shopping Mall, a related entity. InRetail Properties Management S.R.L. is a entity that provides the staff which manages and operates Interproperties Holding.

3. Basis of preparation and presentation

(a) Interim Financial Statements

The consolidated financial statements of the InRetail Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Boards (IASB), effective as of December 31, 2015 and December 31, 2014, respectively.

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

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

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

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

(b) Basis of consolidation

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

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

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

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

The accounting policies followed in the preparation of the consolidated financial statements are consistent with those followed in the preparation of the consolidated financial statements at December 31, 2014.

(c) New accounting standards

The accounting policies adopted in the preparation of the interim condensed combined financial statements are consistent with those followed in the preparation of the Companies annual combined financial statements for the year ended December 31, 2014, except for the adoption of the new standards and interpretations as of January 1, 2015.

Standard adopted early

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

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

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

Standards not adopted early

The InRetail Group decided not to early adopt the following standards and interpretations that have been issued by the IASB, but which are not effective as of December 31, 2015:

- IFRS 15 “Revenue from Contracts with Customers”–

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

  The new standard on revenue is applicable to all entities and replaces all revenue recognition requirements under IFRS. Complete or modified retrospective application for annual periods beginning on 1 January 2017 is required and early adoption is permitted. The InRetail Group is currently assessing the impact of IFRS 15 and plans to adopt it when is effective.

- Amendment to IAS 27: Method of equity in the separate financial statements –

  The amendment will allow entities to use the equity method to record the investments in subsidiaries, joint arrangements and associates in their separated financial statements. Entities which had been applying IFRS and choose to switch to equity method in its separate financial statements will have to apply the change retroactively. The amendments are effective for annual periods beginning on January 1, 2016 and early adoption is permitted.

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

4. Cash and short-term deposits

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

	As of December 31, 2015 S/(000)	As of December 31, 2014 S/(000)
Cash (b)	9,203	4,787
Current accounts (c)	85,655	115,967
Time deposits (d)	115,416	158,998
Other	25,135	5,246
Total	235,409	284,998

(b) The balance as of December 31, 2015 and December 31, 2014, comprises mainly cash held by subsidiaries in the premises of their store chains and in the vaults of a security company, corresponding to sales during the last days of the period.

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

(d) As of December 31, 2015 and December 31, 2014, the time deposits are freely available and are kept in local banks in Soles and US Dollars, have maturities up to one month since inception and bear annual interest rates 4.00 percent for Soles and 0.20 percent for US Dollars (between 3.95 and 6.29 percent annual, as of December 31, 2014 in Soles).

5. Trade receivables, net

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

	As of December 31, 2015 S/(000)	As of December 31, 2014 S/(000)
Trade accounts receivable (c)	22,031	19,617
Rent receivable (d)	35,013	8,974
Merchandise vouchers (e)	27,167	50,058
Provision for accrued revenue (f)	13,482	9,262
Others	11,603	2,471
Total	109,296	90,382
Provision for doubtful accounts (g)	(10,982)	(6,633)
	98,314	83,749

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

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

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

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

(f) As of December 31, 2015 and December 31, 2014 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 twelve-months periods ended December 31, 2015 and 2014, were as follows:

	2015	2014
	S/(000)	S/(000)
Balance at the beginning of the year	6,633	4,506
Provision recognized as year expense, Note 17 (a)	4,343	2,119
Write offs and recoveries	-	-
Foreign currency variation	6	8
Balance at the end of the period	10,982	6,633

As of December 31, 2015 and December 31, 2014, the balance of the trade receivable amounts to approximately S/109,296,000 and S/90,382,000 respectively, out of which approximately S/10,982,000 and S/6,633,000 were provisioned for at those dates. Likewise, the amount of non-impaired past due trade receivables amounted to S/42,208,000 and S/45,039,000, respectively.

In the opinion of Management of the InRetail Group, the provision for doubtful accounts receivable as of December 31, 2015 and December 31, 2014, 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 December 31, 2015 S/(000)	As of December 31, 2014 S/(000)
Goods	876,298	777,051
In transit inventories (b)	9,599	27,942
Miscellaneous supplies	15,055	7,829
Total	900,952	812,822
Minus		
Provision for impairment of inventories (c)	(9,597)	(9,001)
Total	891,355	803,821

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

(c) The movement in the provision for inventory impairment for the twelve-month periods ended December 31, 2015 and 2014, was as follows:

	2015 S/(000)	2014 S/(000)
Balance at the beginning of the year	9,001	12,001
Provision of the period, Note 17(a)	5,934	5,526
Write-off	(5,889)	(8,526)
Recovery	551	-
Balance at the end of the period	9,597	9,001

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 December 31, 2015, available for sale investments corresponded to notes issued by a related company of Intercorp Group of approximately US$ 16,153,000 (equivalent to S/55,132,000). The unrealized loss, net of deferred income tax, of the notes held as of December 31, 2015 amounted to S/2,229,000 and is presented in the equity.

