InRetail Perú Corp. and Subsidiaries

Consolidated financial statements as of December 31, 2012 and 2011, together with the independent auditor's report

ERNST & YOUNG

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Consolidated financial statements as of December 31, 2012 and 2011, together with Report of the independent auditor's report

Contents

Independent auditors' report

To the Board of Directors and shareholders of InRetail Perú Corp. and Subsidiaries

We have audited the accompanying consolidated financial statements of InRetail Perú Corp. and Subsidiaries (together the "InRetail Group"), which comprise the consolidated statement of financial position as of December 31, 2012, and 2011, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, and the consolidated statement of cash flows for the years ended December 31, 2012 and 2011, and the summary of significant accounting policies and other explanatory notes.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control that Management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Auditing Standards Generally Accepted in Peru. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making this risk assessments, the auditor considers internal control relevant to the InRetail Group in the preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the InRetail Group internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the consolidated financial statements.

Independent Auditors' Report (continued)

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of InRetail Perú Corp. and Subsidiaries as of December 31, 2012, and 2011, and their consolidated results of operations and their cash flows for the years ended December 31, 2012 and 2011, in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board ("IASB").

Lima, Peru,
March 18, 2013

Medina, Zaldivar, Paredes & Asoc.

Countersigned by:

Víctor Tanaka
C.P.C.C. Registration No. 25613

InRetail Perú Corp. and Subsidiaries

Consolidated statements of financial position

As of December 31, 2012, and 2011

	Note	2012 S/.(000)	2011 S/.(000)
Assets			
Current assets			
Cash and short-term deposits	6	541,864	325,722
Investments at fair value through profit or loss	7	555,023	20,000
Receivable, net	8	72,313	46,596
Other receivables, net	9	35,459	23,027
Accounts receivable from related parties	29(b)	104,477	19,993
Inventories, net	10	601,962	614,822
Available-for-sale investment	11	28,319	70,628
Prepayments	12	30,942	27,233
Taxes recoverable	13	48,456	41,639
Total current assets		2,018,815	1,189,660
Non-current assets			
Other receivables, net	9	7,430	4,983
Prepayments	12	17,641	8,553
Property, furniture and equipment, net	14	1,763,538	1,515,172
Investment properties	15	1,104,261	761,069
Intangible assets, net	16	1,136,720	1,116,578
Other assets		1,970	210
Total non-current assets		4,031,560	3,406,565
Total assets		6,050,375	4,596,225

	Note	2012 S/.(000)	2011 S/.(000)
Liabilities and equity			
Current liabilities			
Trade payables	18	1,035,307	965,321
Other payables	19	162,642	112,402
Interest-bearing loans and borrowings	20	73,938	58,775
Accounts payable to related parties	29(b)	33,828	25,901
Current income tax, net	23(d)	25,122	6,514
Bonds payable	21	9,771	20,907
Deferred revenue	30	2,989	8,447
Total current liabilities		1,343,597	1,198,267
Interest-bearing loans and borrowings	20	1,319,417	1,352,365
Accounts payable to related parties	29(b)	3,157	2,470
Bonds payable	21	264,422	129,009
Derivative financial instrument	22	4,995	4,042
Deferred revenue	30	20,908	11,289
Deferred income tax liabilities, net	23	193,258	166,953
Total non-current liabilities		1,806,157	1,666,128
Total liabilities		3,149,754	2,864,395
Equity	24		
Equity Attributable to Inretail Perú Corp:			
Capital stock		2,138,566	1,306,455
Additional paid in capital		-	122,019
Capital premium		551,209	-
Unrealized results on financial instruments		374	2,117
Retained earnings		210,353	299,468
		2,900,502	1,730,059
Non- controlling interests		119	1,771
Total equity		2,900,621	1,731,830
Total liabilities and equity		6,050,375	4,596,225

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

InRetail Perú Corp. and Subsidiaries

Consolidated income statements

For the years ended December 31, 2012 and 2011

	Note	2012 S/.(000)	2011 S/.(000)
Net sales of goods		4,605,654	4,122,441
Rental income	15(b)	111,635	85,832
Rendering of services	15(b)	66,630	33,893
Revenue		4,783,919	4,242,166
Cost of sales	26(a)	(3,436,919)	(3,087,382)
Gross profit		1,347,000	1,154,784
Other operating income	27	54,817	53,621
Selling expenses	26(a)	(868,020)	(778,875)
Administrative expenses	26(a)	(163,194)	(151,939)
Other operating expenses	27	(3,389)	(13,983)
Operating profit		367,214	263,608
Finance income	28	98,094	24,727
Finance costs	28	(156,066)	(101,992)
Profit before income tax		309,242	186,343
Income tax expense	23(c)	(90,931)	(62,772)
Profit for the year		218,311	123,571
Attributable to:			
InRetail Perú Corp. shareholders		218,300	123,433
Non-controlling interests		11	138
		218,311	123,571
Earnings per share:	31		
Basic and diluted profit for the year attributable to InRetail Perú Corp. shareholders		2.62	1.78

All items above related to continuing operations

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

InRetail Perú Corp. and Subsidiaries

Consolidated statements of comprehensive income

For the years ended December 31, 2012 and 2011

	Note	2012 S/.(000)	2011 S/.(000)
Profit for the year		218,311	123,571
Other comprehensive income			
Update in the fair value of derivate financial instruments	22	539	(557)
Update in the fair value of available-for-sale investments	11(a)	3,641	3,202
Transfer of the realized gain on available-for-sale investments to the profit for the year	11(b)	(3,672)	-
Deferred income tax related to other comprehensive income	23(b)	175	(725)
Other comprehensive income for the year, net of income tax effects		683	1,920
Total comprehensive income for the year		218,994	125,491
Attributable to:			
InRetail Perú Corp. shareholders		218,982	125,346
Non-controlling interests		12	145
		218,994	125,491

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

Consolidated statements of changes in equity

For the years ended December 31, 2012 and 2011

	Attributable to owners of the parent							
	Capital stock S/.(000)	Additional paid in capital S/.(000)	Capital premium S/.(000)	Unrealized results on financial instruments S/.(000)	Retained earnings S/.(000)	Total S/.(000)	Non-controlling interests S/.(000)	Total net equity S/.(000)
Balances as of January 1, 2011	502,192	231,021	-	204	263,820	997,237	1,629	998,866
Profit for the year	-	-	-	-	123,433	123,433	138	123,571
Other comprehensive income	-	-	-	1,913	-	1,913	7	1,920
Total comprehensive income	-	-	-	1,913	123,433	125,346	145	125,491
Deemed distribution	-	(118,927)	-	-	(65,397)	(184,324)	-	(184,324)
Capital contribution	804,263	9,925	-	-	-	814,188	-	814,188
Dividends	-	-	-	-	(21,457)	(21,457)	-	(21,457)
Other	-	-	-	-	(931)	(931)	(3)	(934)
Balance as of December 31, 2011	1,306,455	122,019	-	2,117	299,468	1,730,059	1,771	1,731,830
Profit for the year	-	-	-	-	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)	-	-	-
Deemed distribution	-	(113,758)	-	-	(91,047)	(204,805)	-	(204,805)
Dividends	-	-	-	-	(1,950)	(1,950)	-	(1,950)
Restructuring adjustments	197,540	-	-	(2,425)	(193,372)	1,743	(1,743)	-
Cash contribution, Note 1(b.2)	594,460	-	551,209	-	-	1,145,669	-	1,145,669
Other	-	-	-	-	(1,764)	(1,764)	79	(1,685)
Balances as of December 31, 2012	2,138,566	-	551,209	374	210,353	2,900,502	119	2,900,621

InRetail Perú Corp. and Subsidiaries

Consolidated statements of cash flows

For the years ended December 31, 2012 and 2011

	2012 S/.(000)	2011 S/.(000)
Operating activities		
Profit for the year	218,311	123,571
Non-cash adjustment to reconcile profit before tax to net cash flows		
Allowance for doubtful accounts receivable	1,430	2,139
Depreciation of property, furniture and equipment	91,615	93,390
Amortization of intangible assets	6,708	7,197
Provision for inventory impairment, net of recoveries	3,813	2,426
Loss on disposal of property, furniture and equipment and intangible assets	235	10,325
Gain on valuation of investment properties	(53,724)	(51,478)
Finance costs	156,066	101,992
Finance income	(98,094)	(24,727)
Deferred income tax	26,480	21,405
Other	1,551	(3,603)
Working capital adjustments		
Increase in trade receivables	(27,007)	(13,789)
(Increase) decrease in other receivables and accounts receivable from related parties	(100,816)	54,754
Decrease (increase) in inventory	9,047	(125,777)
Increase in prepayments	(12,797)	(15,699)
(Increase) decrease in taxes recoverable	(6,817)	14,886
Increase in trade payables	73,008	116,968
Increase (decrease) of deferred revenue	2,848	(7,374)
Increase (decrease) in other payables and accounts payable to related parties	87,369	(28,112)
Net cash flows from operating activities	160,915	154,923
Investing activities		
Gain on sale of property, furniture and equipment	1,926	664
Purchase of property, furniture and equipment, net of acquisitions through leasing contracts	(298,515)	(311,383)
Purchase of investment properties	(289,468)	(95,480)
Purchase of available for sale investment	(520,403)	(88,906)
Purchase and development of intangible assets	(26,850)	(5,593)
Purchase of subsidiary, net of cash received	-	(1,019,267)
Net cash flows used in investing activities	(1,133,310)	(1,519,965)

Consolidated statements of cash flows (continued)

	2012 S/.(000)	2011 S/.(000)
Financing activities		
Proceeds from interest-bearing loans and borrowings	538,722	1,516,768
Issuance of bonds	147,958	-
Capital contribution	1,158,237	814,188
Prepayment of interest-bearing loans and borrowings	(532,990)	(430,371)
Deemed distribution	(204,805)	(184,324)
Prepayment of bonds payable	(16,370)	(166,370)
Interest paid	(143,753)	(79,159)
Dividends	(1,950)	(21,457)
Net cash flows from financing activities	945,049	1,449,275
Net increase (decrease) of cash and short-term deposits	(27,346)	84,233
Net foreign exchange difference	(1,323)	(888)
Cash and short – term deposits at the beginning of the year	325,722	118,806
Cash and short – term deposits at the end of the year	515,364	325,722
Additional information on cash flow		
Cash paid and/or received in the year for		
Interest received	17,006	3,133
Income tax paid	(45,845)	(45,525)
Other finance expenses paid	(8,327)	(9,580)
Non-cash transactions		
Fixed assets purchased through leasing and other financial obligations	43,627	57,099

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

1. **Business activity and group reorganization**

(a) Business activity -

InRetail Perú 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 31,2012 (74.15 percent of its capital stock as of December 31, 2011). Likewise, Intercorp Retail Inc. is a subsidiary of Intercorp Perú Ltd., formerly IFH Perú Ltd., (a holding company incorporated in Bahamas, hereinafter "Intercorp Perú") which is the ultimate parent and holds 100.00 percent of Intercorp Retail Inc.'s capital stock.

Taking into consideration the reorganization process and Initial Public Offering explained in (b) below, as of December 31, 2012, the percentages of ownership are:

Owner	Percentages of ownership
	%
Intercorp Retail Inc. (*)	58.04
Intercorp Perú Ltd. (*)	13.71
NG Pharma Corp.	6.30
Others	21.95
	100.00

(*) All these companies are controlled by Intercorp Perú directly and indirectly.

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 Morelli street 181, San Borja, Lima, Peru, as of December 31, 2012 (Av. Carlos Villarán 140, Urb. Santa Catalina, La Victoria, Lima, Perú, as of December 31, 2011).

The Company was incorporated in order to acquire, directly and indirectly, the following entities: (i) Eckerd Perú S.A. and subsidiaries, (ii) Droguería 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 to health protection and recovery through its "Inkafarma" pharmacy chain. See Eckerd Group acquisition in Note 2.

As explained in paragraph (b) below, after the reorganization of certain subsidiaries of Intercorp Perú, the Company became the main retail and shopping center operator of the Intercorp Perú 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 operate supermarkets, hypermarkets, pharmacies and shopping centers, as well as real estate development. The InRetail Group's operations are concentrated in Peru.

The consolidated financial statements as of December 31, 2012 and 2011, were approved by Management on March 18, 2013, and will be submitted for approval by the Board of Directors and the Shareholders' Meeting that will be held within the deadline established by law. In Management's opinion, the accompanying consolidated financial statements will be approved by the Board of Directors and the Shareholders' Meeting without modifications.

(b) Reorganization of Subsidiaries and Initial Public Offering -

(b.1) Reorganization of Intercorp Peru's Subsidiaries -

Intercorp Perú and its Subsidiaries ("Intercorp Perú Group"), which comprises several companies operating in Peru 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 shareholdings 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 centers business, consisting of Real Plaza S.R.L., InRetail Properties Management S.R.L. (formerly Interproperties S.A.), Patrimonio en Fideicomiso – D.S. No. 093-2002-EF-Interproperties Holding and Patrimonio en Fideicomiso – D.S. No. 093-2002-EF-Interproperties Holding II. Likewise, in a series of transactions, nine 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. No. 093-2002-EF-Interproperties Holding II. The Company also became the direct owner of Supermercados Peruanos, which, along with its subsidiaries Plaza Vea 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 and indirectly the following percentages of ownership:

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

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

As the above-described reorganization of Intercorp Perú Group will not lead a change in Intercorp Perú's control of the Subsidiaries now grouped under the Company, according to International Financial Reporting Standards (see Note 4.2(b)), the transactions amount to a reorganization of entities under common control, therefore the reorganization was accounted for using the pooling-of-interest method. Therefore, these 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 years presented. The consolidated financial statements as of December 31, 2011 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.2) International share offering -

Subsequent to the reorganization explained in paragraph (b.1) 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 and Exchange Commission of United States of America and Regulation S of 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 US$10.00 per share in 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 US$400,000,000 (equivalent to approximately S/.1,034,000,000), which is presented as an increase of capital stock and share 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 in US$ 10 per share in the Peruvian and international markets, being the issue price of US$20 per share. The issuance of these new shares has represented for InRetail Perú 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 capital premium by S/.77,460,000, respectively.

Capital premium recorded from the two issuances detailed above is presented in the consolidated statements of changes in equity, net of expenses incurred and related to the shares issuance, amounting to S/.43,251,000.

2. **Eckerd Group acquisition**

In January 2011, the Company acquired directly and indirectly (through acquisition of holdings companies Coeptum Holding Ltd., Zermat Pharmaceuticals S.L., Pharmacies Europeennes Holding S.A. and Chammar Trading Inc.), the Eckerd Group consisting of 100% of the following companies: Eckerd Perú S.A. and Subsidiaries, Droguería Los Andes S.A. and Inmobiliaria Espíritu Santo S.A.C.

