

InRetail Perú Corp. and Subsidiaries

Interim consolidated financial statements as of December 31, 2013 (unaudited) and December 31, 2012 (audited) and for the years ended December 31, 2013 and 2012

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Interim consolidated statement of financial position

As of December 31, 2013 (unaudited) and December 31, 2012 (audited)

	Note	2013 S/.(000)	2012 S/.(000)		Note	2013 S/.(000)	2012 S/.(000)
Assets				Liabilities and equity			
Current assets				Current liabilities			
Cash and short-term deposits	5	282,571	541,864	Trade payables	13	1,287,351	1,035,307
Investments at fair value through profit or loss	6	-	555,023	Other payables		203,480	162,642
Trade receivables, net	7	82,155	72,313	Accounts payable to related parties	20(b)	30,893	33,828
Other receivables, net		32,742	35,459	Current income tax	15(b)	416	25,122
Accounts receivables from related parties	20 (b)	86,048	104,477	Interest-bearing loans and borrowings	14	162,204	83,709
Inventories, net	8	778,988	601,962	Deferred revenue		3,557	2,989
Available-for-sale investment	9	62,131	28,319	Total current liabilities		<u>1,687,901</u>	<u>1,343,597</u>
Prepayments		23,371	30,942	Accounts payable to related parties	20(b)	3,642	3,157
Taxes recoverable		<u>158,721</u>	<u>48,456</u>	Interest-bearing loans and borrowings	14	1,604,428	1,583,839
Total current assets		<u>1,506,727</u>	<u>2,018,815</u>	Derivative financial instrument		2,747	4,995
Non-current assets				Deferred revenue		30,253	20,908
Other receivables, net		7,027	7,430	Deferred income tax liabilities, net	15	<u>213,485</u>	<u>193,258</u>
Prepayments		17,441	17,641	Total non-current liabilities		<u>1,854,555</u>	<u>1,806,157</u>
Taxes recoverable		390	-	Total liabilities		<u>3,542,456</u>	<u>3,149,754</u>
Property, furniture and equipment, net	10	2,106,565	1,763,538	Equity			
Investment properties	11	1,695,897	1,104,261	Capital stock	16	2,138,566	2,138,566
Intangible assets, net	12	1,159,970	1,136,720	Additional paid in capital		549,793	551,209
Other assets		<u>353</u>	<u>1,970</u>	Unrealized results on financial instruments		(2,737)	374
Total non-current assets		<u>4,987,643</u>	<u>4,031,560</u>	Retained earnings		<u>266,172</u>	<u>210,353</u>
				Equity attributable to owners of the parent		<u>2,951,794</u>	<u>2,900,502</u>
				Non-controlling interests		<u>120</u>	<u>119</u>
				Total equity		<u>2,951,914</u>	<u>2,900,621</u>
Total assets		<u>6,494,370</u>	<u>6,050,375</u>	Total liabilities and equity		<u>6,494,370</u>	<u>6,050,375</u>

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

InRetail Perú Corp. and Subsidiaries

Interim consolidated Income statement

For the years ended December 31, 2013 and 2012

	Note	2013 S/.(000)	2012 S/.(000)
Net sales of goods		5,077,293	4,598,092
Rental income		142,504	111,635
Rendering of services		104,606	74,606
Revenue		5,324,403	4,784,333
Cost of sales	18	(3,805,289)	(3,437,761)
Gross profit		1,519,114	1,346,572
Other operating income		76,868	54,211
Selling expenses	18	(1,010,308)	(888,979)
Administrative expenses	18	(173,958)	(138,728)
Other operating expenses		(2,330)	(3,363)
Operating profit		409,386	369,713
Finance income		24,549	21,278
Finance costs	19	(173,164)	(156,065)
Net exchange difference		(125,170)	76,816
Profit before income tax		135,601	311,742
Income tax expense	15	(79,780)	(93,431)
Profit for the period		55,821	218,311
Attributable to:			
Owners of the parent		55,819	218,300
Non-controlling interests		2	11
		55,821	218,311
Earnings per share:	21		
Basic and diluted profit for the period attributable to ordinary equity holders of the parent		0.54	2.62

All items above are related to continuing operations.

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

InRetail Perú Corp. and Subsidiaries

Interim consolidated statement of comprehensive income
For the years ended December 31, 2013 and 2012

	Note	2013 S/.(000)	2012 S/.(000)
Profit for the period		55,821	218,311
Other comprehensive income			
Unrealized gain on available-for-sale investments		(3,913)	3,641
Transfer of the realized gain on available-for-sale investments to the profit for the period		-	(3,672)
Income tax effect		-	-
		<u>(3,913)</u>	<u>(31)</u>
Loss on hedging derivative financial instrument		532	539
Income tax effect		269	175
		<u>801</u>	<u>714</u>
Other comprehensive income for the period, net of income tax effects		<u>(3,112)</u>	<u>683</u>
Total comprehensive income for the period		<u>52,709</u>	<u>218,994</u>
Attributable to:			
Owners of the parent		52,708	218,982
Non-controlling interests		1	12
		<u>52,709</u>	<u>218,994</u>

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 years ended December 31, 2013 and 2012

	<u>Capital stock</u> S/.(000)	<u>Additional paid in capital</u> S/.(000)	<u>Capital premium</u> S/.(000)	<u>Unrealized results on financial instruments</u> S/.(000)	<u>Retained earnings</u> S/.(000)	<u>Total</u> S/.(000)	<u>Non- controlling interest</u> S/.(000)	<u>Total equity</u> S/.(000)
As of January 1, 2012	1,306,455	122,019	-	2,117	299,468	1,730,059	1,771	1,731,830
Profit for the period					218,300	218,300	11	218,311
Other Comprehensive income				682	-	682	1	683
Total comprehensive income	-	-	-	682	218,300	218,982	12	218,994
Capital contribution	2,902	9,666				12,568	-	12,568
Capitalization	37,209	(17,927)			(19,282)	-	-	-
Restructuring adjustments	197,540	-	-	(2,425)	(193,372)	1,743	(1,743)	-
Dividends					(1,950)	(1,950)	-	(1,950)
Deemed distribution		(113,758)			(91,047)	(204,805)	-	(204,805)
Cash contribution	594,460		551,209			1,145,669		1,145,669
Others					(1,764)	(1,764)	79	(1,685)
As of December 31, 2012	2,138,566	-	551,209	374	210,353	2,900,502	119	2,900,621
As of January 1, 2013	2,138,566	-	551,209	374	210,353	2,900,502	119	2,900,621
Profit for the period	-	-		-	55,819	55,819	2	55,821
Other comprehensive income	-	-	-	(3,111)	-	(3,111)	(1)	(3,112)
	-	-	-	(3,111)	55,819	52,708	1	52,709
Expenses related to the share issuance	-	-	(1,416)		-	(1,416)		(1,416)
Dividends					-	-	-	-
Others						-		-
As of December 31, 2013	2,138,566	-	549,793	(2,737)	266,172	2,951,794	120	2,951,914

