InRetail Perú Corp. and Subsidiaries

Interim consolidated financial statements as of June 30, 2015 and December 31, 2014 and for the six-month periods ended June 30, 2015 and 2014

InRetail Peru Corp. and Subsidiaries

Interim consolidated financial statements as of of June 30, 2015 and December 31, 2014 and for the six-month periods ended June 30, 2015 and 2014.

Contents

Interim consolidated financial statements

InRetail Perú Corp. and subsidiaries

Interim consolidated statement of financial position

As of June 30, 2015 and December 31, 2014

	Note	2015	2014
		S/.(000)	S/.(000)
Assets			
Current assets			
Cash and short-term deposits	4	158,617	284,998
Investments at fair value through profit or loss		23,556	23
Trade receivables, net	5	77,046	83,749
Other receivables, net		33,420	42,463
Accounts receivables from related parties	19 (b)	46,356	95,188
Inventories, net	6	768,278	803,821
Available-for-sale investment	7	59,936	-
Prepayments		46,785	19,834
Taxes recoverable		103,489	93,297
Total current assets		1,317,483	1,423,373
Non-current assets			
Other receivables, net		16,763	8,758
Prepayments		19,436	19,342
Taxes recoverable		92,632	104,957
Property, furniture and equipment, net	8	2,344,457	2,272,901
Investment properties	9	2,359,396	2,291,588
Intangible assets, net	10	1,180,699	1,176,492
Others assets		14,165	356
Total non-current assets		6,027,548	5,874,394
Total assets		7,345,031	7,297,767

	Note	2015	2014
		S/.(000)	S/.(000)
Liabilities and equity			
Current liabilities			
Trade payables	11	1,250,646	1,268,713
Other payables		211,092	210,531
Accounts payable to related parties	19(b)	24,021	18,553
Current income tax	14(b)	4,948	2,545
Interest-bearing loans and borrowings	12	78,608	75,438
Deferred revenue		3,765	3,950
Total current liabilities		1,573,080	1,579,730
Accounts payable to related parties	19(b)	4,669	4,242
Interest-bearing loans and borrowings	12	2,388,233	2,370,065
Deferred revenue		45,037	52,814
Derivative financial instrument	13	2,166	-
Deferred income tax liabilities, net	14(a)	250,263	233,186
Total non-current liabilities		2,690,368	2,660,307
Total liabilities		4,263,448	4,240,037
Equity			
Capital stock	15	2,138,566	2,138,566
Additional paid in capital		549,793	549,793
Unrealized results on financial instruments		(1,934)	-
Retained earnings		388,898	363,208
Equity attributable to owners of the parent		3,075,323	3,051,567
Non-controlling interests		6,260	6,163
Total equity		3,081,583	3,057,730
Total liabilities and equity		7,345,031	7,297,767

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

InRetail Perú Corp. and Subsidiaries

Interim consolidated Income statement

For the six-month periods ended June 30, 2015 and 2014

	Note	2015	2014
		S/.(000)	S/.(000)
Net sales of goods		3,031,735	2,708,218
Rental income		148,142	96,556
Rendering of services		76,668	59,795
Revenue		3,256,545	2,864,569
Cost of sales	17	(2,276,548)	(2,033,753)
Gross profit		979,997	830,816
Gain on valuation at fair value of investment properties		11,372	32,228
Other operating income		1,689	(108)
Selling expenses	17	(633,027)	(563,124)
Administrative expenses	17	(89,715)	(80,516)
Operating profit		270,316	219,296
Finance income		4,277	9,242
Finance costs	18	(106,533)	(88,496)
Net exchange difference		(97,198)	1,035
Profit before income tax		70,862	141,077
Income tax expense	14	(44,868)	(50,873)
Profit (loss) for the period		25,994	90,204
Attributable to:			
Owners of the parent		25,750	89,861
Non-controlling interests		244	343
		25,994	90,204
Earnings per share:	20		
Basic and diluted profit for the period attributable to ordinary equity holders of the parent		0.25	0.87

All items above are related to continuing operations.

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

InRetail Perú Corp. and Subsidiaries

Interim consolidated statement of comprehensive income
For the six-month periods ended June 30, 2015 and 2014

	Note	2015	2014
		S/.(000)	S/.(000)
Profit for the period		25,994	90,204
Other comprehensive income			
Unrealized gain (loss) on available-for-sale investments		1,700	575
Income tax effect		(447)	(173)
		1,253	402
Loss on hedging derivative financial instrument		(3,546)	555
Income tax effect		359	-
		(3,187)	555
Other comprehensive income for the period, net of income tax effects		(1,934)	957
Total comprehensive income for the period		24,060	91,161
Attributable to:			
Owners of the parent		23,816	90,816
Non-controlling interests		244	345
		24,060	91,161

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

InRetail Perú Corp. and Subsidiaries

Interim consolidated statement of change in equity

For the six-month periods ended June 30, 2015 and 2014

	Capital stock	Additional paid in capital	Capital premiun	Unrealized results on financial instruments	Retained earnings	Total	Non-controlling interest	Total equity
	S/.(000)	S/.(000)	S/.(000)	S/.(000)	S/.(000)	S/.(000)	S/.(000)	S/.(000)
Balance as of january 1, 2014	2,138,566	-	549,793	988	251,300	2,940,647	4,624	2,945,271
Profit for the period					89,861	89,861	343	90,204
Other Comprensive income				955	-	955	2	957
Total comprehsive income	-	-	-	955	89,861	90,816	345	91,161
Capital contribution	-	-				-	-	-
Expenses related to the share	-	-	-		-	-	-	-
Others	-	-	-	-	-	-	-	-
Balance as of June 30, 2014	2,138,566	-	549,793	1,943	341,161	3,031,463	4,969	3,036,432
Balance as of january 1, 2015	2,138,566	-	549,793	-	363,208	3,051,567	6,163	3,057,730
Profit for the period	-	-		-	25,750	25,750	244	25,994
Other comprensive income	-	-	-	(1,934)	-	(1,934)	-	(1,934)
	-			(1,934)	25,750	23,816	244	24,060
Advancement of minority returns to participate	-	-	-	-	-	-	(207)	(207)
Attribution of the equity premium to non-controlling interest	-	-	-	-	(60)	(60)	60	-
Balance as of June 30, 2015	2,138,566	-	549,793	(1,934)	388,898	3,075,323	6,260	3,081,583