As of December 31, 2012 and 2011, Eckerd Perú S.A. is the sole owner of Eckerd Amazonía S.A.C. and Boticas del Oriente S.A.C. Additionally, Inmobiliaria Espiritu Santo S.A.C. and Droguería Los Andes S.A.C. were absorbed by Eckerd Perú S.A.C. in August 2012 and May 2011, respectively, at book value because this process 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.

Below are the fair values of the identifiable assets and liabilities of the acquired entity at the acquisition date (January 2011):

	Fair value recognized on acquisition S/.(000)
Assets	
Cash and short-term deposits	21,415
Inventories, net	224,524
Other assets	37,012
Property, furniture and equipment, net, Note 14	93,594
Intangible assets, net, Note 16	381,949
	758,494
Liabilities	
Trade payables	263,267
Other liabilities	29,025
Financial obligations	4,129
Deferred Income Tax liability	115,674
	412,095
Total identifiable net assets at fair value	346,399
Goodwill arising on acquisition, Note 16	694,283
Purchase consideration transferred	1,040,682

In connection with this acquisition the Company obtained a loan granted by Bank of America for approximately S/.358,280,000 (US$130,000,000), which accrued interest at three-month Libor rate plus a margin.

The acquisition costs amounted to approximately S/.4,764,000 and were recorded as expenses in 2011, in the "Administrative expenses" caption in the consolidated income statement and as part of operating activities of the consolidated statements of cash flows.

Since the date of its acquisition to December 31, 2011, Eckerd Group contributed approximately S/.1,333,428,000 of the consolidated revenue and S/.76,675,000 of the consolidated profit before income tax of the Company. The impact of the profits and revenues of the Eckerd Group from January 1, 2011 to the date of acquisition (January 20, 2011) are included in the 2011 income statement, however the effect on the income statement from January 1 to the date of acquisition was not material to the InRetail Group.

Goodwill of S/.694,283,000 comprises the impact of expected high growth in the industry of the acquired company in Perú. Goodwill is allocated entirely to the pharmacies segment.

3. Subsidiaries 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 Peru. As of December 31, 2012, it owns a chain of 86 stores in Lima and provinces, composed by 49 hypermarkets that operate under the "Plaza Vea" brand, 26 supermarkets that operate under the "Vivanda" (8) and "Plaza Vea Super" (18) brands, and 11 discount stores that operate under the "Mass" and "Economax" commercial brand (41 hypermarkets, 22 supermarkets and 12 discount stores as of December 31, 2011). Supermercados Peruanos S.A. holds 100 percent of: (i) Peruana de Tiquetes S.A.C. and (ii) Plaza Vea Sur S.A.C.

(b) Eckerd Group-

Group of companies that include Eckerd Perú S.A. and Subsidiaries. In August 2012, took place the merge of Eckerd Perú and Inmobiliaria Espíritu Santo S.A.C. (A company incorporated in April 2007 which held eight investment properties, which were leased to Eckerd Perú S.A.).

Entity dedicated to the nationwide commercialization of pharmaceutical products, cosmetic products, food for medical use and other elements aimed for health protection and recovery through its "Inkafarma" pharmacy chain. As of December 31, 2012, it operated 580 stores across the country (430 stores as of December 31, 2011). Eckerd Perú S.A. holds 100 percent of: (i) Eckerd Amazonía S.A.C. and (ii) Boticas del Oriente S.A.C. As of December 31, 2012, InRetail Perú Corp. holds indirectly 100 percent of the representative shares of the capital stock of Eckerd Perú S.A.

(c) InRetail Real Estate Corp. -
Holding company incorporated in the Republic of Panama in April 2012 as part of the reorganization process described in Note 1(b). InRetail Real Estate owns the following subsidiaries:

Entity	Activity
Real Plaza S.R.L.	Entity dedicated to the management and administration of 14 shopping centers (13 as of December 31, 2011) named "Centro Comercial Real Plaza", located in Perú (Chiclayo, Piura, Chimbote, Trujillo, Huancayo, Arequipa, Juliaca, Huánuco and Lima).
Patrimonio en Fideicomiso – D.S.Nº093-2002 – EF - Interproperties Holding and Patrimonio en Fideicomiso –D.S. Nº093-2002-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. As of December 31, 2012 and 2011 InRetail Real Estate owns 100 percent of participation in the net assets of Interproperties Holding.
InRetail Properties Management S.R.L. (formerly Interproperties Perú S.A.)	Entity that provides the staff which manages and operates Interproperties Holding. As of December 31, 2012 and 2011 InRetail Real Estate holds 100 percent of the capital stock of InRetail Properties Management S.R.L.

4. Summary of significant accounting policies

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

4.1 Basis of preparation and presentation

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 Board (IASB).

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.

The information contained in the consolidated financial statements is responsibility of Management of the Company and Subsidiaries, who expressly declares to have applied entirely the principles and criteria included in the International Financial Reporting Standards (IFRS) issued by IASB effective at the dates of consolidated financial statements.

4.2 **Summary of significant accounting policies**

(a) Basis of combination -

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries; see Notes 2 and 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.

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

(b) Business combinations and goodwill -

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the total consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the InRetail Group elects whether it measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When the InRetail Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the InRetail Group's cash-generating units that are expected to benefit from the combination.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Business combinations and other sales of companies or businesses between entities under common control are recorded using the pooling-of-interest method, because there has been no effective change in control over the companies or business. In accordance with the pooling-of-interest method, the balances of the financial statements of the merged companies or business, both in the period in which the merger occurs as well as the other periods presented in comparative form, are presented as if they had merged since the beginning of the oldest period that is presented.

(c) Financial instruments - initial recognition and subsequent measurement -

(i) Financial assets

Initial recognition and measurement -

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The InRetail Group determines the classification of its financial assets at initial recognition.

All financial assets are recognized initially at fair value plus, in the case of assets not at fair value through profit or loss, directly attributable transaction costs.

Purchases or sales of financial assets that require the delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date, i.e., the date that the InRetail Group commits to purchase or sell the asset.

The InRetail Group's financial assets include cash and short-term deposits, trade and other receivables, accounts receivable from related entities and available-for-sale investment.

Subsequent measurement -

As of December 31, 2012 and 2011, the InRetail Group does not hold financial assets classified as fair value through profit or loss or as held-to-maturity investments. The subsequent measurement of financial assets depends on their classification applicable to the InRetail Group, as noted below.

Financial assets at fair value through profit or loss -
A financial asset is held at fair value through profit or loss when it is held for trading or when it is designated upon initial recognition. The assets in this category are classified as current assets when they are maintained as negotiable or they are expected to be realized in the twelve following months since the date of the statement of financial position. Profits and losses from the financial assets classified in this category are recognized in the statement of comprehensive income. The Company and subsidiaries have classified as financial assets at fair value through profit or loss their mutual funds of variable rent, see Note 7.

InRetail Group evaluated the financial assets held for trading, other than derivative, to determinate whether the intention to sell them in the near term is still appropriate. When InRetail Group is unable to trade these financial assets due to the inactive markets and Management's intentions to sell them in the foreseeable future significantly changes, InRetail Group may elect to reclassify them due to these rare circumstances. The reclassification to loans and accounts receivable, available for sale or held to maturity depends on the nature of the asset. This evaluation does not affect any financial asset designated at fair value through profit or loss using the fair value option at the moment of its designation.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate method (EIR), less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the income statement. Any losses arising from impairment are recognized in the income statement as finance costs.

Losses resulting from impairment are recognized in the consolidated income statements in the "financial expenses" caption.

The InRetail Group records the following accounts in this category: cash and short-term deposits, trade and other receivables, and accounts receivable from related parties.

Available-for-sale investments
Available-for-sale financial investments include debt securities. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, available-for-sale investments are subsequently measured at fair value with unrealized gains or losses recognized as other comprehensive income in the available-for-sale reserve until the investment is derecognized, at which time the cumulative gain or loss is recognized in other operating income, or determined to be impaired, at which time the cumulative loss is reclassified to the income statement in finance costs and removed from the available-for-sale reserve. Interest earned while holding available–for-sale financial investments is reported as interest income using the EIR method.

Derecognition -
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- The rights to receive cash flows from the asset have expired

- The InRetail Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the InRetail Group has transferred substantially all the risks and rewards of the asset, or (b) the InRetail Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the InRetail Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of it, the asset is recognized to the extent of the InRetail Group's continuing involvement in it. In that case, the InRetail Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the InRetail Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the InRetail Group could be required to repay.

(ii) Impairment of financial assets
The InRetail Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the InRetail Group of financial assets that can be reliably estimated. Evidence of

impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortized cost -
For financial assets carried at amortized cost, the InRetail Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the InRetail Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the income statement. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the InRetail Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in the income statement.

Available-for-sale investments -
For available-for-sale investments, the InRetail Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

For debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortized cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in the income statement.

Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the income statement, the impairment loss is reversed through the income statement.

(iii) Financial liabilities
Initial recognition and measurement -
Financial liabilities (within the scope of IAS 39) are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The InRetail Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings carried at amortized cost, this includes directly attributable transaction costs.

The InRetail Group's financial liabilities include trade and other payables, accounts payable to related entities, bonds issued and interest-bearing loans and borrowings.

Subsequent measurement -
The measurement of financial liabilities depends on their classification applicable to the InRetail Group as described below. As of December 31, 2012, December 31, 2011, the InRetail Group does not maintain financial liabilities at fair value through profit or loss.

Debts and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the EIR. Gains and losses are recognized in the income statement when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance costs in the income statement.

Derecognition –

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the income statement.

(iv) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

(v) Fair value of financial instruments

The fair value of the financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transactions costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions reference to the current fair value of another instrument that is substantially the same; a discounted cash flow analysis or other valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 35.

(d) Derivative financial instruments and hedge accounting –
At the inception of a hedge relationship, the InRetail Group formally designates and documents the hedge relationship to which the InRetail Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

The only derivative financial instrument held by the InRetail Group is a currency swap contract. This derivative financial instrument was initially recognized at fair value on the date on which a derivative contract was entered into and is subsequently remeasured at fair value. This derivative is carried as a financial asset when the fair value is positive and as a financial liability when the fair value is negative.

Any gains or losses arising from changes in the fair value are taken directly to the income statement, except for the effective portion of cash flow hedges, which is recognized in unrealized result of financial instruments.

Cash flow hedges which meet the strict criteria for hedge accounting are accounted for as described below:

- The effective portion of the gain or loss on the hedging instrument is recognized directly as unrealized results on financial instruments in the equity, while any ineffective portion is recognized immediately in the income statement in other operating expenses.

- Amounts recognized as unrealized results of financial instruments are transferred to the income statement when the hedged transaction affects profit or loss, such as when the hedged financial income or financial costs is recognized or when a forecast sale occurs.

- If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognized in other comprehensive income in unrealized results of financial instruments remains in equity until the forecast transaction or firm commitment affects profit or loss.

(e) Foreign currency transactions -

(i) Functional and presentation currency -
The InRetail Group's consolidated financial statements are presented in nuevos soles, which is also the functional currency of the Company and all its subsidiaries.

(ii) Transactions and balances in foreign currency –
Transactions in foreign currency are those that have been performed in currencies different than the functional currency. Transactions in foreign currencies are initially recorded by the InRetail Group entities at the functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currency are retranslated at the functional currency spot rate of exchange prevailing at the reporting date. Exchange rate gains or losses resulting from restating the monetary assets and liabilities into foreign currency at the exchange rates prevailing at the consolidated statements of financial position date or at their settlement date are recorded in "Net exchange difference" of the consolidated statements of comprehensive income. Non-monetary assets and liabilities denominated in foreign currency are translated into the functional currency at the exchange rate prevailing at the transaction date.

(f) Cash and short-term deposits -
Cash and short-term deposits in the consolidated statement of financial position comprise cash in banks and on hand and short-term deposits with an original maturity of three months or less.

For the purpose of the consolidated statement cash flows, cash consists of cash and short-term deposits as defined above.

(g) Inventories -
Inventories are valued at the lower of cost and net realizable value. Commercial discounts, price reductions and other similar items decrease the acquisition cost. Cost is determined by applying the average cost method, except in the case of inventory in transit, which is presented at its specific acquisition cost.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.

Reductions in cost of inventories to its net realizable value are recorded as a provision for impairment of inventories, in the caption "Cost of sales" in the consolidated income statement in the period in which such reductions occur.

(h) Prepayments -

The criteria adopted to record these items are the following:

- Operating lease payments made in advance are recorded as an asset and recognized as an expense over the rental period.

- The key money corresponding to the amounts paid by the InRetail Group for the rights for use of certain commercial stores are amortized during the term of the respective contracts.

- Insurance premiums paid in advance are recorded as the value of the premium paid for the coverage of the different assets and are amortized by applying the straight line method during the term of the policies.

- Payments in advance for advertising are recorded as an asset and are recognized as expenses over the campaign period.

(i) Property, furniture and equipment -

Property, furniture and equipment are stated at cost, net of the accumulated depreciation and/or accumulated impairment losses, if any. The historical acquisition cost includes expenses that are directly attributable to the acquisition of assets. Such cost includes the cost of replacing component parts of the property, furniture and equipment and borrowing costs for long-term construction projects if the recognition criteria are met, as indicated in paragraph (r) below.

When significant parts of property, furniture and equipment are required to be replaced at intervals, the InRetail Group derecognizes the replaced part, and recognizes the new part with its own associated useful life and depreciation. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in the income statement as incurred. The present value of the expected cost for the decommissioning of the asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Land is not depreciated. Depreciation is calculated on a straight-line basis over the estimated useful lifes described in Note 14.

An item of property, furniture and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognized.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.
Work in progress represents buildings in construction and is recorded at cost. This includes the construction cost and other direct costs. Work in progress does not depreciate until relevant assets are concluded and operative.

(j) Leases -
The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date, whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

Group as a lessee
Finance leases which transfer to the InRetail Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in finance costs in the income statement.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the InRetail Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognized as an operating expense in the income statement on a straight-line basis over the lease term.

Group as a lessor
Leases in which the InRetail Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same bases as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

(k) Investment properties -
Investment property comprises completed property and property under construction or redevelopment held to earn rentals or for capital appreciation or both.

Investment properties are measured initially at cost, including transaction costs. Transaction costs include transfer taxes, professional fees for legal services and initial leasing commissions to bring the property to the condition necessary for it to be capable of operating. The carrying amount also includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met.

Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included as "Other income" in the income statement in the period in which they arise. Fair values are evaluated periodically by Management, based on discounted cash flows over the benefits that are expected to be obtained from these investments. Fair values of investment property under construction or investment property held to operate in the future are evaluated periodically by an accredited external independent value applying a recognized valuation model.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the income statement in the period of derecognition. Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change. If owner-occupied property becomes an investment property, the InRetail Group accounts for such property in accordance with the policy stated under property, furniture and equipment up to the date of change in use.