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

InRetail Perú Corp. and Subsidiaries

Interim consolidated statement of cash flows

For the years ended December 31, 2013 and 2012

	2013 S/.(000)	2012 S/.(000)
Operating activities		
Net profit	55,821	218,311
Non-cash adjustment to reconcile profit before tax to net cash flows		
Allowance for doubtful accounts receivable, net of recoveries	1,398	1,430
Depreciation of property, furniture and equipment	100,622	91,602
Amortization of intangible assets	9,057	7,236
Provision for inventory impairment, net of recoveries	6,179	3,813
Loss on disposal of property, furniture and equipment and intangible assets	1,858	235
Gain on valuation of financial instruments, net	-	-
Gain on valuation of investment properties	(44,595)	(53,724)
Deferred income	(6,091)	(8,007)
Net exchange difference	114,465	(76,816)
Others	21,319	165,987
Working capital adjustments		
Increase in trade receivables	(11,240)	(26,845)
Decrease (Increase) in accounts receivables from related parties	4,678	(84,484)
Decrease (Increase) in other receivables	3,120	(14,581)
Decrease (increase) in inventory	(183,205)	9,047
Decrease (Increase) in prepayments	7,771	(12,797)
Increase in taxes recoverable	(110,655)	(6,817)
Increase in trade payables	252,044	69,986
Increase (decrease) current income tax	(24,706)	18,608
Increase in other payables	35,667	70,708
	<u>177,686</u>	<u>154,581</u>
Net cash flows from operating activities	<u>233,507</u>	<u>372,892</u>
Investing activities		
Loan collected to related parties	128,581	-
Gain on sale of property, furniture and equipment	1,119	1,926
Sales of fair value investment through profit and loss	964,688	-
Sales of available for sales investment	37,265	-
Purchase of fair value investment through profit and loss	(393,610)	-
Loan granted to related parties	(115,776)	-
Purchase of property, furniture and equipment, net of acquisitions through leasing contracts	(337,220)	(298,515)
Purchase and development of intangible assets	(32,303)	(26,850)
Purchase of investment properties, net of acquisitions through leasing contracts	(446,802)	(289,468)
Purchase of available for sales investment	(44,946)	(491,253)
Net cash flows used in investing activities	<u>(239,004)</u>	<u>(1,104,160)</u>

Interim consolidated statement of cash flows (continued)

	2013	2012
	S/.(000)	S/.(000)
Financing activities		
Proceeds from interest-bearing loans and borrowings	66,280	548,394
Capital contribution	-	1,158,237
Issuance of bonds	-	147,958
Expenses related to the share issuance	(1,416)	-
Repayment of interest-bearing loans and borrowings	(120,974)	(676,743)
Deemed distribution	-	(204,805)
Repayment of bonds payable	(171,186)	(23,681)
Dividends	-	(1,950)
Net cash flows (used in) from financing activities	<u>(227,296)</u>	<u>947,410</u>
Net (decrease) increase of cash and short-term deposits	<u>(232,793)</u>	<u>216,142</u>
Cash and short-term deposits at the beginning of the period	<u>515,364</u>	<u>325,722</u>
Cash and short-term deposits at the end of the period	<u><u>282,571</u></u>	<u><u>541,864</u></u>

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, 2013 (unaudited) December 31, 2012 (audited)

1. Business activity and Eckerd Group acquisition

(a) Business activity -

InRetail Peru Corp, (hereinafter “the Company”), is a holding incorporated in January 2011 in the Republic of Panama, a subsidiary of Intercorp Retail Inc., which owns 58.04 percent of its capital stock as of December 31, 2013 and December 31, 2012. Likewise, Intercorp Retail Inc. is a subsidiary of Intercorp Peru Ltd. Formerly IFH 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.

Taking into consideration the reorganization process and International share offering explained in 2(b)(a) below, as of December 31, 2013, 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	7.81
NG Pharma Corp.	6.30
Others	<u>22.26</u>
	<u>100.00</u>

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.

The accompanying interim consolidated financial statements as of December 31, 2013 and 2012 were approved by the Board of Directors on February 26, 2014.

Notes to the interim consolidated financial statements (continued)

(b) Eckerd Group acquisition -

In January 2011, the Company acquired directly and indirectly (i) Eckerd Perú S.A. and subsidiaries, (ii) Droguería de Los Andes S.A. and (iii) Inmobiliaria Espíritu Santo S.A.C. (hereinafter and together “Eckerd Group”); which operate under the commercial brand “Inkafarma” and are dedicated to the nationwide commercialization of pharmaceutical products, cosmetic products, food for medical use and other elements aimed at health protection and recovery through its “Inkafarma” pharmacy chain.

As of December 31, 2013, Eckerd Perú S.A. is the sole owner of Eckerd Amazonía S.A.C. and Boticas del Oriente S.A.C., while Droguería de Los Andes S.A. and Inmobiliaria Espíritu Santo S.A.C. were absorbed in May 2011 and August 2012 respectively, by Eckerd Peru S.A. at book value since it was made between entities under common control. The acquisition of Eckerd Group was accounted for in accordance with IFRS 3 “Business Combinations”, by applying the purchase accounting method; as a result, the assets and liabilities acquired including certain intangibles assets not recorded by the acquired companies were recorded at their fair value on the date of their acquisition.

2. Reorganization of Intercorp Peru’s Subsidiaries and International share offering

(a) Reorganization of Intercorp Perú’s Subsidiaries

Intercorp Perú and its Subsidiaries (“Intercorp Perú Group”), which comprises several companies operating in Perú and other countries, completed the reorganization of its Subsidiaries in the retail and shopping center businesses on August 13, 2012, in order to have a more organized and effective structure in which the Company operates as a holding company that owns the majority of the shareholding in the subsidiaries of Intercorp Perú that operate in the retail and shopping center businesses.

As a result of the reorganization plan, the Company became the direct owner of InRetail Real Estate Corp., which is a new intermediate holding company incorporated in order to group all the companies that comprise the shopping center business, consisting of Real Plaza S.R.L., InRetail Properties Management S.R.L. (formerly Interproperties S.A.), Patrimonio en Fideicomiso – D.S. N° 093-2002-EF-Interproperties Holding and Patrimonio en Fideicomiso – D.S. N° 093-2002-EF-Interproperties Holding II. Likewise, in a series of transactions, 9 shopping centers were transferred to the new organization from Interseguro Compañía de Seguros and Urbi Propiedades S.A. (related entities), recorded by Patrimonio en Fideicomiso – D.S. N° 093-2002-EF-Interproperties Holding and Patrimonio en Fideicomiso – D.S. N° 093-2002-EF-Interproperties Holding II. The Company also became the direct owner of Supermercados Peruanos S.A., which, along with its subsidiaries Plaza Veá Sur S.A.C. and Peruana de Tiquetes S.A.C., comprise the supermarkets business. Finally, the Company continues to indirectly control the Eckerd Group.

After this reorganization, the Company owns directly:

- 99.98% of Supermercados Peruanos S.A.
- 100.00% of Eckerd Group, and
- 100.00% of InRetail Real Estate Corp.

Notes to the interim consolidated financial statements (continued)

Subsequent to the reorganization of Intercorp Perú Group, the Company became the main retail and shopping center operator of the Intercorp Peru Group. The company and its Subsidiaries, Supermercados Peruanos S.A., Eckerd Group and InRetail Real Estate Corp. (hereinafter and together "The InRetail Group") are dedicated to operating supermarkets, hypermarkets, pharmacies and shopping centers, as well as real estate development. The InRetail Group operation are concentrated in Peru, see Note 3.