8. Derivative financial instruments

As of December 31, 2015, this item comprises of two “principal call spread” contracts designated to hedge cash flows from exchange rate variations and recorded at their fair value. The detail of the operations is as follows:

	2015				
Counterparty	**Nominal value** US$(000)	**Due**	**Pay fix at** %	**Book value of the hedged item**	**Fair value asset** S/(000)
Deutsche Bank A.G.	100,000	October 2021	1.56	341,300	32,692
J.P. Morgan	200,000	July 2021	1.84	682,600	62,498
					95,190

The financial instruments cover 33 and 57 percent, respectively, of the exposure to foreign currency risk arising from the international bond issues in July and October 2014, see note 13 (b) (c). The call spreads cover variations in the exchange rate from S/3.220 and S/3.225, respectively to S/3.75 per US$1.00 and the price of the premium was funded in installments, generating a liability for the same. See Note 13.

9. Property, furniture and equipment, net

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

	As of December 31, 2015 S/(000)	As of December 31, 2014 S/(000)
Cost		
Initial balance	2,923,468	2,650,251
Additions (b)	350,225	339,102
Disposals and/or sales (c)	(118,157)	(54,944)
Transfer to Investment properties	61	(10,941)
Final balance	3,155,597	2,923,468
Accumulated depreciation		
Initial balance	650,567	559,702
Additions (d)	142,215	118,954
Disposals and/or sales	(72,369)	(28,089)
Transfer to Investment properties	7	-
Final balance	720,413	650,567
Net book value	2,435,184	2,272,901

(b) Additions for the twelve-month periods ended December 31, 2015 and 2014 correspond mainly to the construction and equipment of new premises for Supermercados Peruanos S.A. and the Eckerd Group, and the construction and/or extension of shopping centers.

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

(d) Depreciation expense for the twelve-month periods ended December 31, 2015 and 2014, was recorded as follows in the income statement:

	2015	**2014**
	S/(000)	S/(000)
Sales expenses, Note 17 (a)	125,812	104,007
Administrative expenses, Note 17 (a)	16,403	14,947
Balance as of December 31	142,215	118,954

(e) As of December 31, 2015, Supermercados Peruanos S.A. has mortgaged land lots, buildings and facilities for a net book value of S/402,392,000 (S/331,856,000 as of December 31, 2014), as collateral over the financial obligations and the leasing contracts (see Note 13).

(f) As of December 31, 2015, the cost and corresponding accumulated depreciation of assets acquired through finance leases amount to approximately S/548,464,000 and S/143,108,000 respectively (S/438,017,000 and S/67,275,000, respectively, as of December 31, 2014).

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

10. Investment properties

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

	As of December 31, 2015 S/(000)	As of December 31, 2014 S/(000)
Real Plaza Salaverry shopping Mall (i)	373,585	364,285
Real Plaza Primavera shopping Mall	208,371	212,800
Real Plaza Chiclayo shopping Mall	206,011	208,343
Real Plaza Cuzco shopping Mall (i)	197,095	179,435
Real Plaza Centro Civico shopping Mall	196,516	191,483
Real Plaza Piura shopping Mall	172,565	151,397
Real Plaza Cajamarca shopping Mall	139,709	118,110
Real Plaza Trujillo shopping Mall	129,904	116,871
Real Plaza Puruchuco project	124,978	115,143
Real Plaza Huancayo shopping Mall (i)	98,860	102,582
Real Plaza Huanuco shopping Mall (i)	91,268	89,728
Real Plaza Arequipa shopping Mall (i)	70,684	70,692
Real Plaza Juliaca shopping Mall (i)	68,161	64,161
Real Plaza Pro shopping Mall	64,862	65,031
Real Plaza Santa Clara - Altamirano Shopping Mall	55,274	48,851
Real Plaza Chorrillos shopping Mall	51,030	49,723
Real Plaza Santa Sullana Shopping Mall	32,891	-
Real Plaza Nuevo Chimbote shopping Mall (i)	18,471	18,762
Jr. de la Unión stores	15,481	16,758
Others	149,957	107,433
	2,465,673	2,291,588

(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.

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

(b) The movement of this account for twelve-month periods ended December 31, 2015 and 2014 was as follows:

	2015	2014
	S/(000)	S/(000)
Balance at the beginning of the year	2,291,588	1,707,103
Additions	139,144	437,706
Disposal	-	(2,568)
Fair value adjustment	32,790	138,406
Others adjustment	2,151	-
Transfer from property, furniture and equipment; Note 8(a)	-	10,941
Balance at the end of the period	2,465,673	2,291,588

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.

11. Intangible assets, net

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

	As of December 31, 2015	As of December 31, 2014
	S/(000)	S/(000)
Cost		
Initial balance	1,219,524	1,213,280
Additions (c)	21,023	15,571
Disposal and/or sales	(485)	(9,327)
Transfer	63	-
Final balance	1,240,125	1,219,524
Accumulated amortization		
Initial balance	43,032	42,317
Additions (d)	11,209	10,002
Disposals and/or sales	(19)	(9,287)
Transfer	(7)	-
Final Balance	54,215	43,032
Net, book value	1,185,910	1,176,492

(b) As of December 31, 2015 and December 31, 2014, 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 December 31, 2015 and December 31, 2014, 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 licenses of system "point of sales" to inkaFarma, which will be used in the new stores.