(l) Intangible assets -

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets are not capitalized and expenditure is reflected in the income statement in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over their useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense for intangible assets with finite lives is recognized in the income statement in the expense category consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the income statement when the asset is derecognized.

(m) Impairment of non-financial assets -

The InRetail Group assesses at each end of year whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the InRetail Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate any cash inflows that are largely independent of those from other assets or group of assets. When the carrying amount of an asset or CGU exceeds its recoverable value, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

In determining fair value less costs to sell, are taken into account recent market transactions, if any. If you can identify this type of transaction, using a valuation model is appropriate.

The InRetail Group bases its impairment calculation, if needed, on detailed budgets and forecast calculations which are prepared separately for each of the InRetail Group's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations, including impairment on inventories, are recognized in the income statement in those expense categories consistent with the function of the impaired asset.

For assets excluding goodwill and intangibles with indefinitive useful lives, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the InRetail Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the income statement unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

Goodwill and intangible assets with indefinite useful lives -
Goodwill and intangible assets with indefinite useful lives are tested for impairment at least annually (as of December 31) and more frequently when circumstances indicate that the carrying value may be impaired.

Impairment is determined by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which their relates. When the recoverable amount of the cash generating unit is less than their carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill and intangible assets with indefinite useful lives cannot be reversed in future periods.

(n) Defined contribution pension plans -
The InRetail Group only operates a defined contribution pension plan. The contribution payable to a defined contribution pension plan is in proportion to the services rendered to the InRetail Group by the employees and it is recorded as an administrative and selling expense in the consolidated statement of comprehensive income. Unpaid contributions are recorded as a liability.

According to Peruvian legislation, employees profit sharing is calculated on the basis of the taxable income determined for tax purposes.

(o) Provisions -
Provisions are recognized when the InRetail Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the InRetail Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

(p) Contingencies -

A contingent liability is disclosed when the existence of an obligation shall only be confirmed by future events or when the amount of the obligation cannot be measured with sufficient reliability. Contingent assets are not recognized but are nonetheless disclosed when it is probable that an economic benefit to the InRetail Group emerges.

Given their nature, contingencies shall only be settled when one or more future events occur or not. The determination of contingencies involves inherently the exercise of judgment and the calculation of estimates on the results of future events.

(q) Revenue recognition -

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the InRetail Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The InRetail Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The InRetail Group has concluded that it is acting as a principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognized:

- Sales of goods: Revenue from the sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods. Retail sales are generally paid in cash or through credit card, so the revenue is recorded at the gross amount of the sale at the moment when the goods are delivered to the client and credit card commissions are recognized as sale expense at the same time the sale is recorded.

- Rendering of services: Revenue from rendering of management services are billed on a monthly basis in accordance to the contracts subscribed with the owners of the shopping centers and are recognized in the period in which the services are rendered.

- Rental income: Rental income arising from operating leases, less the InRetail Group's initial direct costs of entering into the leases, is accounted for on a straight-line basis over the term of the lease, except for contingent rental income which is recognized when it arises.

  Incentives for lessees to enter into lease agreements are recognized into income evenly over the lease term, even if the payments are not made on such a basis. The lease term is the non-cancellable period of the lease.

  Amounts received from tenants to terminate leases or to compensate for wear and tear are recognized in the income statement when they arise.

- Interest income: For all financial instruments measured at amortized cost and interest bearing financial assets classified as available for sale, interest income or expense is recorded using the EIR, which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the income statement.

(r) Borrowing costs -

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

(s) Taxes -

The income tax of the subsidiaries is determined based on the non-consolidated financial statements of each subsidiary and the taxable income determined for taxing purposes.

Current income tax -

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the InRetail Group operates and generates taxable income.

Current income tax relating to items recognized directly in equity is recognized in equity and comprehensive income and not in the income statement. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax -

Deferred income tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognized subsequently if new information about facts and circumstances changed. The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it is incurred during the measurement period or in profit or loss.

Value added taxes -
Revenues, expenses and assets are recognized net of the amount of Value Added Tax (VAT), except:

- When the Value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognized as part of the cost of acquisition of the asset or as part of expense items, as applicable.

- Receivables and payables are stated with the amount of sales including the VAT.

The net amount of the VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated statement of financial position.

(t) Special Purpose Entity -
A Special Purpose Entity (SPE) is consolidated when the substance of the relationship between the Company and the SPE indicates that the SPE is controlled by the Company. The InRetail Group holds a 100 per cent in Interproperties Holding (a SPE according to IFRS, see Note 3(c)), controls this entity and, therefore, combine the entity in its financial statements. The combination procedures for this SPE are the same as those followed for the Company's subsidiaries (see Note 4.2(a)).

(u) Earnings per share -
Basic and diluted earnings per share amounts are calculated by dividing the net profit for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year. As of December 31, 2012 and 2011, the Company does not have financial instruments with dilutive effect, therefore basic and diluted earnings per share are identical for the years reported.

(v) Segment reporting –
The Group reports financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are a component of an entity for which separate financial information is available that is evaluated regularly by the entity's Chief Operating Decision Maker ("CODM") in making decisions about how to allocate resources and in assessing performance. Generally, financial information is reported on the same basis as it is used internally for evaluating operating segment performance and deciding how to allocate resources to segments, Note 33.

(w) Capital Premium -
Corresponds to the difference between the nominal value and the issuance price in the market of each share. The share premium is presented net of the expenses incurred in the shares' issuance.

(x) Consolidated financial statements as of December 31, 2011 -
When necessary, the amounts of prior year have been reclassified to make them comparative with the presentation of current year. Inretail Group's Management considers that reclassifications performed in the consolidated financial statements of the Group as of December 31, 2011 are not significant, considering the financial statements taken as a whole at those dates.

4.3 Significant accounting judgments, estimates and assumptions

The preparation of the consolidated financial statements requires Management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, as well as the reported amounts of revenues and expenses for the years ended December 31, 2012 and 2011.

In opinion of Management of the InRetail Group, these judgments, estimations and assumptions were performed on the basis of its best knowledge of the relevant facts and circumstances at the date of preparation of the consolidated financial statements; nevertheless, the final results could differ from the estimations included in the consolidated financial statements. Management of the InRetail Group does not expect that the changes, provided they occur, will have significant effect on the consolidated financial statements.

In the process of applying the InRetail Group's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the consolidated financial statements:

(i) Operating lease contracts – the InRetail Group as lessor -
The InRetail Group has entered into commercial property leases on its investment property portfolio. The InRetail Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these property and so accounts for the leases as operating leases.

(ii) Tax judgements-
The InRetail Group is subject to income and capital gains taxes. Significant judgment is required to determine the total provision for current and deferred taxes.

There are many transactions and calculations for which the ultimate tax determination and timing of payment is uncertain. In particular, when calculating deferred taxation, the effective tax rate applicable on the temporary differences, mainly in investment properties, depends on the method by which the carrying amount of the assets or liabilities will be realized.

The InRetail Group recognizes liabilities for current taxes based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income and deferred tax provisions in the period in which the determination is made. Deferred tax assets and liabilities are recognized on a net basis to the extent they are relating to the same fiscal unity and fall due in approximately the same period.

The most significant estimations and assumptions considered by Management in relation to the consolidated financial statements are as follows:

(i) Provision for inventory losses (see Note 4.2(g))
This provision is calculated considering the average historic values of losses incurred throughout the year and until the last physical inventory conducted before the year end. This provision is recorded as provision for inventory devaluation with charge to the income statement.

(ii) Discounts, price reductions and others obtained by purchasing volumes and goods (see Note 4.2(g))
Discounts, price reduction and others obtained by purchasing volumes and goods are deducted from inventory at the date the discount is granted by suppliers and from cost of sales when the related items are sold. The different forms of such discounts require that the InRetail Group estimates its distribution between the inventory that has been sold and the inventory remaining in stock at the date of the consolidated statements of financial position. Management performs such estimation on the basis of the daily discounts actually granted by suppliers and the rotation rates per item.

(iii) Impairment of non-financial assets (see Note 4.2(m))
At the end of each year, the Company and its Subsidiaries assess whether there exists an indication that the value of their assets has deteriorated. If such indication exists, the Company and its Subsidiaries perform an estimation of the recoverable amount of the asset.

To the date of the consolidated financial statements, the available projections of these variables show trends that are favorable to the interests of Company and its Subsidiaries that support the recoverability of their permanent assets.

(iv) Fair value of investment properties (see Note 4.2(k))
The fair value of completed investment property is determined by Management of the InRetail Group using the Discounted Cash Flow Method.

Investment property under construction and investment property held to operate in the future is also valued at fair value as determined through appraisals performed by an accredited external independent value, except if such values cannot be reliably determined. In the exceptional cases when a fair value cannot be reliably determined, such properties are recorded at cost.

The determination of the fair value of investment property requires the use of estimates such as future cash flows from assets (such as leases, tenants sales, fixed rents to be charged to different types of tenants, variable rent as a percentage of sales, operating costs, building costs (CAPEX), maintenance CAPEX and discount rates applicable to those assets). In addition, development risks (such as construction and letting risks) are also taken into consideration when determining the fair value of investment properties under construction.

Volatility in the financial system is reflected in commercial real estate markets. Therefore, in arriving at their estimates of market values as of the statements of financial position, the Management and appraisers used their market knowledge and professional judgement and did not rely solely on historical transactional comparables. In these circumstances, there was a greater degree of uncertainty than which exists in a more active market in estimating the market values of investment property.

The significant methods and assumptions used in estimating the fair value of investment property are set out in Notes 15.

Techniques used for valuing investment property -
The Discounted Cash Flow Method involves the projection of a series of periodic cash flows either from an operating property or a development property. To this projected cash flow series, an appropriate, market-derived discount rate is applied to establish an indication of the present value of the income stream associated with the property. The calculated periodic cash flow is typically estimated as net rental income less operating expenses/outgoings. A series of periodic net operating incomes, along with an estimate of the terminal value (which uses the traditional valuation approach) anticipated at the end of the projection period, are discounted to present value. The aggregate of the net present values equals the market value of the property.

(v) Depreciation method, useful lives and residual values of property, furniture and equipment (see Note 4.2(i))
The determination of depreciation method, useful lives and residual values of components of property, furniture and equipment involves judgments and assumptions that could be affected if circumstances change. Management reviews these assumptions periodically and adjusts them prospectively in case any change is identified.

(vi) Recovery of deferred tax assets (see Note 4.2 (s))

Deferred tax assets require Management to evaluate the probability that the InRetail Group generates taxable income for future periods in order to use the deferred tax assets. The estimates of future taxable income are based on the projections of cash flows from operations and the application of the tax legislation in force. As the future cash flows and the taxable income differ significantly from the estimates, it might have an impact on the capability of the InRetail Group to realize the net deferred tax assets recorded at the reporting date.

Additionally, future changes in tax legislation might limit the capability of the InRetail Group to obtain tax deductions in future periods. Any difference between the estimations and the later actual payments is recorded in the year in which it occurs.

(vii) Taxes estimation (see Note 25)

Uncertainty exists with regard to the interpretation of complex tax regulations, the changes in the tax norms and the amount and opportunity in which future taxable income is generated. The subsidiaries of the Company calculate provisions, on the basis of reasonable estimations for the possible consequences derived from the inspections performed by the Tax Authority. The amount of these provisions is based on several factors such as the experience in previous tax examinations, and on the different interpretations about the tax regulations made by the Subsidiaries of the Company and their advisers. These differences in interpretation can arise in a great variety of questions, depending on the circumstances and existing conditions in the place of domicile of the InRetail Group.

Because the InRetail Group considers the likelihood of litigation over taxes and subsequent payment as a result of potential litigation to be remote, no contingent liability related to taxes has been recognized.

4.4 Standards issued but not yet effective

Standards issued but not yet effective up to the date of the InRetail Group's financial statements are listed below. This listing is of standards and interpretations issued, which the InRetail Group reasonably expects to be applicable at a future date. The InRetail Group intends to adopt those standards when they become effective.

- IAS 1 Presentation of financial statements – presentation of other comprehensive income

  Amendments to IAS 1 change the grouping of the items presented in other comprehensive income. Items that may be required to be reclassified to the profit or loss section of the statements of income in the future must be presented separately from those items that are not expected to be reclassified to the profit or loss section ever. This amendment will only have an impact at the presentation level and will not have any impact at the level of the consolidated financial position of the InRetail Group or of its consolidated income.

IAS 32 "Financial Instruments: Presentation – Offsetting of financial assets and financial liabilities" – Amendments to IAS 32
These amendments clarify the meaning of "currently has a legally enforceable right to set - off". The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems. Management estimates that the adoption of these modifications will not have impact in InRetail Group financial position and it will be effective for annual periods starting on or after January 1, 2014.

- IFRS 7 "Financial instruments: Disclosures" (amendment)
  Improvements to the requirements for the disclosures on derecognition of financial instruments; the amendment requires additional disclosures on the transferred financial assets that have not been derecognized, so that user of the financial statements understands the relationship between those financial assets that have not been derecognized in accounts and the liabilities associated to them. The amendment also requires the disclosure of information about the involving or commitment of the entity whit the non-derecognized financial assets, in order to allow the user to evaluate the nature of this involvement and the risks associated whit it. The amendment is effective for annual periods starting on January 1, 2013. This amendment only affects the information to be disclosed and has no effect on the consolidated financial position or the financial profitability of the InRetail Group.

- IFRS 9 - Financial instruments: Classification and measurement, applicable for annual periods starting on January 1, 2015
  The issued IFRS 9 reflects the first phase of IASB's work to replace IAS 39 and is applicable to the classification and measurement of financial assets and liabilities according to the definition stated in IAS 39. This standard is effective initially envisioned from January 1, 2013, but subsequent amendments issued in December 2011 delayed the effective date of this rule on January 1, 2015. In subsequent phases, the IASB will address hedge accounting treatment and devaluation of financial assets. The adoption of the first phase of this standard will impact the level of classification and measurement of financial assets, but not at the level of liabilities. The Group InRetail quantify the impacts of the application of this rule in all, when the final rule was issued.

- IFRS 10 "Consolidated financial statements"
  Published in May 2011 by IASB, defines principles for the presentation and preparation of combined financial statements when an entity controls one or more additional entities. IFRS 10 replaces the consolidation requirements existing in SIC 12 "Consolidation – Special purpose entities" and IAS 27 "Consolidated and separate financial statements" and is effective for annual periods starting on January 1, 2013. It is not expected that this standard will have any significant impact on the combined financial statements of the InRetail Group.

- IFRS 12 "Disclosure of interests in other entities"
  IFRS 12 includes all disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to on entity´s interests in subsidiaries, joint ventures, associates and structured entities. This IFRS is effective for annual periods starting in or after January 1, 2013. InRetail Group is assessing the impact, if any, of the adoption of this standard.