The activities, main financial information and other relevant data of each Company's subsidiary are explained in Note 3 below. After the aforementioned transactions, Intercorp Perú continues holding the control of the Company, direct and indirectly.

As the above-described restructuring of Intercorp Perú Group will not lead to a change in Intercorp Perú's control of the Subsidiaries now grouped under the Company, according to International Financial Reporting Standards, the transactions correspond to a reorganization of entities under common control, therefore the reorganization was accounted for using the pooling-of-interest method. Therefore, these interim combined financial statements have been prepared under the assumption that the reorganization took place as of the beginning of the earliest year presented herein, and the Company was operating in each of the periods presented. The interim consolidated financial statements as of December 31, 2013 and 2012, and for the years ended as of December 31, 2013 and 2012, reflect the Company as having the 99.98 percent interest in Supermercados Peruanos S.A. and 100.00 percent interest in InRetail Real Estate Corp.

(b) International Share Offering

Subsequent to the reorganization explained in paragraph (a) above, and through General Shareholders' Meeting held on July 23, 2012, the performance of an international offering of new shares of the Company, under Rule 144 - A of the Securities Commission of the United States of America and Regulation S of the U.S. Securities Act. was approved.

Subsequently, through the Directive Meeting held on October 3, 2012, agreed to: (i) authorize the issuance of 20,000,000 common shares without nominal value, and (ii) set the issuance value of such shares in \$ 10.00 per share in the Peruvian and international markets, being the issue price US\$ 20 per share. The issuance of new common shares has represented for the Company a cash contribution of approximately U.S. \$ 400,000,000 (equivalent to approximately S/.1,034,000,000), which is presented as an increase of capital stock and as capital premium by S/.517,000,000 respectively.

Additionally, through the Directive Meeting held on October 22, 2012, agreed to: (i) authorize the issuance of 3,000,000 new common shares without nominal value and (ii) set the issuance value of US\$ 10 per share in the Peruvian and international markets, being the issue price of US\$ 20 per share. The issuance of these new common shares has represented for InRetail Peru Corp. a cash contribution of approximately US \$ 60,000,000 (equivalent to approximately S/.154,920,000), which is presented as an increase of capital stock and as capital premium by S/.77,460,000, respectively.

Capital premium recorded from the two issuances detailed above is presented in the consolidated statement of changes in equity, net of expenses incurred and related to the share issuance, by S/.44,667,000.

Notes to the interim consolidated financial statements (continued)

3. Subsidiary activities

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

(a) Supermercados Peruanos S.A.

Retail company incorporated and with operations in Perú. As of December 31, 2013, it owns 55 hypermarkets that operate under the "Plaza Veá" brand, 35 supermarkets that operate under the "Vivanda" and "Plaza Veá Super" brands, and 8 discount stores that operate under the "Mass" and "Economax" commercial brand (49 hypermarkets, 26 supermarkets and 11 discount stores as of December 31, 2012). 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 Group-

Group of companies that include Eckerd Perú S.A. and subsidiaries

Eckerd Perú S.A.

Entity dedicated to the nationwide 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 December 31, 2013, it operated 725 stores across the country (580 stores as of December 31, 2012). Eckerd Perú S.A. holds 100 percent of: (i) Eckerd Amazonía S.A.C. and (ii) Boticas del Oriente S.A.C. In August 2012 Eckerd Perú S.A. absorbed Inmobiliaria Espíritu Santo S.A.C. entity dedicated exclusively to the renting of its 8 properties to Eckerd Perú S.A.

(c) InRetail Real Estate Corp.-

Holding company incorporated in the Republic of Panama in April 2012 as a part of the reorganization process described in Note 2. InRetail Real Estate owns the following subsidiaries:

Real Plaza S.R.L.

Entity dedicated to the management and administration of seventeen shopping centers as of December 31, 2013 (fourteen shopping centers as of December 31, 2012) named "Centro Comercial Real Plaza", located in Peru (Chiclayo, Piura, Chiclayo, Trujillo, Huancayo, Arequipa, Juliaca, Huanuco, Cusco, Cajamarca and Lima). InRetail Real Estate holds 100.00 percent of the capital stock of Real Plaza S.A.

InRetail Properties Management S.R.L. (formerly Interproperties Perú S.A.)

Entity that provides the staff which manages and operates Interproperties Holding InRetail Real Estate Corp. holds 100.00 percent of the capital stock of InRetail Properties Management S.R.L.

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 to own and handle the shopping center business of the Group. InRetail Real Estate owns 100 percent of participation in the net assets of Interproperties Holding.

Notes to the interim consolidated financial statements (continued)

4. 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 audited 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. as a consequence of the reorganization described in Note 2.

(b) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries; see Note 3.

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.

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, 2012.

Notes to the interim consolidated financial statements (continued)

5. Cash and short-term deposits

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

	As of December 31, 2013	As of December 31, 2012
	S/.(000)	S/.(000)
Cash (b)	9,331	12,341
Current accounts (c)	60,999	449,589
Time deposits (d)	208,963	53,434
Other	3,278	26,500
Total	282,571	541,864

(b) The balance as of December 31, 2013 and 2012, 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, both in Nuevos Soles and US Dollars which do not accrue interest.

(d) As of December 31, 2013 and 2012, corresponds to time deposits and bank certificates, with original maturities of up to 30 days, in local banks and denominated mainly in Nuevos Soles. These have annual average interest rates ranging from 3.00 to 4.40 percent for the years ended December 31, 2013 and from 3.80 to 3.95 percent for the same periods of 2012. Time deposits outstanding at December 31, 2013, matured in full during January 2014.

(e) Current accounts and time deposits are unrestricted and free of any lien.

6. Investments at fair value through profit or loss

As of December 31, 2012, these funds are conformed by a portfolio of commercial paper issued by the Peruvian Government and prestigious financial entities in local market .

Entity	As of December 31, 2013	As of December 31, 2012
	S/.(000)	S/.(000)
Fund managed by Interfondo S.A. SAF	-	184,355
Fund managed by Credifondo S.A. SAF	-	138,744
Fund managed by Scotia Fondos SAF	-	132,115
Fund managed by BBVA Asset Management Continental S.A. SAF	-	99,809
Total	-	555,023

7. Trade receivables, net

Notes to the interim consolidated financial statements (continued)

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

	As of December 31, 2013 S/.(000)	As of December 31, 2012 S/.(000)
Trade accounts receivable (c)	21,766	38,846
Rent receivable (d)	6,386	12,792
Merchandise vouchers (e)	45,274	13,737
Provisión for accrued revenue (f)	11,458	8,087
Others	1,778	1,963
Total	86,662	75,425
Provision for doubtful accounts (g)	<u>(4,507)</u>	<u>(3,112)</u>
	<u>82,155</u>	<u>72,313</u>

(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.