(d) Amortization expense for the twelve-month periods ended December 31, 2015 and 2014 has been recorded in the following items of the combined statements:

	2015 S/(000)	**2014** S/(000)
Sales expenses, Note 17 (a)	6,759	5,491
Administrative expenses, Note 17 (a)	4,450	4,511
Balance as of December 31	11,209	10,002

12. Trade payables

The table below presents the composition of this caption:

	As of December 31, 2015 S/(000)	**As of December 31, 2014** S/(000)
Bills payable from purchase of goods	1,259,258	1,103,965
Bills payable from commercial services	190,830	164,748
Total	1,450,088	1,268,713

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

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

13. Interest-bearing loans and borrowings

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

Type of obligation	Original currency	Interes rate %	Final maturity	Original amount		Total		Current		Non-current	
						2015	2014	2015	2014	2015	2014
				US$ (000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)
Notes Senior Unsecured											
Notes Senior unsecured (b)	USD	6.500	2021	350,000	-	938,518	899,188	-	-	938,518	899,188
Notes Senior unsecured (b)	PEN	7.875	2034	-	141,000	80,365	135,530	-	-	80,365	135,530
Notes Senior unsecured (c)	USD	5.250	2021	300,000	-	582,122	837,220	-	-	582,122	837,220
Notes Senior unsecured (c)	PEN	6.813	2021	-	250,000	249,197	249,088	-	-	249,197	249,088
				650,000	391,000	1,850,202	2,121,026	-	-	1,850,202	2,121,026
Leasings (d)											
Related entities											
Banco Internacional del Perú-Interbank	PEN	7.850	2019	-	27,412	21,083	25,889	5,184	4,806	15,899	21,083
Banco Internacional del Perú-Interbank	PEN	Between 11.240 and 11.430	2020	-	145,277	74,627	84,671	27,375	26,700	47,252	57,971
Banco Internacional del Perú-Interbank	USD	6.450	2016	113	-	184	219	124	102	60	117
Non related entities											
Hewlett Packard S.A. (e)	USD	2.963	2018	7,855	-	16,076	10,967	7,357	4,241	8,719	6,726
IBM Perú SAC (e)	USD	3.00	2017	129	-	70	119	55	88	15	31
Hewlett Packard S.A. (e)	USD	4.260	2017	613	-	1,326	1,595	723	602	603	993
IBM Perú SAC (e)	USD	Between 1.920 and 7.450	2017	189	-	387	299	186	123	201	176
IBM Perú SAC	USD	2.930	2016	839	-	545	947	357	700	188	247
Banco de Crédito del Perú	PEN	Between 6.590 and 7.850	2021	-	-	61,502	53,687	14,467	8,675	47,035	45,012
Banco de Crédito del Perú	PEN	Between 7.970 and 8.060		-	108,401	64,645	72,489	8,467	7,845	56,178	64,644
BBVA Banco Continental	PEN	Between 5.960 and 8.000	2018	-	69,850	12,617	19,818	4,669	7,201	7,948	12,617
BBVA Banco Continental	PEN	4.370	2017	4,658	-	316	912	172	596	144	316
Banco Scotiabank	PEN	Between 6.750 and 7.760	2020	-	-	41,270	33,371	7,458	5,822	33,812	27,549
				14,396	350,940	294,648	304,983	76,594	67,501	218,054	237,482

Type of Obligation	Original currency	Interest rate %	Final maturity	Original amount		Total		Current		Non-current	
						2015	2014	2015	2014	2015	2014
				US$ (000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)
Notes and Loans											
Related entities											
Banco Internacional del Perú-Interbank	PEN	6.350	2020	-	60,000	56,848	-	10,614	-	46,234	-
Banco Internacional del Perú-Interbank	USD	7.480	2015	322	-	-	960	-	960	-	-
Banco Internacional del Perú-Interbank	PEN	4.030	2026	-	108,300	928	988	77	47	851	941
Non related entities											
BBVA Banco Continental	PEN	4.000	2015	-	-	-	-	-	-	-	-
Banco de Crédito del Perú	PEN	6.35	2020	-	39,197	38,216	-	7,133	-	31,083	-
Banco Scotiabank	PEN	Between 6.350 and 6.950	2022	-	240,000	223,103	-	40,714	-	182,389	-
Banco Scotiabank	PEN	6.70	2019	-	100,000	99,200	-	25,000	-	74,200	-
				322	547,497	418,295	1,948	83,538	1,007	334,757	941
Call spread financing											
JP Morgan	USD	1.840	2021	18,111	-	61,816	-	9,046	-	52,770	-
Deutsche Bank	USD	1.658	2021	9,366	-	29,670	-	4,875	-	24,795	-
				27,477	-	91,486	-	13,921	-	77,565	-
Others obligations											
Hewlett Packard S.A.	USD	Between 1.690 and 6.840	2018	11,549	-	14,563	15,671	4,116	5,570	10,447	10,101
IBM Perú SAC	USD	Between 1.690 and 7.220	2016	6,441	-	441	1,875	441	1,360	-	515
CSI Renting	USD	4.680	2018	217	-	179	-	79	-	100	-
				18,207	-	15,183	17,546	4,636	6,930	10,547	10,616
Total				**710,402**	**1,289,437**	**2,669,814**	**2,445,503**	**178,689**	**75,438**	**2,491,125**	**2,370,065**

(b) In July 2014, InRetail Real Estate Corp. issued, through In Retail Shopping Malls, an offering in the local market and abroad of “Senior Notes Unsecured” for US$350,000,000 equivalent to approximately S/1,194,550,000 as of December 31, 2015 (equivalent to approximately S/1,046,150,000 as of December 31, 2014), due in July 2021, at a 6.50 percent nominal interest rate. This borrowing was recorded in the consolidated financial statement at amortized cost to an effective interest rate of 7.806 percent, after considering the respective up-front fees that amounted to US$ 24,203,000 equivalent to approximately S/82,604,000 as of December 31, 2015 (US$27,296,000 equivalent to approximately S/ 81,368,000 as of December 31, 2014). Additionally, as of December 31, 2015 the balance is presented net of US$50,814,000 equivalent to S/173,428,000 (US$22,004,000 equivalent to S/65,594,000 as of December 31 2014), corresponding to the notes of this issuance held by InRetail Shopping Malls. As of December 31, 2015 and December 31, 2014 the balance of this loan is S/938,518,000 and S/899,188,000, respectively.