- IFRS 13 "Fair value measurement"
  IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. InRetail Group, on the basis of a preliminary analysis, does not expect any material impact as a result of the adoption of this standard. The standard is effective for annual periods starting on or after January 1, 2013.

  Annual improvements – May 2012
  These improvements will not have impact on the consolidated financial statements of InRetail Group, but include:

  - IFRS 1: First time adoption of International Financial Reporting Standards.

  - IAS 1: Presentation of Financial Statements.

  - IAS 16: Property, plant and equipment.

  - IAS 19: Employees benefits.

  - IAS 28: Investments in associated and joint ventures.

  - IAS 32: Financial Instruments: Presentation.

  - IAS 34: Interim Financial Statements.

  - IFRS 11: Joint ventures.

5. **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, 2012, the weighted average exchange rates in the market for transactions in US Dollars were S/.2.549 per US$1.00 bid and S/.2.551 per US$1.00 ask (S/.2.695 and S/.2.697 per US$1.00 for bid and ask).

As of December 31, 2012 and 2011, the InRetail Group held the following foreign currency assets and liabilities:

	2012 US$(000)	2011 US$(000)
Assets		
Cash and short-term deposits	4,594	13,523
Trade receivables, net	942	1,278
Other receivables, net	8,211	7,511
Accounts receivable from related parties	6	37
Available-for-sale investment	10,115	26,187
	23,868	48,536
Liability		
Trade payables	(20,558)	(20,839)
Other payables	(3,620)	(4,428)
Accounts payable to related parties	(2,194)	(2,665)
Interest - bearing loans and borrowings	(453,213)	(466,574)
Bonds payable	(77,005)	(23,134)
	(556,590)	(517,640)
Currency swap transactions –Short position	7,005	7,005
Net liability position	(525,717)	(462,099)

As of December 31, 2012 and 2011, 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 risks with the exception of a hedging operation held by Supermercados Peruanos S.A. which relates to a currency swap written over its subordinated bonds ("Bonos Subordinados – Segunda Emisión"), 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 equivalent to S/.17,870,000 and S/.18,892,000 as of December 31, 2012 and 2011, respectively. See further details in Note 22.

During 2012 and 2011 the InRetail Group recorded net gains on exchange rate differences amounting to S/.76,816,000 and S/.20,813,000, respectively, which are presented in the consolidated income statements in the "Finance income" caption, see Note 28.

6. Cash and short-term deposits

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

	2012 S/.(000)	2011 S/.(000)
Cash (b)	12,341	25,049
Current accounts (c)	449,589	70,658
Time deposits (d)	53,434	229,586
Other	-	429
	515,364	325,722
Plus -		
Time deposits over three months maturity (d)	26,500	-
	541,864	325,722

(b) The balance as of December 31, 2012 and 2011 comprises mainly cash held by subsidiaries in the premises of their stores and in the vaults of a security company, corresponding to sales during the final days of the year.

(c) The Group maintains current accounts in local banks, both in Nuevos Soles and US Dollars that do not accrue interests.

(d) As of December 31, 2012, time deposits in local currency are kept in local banks, have maturities between one and seven months since inception and bear annual interest between 3.80 and 4.20 percent. As of December 31, 2011, this amount corresponded to deposits in local currency with local financial institutions that generated interest between 4.00 and 4.50 annual percent and matured in January 2012.

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

7. Investments at fair value through profit or loss

(a) Management of the Company and subsidiaries has decided to invest its cash surplus in mutual funds of variable rent, which have been designated as financial assets at fair value through profit or loss. The composition of the caption is presented as follows:

Entity	2012 S/.(000)	2011 S/.(000)
Funds managed by Interfondos S.A. SAF, Note 29(q)	184,355	20,000
Funds managed by Credifondo S.A. SAF	138,744	-
Funds managed by Scotia Fondos SAF	132,115	-
Funds managed by BBVA Asset Management Continental S.A. SAF	99,809	-
	555,023	20,000

These funds are conformed by a portfolio of variable rent commercial papers issued by Peruvian Government and prestigious financial entities in local market and; in Management's opinion they are highly liquid and they have low risk.

8. Trade receivables, net

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

	2012 S/.(000)	2011 S/.(000)
Trade accounts receivable (c)	38,846	26,535
Rent receivable (d)	12,792	9,364
Merchandise vouchers (e)	13,737	8,390
Provision for accrued revenue (f)	8,087	2,458
Others	1,963	2,079
	75,425	48,826
Provision for doubtful accounts (g)	(3,112)	(2,230)
	72,313	46,596

(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 various stores of Supermercados Peruanos and Eckerd 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, 2012 and 2011 relates to services unbilled at year end, mainly due to variable rentals. These amounts were billed in January of the next year.

(g) Movements in the provision for doubtful accounts receivable for the years ended on December 31, 2012 and 2011, were as follows:

	2012 S/.(000)	2011 S/.(000)
Balance at the beginning of the year	2,230	219
Acquisition of subsidiaries	-	650
Provision recognized as year expense, Note 26(a)	1,128	2,062
Write-offs	(246)	(701)
Balance at the end of the year	3,112	2,230

As of December 31, 2012 and 2011, the balance of trade receivable amounts to approximately S/.75,425,000 and S/.48,826,000, respectively, of which approximately S/.3,112,000 and S/.2,230,000, were provisioned to those dates. Also, the amount of trade receivables past due but not impaired amounted to approximately S/.22,293,000 and S/.12,613,000, respectively.

In the opinion of Management of the InRetail Group, the provision for doubtful accounts receivable as of December 31, 2012 and 2011 appropriately covers the credit risk of this item at said dates.

9. Other receivables, net

(a) The table below presents the components of other receivables:

	2012 S/.(000)	2011 S/.(000)
Funds held in the Banco de la Nación (b)	23,919	7,192
Deposits in guarantee	6,545	3,986
Rebates receivable from suppliers	3,974	1,915
Operating lease deposits	1,329	1,849
Employee loans	1,656	2,310
Claims and deliveries to be paid	1,628	1,795
Restricted fund, Note 20(b)	-	1,237
Other receivables	5,314	9,100
	44,365	29,384
Minus -		
Provision for doubtful accounts (c)	(1,476)	(1,374)
Total	42,889	28,010
Current	35,459	23,027
Non-current	7,430	4,983
	42,889	28,010

(b) In accordance to Resolution of Superintendence N°183-2004/SUNAT, funds held on Banco de la Nación must be used exclusively for the payment of tax debts, or requested cash reimbursement. In the case of the Company, these funds have been used entirely for tax payments during the months of January and February 2013 and 2012, respectively.

(c) As of December 31, 2012 and 2011, the balance of the trade receivables amounts to approximately S/.44,365,000 and S/.29,384,000, respectively, out of which approximately S/.1,476,000 and S/.1,374,000 was provisioned for at those dates. Likewise, the amount of non impaired past due trade receivables amounted to S/.4,070,000 and S/.7,486,000, respectively.

In the opinion of Management of the InRetail Group, the provision for doubtful accounts receivable as of December 31, 2012 and 2011, appropriately covers the credit risk of this item at said dates.

(d) Movements in the provision for doubtful accounts receivable for the years ended on December 31, 2012 and 2011, were as follows:

	2012 S/.(000)	2011 S/.(000)
Balance at the beginning of the year	1,374	1,206
Acquisition of subsidiaries	-	91
Provision recognized as year expense, Note 26(a)	302	77
Write-off	(200)	-
Balance at the end of the year	1,476	1,374

10. Inventories, net

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

	2012 S/.(000)	2011 S/.(000)
Goods	591,800	593,289
In transit inventories (b)	8,038	20,277
Miscellaneous supplies	5,776	5,276
	605,614	618,842
Minus -		
Provision for impairment of inventories (c)	(3,652)	(4,020)
Total	601,962	614,822

(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 years 2012 and 2011 was as follows:

	2012 S/.(000)	2011 S/.(000)
Balance at the beginning of the year	4,020	1,034
Acquisition of subsidiaries	-	858
Provision for the period, Note 26(a)	3,813	2,426
Write-off	(4,181)	(298)
Balance at the end of the year	3,652	4,020

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.

11. Available-for-sale investment

(a) The movements of this item are presented below:

	2012 S/.(000)	2011 S/.(000)
Balance at the beginning of the year	70,628	-
Acquisition of corporate bond (b)	-	67,426
Sales of corporate bond (b)	(45,950)	-
Unrealized results	3,641	3,202
Balance at the end of the year (Fair value)	28,319	70,628

(b) As of December 31, 2011, correspond to the acquisition of 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 an effective fixed annual rate of 8.75 percent. These debt instruments are listed on the Luxembourg Stock Exchange.

During 2012, InRetail Group sold part of these bonds to a non related entity for approximately US$16,543,000. The realized gain from such transaction amounted to approximately S/.3,672,000, which is included in the caption "Financial income" in the consolidated statement of income; see Note 28. On the other side, unrealized gain, net of deferred taxes, from corporative bonds maintained as of December 31, 2012, amounted to approximately S/.2,548,000 (approximately S/.2,242,000 as of December 31, 2011).

12. Prepayments

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

	2012 S/.(000)	2011 S/.(000)
Prepaid rent (b)	34,414	28,962
Insurance	5,232	2,827
Others	8,937	3,997
Total	48,583	35,786
Current	30,942	27,233
Non-current	17,641	8,553
Total	48,583	35,786

(b) Renting expenses in 2012 amounted to S/.80,408,000 (S/.76,901,000 as of December 31, 2011), see Note 26(a). Commitments on future renting are detailed in Note 32(a).

13. Taxes recoverable

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

	2012 S/.(000)	2011 S/.(000)
Tax credit for Valued Added-Tax (b)	45,034	32,852
Income tax payments (c)	3,422	8,364
Others	-	423
Total	48,456	41,639

(b) Corresponds to Valued Added-Tax ("VAT") credits generated mainly for the extension and construction of shopping centers in Lima and other cities that are in process (see Note 15), as well as other disbursements related to operations performed by the InRetail Group. These tax credits will be recovered by setting off against VAT payable generated by future renting activities.

(c) Correspond to income tax over payments for the year 2008 in the amount of S/.2,437,000. As of December 31, 2012, InRetail Group has recovered approximately S/.5,773,000 of the balance as of December 31, 2011, and has request the reimbursement for the balance recoverable as of December 31, 2012. Management expects that the resulting tax credit will be used in 2013.

14. Property, furniture and equipment, net

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

	Land S/.(000)	Buildings infrastructure and facilities S/.(000)	Miscellaneous equipment S/.(000)	Computer equipment S/.(000)	Vehicles S/.(000)	Furniture and fixtures S/.(000)	Works in progress S/.(000)	In transit assets S/.(000)	Total 2012 S/.(000)	Total 2011 S/.(000)
Useful lives (years)	-	20 - 50	4 - 10	4	5	2 - 10	-	-	-	-
Cost										
Balance as of January 1	325,996	905,199	477,408	70,149	1,483	35,540	35,434	55,780	1,906,989	1,529,489
Additions (c)	63,957	135,161	49,282	10,734	832	6,944	75,232	-	342,142	368,482
Acquisition of subsidiary, net of depreciation, Note 2	-	-	-	-	-	-	-	-	-	93,594
Disposals and/or sales (g)	-	(943)	(10,645)	(606)	(419)	(152)	-	-	(12,765)	(75,353)
Transfers	44,378	11,402	-	-	-	-	-	(55,780)	-	-
Transfer to investment properties, Note 15	-	-	-	-	-	-	-	-	-	(9,223)
Balance as of December 31	434,331	1,050,819	516,045	80,277	1,896	42,332	110,666	-	2,236,366	1,906,989
Accumulated depreciation										
Balance as of January 1	-	138,851	198,443	43,371	535	10,617	-	-	391,817	362,791
Additions, Note 26(a)	-	28,104	45,077	13,685	410	4,339	-	-	91,615	93,390
Disposals and/or sales (g)	-	(198)	(9,328)	(571)	(378)	(129)	-	-	(10,604)	(64,364)
Transfers	-	-	-	-	-	-	-	-	-	-
Balance as of December 31	-	166,757	234,192	56,485	567	14,827	-	-	472,828	391,817
Net book value of December 31	434,331	884,062	281,853	23,792	1,329	27,505	110,666	-	1,763,538	1,515,172

(b) As of December 31, 2012, Supermercados Peruanos S.A. has mortgaged land lots, buildings and facilities for a net book value of approximately S/.247,762,000 (approximately S/.211,011,000 as of December 31, 2011), as the leasing contracts (see Note 20).

(c) Additions in 2012 and 2011 correspond mainly to the construction and equipment of new stores for Supermercados Peruanos S.A. and Eckerd Group.

(d) As of December 31, 2012 and 2011, the cost and corresponding accumulated depreciation of assets acquired through finance leases are the following:

	December 31, 2012			December 31, 2011		
	Cost S/.(000)	Accumulated depreciation S/.(000)	Net cost S/.(000)	Cost S/.(000)	Accumulated depreciation S/.(000)	Net cost S/.(000)
Buildings and facilities	166,886	(8,627)	158,259	137,827	(7,378)	130,449
Miscellaneous equipment	97,645	(20,460)	77,185	83,077	(35,262)	47,815
Total	264,531	(29,087)	235,444	220,904	(42,640)	178,264

(e) Depreciation expense for the period was recorded as follows in the income statements:

	2012 S/.(000)	2011 S/.(000)
Sales expenses, Note 26(a)	81,135	84,158
Administration expenses, Note 26(a)	10,480	9,232
	91,615	93,390

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

(g) Following is the detailed composition of the net book value of the scrapped and/or sold fixed assets during 2012 and 2011:

	2012 S/.(000)	2011 S/.(000)
Assets sold (1)	1,926	664
Assets scrapped (2), Note 27	235	10,325
	2,161	10,989

(1) During 2012 and 2011, the selling value of these assets amounted to approximately S/.1,926,000 and S/.664,000 respectively.

(2) Scrapped assets correspond to the disposal of unusable assets as a result of the process of change of format in some premises. The resulting expense is included in the "Other operating expenses" caption of the consolidated statements of comprehensive income; see Note 27.

(h) As of December 31, 2012 and 2011 Management of the Subsidiaries performed an evaluation of its property, furniture and equipment, and has not found any indicator of impairment.