(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, 2013 and 2012 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 years ended December 31, 2013 and 2012, were as follows:

	2013 S/.(000)	2012 S/.(000)
Balance at the beginning of the year	3,112	2,230
Provision recognized as year expense, Note 18 (a)	1,697	1,128
Write offs and recovery's	(302)	(246)
Balance at the end of the period	<u>4,507</u>	<u>3,112</u>

As of December 31, 2013 and 2012, the balance of the trade receivable amounts to approximately S/.86,662,000 and S/.75,425,000,000 respectively, out of which approximately S/.4,507,000 and S/.3,112,000 were provisioned for at those dates. Likewise, the amount of non impaired past due trade receivables amounted to S/.55,349,000 and S/.22,293,000, respectively.

In the opinion of Management of the InRetail Group, the provision for doubtful accounts receivable as of December 31, 2013 and 2012, appropriately covers the credit risk of this item at those dates.

Notes to the interim consolidated financial statements (continued)

8. Inventories, net

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

	As of December 31, 2013	As of December 31, 2012
	S/.(000)	S/.(000)
Goods	773,151	591,800
In transit inventories (b)	10,539	8,038
Miscellaneous supplies	7,299	5,776
Total	790,989	605,614
Minus		
Provision for impairment of inventories (c)	(12,001)	(3,652)
Total	778,988	601,962

(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 years ended December 31, 2013 and 2012, was as follows:

	2013	2012
	S/.(000)	S/.(000)
Balance at the beginning of the year	3,652	4,020
Provision of the period, Note 18(a)	6,179	3,813
Write-off	(975)	(4,181)
Recovery	3,145	-
Balance at the end of the period	12,001	3,652

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.

Notes to the interim consolidated financial statements (continued)

9. Available-for-sale investment

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

	As of December 31, 2013 S/.(000)	As of December 31, 2012 S/.(000)
Balance at the beginning of the year (b)	28,319	70,628
Acquisition of corporate bond	44,946	-
Sales of corporate bond (b)	(11,518)	(45,950)
Exchange difference	3,544	-
Realized results	753	-
Unrealized results with effect in equity	(3,913)	3,641
Balance at the end of the period	<u>62,131</u>	<u>28,319</u>

(b) In November 2011, Supermercados Peruanos S.A. acquired bonds issued abroad by a trust fund constituted by a subsidiary of Maples FS Limited (a non-related entity). The acquisition value of these bonds was US\$25,000,000; they have semi-annual coupons until November 2018 and accrue interests at effective fixed annual rate of 8.875 percent. These debt instruments are traded in Luxemburg Stock Exchange.

During 2013, the Group sold part of these bonds to a non-related entity for approximately US\$3,900,000 (US\$16,543,000 during 2012). The net realized gain for this transaction amounts to approximately S/.753,000 (S/.3,672,000 in the year 2012), which is included in the caption "Finance income" in the consolidated income statement.

10. Property, furniture and equipment, net

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

	As of December 31, 2013 S/.(000)	As of December 31, 2012 S/.(000)
Cost		
Initial balance	2,236,366	1,906,989
Additions (b)	446,480	342,142
Disposals and/or sales (c)	(16,579)	(12,765)
Final balance	<u>2,666,267</u>	<u>2,236,366</u>
Accumulated depreciation		
Initial balance	472,828	391,817
Additions (d)	100,622	91,602
Disposals and/or sales	(13,748)	(10,591)
Final balance	<u>559,702</u>	<u>472,828</u>
Net book value	<u>2,106,565</u>	<u>1,763,538</u>

Notes to the interim consolidated financial statements (continued)

- (b) Additions for the years ended December 31, 2013 and 2012 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 years ended December 31, 2013 and 2012, was recorded as follows in the income statements:

	2013 S/.(000)	2012 S/.(000)
Sales expenses, Note 18 (a)	85,540	81,515
Administrative expenses, Note 18 (a)	15,082	10,087
Balance as of December 31	100,622	91,602

- (e) As of December 31, 2013, Supermercados Peruanos S.A. has mortgaged land lots, buildings and facilities for a net book value of S/285,115,000 (S/247,362,000 as of December 31, 2012), as collateral over the financial obligations and the leasing contracts (see Note 14).
- (f) As of December 31, 2013, the cost and corresponding accumulated depreciation of assets acquired through finance leases amount to approximately S/384,712,000 and S/22,024,000 respectively (S/264,531,000 and S/29,087,000, respectively, as of December 31, 2012).
- (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)

11. Investment properties

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

	As of December 31, 2013 S/. (000)	As of December 31, 2012 S/. (000)
Real Plaza Primavera shopping center (ii)	195,685	207,558
Real Plaza Trujillo shopping center (ii)	121,664	124,665
Real Plaza Chiclayo shopping center (ii)	176,635	140,613
Real Plaza Huancayo shopping center (i) and (ii)	87,890	85,874
Real Plaza Arequipa shopping center (i) and (ii)	67,855	67,173
Real Plaza Cuzco shopping center	141,202	61,441
Real Plaza Huanuco shopping center	84,464	57,532
Real Plaza Salaverry Project	265,834	25,460
Real Plaza Cajamarca shopping center	111,160	31,599
Real Plaza Santa Clara - Altamirano Shopping center	37,244	36,584
Real Plaza Chorrillos shopping center (ii)	35,202	42,502
Real Plaza Juliaca shopping center (i) and (ii)	59,682	59,110
Real Plaza Pro shopping center (ii)	41,636	43,533
Jr. de la Unión stores	16,616	21,579
Real Plaza Santa Clara shopping center (ii)	19,927	19,074
Real Plaza Nuevo Chimbote shopping center (i) and (ii)	19,051	5,516
Real Plaza Piura shopping center	129,553	-
Others	84,597	74,448
	1,695,897	1,104,261

(i) For Huancayo, Arequipa, and Juliaca shopping centers, right of use contracts (contractual agreement between the owner of the land and the Company, which allows the Company to construct the shopping centers) were subscribed with Ferrovias Central Andina S.A. the Association named "Religiosas del Sagrado Corazón de Jesús", Ferrocarril Trasandino S.A. and Interseguro Cía. de Seguros S.A.. (a related entity), respectively, for periods ranging 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 December 31, 2013 and 2012 was as follows:

	2013	2012
	S/.(000)	S/.(000)
Balance at the beginning of the year	1,104,261	761,069
Additions	571,487	289,468
Fair value adjustment	(24,446)	-
Transfer from property, furniture and equipment; Note 10(a)	44,595	53,724
Balance at the end of the period	<u>1,695,897</u>	<u>1,104,261</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 December 31, 2013, some of the investment properties guarantee the debt to Deutsche Bank, Note 14(g). At such date, the book value of these investment properties amounts to approximately S/.1,226,765,000 (S/.866,573,000 as of December 31,2012).

12. Intangible assets, net

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

	As of December 31, 2013	As of December 31, 2012
	S/.(000)	S/.(000)
Cost		
Initial balance	1,171,779	1,144,401
Additions (c)	32,958	27,378
Disposal and/or sales	(1,212)	-
Final balance	<u>1,203,525</u>	<u>1,171,779</u>
Accumulated amortization		
Initial balance	35,059	27,823
Additions (d)	9,057	7,236
Disposals and/or sales	(561)	-
Final Balance	<u>43,555</u>	<u>35,059</u>
Net, book value	<u>1,159,970</u>	<u>1,136,720</u>

- (b) As of December 31, 2013 and 2012, this caption mainly includes approximately S/.373,054,000 and S/.694,283,000 corresponding to the brand "Inkafarma" and goodwill respectively, as a result of the acquisition of the Eckerd Group; see Note 1b .