Also, In July 2014, InRetail Real Estate Corp. issued, through In Retail Shopping Malls, an offering in the local market and abroad of “Senior Notes Unsecured” for S/141,000,000, due in July 2021, at a 7.875 percent nominal interest rate. This borrowing was recorded in the consolidated financial statement at amortized cost to an effective interest rate of 7.988 percent, after considering the respective up-front fees that amounted to S/1,635,000 as of December 31, 2015 (S/ 1,470,000 as of December 31, 2014). Additionally, as of December 31, 2015, the balance is presented net of S/59,000,000 (S/4,000,000 as of December 31, 2014) corresponding to the notes of this issuance held by InRetail Shopping Mall. As of December 31, 2015 and December 31, 2014 the balance of this loan is S/80,365,000 and S/135,530,000, respectively.

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

As of December 31, 2015 InRetail Shopping Malls complied with certain obligations and restrictive clauses that are referred to the compliance with financial ratios. Amongst the main obligations are presented as follows:

Local currency debt:

- The Parent and its restricted subsidiaries will maintain at all times unencumbered assets of not less than 150 percent of the aggregate principal amount of the consolidated unsecured indebtedness of the parent and it is 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 December 31,2015. Additionally, 100 percent of the "Senior Notes Unsecured" is guaranteed by InRetail Real estate Corp. and Subsidiaries' shares.

(c) On October 2014 the Company issued through InRetail Consumer, an offering in the local market and abroad of "Senior Notes Unsecured" for US$300,000,000 equivalent to approximately S/1,023,900,000 as of December 31, 2015 (S/ 896,700,000 as of December 31, 2014), due in 2021 at an 5.25 percent nominal interest rate. This borrowing was recorded in the consolidated financial statements at their amortized cost at a 5.823 percent effective interest rate, after considering the respective up-front fees for approximately US$4,933,000, equivalent to a total amount of approximately S/16,836,000 as of December 31, 2015 (US$5,558,000 equivalent to approximately S/16,614,000 as of December 31, 2014). Additionally, as of December 31, 2015, the balance is presented net of US$124,526,000 equivalent to a total amount of approximately S/424,942,000 as of December 31, 2015 (US$14,353,000 equivalent to a total amount of approximately S/42,867,000 as of December 31,2014) corresponding to notes of these issuance acquired by the Company itself. As of December 31, 2015 and December 31, 2014 the balance of this loan is S/582,122,000 and S/837,220,000, respectively.

Also, in October 2014 the Company issued through InRetail Consumer, an offering in the local market and abroad of "Senior Notes Unsecured" for S/250,000,000, due in 2021 at an 6.8125 percent nominal interest rate. This borrowing was recorded in the consolidated financial statements at their amortized cost at a 6.8805 percent effective interest rate, after considering the respective up-front fees for approximately S/803,000, as of December 31, 2015 (S/912,000, as of December 31, 2014). As of December 31, 2015 and December 31, 2014 the balance of this loan is S/249,197,000 and S/249,088,000, respectively.

The funding was mainly used to:

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

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

  (i) 130,000,000 were offset with the promissory note held by the Company with Intercorp Retail Trust. The total amount was US $ 130,000,000 offset (approximately equivalent to S/379,340,000 as of the offsetting date).

  (ii) 117,277,000 were settled in cash, so that during 2014 the Company received US $ 117,277,000 (equivalent to approximately S/347,726,000 as of the settlement date). A part of this amount was used to pay off the loan related to the Bank of America: and

  (iii) 30,000,000 were purchased on behalf of Intercorp Retail Inc. is generating a receivable to that entity for S/105,118,000 at December 2014 values. As of December 31, 2015 this amount was fully collected.

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

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

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

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

- No greater than 3.75 times until September 2015
- No greater than 3.25 times between October 2015 and September 2017; and,
- No greater than 2.75 times after October 2017

In Management´s opinion, these clauses do not limit the operations of the InRetail Group and have been complied as of December 31, 2015 and December 31, 2014.

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

(e) 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.

(f) During the twelve-month-periods ended December 31, 2015 and 2014, loans and borrowings accrued interest which is recorded in the “Finance costs” caption of the consolidated income statements, see Note 18. Also, as of December 31, 2015 and December 31, 2014, there are interests payable which are recorded in the “Other payables” caption of the consolidated statements of financial position.

(g) Some of the interest-bearing loans and borrowing include standard clauses requiring the InRetail Group to meet financial ratios, use of funds criteria and other administrative matters. Management’s opinion, as of December 31, 2015 and December 31, 2014, said standard clauses do not limit the normal operation of the Group and have been fulfilled.