15. Investment properties

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

	2012 S/.(000)	2011 S/.(000)
Real Plaza Primavera shopping center (ii)	207,558	194,008
Real Plaza Chiclayo shopping center (ii)	140,613	104,182
Real Plaza Trujillo shopping center (ii)	124,665	103,532
Real Plaza Huancayo shopping center (i) and (ii)	85,874	74,354
Real Plaza Arequipa shopping center (i) and (ii)	67,173	66,915
Real Plaza Cuzco project (i)	61,441	-
Real Plaza Juliaca shopping center (i) and (ii)	59,110	26,753
Real Plaza Huánuco shopping center (ii)	57,532	-
Real Plaza Pro shopping center (ii)	43,533	30,820
Real Plaza Chorrillos shopping center (ii)	42,502	42,017
Real Plaza Santa Clara Altamirano shopping center (ii)	36,584	36,217
Cajamarca project (land) (iii)	31,599	26,753
Real Plaza Salaverry project	25,460	3,491
Jr. de la Unión stores	21,579	21,329
Real Plaza Santa Clara shopping center (ii)	19,074	9,849
Real Plaza Nuevo Chimbote shopping center (i) y (ii)	5,516	5,806
Others	74,448	15,043
Total	1,104,261	761,069

(i) For construction of these 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 Ferrovías Central Andina S.A., the Association named "Religiosas del Sagrado Corazón de Jesús", Ferrocarril Trasandino S.A., Interseguro Compañía de Seguros S.A. (a related entity) and natural people respectively, for periods ranging between 10 and 30 years.

(ii) Corresponds to "Real Plaza" shopping centers, consisting of department stores, shops, a cinema complex and an entertainment area which have executed contracts that provide a minimum monthly rent and a variable rent based on sales.

(iii) It corresponds to land on which real estate projects will be developed, mainly shopping centers, named "Real Plaza".

The movement of this account was as follows:

	2012 S/.(000)	2011 S/.(000)
Balance at the beginning of the year	761,069	604,888
Additions	289,468	95,480
Fair value adjustment, Note 27	53,724	51,478
Transfer from property, furniture and equipment, Note 14	-	9,223
Balance at the end of the year	1,104,261	761,069

The fair value of investment properties has been determined on a discounted cash flow 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. As set out in Note 4.2(k), 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.

Following is the detail of the main assumptions used in the valuation and the estimation of the market value of the investment properties:

	2012 %	2011 %
Long-term inflation	2.5	2.5
Long-term property vacancy rate (*)	1 – 2	0 - 6
Average growth rate of lease income	2.5	2.5
Average EBITDA margin	91	89
Discount rate	9.6	9.7

(*) Depending on the type and size of the store in the shopping center.

The table below presents the sensitivity of the fair values to changes in the most significant assumptions underlying the valuation of investment properties, maintaining the other variables constant:

	Rate change	2012 S/.(000)	2011 S/.(000)
Average growth rate of lease income (basis)	2.50%		
Increase	+0.25%	(37,204)	(35,842)
Decrease	-0.25%	34,729	31,632
Discount rate (basis)	9.60%		
Increase	+0.5 bp	54,410	21,221
Decrease	-0.5 bp	(61,830)	(22,584)

(b) The operating income and expenses generated by the investment properties are presented below:

	2012 S/.(000)	2011 S/.(000)
Rental income derived from investment properties	111,635	85,832
Rendering of services	66,630	33,893
Direct operating expenses (including repair and maintenance) generating rental income	(44,090)	(33,875)
Direct operating expenses (including repair and maintenance) that did not generate rental income	(7,736)	(8,741)
	126,439	77,109

(c) As of December 31, 2012 and 2011, some of the investment properties guarantee the debt to Deutsche Bank, Note 20(e). At that date, the book value of these investment properties is approximately S/.866,573,000 and S/.376,992,000, respectively.

(d) The future amounts of the fixed minimum rents by currency corresponding to leases are as follows:

Year	Related parties		Third Parties		Total	
	US$(000)	S/.(000)	US$(000)	S/.(000)	US$(000)	S/.(000)
2013	2,462	19,879	3,516	46,225	5,978	66,104
2014	2,447	19,493	3,242	32,720	5,689	52,213
2015	2,447	19,045	2,956	25,714	5,403	44,759
2016	2,373	18,635	2,503	17,795	4,876	36,430
2017	2,373	18,005	2,316	12,378	4,689	30,383
2018-2042	30,935	267,079	32,170	43,463	63,105	310,542
Total	43,037	362,136	46,703	178,295	89,740	540,431

16. Intangible assets, net

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

	Software S/.(000)	Other intangibles S/.(000)	Brand (b) S/.(000)	Goodwill S/.(000)	Works in progress S/.(000)	Total 2012 S/.(000)	Total 2011 S/.(000)
Cost							
Balance as of January 1	77,103	(39)	373,054	694,283	-	1,144,401	65,997
Additions (c)	23,698	-	-	-	3,152	26,850	5,593
Acquisition of subsidiary, Note 2	-	-	-	-	-	-	1,073,013
Disposals and/or sales	-	-	-	-	-	-	(202)
Balance as of December 31	100,801	(39)	373,054	694,283	3,152	1,171,251	1,144,401
Accumulated amortization							
Balance as of January 1	27,862	(39)	-	-	-	27,823	20,735
Additions (d), Note 26(a)	6,708	-	-	-	-	6,708	7,197
Disposals and/or sales	-	-	-	-	-	-	(109)
Balance as of December 31	34,570	(39)	-	-	-	34,531	27,823
Net book value as of December 31	66,231	-	373,054	694,283	3,152	1,136,720	1,116,578

(b) Corresponds to the "Inkafarma" commercial brand; see Notes 1 and 2. Management of the InRetail Group has estimated the fair value of this intangible asset by using the "Relief from royalty method", which is a standard form of discounted cash flow analysis used for the valuation of trademarks. The principle behind relief from royalty method is that a brand holding company owns the brand avoiding payments of royalties for the use of the brand, to another hypothetical owner, therefore, the economic value of the brand is represented by the avoided royalties.

The factors for assessing the brand as having an indefinite useful life are the following:

- History and expected use of the asset by the Company: this is the most important factor to consider in the definition of the useful life of the brand. Inkafarma is the most recognized brand in the pharmacy industry in Perú and the Company expects to further strengthen it in the market in the long term.

- Legal, regulatory or contractual limits to the useful life of the intangible asset: there are no legal regulatory or contractual limits linked to the brand. The brand is duly protected and the pertinent registrations remain current.

- Effect of obsolescence, demand, competition and other economic factors: Inkafarma is the most recognized brand in the pharmacy industry in Perú for nearly 15 years. This implies a low risk of obsolescence.

- Maintenance of the necessary investment levels to produce the projected future cash flows for the brand are based on investments in marketing, technology and the growth and revamping of the pharmacy chain infrastructure. Furthermore, efficiencies are expected as a result of synergies and the growth in scale of the operations, which are compatible and reasonable for the industry. Notwithstanding this, an increase in general administration expenses is also contemplated to sustain the projected increase in sales.

- Relationship of the useful life of an asset or group of assets with the useful life of an intangible asset: The brand does not depend on the useful life of any asset or group of assets as they existed independently and it is not related to sectors subject to technological obsolescence or other causes.

(c) As of December 31, 2012 and 2011, additions mainly correspond to (i) disbursements for the acquisition of a commercial software, an application of general planification (ERP) and the corresponding licenses for use; and (ii) disbursements for implementation of the application "E3 InkaFarma", which will be used in the new distribution center. Such disbursements include licenses for use acquisition costs, development costs and other directly attributable costs.

(d) Amortization expense for the period has been recorded in the following items of the consolidated statements of comprehensive income:

	2012 S/.(000)	2011 S/.(000)
Sales expenses, Note 26(a)	4,228	5,557
Administrative expenses, Note 26(a)	2,480	1,640
	6,708	7,197

(e) As of December 31, 2012 and 2011, in the opinion of Management of the Group, there is no indication of impairment of any intangible asset.

17. Impairment testing of goodwill and intangible assets with indefinite lives

Goodwill acquired through business combination and brand with indefinite lives has been allocated to the pharmacy cash-generating unit, which is also an operating and reportable segment, for impairment testing.

Pharmacy chain cash-generating unit -

The recoverable amount of the pharmacy chain cash-generating unit has been determined based on fair value less cost to sale calculation using cash flow projections from financial budgets approved by senior management covering a ten-year period. Cash flows beyond the ten-year period are extrapolated using a 3% growth rate. As a result of this analysis, Management did not identify impairment for this cash-generating unit to which goodwill and brand (indefinite life intangible assets) are allocated.

Key assumptions used in fair value calculations -

The calculation of fair value less cost to sale for pharmacy chain cash-generating unit is most sensitive to the following assumptions:

- EBITDA margin
- Same store sales growth
- Discount rate
- Growth rate of long-term

EBITDA margin — EBITDA margins are expected to increase from 7.1 percent to 7.8 percent in the long term based on the dilution of overhead expenses and margin improvements, partially offset by marketing and rent expenses.

Same store sales growth - Same store sales growth was assumed to be 3% in nominal terms for the projection period.

Discount rate — Discount rates represent the current market assessment of the risks specific to the cash-generating unit, regarding the time value of money and individual risks of the underlying assets which have not been incorporated in the cash flow estimates. The discount rate calculation is derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. WACC was estimated at 10 percent.

Long term growth rate – The long term growth rate represents the cash flow growth beyond the explicit forecast period (10 years) which was estimated at 3 percent in nominal terms.

Sensitivity to changes in assumptions
Management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the pharmacy chain unit to materially exceed its recoverable amount.

18. Trade payables

The table below presents the composition of this caption:

	2012 S/.(000)	2011 S/.(000)
Bills payable for purchase of goods	886,865	844,965
Bills payable for commercial services	148,442	120,356
	1,035,307	965,321

This caption 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 supplier's 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.

19. Other payables

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

	2012 S/.(000)	2011 S/.(000)
VAT payable	27,853	16,460
Employees profit sharing	21,175	12,858
Interest payable, Notes 20(g) and 21(f)	18,913	18,599
Vacations accrual	17,582	15,611
Salaries and social benefits	12,502	7,811
Provision for services and maintenance	9,895	11,752
Land purchase	7,645	-
VAT withholdings on purchases	7,630	4,841
Real Plaza Cusco project account payable, Note 15	6,613	-
Third parties deposits	5,654	4,352
Taxes payable	5,504	3,823
Rent payable	1,256	2,487
Other	20,420	13,808
Total	162,642	112,402

(b) The above items have current maturity and do no bear interest. There have been no liens granted on them.

20. 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 US$(000)	Original amount S/.(000)	Total 2012 S/.(000)	Total 2011 S/.(000)
Leasing (b) and (c)							
Related entity							
Banco Internacional del Perú S.A.A.- Interbank, Note 29(m)	S/.	Between 11.24 and 11.43	2014	-	58,303	66,754	32,688
Banco Internacional del Perú S.A.A - Interbank, Note 29(p)	S/.	-	2013	-	25,153	25,153	-
Banco International del Perú S.A.A.- Interbank, Note 29(o)	S/.	8.25	2016	-	7,401	5,481	6,787
Banco International del Perú S.A.A.- Interbank	S/.	4.85	2013	-	-	557	1,265
Non-related entities							
BBVA Banco Continental S.A.	S/.	Between 5.96 and 10.85	2015	-	65,241	45,333	52,160
Banco de Crédito del Perú S.A.	S/.	6.97	2018	-	6,628	10,980	6,347
Banco de Crédito del Perú S.A.	S/.	9.02	2019	-	54,748	53,466	30,595
Scotiabank Perú S.A.A.	S/.	7.76	2018	-	21,864	18,828	21,446
Banco Interamericano de Finanzas	S/.	8.35	2013	-	12,748	3,447	6,155
Hewlett Packard S.R.L.	S/.	2.93	2014	-	-	2,570	1,202
Other	-	-	-	2,000	10,046	4,640	5,788
				2,000	262,132	237,209	164,433
Promissory Notes and loans(b)							
Related entities							
Corporación La Unión 600, Note 29(n)	S/.	8.20	2021	-	17,645	-	16,749
Intercorp Financial Services Inc.	US$	6.00	2012	1,800	-	-	4,915
Non-related entities							
Banco de Crédito del Perú S.A.	US$	6.60	2021	12,000	-	27,856	31,973
				13,800	17,645	27,856	53,637
Foreign loans							
Bank of America (d)	US$	10.134	2018	140,000	-	337,218	332,290
Intercorp Retail Trust (d)	US$	10.134	2018	130,000	-	318,683	350,610
Deutsche Bank (e)	US$	9.426	2023	185,000	-	456,014	480,718
				455,000	-	1,111,915	1,163,618
Other obligations to third parties							
Hewlett Packard S.R.L.(f)	US$	Between 1.02 and 8.85	2014	7,787	-	7,858	14,567
IBM Perú S.A.C. (f)	US$	Between 5.32 and 11.19	2014	15,886	-	8,517	14,885
				23,673	-	16,375	29,452
Total				494,473	279,777	1,393,355	1,411,140
Current						73,938	58,775
Not current						1,319,417	1,352,365
Total						1,393,355	1,411,140

(b) Promissory notes and bank loans are used to fund working capital and do not have any specific guarantee. Leasing operations are guaranteed by the assets related to them, see Note 14(d). Said obligations do not have any special conditions that must be complied (covenants), or restrictions affecting the operations of the InRetail Group.

(c) Future minimum payments for the leasing described in subsection (a) of this Note, net of future financial charges, are as follows:

	2012		2011	
	Minimum payments S/.(000)	**Present value of the leasing installments** S/.(000)	**Minimum payments** S/.(000)	**Present value of the leasing installments** S/.(000)
Up to 1 year	72,666	63,932	43,696	34,710
Between 1 and 5 years	177,750	173,277	142,925	129,723
Total minimum payments	250,416	237,209	186,621	164,433
Minus- amounts representing finance charges	(13,207)	-	(22,188)	-
Present value of future minimum payments	237,209	237,209	164,433	164,433

(d) In November 2011, InRetail Perú 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 combined 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 combined 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.

Said financial obligations are presented net of the aforementioned initial charges and the guarantee deposit. The combined net balance of these borrowings as of December 31, 2012 and 2011, amounted S/.655,901,00 and S/.682,900,000; respectively.

The Company and those Subsidiaries that guarantee these loans must comply, until their maturity and cancellation, with certain obligations and restrictive clauses that require compliance with financial ratios for the incurrence of additional debt, the use and application of funds, conditions on dividends distribution and other administrative matters. The main financial ratios required at consolidated level of Intercorp Retail Inc. and its subsidiaries are as follows:

- At consolidated level:
  - (i) Financial debt /Adjusted EBITDA ratio: Not higher than 4.5 times for 2012 and not higher than 3.5 times starting on January 1, 2013.
  - (ii) Adjusted EBITDA / Financial costs ratio: Not lower than 2.5 times.
- At individual level:
  - (i) Financial debt / (Financial debt + equity) ratio: Not higher than 65 percent.
  - (ii) Operating cash flow / Financial costs: Not lower than 2.0 times.

In the opinion of Management of the InRetail Group, these clauses do not limit their operations and have been complied as of December 31, 2012 and 2011.

(e) Corresponds to a loan granted by Deutsche Bank AG, London Branch in November 2011. 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 15(c).

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.