Notes to the interim consolidated financial statements (continued)

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, 2013 and 2012, 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”, which will be used in the new distribution center.
- (d) Amortization expense for the years ended December 31, 2013 and 2012 has been recorded in the following items of the combined statements:

	2013 S/.(000)	2012 S/.(000)
Sales expenses, Note 18 (a)	5,971	4,780
Administrative expenses, Note 18 (a)	3,086	2,456
Balance as of December 31	<u>9,057</u>	<u>7,236</u>

13. Trade payables

The table below presents the composition of this caption:

	As of December 31, 2013 S/.(000)	As of December 31, 2012 S/.(000)
Bills payable for purchase of goods	1,121,720	886,865
Bill payable for commercial services	165,631	148,442
Total	<u>1,287,351</u>	<u>1,035,307</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)

14. Interest-bearing loans and borrowings

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

Type of obligation	Original currency	Interest rate %	Maturity final	Original amount		Total		Corriente		No corriente	
				US\$ (000)	S/(000)	2013 S/(000)	2012 S/(000)	2013 S/(000)	2012 S/(000)	2013 S/(000)	2012 S/(000)
Subordinated bonds (b)											
Issued for the restructuring of the financial position											
1st Issuance	USD	7.50	2014	12,000	-	33,552	30,612	33,552	-	-	30,612
2nd Issuance	USD	8.04	2014	7,005	-	21,540	17,870	21,540	-	-	17,870
3rd Issuance	PEN	8.49	2014	-	21,540	19,586	21,540	19,586	-	-	21,540
				<u>19,005</u>	<u>21,540</u>	<u>74,678</u>	<u>70,022</u>	<u>74,678</u>	<u>-</u>	<u>-</u>	<u>70,022</u>
Corporate bonds (c) (d) (e)											
1st Issuance	USD	8.00	2015	58,000	-	-	147,958	-	-	-	147,958
1st Issuance	PEN	6.70	2016	-	28,437	12,187	16,250	4,062	4,062	8,125	12,188
2nd Issuance	PEN	7.75	2019	-	57,090	34,254	39,963	5,709	5,709	28,545	34,254
				<u>58,000</u>	<u>85,527</u>	<u>46,441</u>	<u>204,171</u>	<u>9,771</u>	<u>9,771</u>	<u>36,670</u>	<u>194,400</u>
Leasings											
Related entities											
Banco Internacional del Perú-Interbank	PEN	4.85	2014	-	25,153	25,153	25,710	13,072	25,710	12,081	-
Banco Internacional del Perú-Interbank	PEN	Between 11.24% and 11.43%	2014	-	142,029	99,152	66,754	23,366	12,586	75,786	54,168
Banco Internacional del Perú-Interbank	USD / PEN	6.45	2016	35	95	61	-	20	-	41	-
Banco Internacional del Perú-Interbank	PEN	8.90	2026	-	57,000	57,000	-	-	-	57,000	-
Banco Internacional del Perú-Interbank	PEN	8.25	2016	-	7,401	4,067	5,481	1,664	1,414	2,403	4,067
Non-related entities											
Hewlett Packard S.A.	USD	2.93	2017	3,678	-	7,485	2,570	2,499	910	4,986	1,660
Hewlett Packard S.A.	USD	3.10	2015 - 2017	100	-	218	-	92	-	126	-
IBM Perú SAC	USD	2.93	2016	664	-	1,724	750	839	290	885	460
Banco de Crédito del Perú	PEN	Between 6.59% and 7.76%	2018	-	17,424	47,367	10,980	3,035	1,255	44,332	9,725
Banco de Crédito del Perú	USD	4.37	2013	27	-	-	31	-	31	-	-
Banco de Crédito del Perú	USD / PEN	Between 7.62% and 9.02%	2019 - 2023	12,500	20,000	80,468	53,466	5,890	-	74,578	53,466
BBVA Banco Continental	PEN	Between 5.96% and 10.85%	2018	-	65,241	32,326	45,333	12,509	11,829	19,817	33,504
BBVA Banco Continental	USD / PEN	8.28	2017	4,658	9,244	2,035	3,127	1,123	1,091	912	2,036
Banco Interamericano de Finanzas	PEN	8.35	2014	-	12,748	512	3,447	512	2,935	-	512
Banco Scotiabank	PEN	7.79	2018	-	21,864	19,122	18,828	3,040	2,821	16,082	16,007
Banco Scotiabank	USD	4.70	2014	264	-	2	344	2	344	-	-
				<u>22,032</u>	<u>380,762</u>	<u>376,692</u>	<u>236,821</u>	<u>67,663</u>	<u>61,216</u>	<u>309,029</u>	<u>175,605</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)	2013	2012	2013	2012	2013	2012
				S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)		
Lease back											
Related entities											
Banco Internacional del Perú-Interbank	PEN	8.25	2015	-	588	247	388	152	141	95	247
				-	588	247	388	152	141	95	247
Foreing loans											
Intercorp Retail Trust (f)	USD	10.134	2018	130,000	-	351,181	318,683	-	-	351,181	318,683
Bank of America (f)	USD	10.13	2018	140,000	-	372,870	337,218	-	-	372,870	337,218
Deutsche Bank (g)	USD	8.75	2023	185,000	-	501,291	456,014	-	-	501,291	456,014
				455,000	-	1,225,342	1,111,915	-	-	1,225,342	1,111,915
Promissory notes and loans (h)											
Non-related entities											
Banco de Crédito del Perú	USD	6.60	2021	12,000	-	28,173	27,856	2,960	2,539	25,213	25,317
				12,000	-	28,173	27,856	2,960	2,539	25,213	25,317
Obligations to third parties (i)											
Hewlett Packard S.A.	USD	7.30	2014	11,549	-	11,465	7,858	5,129	4,718	6,336	3,140
IBM Perú SAC	USD	8.00	2015	6,441	-	3,526	8,517	1,828	5,324	1,698	3,193
IBM Perú SAC	USD / PEN	7.45	2016	36	96	68	-	23	-	45	-
				18,026	96	15,059	16,375	6,980	10,042	8,079	6,333
Total				584,063	488,513	1,766,632	1,667,548	162,204	83,709	1,604,428	1,583,839

Notes to the interim consolidated financial statements (continued)

- (b) The General Shareholders' Meeting of Supermercados Peruanos S.A. held on March 28, 2007, approved the general terms and conditions of the issuance of the First Program of Subordinated Bonds Supermercados Peruanos S.A. up to maximum of US\$30,000,000 or its equivalent in Nuevos Soles. The maximum amount of the program is revolving, which means that the total amount of issuances approved can exceed the aforementioned amount as long as the total debit balance is lower than the amount of the program.

During 2007, Supermercados Peruanos S.A. conducted the public auctions of its Subordinated Bonds for US\$12,000,000, US\$7,005,000 and S/.21,540,000, corresponding to the first, second and third issuances respectively. Principal amounts of this issuance will be paid at maturity (2014).

These issuances are guaranteed by the equity of Supermercados Peruanos S.A. and do not have any other specific guarantees.