(h) Financial obligations are payable as follows:

	2015	**2014**
	S/ (000)	S/ (000)
2015	-	75,438
2016	178,689	71,641
2017	185,736	78,705
2018 onwards	2,305,389	2,219,719
	2,669,814	**2,445,503**

14. Deferred income tax liabilities, net

(a) The amounts presented in the statement of financial position as of December 31, 2015 and December 31, 2014, as well as the consolidated income statements for the twelve-month periods ended December 31, 2015 and 2014 are shown below:

Statements of financial position	**Deferred liability, net**	
	As of December 31, 2015 S/(000)	**As of December 31, 2014** S/(000)
Deferred income tax liabilities	(161,467)	(233,186)
Deferred income tax liability, net	(161,467)	(233,186)

Statements of comprehensive income	**Income tax for the twelve-month periods ended December 31, 2015 and 2014**	
	2015 S/(000)	**2014** S/(000)
Current	(39,757)	(65,416)
Deferred	(28,234)	(22,049)
	(67,991)	(87,465)

(c) As of December 31, 2015 and December 31, 2014 the provision for current income tax payable, net of advanced payments amounts to approximately S/3,907,000 and S/2,545,000, respectively.

Also, as of December 31, 2015, non-current income tax of S /75,637,000 is payable as a result of the net taxable income from the assets in the trusts, the Company's subsidiaries.

15. Equity

(a) Capital stock –
As of December 31, 2015 and December 31, 2014, the capital stock of InRetail Perú Corp. is represented by 102,807,319 shares with no par value, issued at US$10.00 each, which were totally paid and issued (equivalent to S/2,138,566,000).

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

(c) Treasury shares
As of December 31, 2015, Eckerd Peru S.A., holds 125,000 shares issued by the Company, at a cost of US$1,487,500 equivalent to S/ 4,791,000. This amount is deducted from net equity of the Company in the accompanying consolidated financial statements.

16. Tax Situation

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

Entities and individuals not domiciled in Peru must pay an additional tax over dividends received. In this regard, attention to Law N° 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
- For 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 8.0 percent
  - For 2019 onwards will be 9.3 percent from entities domiciled in Peru

(b) The Company's Subsidiaries domiciled in Peru are subject to the Peruvian Tax System and, in compliance with current Peruvian legislation they calculate their Income tax on the basis of their individual financial statements. As of December 31, 2015, the statutory Income Tax rate was 28 percent on taxable income (30 percent as of December 31, 2014), after calculating the employees profit sharing, which according to prevailing standards is computed with a rate between 5 to 8 percent.

According to Law N°30296 the income tax rate will be 28 percent for the year 2016, 27 percent for the years 2017 and 2018, and 26 percent as of 2019.

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

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

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

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

(d) For purposes of determining the Income Tax, transfer pricing of transactions with related companies and companies domiciled in territories with low or no taxation must be supported with documentation and information on assessment methods applied and criteria considered. Based on the analysis of the operations of the Group, Management and its legal advisors consider that as consequence of the application of the regulation in force, there will not be any significant contingencies for the Group as of December 31, 2015 and December 31, 2014.

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

	Income Tax	**Value added tax**
Supermercados Peruanos S.A.	From 2011 to 2015	From 2011 to 2015
Eckerd Perú S.A.	From 2013 to 2015	From 2013 to 2015
Eckerd Amazonia S.A.C.	2012, 2013, 2014 and 2015	2012, 2013, 2014 and 2015
Boticas del Oriente S.A.C.	2012, 2013, 2014 and 2015	2012, 2013, 2014 and 2015
Real Plaza S.R.L.	From 2011 to 2015	From 2011 to 2015
InRetail Properties Management S.R.L.	From 2011 to 2015	From 2011 to 2015

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

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 December 31, 2015 and December 31, 2014.

17. Operating expenses

(a) The table below presents the components of this caption for the twelve-month periods ended December 31, 2015 and 2014:

	2015 S/(000)	2014 S/(000)
Cost of sales	4,741,708	4,337,078
Selling expenses	1,317,240	1,178,436
Administrative expenses	181,933	166,724
	6,240,881	5,682,238

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

	2015			
	Cost of sales S/(000)	Selling expenses S/(000)	Administrative expenses S/(000)	Total S/(000)
Initial balance of goods, Note 6(a)	777,051	-	-	777,051
Purchase of goods	4,704,580	-	-	4,704,580
Final balance of goods, Note 6(a)	(876,298)	-	-	(876,298)
Impairment of inventories Note 6 (c)	5,934	-	-	5,934
Cost of services	130,441	-	-	130,441
Packing and packaging	-	42,228	228	42,456
Personnel expenses	-	513,849	100,365	614,214
Depreciation, Note 9(d)	-	125,812	16,403	142,215
Amortization, Note 11(d)	-	6,759	4,450	11,209
Key money amortization	-	1,338	-	1,338
Services provided by third parties (b)	-	199,175	29,576	228,751
Advertising	-	82,347	-	82,347
Rental of premises	-	159,486	6,413	165,899
Taxes	-	26,468	2,739	29,207
Provision for doubtful trade receivables, Note 5(g)	-	4,343	-	4,343
Provision for doubtful other account receivables,	-	219	-	219
Insurance	-	9,325	640	9,965
Other charges (c)	-	145,891	21,119	167,010
	4,741,708	1,317,240	181,933	6,240,881