Interproperties Holding must comply, until their maturity and cancellation, with certain obligations and restrictive clauses require compliance with financial ratios, the use and application of funds, conditions on dividends distribution, reorganizations and other administrative matters. Following are the main financial ratios:

- Comply with certain financial covenants such as:
  1. Ratio of financial debt to equity, not greater than 2 to 1 for each quarter.
  2. Interproperties Holding and any covered party shall not incur any indebtedness unless, on the date of such incurrence and after giving effect thereto, the leverage ratio is no greater than 11.00:1.00, during the year ending December 31, 2011, 10.00:1.00, during the year ending December 31, 2012, 8.00:1.00, during the year ending December 31, 2013 and 5.50:1.00, during the years ending December 31, 2014 and thereafter.

- Interproperties Holding may not acquire additional debt with the existing investment properties as collateral.

- The financial obligation with Banco de Crédito del Perú could not exceed US$12,000,000.

In the opinion Management of the InRetail Grove, these clauses do not limit their operations and are being fulfilled as of December 31, 2012 and 2011.

(f) Corresponds to the debt that Supermercados Peruanos S.A. incurred 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.

(g) During 2012 and 2011, loans and borrowings generated interests which are recorded in the "Financial costs" caption of the consolidated statements of income; see Note 28. Also, as of December 31, 2012 and 2011, there exist interests payable which are recorded in the "Other payables" caption of the consolidated statements of financial position; see Note 19(a).

(h) The payment of the principal amount of loans and borrowings are as follows:

	2012 S/.(000)	2011 S/.(000)
2012	-	58,775
2013	51,124	54,487
2014	49,033	51,728
2015	60,071	63,342
2016 onwards	1,233,127	1,182,808
Total	1,393,355	1,411,140

21. Bonds payable

(a) The table below presents the composition of bonds issued:

Entity	Type of obligation	Original currency	Interest rate %		Original amount US$(000)	Original amount S/.(000)	Total 2012 S/.(000)	Total 2011 S/.(000)
	Secured bonds							
	Issued for the restructuring of the financial position and working capital							
Supermercados Peruanos S.A.	Class B series 1 (b)	US$	6.50	2012	8,000	-	-	11,136
					8,000	-	-	11,136
	Subordinated Bonds (c)							
	Issued for the restructuring of the financial position							
Supermercados Peruanos S.A.	1st issuance	US$	7.50	2014	12,000	-	30,612	32,364
Supermercados Peruanos S.A.	2nd issuance	US$	8.04	2014	7,005	-	17,870	18,892
Supermercados Peruanos S.A.	3rd issuance	S/.	8.49	2014	-	21,540	21,540	21,540
					19,005	21,540	70,022	72,796
	Corporate Bonds (d)							
	Issued to fund expansion and working capital							
Supermercados Peruanos S.A.	1st issuance	S/.	6.70	2016	-	28,437	16,250	20,312
Supermercados Peruanos S.A.	2nd issuance	S/.	7.75	2019	-	57,090	39,963	45,672
InRetail Real estate Corp.	1st issuance	US$	8.00	2015	58,000	-	147,958	-
					58,000	85,527	204,171	65,984
Total					85,005	107,067	274,193	149,916
Current							9,771	20,907
Non-current							264,422	129,009
Total							274,193	149,916

(b) The General Shareholders' Meeting of Supermercados Peruanos S.A. held on April 7, 2004, approved the conditions to the issuance of the Bonos de Titulización Supermercados Peruanos – First Issuance, which are divided into Class A Bonds and Class B Bonds. In November 2005, Supermercados Peruanos S.A. made a public issuance of its secured bonds in the amount of US$8,000,000 Series 1, Class B bonds. As of December 31, 2012 these Class B bonds were fully paid.

The issuance of the Class "B" Bonds is guaranteed by the rights to the future flows derived from the sales that are paid with certain credit cards, which are deposited in separate bank accounts. As of December 31, 2011, the amounts deposited in the bank accounts are approximately S/.1,237,000, see Note 9.

(c) 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 a 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 these issuances will be paid at maturity.

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

(d) As of December 31, 2012 and 2011, the Company and Subsidiaries has outstanding corporate bonds for S/.204,171,000 and S/.65,984,000, respectively, which accrue annual interest rates that fluctuate between 6.70 and 8.00 percent, and whose maturities are between 2016 and 2019.

These obligations generate restrictions related to any modification of the corporate and equity structure of the Company and its Subsidiaries, such as the mandate to not participate in events that generate a substantially adverse effect for the Company and its Subsidiaries, except with the expressed authorization by the bond holders meeting, which has to be adopted by simple majority.

In Management's opinion, the Company and its Subsidiaries have complied with said obligations as of December 31, 2012 and 2011, and these clauses and/or restrictions do not limit their operations.

(e) Supermercados Peruanos S.A. must comply, until maturity and cancellation of the aforementioned bonds, with certain obligations and restrictive clauses. The main obligations include the maintenance of the following financial ratios:

- Financial debt/EBITDA not higher than 3.0,
- Debt to equity ratio not higher than a 2.5,

The Subordinated Bonds are not subject to the compliance with financial ratios.

Compliance with obligations and restrictive clauses is monitored by Management of Supermercados Peruanos S.A. Should Supermercados Peruanos S.A. not comply with the aforementioned obligations during the term established by the contract, upon alerting the lender, the latter shall have the right to declare that the terms of the obligations have terminated and demand the payment of part and/or the entirety of the indebted amounts. As of December 31, 2012 and 2011, Supermercados Peruanos S.A. has complied with all the described obligations and restrictive clauses.

(f) During 2012 and 2011, bonds issued generated interests which are recorded in the "Financial costs" caption of the combined statements of income; see Note 28. Also, as of December 31, 2012 and 2011, there exist interests payable which are recorded in the "Other payables" caption of the combined statements of financial position; see Note 19(a).

(g) The payments of the principal amount of bonds issued are as follows:

	2012 S/.(000)	2011 S/.(000)
2012	-	20,907
2013	9,771	9,772
2014	79,794	72,796
2015	157,729	-
2016 on wards	26,899	46,441
Total	274,193	149,916

22. Derivative financial instrument

As of December 31, 2012 and 2011, this item comprises a cross currency swap contract designated to hedge cash flows and recorded at its fair value. The detail of this operation is as follows:

	2012						2011
Counterparty	Nominal amount US$(000)	Maturity	Receive fixed at %	Pay fixed at %	Exchange rate	Fair value S/.(000) Liability	Fair value S/.(000) Liability
BBVA – Banco Continental S.A.	7,005	July 2014	8.04	11.20	3.128	4,995	4,042
						4,995	4,042

This financial instrument is aimed to reduce the exposure to exchange rate risk associated with the financial obligation of the Subordinated Bonds – Second Issuance, therefore, it has the exact terms of the said subordinated Bonds; see Note 21(c).

On a semiannual basis (at the date of the bonds' interest payment), Supermercados Peruanos S.A. receives and pays the agreed flows, at the annual interest rate and the flows established in the hedging contract. The flows effectively received or paid by the Company are recognized as a correction of the financial cost in the period when the debt has been hedged. In 2012, the Company recognized a higher financial cost for this financial derivative instrument that amounted to S/.1,226,000 (S/.739,000 during 2011), which has been effectively paid during the period and is recorded in the "Financial cost" caption of the consolidated income statements, see Note 28.

The effective portion of changes in fair value of the derivative financial instrument that qualifies as coverage is recognized as assets or liabilities, with effect on equity. In 2012, it has been recognized in the caption "Unrealized gains from derivative financial instruments" of the statement of changes in equity, gain of update in fair value, before deferred tax effect, for approximately S/.539,000 (loss for S/.557,000 as of December 31, 2011).

The following presents the net flow of the hedging derivative:

	2012			
	Overnight S/.(000)	3 to 12 months S/.(000)	1 to 5 years S/.(000)	Total S/.(000)
Income	718	718	19,306	20,742
Expenses	(1,227)	(1,227)	(24,366)	(26,820)
Net effect	(509)	(509)	(5,060)	(6,078)
Discounted net flows	(509)	(481)	(4,005)	(4,995)

	2011			
	Overnight S/.(000)	3 to 12 months S/.(000)	1 to 5 years S/.(000)	Total S/.(000)
Income	759	759	21,930	23,448
Expenses	(1,226)	(1,226)	(28,620)	(31,072)
Net effect	(467)	(467)	(6,690)	(7,624)
Discounted net flows	(467)	(440)	(3,135)	(4,042)

23. Deferred income tax

(a) The following is the detailed caption by Subsidiary:

	31.12.2011	31.12.2012
	Deferred asset (liability), net S/.(000)	Deferred asset (liability), net S/.(000)
InRetail Perú Corp.	(111,916)	(111,916)
Supermercados Peruanos S.A.	(22,187)	(28,708)
Eckerd Group	2,273	6,765
InRetail Real State	(35,123)	(59,399)
Deferred liability, net	(166,953)	(193,258)

(b) The table below presents the detail of the deferred Income tax assets and liabilities by nature:

	Balance as of January 1, 2011 S/.(000)	Business combination S/.(000)	Income (expense) S/.(000)	Equity S/.(000)	Balance as of December 31, 2011 S/.(000)	Income (expense) S/.(000)	Equity S/.(000)	Balance as of December 31, 2012 S/.(000)
Deferred asset -								
Estimate for trade discounts	3,746	-	157	-	3,903	609	-	4,512
Vacation provision	2,498	1,419	767	-	4,684	586	-	5,270
Shortages of goods	6,789	-	1,362	-	8,151	1,536	-	9,687
Provision for impairment of inventories	-	62	1,205	-	1,267	1,859	-	3,126
Difference of amortization rates for tax purposes	-	932	463	-	1,395	23	-	1,418
Others	2,603	1,824	(1,019)	235	3,643	2,664	307	6,614
Total	15,636	4,237	2,935	235	23,043	7,277	307	30,627
Deferred liability -								
Deemed cost of property, furniture and equipment (IFRS 1)	(17,385)	(3,282)	(98)	-	(20,765)	(521)	-	(21,286)
Increased tax depreciation for leasing	(1,839)	(448)	(12,984)	-	(15,271)	(9,959)	-	(25,230)
Update on the fair value of available for sale financial	-	-	-	(960)	(960)	-	(132)	(1,092)
Valuation of investment properties	(20,773)	-	(8,723)	-	(29,496)	(16,091)	-	(45,587)
Brand value	-	(111,916)	-	-	(111,916)	-	-	(111,916)
Others	(9,025)	(28)	(2,535)	-	(11,588)	(7,186)	-	(18,774)
Total	(49,022)	(115,674)	(24,340)	(960)	(189,996)	(33,757)	(132)	(223,885)
Liability deferred, net	(33,386)	(111,437)	(21,405)	(725)	(166,953)	(26,480)	175	(193,258)

(c) The table below presents the Income Tax expenses reported in the consolidated statements of income as of December, 2012 and 2011:

	2012 S/.(000)	2011 S/.(000)
Current	(64,451)	(41,367)
Deferred	(26,480)	(21,405)
Total	(90,931)	(62,772)

(d) As of December 31, 2012 and 2011 the provision for current income tax payable, net of advanced payments, amounts to approximately S/.25,122,000, S/.6,514,000, respectively.

(e) The table below presents the reconciliations of the effective tax rate to the legal tax rate:

	For year then ended December 31, 2012		For year then ended December 31, 2011	
	S/.(000)	%	S/.(000)	%
Profit before Income Tax	309,242	100.00	186,343	100.00
Theoretical tax	(92,773)	(30.00)	(55,903)	(30.00)
Net expenses of holding not domiciled in Peru	(4,102)	(1.33)	(11,012)	(5.91)
Non-deductible expenses for Subsidiaries acquired	-	-	(3,265)	(1.75)
Effect of net income non subject to income tax (*)	7,392	2.39	13,014	6.98
Non-deductible expenses	(1,448)	(0.47)	(5,606)	(3.01)
Expenses recognized for Income Tax	(90,931)	(29.41)	(62,772)	(33.69)

(*) As of December 31, 2012 and 2011, due to a special tax treatment in Peru for one of the entities of the Group that owned some shopping centers (an insurance company), the net income related to these shopping centers, was not subject to income tax until November 2011 and August 2012, which tax effect in 2011 was S/.2,645,000 and S/.10,369,000, respectively.

24. Equity

(a) Capital social –

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

In August 2012, resulting from the agreements described in Note 1 (b.2) Intergroup's 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 shares of the company was represented by 25,053,784.

Furthermore, in August 2012, resulting from the reorganization of the Group Intercorp explained in Note 1 (b.1), were provided the stocks of companies InRetail Real Estate and Supermercados Peruanos S.A. and amounted to approximately S/.1,446,041,000, issuing 54,753,535 shares at an issue value of $ 10.00 each. These shares exchange was performed with reference to the market values of contributed shares; however, due to this reorganization was performed between entities under common control using the pooling of interests method, see Note 1(a), the operation was registered at book values, 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 1(b.2). 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, 2012, 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 1(b.1). 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 combined financial statements as of the beginning of the earliest year presented herein and were considered as additional paid in capital.

Likewise, due to the fact that as of December 31, 2012 and 2011, the InRetail Group paid in cash for part of these shopping centers to related entities, the contribution paid had 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$20.00 per share, being the issuance share value 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/.551,209,000.

25. Tax Situation

(a) InRetail Perú 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, 2012 and 2011, 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 configurated 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 (assumption in force since February 16, 2011); and,

(ii) In second place, the shares' 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 (assumption in force since July 22, 2011).

(d) Benefit of tax reimbursement for Amazonian Region -
Boticas del Oriente S.A.C. is under the benefit of tax reimbursement, established in Decreto Legislativo N° 821 Ley del Impuesto General a las Ventas (IGV) e Impuesto Selectivo al Consumo (ISC), where traders of Amazonian Region, who buy goods from taxable subjects in the rest of the country, for their consumption in that region, will have the right to a reimbursement equivalent to the amount of the tax that would have been indicated in the respective bill, issued in accordance to the regulation on the matter.

In order to have access to such benefit, the article 46° of Chapter XI of the referred Law, indicates, among others, the following requirements:

- To have the fiscal address and the company's administration in the Amazonian Region.
- To keep the accounting and its supporting documentation in the fiscal address.
- To perform no less than seventy five percent (75%) of the operations in the Amazonian Region.
- To be subscribed as beneficiary in a special record maintained by SUNAT.
- To make and pay the retentions in the terms established, in case of being designated as a retention agent.

In Management's opinion, as of December 31, 2012 and 2011, Boticas del Oriente S.A.C. has met all the requirements above mentioned.

(e) For purposes of determining the Income Tax and Value Added Tax, transfer pricing of transactions with related companies and companies domiciled in territories with low or no taxation must be supported with documentation and information on assessment methods applied and criteria considered. As of August 2012, has eliminated the application of transfer pricing rules for tax purposes only general sales. 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, 2012 and 2011.