- (c) As of December 31, 2013 and 2012, the Company and Subsidiaries has outstanding corporate bonds for S/.46,441,000 and S/.204,171,000, respectively, which accrue annual interest rates that fluctuate between 6.70 and 8.00 percent, and whose maturities are between 2016 and 2019.
- (d) In May 2012, InRetail Real Estate issued corporate bonds through a private offering for US\$58,000,000 (equivalent to approximately S/.154,918,000). The funds from these bonds were used to purchase properties and accrued a nominal annual interest rate of 8.00 percent. The maturity date of these bonds is in June, 2015. The bonds issued include standard clauses requiring the InRetail Group to comply certain administrative matters. These bonuses were paid in full in June 2013.
- (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 December 31, 2013 and 2012, said standard clauses do not limit the normal operation of the Group and have been fulfilled.
- (f) In November 2011, InRetail Corp (formerly IFH Pharma Corp.) was granted a loan by InterCorp Retail Trust, a non related entity. Likewise, as part of the same operation and at the same date, Supermercados Peruanos S.A. was also granted a loan by Bank of America. The consolidated amount of these loans amount to S/.728,190,000 (US\$270,000,000) which accrue interest at a 8.875 percent nominal annual rate. These loans were recorded in the consolidated financial statements at amortized cost at an annual effective interest rate of 10.134 percent after considering the related initial charges of S/.9,293,000 and a guarantee deposit amounting to S/.35,997,000 (US\$13,312,000), which is non refundable and will be applied to the principal of the Bank of America loan at maturity. The InRetail Group allocated these funds, mainly, to the cancellation of promissory notes and commercial papers, payment for land acquisition and the construction of new commercial premises for its subsidiaries.

Those financial obligations are presented net of the aforementioned initial charges and the guarantee deposit.

- (g) Foreign loans caption includes loans granted by Deutsche Bank AG, London Branch in November 2011 to Interproperties Holding, which balances as of December 31, 2013 and 2012 amounts to approximately S/.501,291,000 and S/.456,014,000 respectively. 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. In support of this financing, Interproperties Holding has given certain investment properties in guarantee for this debt; see Note 11(c).

Notes to the interim consolidated financial statements (continued)

The above financial obligations are presented net of initial costs amounting to US\$6,783,984 equivalent to S/.18,227,000, considering an effective annual interest rate of 9.426 percent.

- (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 Note10(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 years ended December 31, 2013 and 2012, loans and borrowings accrued interest which is recorded in the "Finance costs" caption of the consolidated income statements, see Note 19. Also, as of December 31, 2013 and 2012, 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 December 31, 2013 and 2012, said standard clauses do not limit the normal operation of the Group and have been fulfilled.

Notes to the interim consolidated financial statements (continued)

15. Deferred income tax liabilities, net

- (a) The amounts presented in the statement of financial position as of December 31, 2013 and 2012, as well as the consolidated income statements for the years ended December 31, 2013 and 2012 are shown below:

Statements of financial position	Deferred liability, net	
	As of December 31, 2013 S/. (000)	As of December 31, 2012 S/.(000)
Deferred income tax asset	59,150	30,627
Deferred income tax liabilities	<u>(272,635)</u>	<u>(223,885)</u>
Deferred income tax liability, net	<u>(213,485)</u>	<u>(193,258)</u>

Statements of comprehensive income	Income tax for the year ended December 31, 2013 and 2012	
	2013 S/. (000)	2012 S/.(000)
Current	(59,284)	(68,144)
Deferred	<u>(20,496)</u>	<u>(25,287)</u>
	<u>(79,780)</u>	<u>(93,431)</u>

- (b) As of December 31, 2013 and 2012 the provision for current income tax payable, net of advanced payments amounts to approximately S/.416,000 and S/ .25,122,000, respectively.

Notes to the interim consolidated financial statements (continued)

16. Equity

(a) Capital stock –

As of December 31, 2011, InRetail Perú Corp. capital stock was represented by 250,537,848 shares with no par value, issued at US\$1.00 each, which were totally paid and issued.

In August 2012, the Board of Directors agreed to modify the emission value of their shares of US\$1.00 to US\$10.00 each, bringing the number of share of the Company was represented by 25,053,784.

Furthermore, in August 2012, resulting from the reorganization of the Intercorp Group explained in Note 2 (a), were provided the stocks of companies InRetail Real Estate Corp. and Supermercados Peruanos S.A. by amounted to S/.1,446,041,000, issuing 54,753,535 shares at an issue value of US\$10.00 each. These shares exchange was performed whit reference to the market values of contributed shares; however, due to this organization was performed between entities under common control using the pooling of interest method, see Note 2(a), the operation was recorded at book value, therefore, the contribution previously detailed was recorded net of a premium amounting to S/.601,148,000.

Subsequently to this reorganization, InRetail Perú Corp. recorded its shares in the Registro Público del Mercado de Valores de Lima and started an international offering of new shares process in the national and international markets, which ended in October 2012, see note 2(b). As part of this process, approximately 23,000,000 shares were issued representative of approximately 22 percent of capital stock of InRetail Perú Corp.; such emission has represented a cash contribution increasing capital stock in approximately S/. 594,460,000.

After the transactions explained above, as of December 31, 2013, capital stock of InRetail Perú Corp. amounts to S/. 2,138,566,000 represented by 102,807,319 shares with a nominal value of US\$ 10 per share.

(b) Additional paid in capital –

The additional paid in capital corresponds to the pooled book value of the shopping centers included in the structure and recorded by the InRetail Group as entities under common control, see Note 2(a). In this sense, applying the pooling of interest method, InRetail Group accounted for these transactions under the assumption that those shopping centers were in the consolidated financial statements as of the beginning of the earliest year presented herein ad were considered as additional paid in capital.

Likewise, due to the fact that as of December 31, 2012, the InRetail Group paid in cash for part of these shopping centers to related entities, the contribution paid has been presented as deemed distribution in equity, reducing the corresponding amounts of additional paid in capital and retained earnings for the amount paid and remaining net profit previously recognized by such entities.

(c) 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 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

Notes to the interim consolidated financial statements (continued)

17. Tax Situation

- (a) InRetail Peru Corp. (formerly IFH Pharma 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.

- (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, 2013 and 2012, 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.
- (c) In Accordance to Income Tax Law, modified by Laws 29663 and 29757, since 2011, gains from indirect sale of shares of Peruvian companies are subject to income tax. 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 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. 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 December 31, 2013 and 2012.

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. (formerly IFH Pharma 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.	2011, 2012 and 2013	2011, 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, Interproperties Holding is not considered an income taxpayer due to its status as a trust. 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. The review by the Tax Authority of income attributions and VAT declarations made for the years 2009 to 2013 are pending.

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 the 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, 2013 and 2012.

18. Operating expenses

- (a) The table below presents the components of this caption for the years ended December 31, 2013 and 2012:

	2013	2012
	S/.(000)	S/.(000)
Cost of sales	3,805,289	3,437,761
Selling expenses	1,010,308	888,979
Administrative expenses	173,958	138,728
	<u>4,989,555</u>	<u>4,465,468</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.