	2014			
	Cost of sales	Selling expenses	Administrative expenses	Total
	S/(000)	S/(000)	S/(000)	S/(000)
Initial balance of goods	773,151	-	-	773,151
Purchase of merchandise	4,222,960	-	-	4,222,960
Final balance of goods	(777,051)	-	-	(777,051)
Cost of services	5,526	-	-	5,526
Impairment of inventories, Note 6(c)	112,492	-	-	112,492
Personnel expenses	-	481,636	98,256	579,892
Depreciation, Note 9(d)	-	104,007	14,947	118,954
Amortization, Note 11(d)	-	5,491	4,511	10,002
Key money amortization	-	1,011	-	1,011
Services provided by third parties (b)	-	181,809	33,789	215,598
Advertising	-	78,171	-	78,171
Packing and packaging	-	39,272	1,124	40,396
Rental of premises	-	109,560	6,462	116,022
Taxes	-	24,526	3,564	28,090
Provision for doubtful trade receivables, Note 5(g)	-	2,119	-	2,119
Provision for doubtful Others account receivables	-	516	-	516
Insurance	-	9,219	566	9,785
Other charges (c)	-	141,099	3,505	144,604
	4,337,078	1,178,436	166,724	5,682,238

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

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

18. Finance costs

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

	2015	2014
	S/(000)	S/(000)
Interest on loans, borrowings and bonds payable	165,602	185,940
Repurchase premium	19,028	96,554
Interest from derivative instruments	8,650	1,227
Effect of financial liabilities derecognition	-	4,453
Other financial costs	32,378	28,331
	225,658	316,505

(b) As of December 31, 2015 and December 31, 2014, there are interests payable for these obligations for approximately S/47,572,000 and S/53,911,000, respectively, which are recorded in the "Other payables" caption of the consolidated statements of financial position.

19. Transactions with related parties

(a) The following table provides the total amount of transactions that have been entered into with related parties for the twelve-month periods ended as of December 31, 2015 and 2014:

	2015	2014
	S/(000)	S/(000)
Income		
Sales	5,331	4,078
Rental income	79,501	53,017
Rendering of services	52,870	26,675
Other	31,313	21,335
	169,015	105,105
Expenses		
Renting of premises and land	37,881	9,770
Reimbursement of expenses	17,049	118
Commissions	150	196
Other services	4	986
Interest	30,295	9,370
Others	10,089	9,613
	95,468	30,053

(b) As a result of the transactions with related companies, the InRetail Group recorded the following balances as of December 31, 2015 and December 31, 2014:

	As of December 31, 2015	As of December 31, 2014
	S/(000)	S/(000)
Receivables		
Tiendas Peruanas S.A.	9,346	5,137
Bembos S.A.C.	4,856	1,986
Home Centers Peruanos S.A.	4,642	4,362
Cineplex S.A.	4,590	5,435
Financiera Uno S.A.	3,701	4,964
Banco Internacional del Perú S.A.A.-Interbank	3,321	5,645
Intercorp Perú Ltd. (d)	2,652	37,457
Interseguro Compañía de Seguros S.A.	5,969	218
Intercorp Retail Inc. (h)	267	19,652
Urbi Propiedades S.A.	244	186
Others	16,816	10,146
	56,404	95,188

	As of December 31, 2015 S/(000)	As of December 31, 2014 S/(000)
Payables		
Banco Internacional del Perú S.A.A. – Interbank:		
Credit line and others (e)	243	471
Guarantee deposit (f)	5,188	4,242
Financiera Uno S.A.	21,828	15,813
Tiendas Peruanas S.A.	2,161	159
Inmobiliaria Milenia S.A.	663	-
Interseguro Compañía de Seguros S.A.	569	-
Horizonte Global Opportunities Perú S.A. (g)	35	545
Cineplex S.A.	6	35
Others	1,497	1,530
	32,190	22,795
Remunerations payable to key management	-	-
	32,190	22,795
Current portion	27,002	18,553
Non-current portion	5,188	4,242
Total	32,190	22,795

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

(c) Outstanding balances at the period-end are unsecured and interest free, except for the financial obligations explained in this one. There have been no guarantees provided or received for any related party receivables or payables. As of December 31, 2015 and December 31, 2014, 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, 2015 and December 31, 2014, the balance receivable from Intercorp Peru Ltd. corresponds to a loan in Soles that includes accrued interest at market rates of 6.25 and 7.00 percent annual, respectively.

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

(f) Supermercados Peruanos S.A. and Banco Internacional del Perú – Interbank, signed contracts on future leases of financial stores for 15 and 7 years in October 2004 and September 2009, respectively. These contracts amount to approximately S/27,212,000, (equivalent to approximately US$8,000,000) and S/14,788,000 (equivalent to approximately US$5,016,000) which were collected in advance by Supermercados Peruanos S.A. and are presented in the "Deferred revenue" caption in the consolidated statements of financial position.

Additionally, and only in the case of the 2004 contract, Supermercados Peruanos S.A. received from Banco Internacional del Perú – Interbank US$2,000,000 as collateral for the contract. As of December 31, 2015 and 2014, Supermercados Peruanos S.A. has credited the update of the present value of this deposit in the "Financial income" caption. As of December 31, 2015 and December 31, 2014, the net present value of the balances related to guarantee deposits amounts to S/5,188,000 and S/4,242,000, respectively, and is accounted for in the "Other payables" caption.