(f) 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 Perú Corp. incorporated in Peru:

	Income tax	Value added tax
Supermercados Peruanos S.A.	From 2008 to 2012	From 2008 to 2012
Eckerd Perú S.A.	2008, 2011 and 2012	2008, 2011 and 2012
Eckerd Amazonía S.A.C.	2008, 2010 and 2012	2008,2010 and 2012
Boticas del Oriente S.A.C.	2008, 2009, 2010 and 2012	2008, 2009, 2010 and 2012
Real Plaza S.R.L.	From 2009 to 2012	From 2008 to 2012
InRetail Properties Management S.R.L.	From 2008 to 2012	From 2008 to 2012

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 2012 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 combined statements of comprehensive income of the period in which said tax or surcharge is determined.

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 combined financial statements as of December 31, 2012 and 2011.

26. Operating expenses

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

	2012 S/.(000)	2011 S/.(000)
Cost of sales and services	3,436,919	3,087,382
Selling expenses	868,020	778,875
Administrative expenses	163,194	151,939
Total	4,468,133	4,018,196

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

	2012			
	Cost of sales and services S/.(000)	**Selling expenses** S/.(000)	**Administrative expenses** S/.(000)	**Total** S/.(000)
Initial balance of goods, Note 10(a)	593,289	-	-	593,289
Purchase of goods	3,387,527	-	-	3,387,527
Final balance of goods, Note 10(a)	(591,800)	-	-	(591,800)
Impairment of inventories, Note 10(c)	3,813	-	-	3,813
Cost of services	44,090	-	-	44,090
Packing and packaging	-	31,577	688	32,265
Personnel expenses	-	344,487	96,424	440,911
Depreciation, Note 14(a) and (e)	-	81,135	10,480	91,615
Amortization, Note 16(a) and (d)	-	4,228	2,480	6,708
Services provided by third parties (b)	-	125,687	24,925	150,612
Advertising	-	63,628	6,297	69,925
Rental of premises, Note 12(b)	-	77,832	2,576	80,408
Taxes	-	18,155	10,060	28,215
Provision for doubtful accounts, Note 8(g) and 9(d)	-	1,430	-	1,430
Insurance	-	6,067	573	6,640
Other charges (c)	-	113,794	8,691	122,485
Total	3,436,919	868,020	163,194	4,468,133

	2011			
	Cost of sales and services S/.(000)	Selling expenses S/.(000)	Administrative expenses S/.(000)	Total S/.(000)
Initial balance of goods, Note 10(a)	253,698	-	-	253,698
Acquisition of subsidiary, Note 2	224,524	-	-	224,524
Purchase of goods	3,166,148	-	-	3,166,148
Final balance of goods, Note 10(a)	(593,289)	-	-	(593,289)
Impairment of inventories, Note 10(c)	2,426	-	-	2,426
Cost of services	33,875	-	-	33,875
Packing and packaging	-	28,457	781	29,238
Personnel expenses	-	279,434	83,873	363,307
Depreciation, Note 14(a) and (e)	-	84,158	9,232	93,390
Amortization, Note 16(a) and (d)	-	5,557	1,640	7,197
Services provided by third parties (b)	-	126,452	25,975	152,427
Advertising	-	58,458	3,263	61,721
Rental of premises, Note 12(b)	-	75,762	1,139	76,901
Taxes	-	15,695	6,254	21,949
Provision for doubtful accounts, Notes 8(g) and 9(d)	-	2,139	-	2,139
Insurance	-	4,797	354	5,151
Other charges (c)	-	97,966	19,428	117,394
Total	3,087,382	778,875	151,939	4,018,196

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

(c) Mainly include general expenses in stores.

27. Other operating income and expenses

The table below presents the components of this caption:

	2012 S/.(000)	2011 S/.(000)
Other operating income		
Gain from valuation at fair value of investment properties, Note 15(a)	53,724	51,478
Others	1,093	2,143
	54,817	53,621
Other operating expenses		
Disposals and write-off of property, furniture and equipment, Note 14(g)	(235)	(10,325)
Others	(3,154)	(3,658)
	(3,389)	(13,983)

28. Finance income and cost

The table below presents the components of this caption:

	2012 S/.(000)	2011 S/.(000)
Finance income		
Net exchange difference	76,816	20,813
Gain on sale of corporate bonds, Note 11(b)	3,672	-
Interest and others	17,606	3,914
	98,094	24,727
Finance cost		
Interest on loans, borrowing and bonds payable, Note 20 and 21	(140,380)	(89,744)
Financial cost and other	(2,461)	(1,929)
Interest from derivatives instruments, Note 22	(1,226)	(739)
Other financial costs	(11,999)	(9,580)
	(156,066)	(101,992)

29. Transactions with related parties

(a) The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year:

	2012 S/.(000)	2011 S/.(000)
Income		
Sales	26,885	21,046
Rental income	31,465	50,146
Rendering of services	11,428	11,499
Other	4,344	1,553
	74,122	84,244
Expenses		
Renting of premises and land	(7,118)	(1,171)
Reimbursements of expenses	(623)	(5,535)
Commissions	(1,077)	(500)
Other services	(3,297)	(6,003)
Interest	(2,455)	(2,678)
Other	(9,865)	(1,154)
	(24,435)	(17,041)

(b) As a result of the transactions with related companies, the Group recorded the following balances of receivables and payables as of December 31, 2012 and 2011:

	2012 S/.(000)	2011 S/.(000)
Receivables		
Intercorp Perú Ltd. (d)	78,479	629
Banco Internacional del Perú S.A.A. – Interbank	5,314	5,809
Bembos S.A.C.	678	576
Bellavista Global Opportunities S.A.C.	-	142
Interseguro Compañía de Seguros S.A.	194	121
Cineplex S.A.	127	134
Nessus Hoteles Perú S.A.		
Centro Cívico		-
Tiendas Peruanas S.A.	632	320
Urbi Propiedades S.A. (e)	202	12,075
Homecenter Peruanos S.A. (f)	11,878	-
Horizonte Global Opportunities Perú S.A.	1,186	-
Other	5,787	187
	104,477	19,993
Payables		
Intercorp Perú Ltd.	-	1,168
Banco Internacional del Perú S.A.A. – Interbank:		
Credit line and others (g)	170	537
Guarantee deposit (i)	3,157	2,278
Horizonte Global Opportunities Perú S.A. (h)	4,429	5,585
Interseguro Compañía de Seguros S.A. (g)	-	133
Cineplex S.A.	-	45
N.G. Management Perú S.A.C.	-	166
Intercorp Retail Inc. (j)	26,890	14,448
Tiendas Peruanas S.A.	512	-
Other	327	163
	35,485	24,523
Remunerations payable to key management	1,500	3,848
	36,985	28,371
Current portion	33,828	25,901
Non-Current portion	3,157	2,470
Total	36,985	28,371

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 year-end are unsecured and interest free, except for the financial obligations explained in this note. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2012 and 2011, 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, 2012, the balance receivable from Intercorp Perú Ltd. corresponds to a loan in soles that includes accrued interests at market rates of 5 percent annual and presents maturity in 2013.

(e) Corresponds to a loan given to Urbi Propiedades S.A., which accrues interests, has current maturity and has no guarantees. During June and September 2012, the Company made a prepayment of US$4,076,380, equivalent to approximately S/.10,586,000.

(f) As of December 31, 2012, the balance receivable from Home Center corresponds to two loans in dollars and soles for approximately US$4,193,000 (equivalent to S/.10,687,000) and S/.366,000, respectively. Such loans include interests accrued at market rates, present current maturity and have no specific guarantees.

(g) 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.

(h) Supermercados Peruanos S.A. and Banco Internacional del Perú S.A.A.- Interbank, signed contracts on leases of financial stores for 15 and 7 years in October 2004 and September 2009, respectively. Said 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 combined statements of financial position. Additionally, and only in the case of the 2004 contract, Supermercados Peruanos S.A. received from Banco Internacional del Perú S.A.A.- Interbank US$2,000,000 as collateral for the contract. As of December 31, 2012 and 2011, Supermercados Peruanos S.A. has credited the update of the present value of this deposit in the "Financial income" caption. The net present value of the balances related to guarantee deposit amount to S/.3,157,000 and S/.2,278,000, respectively, as of December 31, 2012 and 2011, and is accounted for in the "other payable" in the consolidated statement of financial position.

In relation to said contracts, during 2012 Supermercados Peruanos S.A. recognized accrued renting revenue that amounted to approximately S/.3,790,000, equivalent to US$1,262,000 (S/.4,136,000, equivalent to approximately US$1,377,000, during 2011), which are recorded in the "Rental income" caption in the consolidated income statements .

As of December 31, 2012, Supermercados Peruanos S.A. maintains deferred revenue that amounts to approximately S/.11,532,000 (S/.15,596,000 as of December 31, 2011) which will be recognized as income in upcoming periods.

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

(j) As of December 31, 2012 and 2011, relate to accounts payable for certain expenses incurred by Intercorp Retail Inc. The balance payable to Intercorp Retail Inc. does not accrue interest, has not kept current maturity and guarantees.

(k) The compensation of key management personnel of the Group is detailed below:

	2012 S/.(000)	2011 S/.(000)
Short term employee benefits	11,853	19,102
Insurance and medical benefits	1,045	1,856
Other	692	650
Total	13,590	21,608

(l) As of December 31, 2012 and 2011, the Group maintains the following balances in the cash and cash equivalent captions:

	2012 S/.(000)	2011 S/.(000)
Banco Internacional del Perú S.A.A.- Interbank S.A.A.	407,523	145,276
Inteligo Bank Ltd.	80,566	-

Likewise, as of December 31, 2012 and 2011, InRetail Group participates in various mutual funds managed by Interfondos S.A. Sociedad Administradora de Fondos, for an amount of approximately S/. 184,355,000 and S/.20,000 recorded as investment at fair value through profit or loss, see Note 7(a).

Financial obligations (Note 20)

The leasings, promissory notes and loans signed with related entities, that are recorded in the "Interest-bearing loans and borrowing" caption, see Note 20, are detailed as follow:

(m) During 2009, Banco Internacional del Perú - Interbank signed leasing contracts with Supermercados Peruanos S.A. for a total amount of S/.58,303,000, aimed to fund both the construction of new stores and working capital.

During 2012 and 2011 said leases and other financial obligations generated, interests and other financial costs that amounted to approximately S/.2,722,000, and S/.1,929,000 respectively; which are presented in the "Financial costs" caption of the consolidated income statements.

(n) During 2010, Corporación Union 600 sold a building located in Jirón de la Union 600 and Camaná No. 16, Downtown Lima, to Interproperties Holding, amounting to S/.17,645,200, to be paid within 120 months through monthly installments amounting to S/.213,219,000.

(o) Banco Internacional del Perú S.A.A.– Interbank signed financial leasing contracts with Supermercados Peruanos S.A., Eckerd S.A. and Interproperties Holding for approximately S/.66,754,000, S/.8,376,000 and S/.7,401,000, respectively, for construction of new stores, the shopping center Real Plaza located in Santa Clara and working capital. These contracts accrue annual interests between 8.25 and 11.43 percent, and have maturities between 2014 and 2016. During periods ended on December 31, 2012 and 2011, financial leasing contracts generated interests which are presented in the caption "Financial expenses" of the consolidates statement of income.

(p) It Corresponds to an agreement for future financial leasing subscribed between Eckerd Perú and Interbank, for the construction and implementation of the new distribution center of Eckerd Perú that will be located in Chorrillos. To the date of this report, Management is coordinating with Interbank to establish the payments schedule and interests of the financial leasing or, even, its cancelation during 2013. As a consequence, the balance maintained as of December 31, 2012 has been classified in the short term.

30. Deferred revenue

The table below presents the components of this caption:

	2012 S/.(000)	2011 S/.(000)
Leases (related parties), see Note 29(h)	14,132	13,331
Other operating leases as lessor	5,198	2,130
Key money	4,567	4,275
Total	23,897	19,736
Current portion	2,989	8,447
Non-current portion	20,908	11,289
	23,897	19,736

31. 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 1 (b.1), as if the equity structure of the InRetail Group had been in place for all periods presented:

	Common shares		
	Outstanding shares	**Effective days until year-end**	**Weighted average of shares**
Period 2011 -			
Number as of January 1, 2011	49,647,632	365	46,221,215
Capital contribution	18,479,591	348	17,618,898
Capital contribution	6,571,564	183	3,294,784
Capital contribution	4,549,307	182	2,268,422
Number as of December 31, 2011	79,248,094		69,403,319
Period 2012 -			
Number as of January 1, 2012	79,248,094	365	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

	2012		
	Net income (numerator) S/.	Shares (denominator)	Earnings per share S/.
Basic and diluted earnings per share	218,300,000	83,307,762	2.62

	2011		
	Net income (numerator) S/.	Shares (denominator)	Earnings per share S/.
Basic and diluted earnings per share	123,433,000	69,403,319	1.78

32. Commitments and contingencies

Commitments -

The main commitments assumed are presented below:

(a) As of December 31, 2012 and 2011, the Company and its subsidiaries have signed rental 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 assumed up until 2040, calculated on the basis of the fixed rental amounts, will be paid as follows:

	2012 S/.(000)	2011 S/.(000)
2011 - 2015	121,859	249,920
2016 - 2020	143,367	159,153
2021 - 2025	111,828	77,014
2026 - 2030	105,628	76,252
2031 - 2040	144,040	179,711
Total	626,722	742,050

(b) During 2012, the Company and its subsidiaries agreed with several financial entities on the issuance joint by and severally irrevocable letters of guarantee for approximately S/.8,834,000 for compliance with the payment for purchase of goods to foreign suppliers.

(c) During 2011, 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, 2012, 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 Amazonia 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, 2012 and 2011.

(b) Eckerd Perú S.A. has a legal process with one of its suppliers as a consequence of disagreements in the services provided from such supplier. To the date of this report, such supplier has demanded the Company. As of December 31, 2012 and 2011, Eckerd Perú S.A. has recorded the liability for the contingency; and, in Management's opinion, the Company will pay only the amount recorded.

(c) The Tax Authority conducted an audit of the tax returns of income tax and monthly statements of Value Added Tax of Supermercados Peruanos S.A. in fiscal years 2004, 2005, 2006 and 2007. The above audits resulted in resolutions that generate higher taxes, penalties and interest. As of December 31, 2012, Supermercados Peruanos has challenged the Tax Administration and these resolutions in the opinion of management and its legal counsel, no significant liabilities as a result of this situation and, therefore, InRetail Group has not recorded any provision for such costs as of December 31, 2012 and 2011.