	2013			
	Cost of sales	Selling expenses	Administrative expenses	Total
	S/.(000)	S/.(000)	S/.(000)	S/.(000)
Initial balance of goods, Note 8(a)	591,800	-	-	591,800
Purchase of goods	3,922,451	-	-	3,922,451
Final balance of goods, Note 8(a)	(773,151)	-	-	(773,151)
Impairment of inventories note 8 (c)	6,179	-	-	6,179
Cost of services	58,010	-	-	58,010
Packing and packaging	-	37,061	747	37,808
Personnel expenses	-	400,750	103,575	504,325
Depreciation, Note 10(d)	-	85,540	15,082	100,622
Amortization, Note 12(d)	-	5,971	3,086	9,057
Services provided by third parties (b)	-	148,706	27,389	176,095
Advertising	-	78,908	-	78,908
Rental of premises	-	97,131	5,671	102,802
Taxes	-	20,853	9,453	30,306
Provision for doubtful trade receivables, Note 7(g)	-	1,395	-	1,395
Provision for doubtful other account receivables,	-	2	3	5
Insurance	-	7,851	590	8,441
Other charges (c)	-	126,140	8,365	134,505
	3,805,289	1,010,308	173,961	4,989,558

	2012			
	Cost of sales	Selling expenses	Administrative expenses	Total
	S/.(000)	S/.(000)	S/.(000)	S/.(000)
Initial balance of goods,	593,289	-	-	593,289
Purchase of merchandise	3,387,527	-	-	3,387,527
Final balance of goods, Note 8 (a)	(591,800)	-	-	(591,800)
Impairment of inventories, note 8 (c)	3,813	-	-	3,813
Cost of services	44,932	-	-	44,932
Packing and packaging	-	31,577	688	32,265
Personnel expenses	-	354,237	86,921	441,158
Depreciation, Note 10(d)	-	81,515	10,087	91,602
Amortization, Note 12(d)	-	4,780	2,456	7,236
Services provided by third parties (b)	-	130,035	18,637	148,672
Advertising	-	69,435	244	69,679
Rental of premises	-	79,781	2,228	82,009
Taxes	-	18,241	7,507	25,748
Provision for doubtful trade receivables, Note 7(g)	-	882	-	882
Insurance	-	6,091	548	6,639
Other charges (c)	-	112,405	9,412	121,817
	3,437,761	888,979	138,728	4,465,468

(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.

Notes to the interim consolidated financial statements (continued)

19. Finance costs

For the years ended as of December 31, 2013 and 2012, this caption mainly includes interests generated by bonds issued and loans and borrowings for a total amount of approximately S/.153,896,000 and S/.140,380,000, respectively. Also, as of December 31, 2013 and 2012, there are interests payable for these obligations for approximately S/.19,023,000 and S/.18,913,000, respectively, which are recorded in the "Other payable" caption of the consolidated statements of financial position.

20. Transactions with related parties

(a) The following table provides the total amount of transactions that have been entered into with related parties for the years ended as of December 31, 2013 and 2012:

	2013 S/.(000)	2012 S/.(000)
Income		
Sales	8,282	26,885
Rental income	42,963	31,465
Rendering of services	56,341	11,428
Other	17,717	4,344
	<u>125,303</u>	<u>74,122</u>
Expenses		
Renting of premises and land	7,572	7,118
Reimbursements of expenses	5,656	623
Commissions	594	1,077
Other services	13,150	3,297
Interest	8,488	2,455
	<u>35,460</u>	<u>14,570</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 December 31, 2013 and 2012:

	As of December 31, 2013	As of December 31, 2012
	S/.(000)	S/.(000)
Receivables		
Banco Internacional del Perú S.A.A. – Interbank	6,941	5,314
Interseguro Compañía de Seguros S.A.	590	194
Cineplex S.A.	1,108	127
Tiendas Peruanas S.A.	2,661	632
Urbi	177	202
Intercorp Perú Ltd. (d)	24,394	78,479
Home Centers Peruanos S.A. (e)	28,612	11,878
Financiera Uno S.A.	7,988	-
Others	13,577	7,651
	<u>86,048</u>	<u>104,477</u>
	<u>86,048</u>	<u>104,477</u>
	As of December 31, 2013	As of December 31, 2012
	S/.(000)	S/.(000)
Payables		
Banco Internacional del Perú S.A.A. – Interbank:		
Credit line and others (f)	1,236	170
Guarantee deposit (g)	3,642	3,157
Horizonte Global Opportunities Perú S.A. (h)	554	4,429
Cineplex S.A.	59	-
Interseguro Compañía de Seguros S.A.	293	-
Intercorp Retail Inc. (i)	25,544	26,890
Tiendas Peruanas S.A.	131	-
Others	2,955	839
	<u>34,414</u>	<u>35,485</u>
	<u>34,414</u>	<u>35,485</u>
Remunerations payable to key management (j)	121	1,500
	<u>34,535</u>	<u>36,985</u>
	<u>34,535</u>	<u>36,985</u>
Current portion	30,893	33,828
Non-current portion	3,642	3,157
Total	<u>34,535</u>	<u>36,985</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 December 31, 2013 and 2012, 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 and presents maturity in in may 2014.
- (e) As of December 31, 2013, the balance receivable from Home Center correspond mainly to two loans in dollars and soles for approximately US\$4,406,000 (equivalent to S/.12,320,000) and S/.383,000, respectively. Such loans include interests accrued at market rates, present current maturity and have no specific guarantees. Additionally, it includes S/12,348,000 for the reimbursement of cost of construction of two stores in the cities of Lima and Cuzco.
- (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 December 31, 2013 and 2012, Supermercados Peruanos S.A. has credited the update of the present value of this deposit in the “Financial income” caption. As of December 31, 2013 and 2012, the net present value of the balances related to guarantee deposits amounts to S/.3,642,000 and S/.3,157,000, respectively, and is accounted for in the “Other payables” caption.

In relation to such contracts, during the year ended December 31, 2013 Supermercados Peruanos S.A. recognized accrued renting revenue that amounted to approximately S/.3,473,000, equivalent to US\$1,156,000 (S/.3,790,000, equivalent to approximately US\$1,262,000 during the year ended December 31, 2012), which are recorded net of the renting expenses in the “Rental income” caption in the consolidated statements of income.

As of December 31, 2013 Supermercados Peruanos S.A. maintains deferred revenue that amounts to approximately S/.9,407,000 (S/.11,532,000 as of December 31, 2012) which will be recognized as income in upcoming periods.