In relation to such contracts, during the twelve-month periods ended December 31, 2015 Supermercados Peruanos S.A. recognized accrued renting revenue that amounted to approximately S/2,917,000 equivalent to US$971,000 (S/3,901,000, equivalent to approximately US$1,060,000 during the twelve-month periods ended December 31, 2014), which are recorded net of the renting expenses in the "Rental income" caption in the consolidated statements of income.

As of December 31, 2015 Supermercados Peruanos S.A. maintains deferred revenue that amounts to approximately S/4,552,000 (S/6,889,000 as of December 31, 2014) which will be recognized as income in upcoming periods.

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

(h) As of December 31, 2015 and December 31, 2014 it corresponds to the account receivable for some expenses assumed for Intercorp Retail Inc. This balance does not generate interest and is of current maturity.

(i) The compensation of key management personnel of the Group for the twelve-month periods ended December 31, 2015 and 2014, is detailed below:

	2015	2014
	S/(000)	S/(000)
Short term employee benefits	15,528	13,562
Insurance and medical benefits	452	471
	15,980	14,033

(j) As of December 31, 2015 and December 31, 2014, the Group maintains the following balances in the cash and cash equivalent captions:

	2015	2014
	S/(000)	S/(000)
Banco Internacional del Peru – Interbank S.A.A.	66,617	55,633
Inteligo Bank Ltd.	1,009	1,899

Interest-bearing loans and borrowings (Note, 13)

(k) Banco Internacional del Perú – Interbank signed leasing and leaseback contracts with Supermercados Peruanos S.A., Eckerd S.A., and Real Plaza which to date have outstanding balances of approximately S/74,627,000, S/21,083,000, and S/184,000 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 8.48 percent, and whose maturities are between 2016 and 2019. These transactions are included in "Interest-bearing loans and borrowings". During the twelve-month periods ended December 31, 2015 and 2014, leasing contracts generated interests which are recorded in the "Financial costs" caption of the consolidated income statements.

20. Earnings per share

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

The following reflects basic and diluted earnings per share computations:

	Ordinary shares		
	Outstanding shares	**Effective days until period-end**	**Weighted average of shares**
Number as of January 1, 2014	102,807,319		102,807,319
Number as of December 31, 2014	102,807,319		102,807,319
Number as of January 1, 2015	102,807,319		102,807,319
Number as of December 31, 2015	102,807,319		102,807,319

	For the twelve-month-periods ended December 31,		
	Net income (numerator) S/	**Shares (denominator)**	**Earnings per share** S/
Basic and diluted earnings per share	143,867,000	102,807,319	1.40

	For the twelve-month-periods ended December 31,		
	Net income (numerator) S/	**Shares (denominator)**	**Earnings per share** S/
Basic and diluted earnings per share	111,908,000	102,807,319	1.09

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

21. Commitments and contingencies

Commitments –
The main commitments assumed are presented below:

(a) As of December 31, 2015 and December 31, 2014, 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 2052.

(b) As of December 31, 2015, the Company as its Subsidiaries agreed with several financial entities on the issuance of solidary and irrevocable letters of guarantee for approximately S/27,572,000 and US$3,627,000 (S/27,929,000 and US$ 5,565,000 as of December 31, 2014), respectively, to comply with the payment of goods purchased to foreign suppliers.

Contingencies –

(a) Eckerd Amazonía S.A.C. is in the process of claim against the Tax Authority for determinations of debts and fines related to VAT for the period between January 2003 and September 2005. In opinion of Management and its legal advisors these contingencies are stated as possible and significant liabilities will not arise as result of this contingency as of December 31, 2015 and December 31, 2014.

(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, 2008, 2009 and 2010. As of the date of this report, Supermercados Peruanos S.A. has challenged the Tax Administration for these resolutions and, in Management's opinion and its legal advisors, significant liabilities will not arise as result of this situation as of December 31, 2015 and December 31, 2014.

22. Business segments

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

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

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

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

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

As of December 31, 2015 and December 31, 2014 and for the twelve-month periods ended December 31, 2015 and 2014, 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 twelve-month periods ended December 31, 2015 and 2014

	Supermarkets S/(000)	Pharmacies S/(000)	Shopping center S/(000)	Total segments S/(000)	Holding accounts, consolidation adjustments and intercompany eliminations S/(000)	Consolidated S/(000)
For the three-month periods ended March 31, 2016						
Revenue						
External income	4,064,766	2,339,061	396,603	6,800,430	(2,357)	6,798,073
Inter-segment	12,276	14	38,528	50,818	(50,818)	-
Total revenue	4,077,042	2,339,075	435,131	6,851,248	(53,175)	6,798,073
Cost of sales	(3,012,534)	(1,598,733)	(134,551)	(4,745,818)	4,110	(4,741,708)
Gross profit	1,064,508	740,342	300,580	2,105,430	(49,065)	2,056,365
Gain on valuation at fair value of investment properties	-	-	37,569	37,569	(4,779)	32,790
Selling expenses	(830,350)	(520,203)	(7,857)	(1,358,410)	41,170	(1,317,240)
Administrative expenses	(94,736)	(54,605)	(25,158)	(174,499)	(7,434)	(181,933)
Other operating expenses	10,305	1,153	(3,789)	7,669	(671)	6,998
Operating profit	149,727	166,687	301,345	617,759	(20,779)	596,980
Net, exchange difference	(48,483)	705	(80,967)	(128,745)	(40,593)	(169,338)
Finance income	2,720	2,526	4,352	9,598	854	10,452
Finance costs	(53,501)	(2,901)	(107,869)	(164,271)	(61,387)	(225,658)
Profit before income tax	50,463	167,017	116,861	334,341	(121,905)	212,436
Income tax expense	(23,548)	(50,617)	(7,221)	(81,386)	13,395	(67,991)
Profit for the year	26,915	116,400	109,640	252,955	(108,510)	144,445
Attributable to:						
Owners of the parent	26,915	116,400	109,057	252,372	(108,505)	143,867
Non-controlling interests	-	-	583	583	(5)	578
	26,915	116,400	109,640	252,955	(108,510)	144,445