33. 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, 2012 and 2011 InRetail Perú Corp. (formerly IFH Pharma 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. (formerly IFH Pharma Corp.) and Subsidiaries by business segments for 2012 and 2011:

	Supermarkets S./(000)	Drug Stores S./(000)	Shopping centers S./(000)	Total segments S./(000)	Holding accounts, combination adjustments and intercompany eliminations S./(000)	Consolidated S./(000)
2012						
Revenue						
External income	3,048,446	1,600,175	135,298	4,783,919	-	4,783,919
Inter-segment	10,912	398	24,539	35,849	(35,849)	-
Total revenue	3,059,358	1,600,573	159,837	4,819,768	(35,849)	4,783,919
Cost of sales	(2,254,289)	(1,138,540)	(44,090)	(3,436,919)	-	(3,436,919)
Gross profit	805,069	462,033	115,747	1,382,849	(35,849)	1,347,000
Other operating income	-	222	78,527	78,749	(23,932)	54,817
Selling expenses	(610,761)	(277,847)	(1,122)	(889,730)	21,710	(868,020)
Administrative expenses	(71,796)	(64,079)	(32,764)	(168,639)	5,445	(163,194)
Other operating expenses	(986)	(448)	(32)	(1,466)	(1,923)	(3,389)
Operating profit	121,526	119,881	160,356	401,763	(34,549)	367,214
Finance income	30,424	2,053	44,420	76,897	21,197	98,094
Finance costs	(63,598)	(1,033)	(60,912)	(125,543)	(30,523)	(156,066)
Profit before income tax	88,352	120,901	143,864	353,117	(43,875)	309,242
Income tax expense	(31,601)	(35,805)	(23,525)	(90,931)	-	(90,931)
Profit for the year	56,751	85,096	120,339	262,186	(43,875)	218,311
Attributable to :						
InRetail Perú Corp.	56,751	85,096	120,339	262,186	(43,886)	218,300
Non-controlling interests	-	-	-	-	11	11
	56,751	85,096	120,339	262,186	(43,875)	218,311
Other information						
Operating assets (*)	2,028,748	1,676,235	2,209,472	5,914,455	134,607	6,049,062
Operating liabilities	1,434,940	460,192	782,036	2,677,168	471,273	3,148,441
Additions to non-current assets -						
Property, furniture and equipment	239,935	78,497	-	318,432	23,710	342,142
Investment properties	-	-	313,178	313,178	(23,710)	289,468
Intangible assets	19,051	7,662	137	26,850	-	26,850
Increase on revaluation of investment properties	-	-	77,656	77,656	(23,932)	53,724
Depreciation and amortization	(75,880)	(15,492)	(680)	(92,052)	(6,271)	98,323

(*) As of December 31, 2012, the "pharmacies" segment includes approximately S/.373,054,000 and S/.694,283,000 corresponding to the brand "InKafarma" and good will, respectively, as a result of the acquisition of the Eckerd Group; see Note 15.

	Supermarkets S./(000)	Drug Stores S./(000)	Shopping centers S./(000)	Total segments S./(000)	Holding accounts, combination adjustments and intercompany eliminations S./(000)	Consolidated S./(000)
2011						
Revenue						
External income	2,812,968	1,333,194	96,004	4,242,166	-	4,242,166
Inter-segment	7,153	234	18,347	25,734	(25,734)	-
Total revenue	2,820,121	1,333,428	114,351	4,267,900	(25,734)	4,242,166
Cost of sales	(2,089,834)	(963,910)	(33,875)	(3,087,619)	237	(3,087,382)
Gross profit	730,287	369,518	80,476	1,180,281	(25,497)	1,154,784
Other operating income	3	720	62,722	63,445	(9,824)	53,621
Selling expenses	(555,567)	(223,498)	(3,706)	(782,771)	3,896	(778,875)
Administrative expenses	(73,311)	(66,043)	(23,185)	(162,539)	10,600	(151,939)
Other operating expenses	(10,097)	(3,865)	(21)	(13,983)	-	(13,983)
Operating profit	91,315	76,832	116,286	284,433	(20,825)	263,608
Finance income	9,286	850	6,270	16,406	8,321	24,727
Finance costs	(40,110)	(899)	(26,350)	(67,359)	(34,633)	(101,992)
Profit before income tax	60,491	76,783	96,206	233,480	(47,137)	186,343
Income tax expense	(25,003)	(26,263)	(10,758)	(62,024)	(748)	(62,772)
Profit for the year	35,488	50,520	85,448	171,456	(47,885)	123,571
Attributable to :						
InRetail Perú Corp.	35,488	50,520	85,448	171,456	(48,023)	123,433
Non-controlling interests	-	-	-	-	138	138
	35,488	50,520	85,448	171,456	(47,885)	123,571
Other information						
Operating assets	1,888,345	1,564,922	1,222,728	4,675,995	(79,770)	4,596,225
Operating liabilities	1,431,230	371,420	633,529	2,436,179	428,216	2,864,395
Additions to non-current assets -						
Property, furniture and equipment	181,931	21,225	-	203,156	108,227	311,383
Investment properties	-	-	203,707	203,707	(108,227)	95,480
Intangible assets	3,401	2,192	-	5,593	-	5,593
Increase on revaluation of investment properties	-	-	61,082	61,082	(9,604)	51,478
Depreciation and amortization	(85,017)	(14,744)	-	(99,761)	(826)	(100,587)

(*) As of December 31, 2011, the "pharmacies" segment includes approximately S/.373,054,000 and S/.694,283,000 corresponding to the brand "InKafarma" and good will, respectively, as a result of the acquisition of the Eckerd Group; see Note 15.

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, 2012 and 2011, 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.

34. Objectives and policies of financial risk management
The InRetail Group's main financial liabilities, other than derivatives, comprise trade and other payables, accounts payable to related parties, interest-bearing loans and borrowings, and bonds issued. The main purpose of these financial liabilities is to finance the InRetail Group's operations and to provide guarantees to support its operations. The InRetail Group has cash and short-term deposits, trade and other receivables that arise directly from its operations. The InRetail Group also holds available-for-sale investments and enters into derivative transactions.

In this sense, risk is inherent in the Group's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities.

The independent risk control process does not include business risks such as changes in the environment, technology and industry. These are monitored through the Group's strategic planning process.

(a) Risk management structure -
The Group's Board of Directors is ultimately responsible for identifying and controlling risks; however, there are separate independent bodies in the subsidiaries responsible for managing and monitoring risks, as further explained bellow:

(i) Board of Directors
The Group's Board of Directors is responsible for the overall risk management approach and for the approval of the policies and strategies currently in place. The Board provides principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments.

(ii) Internal Audit
Risk management processes throughout the Group are monitored by the internal audit functions, which examine both the adequacy of the procedures and the compliance of them. Internal Audit discusses the findings and recommendations to the top Management and Board of Directors.

(iii) Management

The InRetail Group's senior management oversees the management of the Company's risks. The Finance Managers provide assurance to the InRetail Group's senior management that the procedures and those financial risks are identified, measured and managed in accordance with the Board of Directors guidelines.

The Board of Directors reviews and agrees policies for managing each of these risks which are summarized below.

The InRetail Group is exposed to market risk, credit risk and liquidity risk.

Credit risk -

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The InRetail Group is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

(a) Credit risk associated with:

(a.1) Trade receivables

The InRetail Group evaluates the concentration of risk with respect to trade receivables. In general it does not concentrate significant trade receivables from any company in particular. The Company performs an assessment on trade receivables risk of collection to determine the required and corresponding provision.

(a.2) Financial instruments and cash deposits

This risk is managed by the Finance Managers in accordance with the Board's principles to minimize risk concentration and, consequently, mitigate financial losses from potential defaults of the counterpart. The maximum exposure to credit risk of the components of the consolidated financial statements as of December 31, 2012 and 2011, comes from captions "Cash and short – term deposits", "Accounts receivable" and "Accounts receivable from related parties". The maximum exposure to derivative financial instruments is indicated in Note 21.

(a.3) Accounts receivable from related parties

Due to the nature of these accounts, credit risk is low because it is about related parties whose debts are normally collected and/or settled in the short term.

Market risk -

It is the risk of suffering losses in balance positions due to fluctuations in market prices. These prices comprise three risk types: (i) exchange rate; (ii) interest rate; and (iii) commodity prices and others. All financial instruments of the Company and its Subsidiaries are only affected by exchange rate risk and interest rate risk.

The sensitivity analysis in the following sections refers to the positions as of December 31, 2012 and 2011. Said analysis assumes that the net debt amount, the relation of fixed and floating interest rates, derivatives and the position in foreign currency instruments are constant.

The following assumptions for sensitivity calculations have been used:

- Sensitivity on the consolidated equity refers to the hedging derivative that Supermercados Peruanos S.A. maintains as of December 31, 2012.

- Sensitivities on the consolidated statements of comprehensive income are the effect of changes assumed in the respective market risk, based on the financial assets and liabilities recorded as of December 31, 2012 and 2011, including the effect of the hedging derivative.

(i) Foreign currency risk -

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Finance Managers of the Subsidiaries are responsible for identifying, measuring, controlling and informing on the exposure to global exchange rate risk of the Group. The InRetail Group's exposure to the risk of changes in foreign exchange rates relates primarily to the InRetail Group's operating activities (when revenue or expense is denominated in a different currency from the InRetail Group's functional currency), the InRetail Group has decided to accept this exchange risk and so it has not performed any hedging of exchange risk with the exception of a hedging operation held by Supermercados Peruanos S.A., see Note 5.

Management monitors this risk through the analysis of the country's macroeconomic variables.

The following table demonstrates the sensitivity to a reasonably possible change in the US Dollar exchange rate, with all other variables held constant, of the Group's profit before tax. A negative amount shows a potential net decrease in the consolidated statements of income and comprehensive income, whereas a positive amount reflects a potential net increase.

Sensitivity analysis	Change in exchange rates	Gain/(loss) before taxes	
	%	2012 S/.(000)	2011 S/.(000)
Devaluation			
US Dollars	5	70,045	68,792
US Dollars	10	140,089	137,584
Revaluation			
US Dollars	5	(70,045)	(68,792)
US Dollars	10	(140,089)	(137,584)

(ii) Interest rate risk -

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The InRetail Group's exposure to the risk of changes in market interest rates relates primarily to the InRetail Group's long-term debt obligations with floating interest rates.

The InRetail Group manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of bonds issued and interest-bearing loans and borrowings, after the impact of cash flow hedge accounting. With all other variables held constant and assuming that financial liabilities as of December 31, 2012 and 2011 will renew at maturity, the InRetail Group's profit before tax is affected through the impact on floating rate borrowings as follows.

Changes in basis points	Effect on income before taxes		Effect on Other comprehensive income	
	2012 S/.(000)	2011 S/.(000)	2012 S/.(000)	2011 S/.(000)
+ (-) 50	274	337	5	5
+ (-) 100	548	674	10	10
+ (-) 200	1,096	1,348	20	20

The sensitivities of interest rates shown above are only for illustrative purposes and are based on simplified scenarios. The figures represent the effect of pro forma movements in the net financial costs on the basis of projected scenarios of the yield curve and the profile of interest rate risk the InRetail Group faces. However, said effect does not include the actions that Management would take to mitigate the impact of this type of risk.

Liquidity risk -

It is the risk that the InRetail Group could not comply with their payment obligations related to financial liabilities at maturity and to replace funds when they are withdrawn. The consequence would be the default in the payment of their obligations to third parties.

Liquidity is controlled through the matching of maturities of assets and liabilities, the obtaining of credit lines and/or maintaining liquidity excess, which allows the InRetail Group to normally develop their activities.

Liquidity risk management implies maintaining sufficient cash and availability of funding through an adequate amount of committed credit sources and the ability to settle transactions, mainly debt. To that respect, Management of the InRetail Group focuses its efforts to maintain funding sources through the availability of credit lines and bonds issuance, primarily.

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

	As of December 31, 2012				
	Less than 3 months S/.(000)	3 to 12 months S/.(000)	1 to 5 years S/.(000)	More than 5 years S/.(000)	Total S/.(000)
Bonds issued and interest-bearing loans and borrowings					
Capital amortization	12,257	71,452	667,184	916,655	1,667,548
Interest payments flow	5,881	86,651	358,867	163,552	614,951
Trade payables	1,017,124	18,183	-	-	1,035,307
Accounts payable to related parties	29,860	3,968	3,157	-	36,985
Other payables and current income tax	89,517	98,247	-	-	187,764
Total liabilities	1,154,639	278,501	1,029,208	1,080,207	3,542,555

	As of December 31, 2011				
	Less than 3 months S/.(000)	3 to 12 months S/.(000)	1 to 5 years S/.(000)	More than 5 years S/.(000)	Total S/.(000)
Bonds issued and interest-bearing loans and borrowings					
Capital amortization	16,127	63,555	291,197	1,190,177	1,561,056
Interest payments flow	24,511	78,794	374,497	284,574	762,376
Trade payables	959,206	6,115	-	-	965,321
Accounts payable to related parties	10,268	15,633	2,470	-	28,371
Other payables and current income tax	75,904	43,012	-	-	118,916
Total liabilities	1,086,016	207,109	668,164	1,474,751	3,436,040

Capital management risk -

The InRetail Group actively manages a capital base in order to cover inherent risks to their activities. The capital adequacy of the InRetail Group is monitored using, among other measures, ratios established by Management.

The objectives of the InRetail Group when managing capital is a concept broader than the "Consolidated equity" presented in the consolidated statements of financial position. Those objectives are: (i) to safeguard the ability of the Group to continue operating in a way that continues to provide returns to shareholders and benefits to the rest of stakeholders; and (ii) to maintain a strong capital base to support the development and growth of its activities.

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2012 and 31 December 2011.

34. 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 or settlement value.

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

(a) Financial instruments whose fair value is similar to book value -

Assets and liabilities that are liquid or have short maturities (less than three months), such as cash and short-term deposits, trade and other receivables, trade and other payables and other current liabilities, approximate to their carrying amounts largely due to the short-term maturities of these instruments.

Also, the derivative instrument by the Group, see Note 22, 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 instruments. 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.

On the basis of the aforementioned criteria's, set out below is a comparison by class of the carrying amounts and fair values of the Group's financial instruments that are carried in the financial statements:

	2012		2011	
	Book value S/.(000)	Fair value S/.(000)	Book value S/.(000)	Fair value S/.(000)
Financial assets				
Cash and short-term deposits	541,864	541,864	325,722	325,722
Investments at fair value through profit or loss	555,023	555,023	20,000	20,000
Trade receivables, net	72,313	72,313	46,596	46,596
Other receivables, net	42,889	42,889	28,010	28,010
Accounts receivable from related parties	104,477	104,477	19,993	19,993
Available-for sale investments	28,319	28,319	70,628	70,628
Financial liabilities				
Trade payables	1,035,307	1,035,307	965,321	965,321
Accounts payable to related parties	36,985	36,985	28,371	28,371
Other payables and current income tax	187,764	187,764	118,916	118,916
Bonds issued and interest-bearing loans and borrowings	1,667,548	1,710,675	1,561,056	1,557,644

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 2012 and 2011. 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.

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