- (h) Correspond to balances payable on land an premises renting.
- (i) As of December 31, 2013 and 2012 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 years ended December 31, 2013 and 2012, is detailed below:

	2013 S/.(000)	2012 S/.(000)
Short term employee benefits	16,825	15,633
Post-employment pension and medical benefits	944	1,332
Termination benefits	<u>14</u>	<u>765</u>
	<u>17,783</u>	<u>17,730</u>

- (k) As of December 31 2013 and 2012, the Group maintains the following balances in the cash and cash equivalent captions:

	2013 S/.(000)	2012 S/.(000)
Banco Internacional del Peru – Interbank S.A.A.	180,476	407,523
Inteligo Bank Ltd.	348	80,566

Interest-bearing loans and borrowings (Note,14)

- (l) Banco Internacional del Perú – Interbank signed leasing contracts with Supermercados Peruanos S.A., Eckerd S.A., Interproperties Holding and Real Plaza for approximately S/.142,029,000, S/.25,153,000, S/.64,989,000, 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 4.85 and 11.43 percent, and whose maturities are between 2014 and 2026. These transaction are included in Interest-bearing loans and borrowings, see Note 13. During the years ended December 31, 2013 and 2012, 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)

21. Earnings per share

Basic earnings per share amounts are calculated by dividing profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year. 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, on a pro-forma basis, reflecting the reorganization described in Note 2 (a), as if the equity structure of the InRetail Group had been in place for all periods presented:

	Ordinary shares		
	Outstanding shares	Effective days until period-end	Weighted average of shares
Number as of January 1, 2012	79,248,094		79,248,094
Capital contribution	559,225	182	278,846
Capital contribution	23,000,000	60	3,780,822
Number as of December 31, 2012	102,807,319		83,307,762
Number as of January 1, 2013	102,807,319		102,807,319
Number as of December 31, 2013	102,807,319		102,807,319
	For the year ended December 31, 2013		
	Net income (numerator)	Shares (denominator)	Earnings per share
	S/.		S/.
Basic and diluted earnings per share	55,819,000	102,807,319	0.54
	For the year ended December 31, 2012		
	Net income (numerator)	Shares (denominator)	Earnings per share
	S/.		S/.
Basic and diluted earnings per share	218,300,000	83,307,762	2.62

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

Notes to the interim consolidated financial statements (continued)

22. Commitments and contingencies

Commitments –

The main commitments assumed are presented below:

- (a) As of December 31, 2013 and 2012, 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 December 31, 2013, the Company as its Subsidiaries agreed with several financial entities on the issuance joint by and severally irrevocable letters of guarantee for approximately S/.17,826,000 (S/.8,834,000 as of December 31, 2012), respectively, for compliance with the payment for purchase of goods to foreign suppliers.
- (c) During 2013 and 2012, 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 December 31, 2013, 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 June 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, 2013 and 2012.
- (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 December 31, 2013 and 2012.

23. 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 December 31, 2013 and 2012 and for the years ended December 31, 2013 and 2012, InRetail Peru Corp. is organized into three main business lines, see Note 3. 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 2013 and 2012

	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)
As of and for the year ended December 31, 2013						
Revenue						
External income	3,318,131	1,823,645	182,627	5,324,403	-	5,324,403
Inter-segment	10,656	234	33,641	44,531	(44,531)	-
Total revenue	3,328,787	1,823,879	216,268	5,368,934	(44,531)	5,324,403
Cost of sales	(2,480,034)	(1,267,479)	(58,010)	(3,805,523)	234	(3,805,289)
Gross profit	848,753	556,400	158,258	1,563,411	(44,297)	1,519,114
Other operating income	30,128	537	44,057	74,722	2,146	76,868
Selling expenses	(666,406)	(374,666)	(5,654)	(1,046,726)	36,418	(1,010,308)
Administrative expenses	(83,924)	(49,223)	(40,556)	(173,703)	(255)	(173,958)
Other operating expenses	(1,991)	-	(339)	(2,330)	-	(2,330)
Operating profit	126,560	133,048	155,766	415,374	(5,988)	409,386
Finance income	(33,604)	(99)	(35,482)	(69,185)	(31,436)	(100,621)
Finance costs	(73,456)	(3,114)	(65,045)	(141,615)	(31,549)	(173,164)
Profit before income tax	19,500	129,835	55,239	204,574	(68,973)	135,601
Income tax expense	(11,364)	(41,118)	(25,319)	(77,801)	(1,979)	(79,780)
Profit for the year	8,136	88,717	29,920	126,773	(70,952)	55,821
Attributable to:						
Owners of the parent	8,136	88,717	29,920	126,773	(70,954)	55,819
Non-controlling interests	-	-	-	-	2	2
	8,136	88,717	29,920	126,773	(70,952)	55,821

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)
As of and for the year ended December 31, 2012						
Revenue						
External income	3,048,446	1,600,175	135,712	4,784,333	-	4,784,333
Inter-segment	10,912	398	19,517	30,827	(30,827)	-
Total revenue	3,059,358	1,600,573	155,229	4,815,160	(30,827)	4,784,333
Cost of sales	(2,254,289)	(1,138,540)	(44,932)	(3,437,761)	-	(3,437,761)
Gross profit	805,069	462,033	110,297	1,377,399	(30,827)	1,346,572
Other operating income	-	215	77,928	78,143	(23,932)	54,211
Selling expenses	(610,761)	(295,054)	(4,874)	(910,689)	21,710	(888,979)
Administrative expenses	(71,796)	(46,865)	(22,963)	(141,624)	2,896	(138,728)
Other operating expenses	(986)	(448)	(6)	(1,440)	(1,923)	(3,363)
Operating profit	121,526	119,881	160,382	401,789	(32,076)	369,713
Finance income	30,424	2,053	44,420	76,897	21,197	98,094
Finance costs	(63,598)	(1,033)	(60,911)	(125,542)	(30,523)	(156,065)
Profit before income tax	88,352	120,901	143,891	353,144	(41,402)	311,742
Income tax expense	(31,601)	(35,805)	(30,960)	(98,366)	4,935	(93,431)
Profit for the year	56,751	85,096	112,931	254,778	(36,467)	218,311
Attributable to:						
Owners of the parent	56,751	85,096	112,931	254,778	(36,478)	218,300
Non-controlling interests	-	-	-	-	11	11
	56,751	85,096	112,931	254,778	(36,467)	218,311

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 December 31, 2013 and 2012, 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.

24. 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.

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 years ended December 31, 2013 and 2012. 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.

25. Transactions in foreign currency

Transactions in foreign currency are carried out using exchange rates prevailing in the market as published by the Superintendency of Banks, Insurance and Pension Funds Administration. As of December 31, 2013, the weighted average exchange rates in the market for transactions in US Dollars were S/.2.794 per US\$ 1.00 bid and S/. 2.796 per US\$ 1.00 ask (S/.2.549 and S/.2.551 per US\$1.00 for bid and ask as of December 31, 2012).

Notes to the interim consolidated financial statements (continued)

As of December 31, 2013 and 2012, The InRetail Group held the following foreign currency assets and liabilities:

	As of December 31, 2013 US\$(000)	As of December 31, 2012 US\$(000)
Assets		
Cash and short-term deposits	2,041	4,594
Available-for-sale investment	22,221	10,115
Investment at fair value through profit or loss	-	-
Trade receivables, net	614	942
Other receivables, net	3,239	8,211
Accounts receivable from related parties	6,255	6
	<u>34,370</u>	<u>23,868</u>
Liability		
Trade payables	(17,603)	(20,558)
Other payables	(11,648)	(3,620)
Accounts payable to related parties	(4,851)	(2,194)
Interest - bearing loans and borrowings	(501,800)	(530,218)
	<u>(535,902)</u>	<u>(556,590)</u>
Currency swap transactions-Short position	7,005	7,005
Net liability position	<u>(494,527)</u>	<u>(525,717)</u>

As of December 31, 2013 and 2012, 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 ("Bonos Subordinados-Segunda Emision"), which has 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.

26. 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.