	Supermarkets S/(000)	Pharmacies S/(000)	Shopping center S/(000)	Total segments S/(000)	Holding accounts, consolidation adjustments and intercompany eliminations S/(000)	Consolidated S/(000)
For the three-month periods ended March 31, 2015						
Revenue						
External income	3,745,608	2,086,075	314,967	6,146,650	-	6,146,650
Inter-segment	11,045	12	34,423	45,480	(45,480)	-
Total revenue	3,756,653	2,086,087	349,390	6,192,130	(45,480)	6,146,650
Cost of sales	(2,794,066)	(1,430,520)	(118,348)	(4,342,934)	5,856	(4,337,078)
Gross profit	962,587	655,567	231,042	1,849,196	(39,624)	1,809,572
Gain on valuation at fair value of investment properties	-	-	150,025	150,025	(11,619)	138,406
Other operating income	(753,843)	(450,290)	(6,633)	(1,210,766)	32,330	(1,178,436)
Selling expenses	(83,972)	(56,794)	(22,944)	(163,710)	(3,014)	(166,724)
Administrative expenses	11,427	8,388	(855)	18,960	(9,509)	9,451
Operating profit	136,199	156,871	350,635	643,705	(31,436)	612,269
Net, exchange difference	(32,108)	(589)	(54,850)	(87,547)	(26,964)	(114,511)
Finance income	5,933	756	8,491	15,180	4,481	19,661
Finance costs	(83,915)	(5,261)	(89,301)	(178,477)	(138,028)	(316,505)
Profit before income tax	26,109	151,777	214,975	392,861	(191,947)	200,914
Income tax expense	(11,673)	(53,099)	(39,885)	(104,657)	17,192	(87,465)
Profit for the year	14,436	98,678	175,090	288,204	(174,755)	113,449
Attributable to:						
Owners of the parent	14,436	98,678	173,551	286,665	(174,757)	111,908
Non-controlling interests	-	-	1,539	1,539	2	1,541
	14,436	98,678	175,090	288,204	(174,755)	113,449

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

Geographic information-

As of December 31, 2015 and December 31, 2014, the operations of all the Subsidiaries of the Company are concentrated in Peru, therefore, there are no revenues from external customers, or assets located in a foreign country as of those dates.

23. Fair value

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

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

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

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

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

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

Fair value hierarchy –

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

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

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

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

The InRetail Group does not maintain any financial instrument with fair value determination under level 3 and there were no transfers between levels during the twelve-month periods ended December 31, 2015 and 2014. The InRetail Group maintains the following financial instruments at fair value:

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

24. Transactions in foreign currency

Transactions in foreign currency are carried out using exchange rates prevailing in the market as published by the Superintendence of Banks, Insurance and Pension Funds Administration. As of December 31, 2015, the weighted average exchange rates in the market for transactions in US Dollars were S/3.408 per US$ 1.00 bid and S/ 3.413 per US$ 1.00 ask (S/2.981 and S/2.989 per US$1.00 for bid and ask as of December 31, 2014).

As of December 31, 2015 and December 31, 2014, The InRetail Group held the following foreign currency assets and liabilities:

	As of December 31, 2015	**As of December 31, 2014**
	US$(000)	US$(000)
Assets		
Cash and short-term deposits	16,708	5,364
Investments at fair value through profit or loss	8,800	-
Available-for-sale investment	16,153	-
Trade receivables, net	1,057	1,119
Other accounts receivables, net	4,967	2,826
Accounts receivable from related parties	4,987	19,519
	52,672	28,828
Liabilities		
Trade payables	(15,911)	(20,474)
Other payables	(25,282)	(20,390)
Accounts payable to related parties	-	(349)
Interest - bearing loans and borrowings	(482,336)	(584,256)
	(523,529)	(625,469)
Call Spread	300,000	-
Net liability position	(170,857)	(596,641)

As of December 31, InRetail Perú Corp.and its Subsidiaries have decided to reduce its exchange rate risk by entering into two hedging operations through a call spread written over its “Senior Notes Unsecured”, which are considered effective hedging instruments. The calls spread have been written over a nominal amount of US$100,000,000 and US$200,000,000, respectively, and will be effective until maturity of the “Senior Notes Unsecured”. The net position in the derivatives related to the currency call spread agreement correspond to exchange rate operations (Soles exchanged for US$ Dollars) with notional amounts of approximately US$100,000,000 and 200,000,000 equivalent to S/322,300,000 and S/644,600,000 as of December 31, 2015. See further detail in Note 8.

25. Additional explanation for English translation

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