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

InRetail Perú Corp. and Subsidiaries

Interim consolidated statement of cash flows

For the six-month periods ended June 30, 2015 and 2014

	2015	2014
	S/.(000)	S/.(000)
Operating activities		
Revenue	3,260,267	2,870,900
Payments to suppliers of goods and services	(2,510,958)	(2,341,510)
Payments to employees for salaries and social benefits	(303,348)	(272,470)
Taxes paid	(31,407)	(17,365)
Other payments, Net	(97,847)	(163,847)
Net cash flows from operating activities	316,707	75,708
Investing activities		
Sales of available for sale investment	-	70,486
Loan collected to related parties	57,109	36,529
Sales of property, furniture and equipment	124	-
Sales of investments at fair value through profit or loss	23	-
Purchase of available for sale investment	(57,441)	(24,227)
Bonds repurchase (including nominal and repurchase premium)	(13,809)	-
Purchase of investment properties,net of acquisitions through leasing contracts	(56,435)	(148,985)
Purchase of property, furniture and equipment, net of acquisitions through leasing contracts	(114,839)	(106,584)
Value Added tax payment related to Investment Properties	(4,948)	(30,389)
Loans granted to related parties	-	-
Purchase and development of intangible assets	(9,488)	(7,322)
Purchase of investments at fair value through profit or loss	(23,556)	(3,901)
Net cash flows used in investing activities	(223,260)	(214,393)
Financing activities		
Proceeds from interest-bearing loans and borrowings	120,997	90,234
Repayment of interest-bearing loans and borrowings	(245,069)	(51,850)
Interest paid	(89,193)	(4,885)
Payment of guarantee deposit for Derivate financial instruments	(6,356)	-
Advancement of performance	(207)	-
Net cash flows used in financing activities	(219,828)	33,499
Net (decrease) increase of cash and short-term deposits	(126,381)	(105,186)
Cash and short–term deposits at the beginning of the period	284,998	284,171
Cash and short–term deposits at the end of the period	158,617	178,985
Non-cash transactions		
Fixed assets purchased through leasing and other financial obligations	27,980	25,405
Invesment properties purchased through leasing	-	57,657

The accompanying notes are an integral part of these consolidated statements

InRetail Perú Corp. and Subsidiaries

Notes to the interim condensed consolidated financial statements
As of June 30, 2015 and December 31, 2014

1. Business activity and group reorganization and issuance process

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

As of June 30, 2015, the percentages of ownership are:

Owner	**Percentage of Ownership** %
Intercorp Retail Inc.	58.04
Intercorp Financial Services	2.33
Intercorp Perú Ltd	3.26
Inteligo Bank	7.08
NG Pharma Corp.	6.30
Others	22.99
	100.00

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

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

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

The accompanying interim consolidated financial statements as of June 30, 2015 were approved by the Board of Directors on August 10, 2015.

(b) Reorganization and issuance processes –

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

- Patrimonio en Fideicomiso D.S.N° 093-2002-EF-InRetail Shopping Mall (hereinafter "InRetail Shopping Mall"). As of June 30, 2015 and December 31, 2014, the representative shares of capital stock of InRetail Real Estate Corp.´s subsidiaries are maintained in trust in this entity which in July 2014 issued an offering of "Senior Notes Unsecured" for US$350,000,000 and S/.141,000,000.

- Patrimonio en Fideicomiso D.S.N°093-2002-EF-InRetail Consumer (hereinafter "InRetail Consumer"). As of June 30, 2015 and December 31, 2014, the representative shares of capital stock of Supermercados Peruanos S.A. and Subsidiaries and Eckerd Perú S.A. and Subsidiaries are maintained in trust in this entity which in October 2014 issued an offering of "Senior Notes Unsecured" for US$300,000,000 and S/.250,000,000.

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

2. Subsidiary activities

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

(a) As indicated in Note 1 (b), InRetail Consumer (a SPE controlled by the Company), was incorporated during the year 2014 only for the purpose of offering the "Senior Notes Unsecured". As of June 30, 2015 and December 31, 2014 the representative shares of stock of Supermercados Peruanos S.A. and Subsidiaries and Eckerd Perú S.A. and Subsidiaries are maintained in trust in this entity. A description of such subsidiaries is presented below:

- Eckerd Perú S.A. is dedicated to the commercialization of pharmaceutical products, cosmetic products, food for medical use and other elements related to protection and recovery through its "InkaFarma" pharmacy chain. As of June 30, 2015 and December 31, 2014, it operates 848 and 837 stores, respectively. Eckerd Perú S.A. holds 100 percent of: (i) Eckerd Amazonía S.A.C. and (ii) Boticas del Oriente S.A.C.

- Supermercados Peruanos S.A., is dedicated to retail as of June 30, 2015, it owns a chain of 102 stores, composed of 62 hypermarkets that operate under the "Plaza Vea" brand, 37 supermarkets that operate under the "Vivanda", Plaza Vea Super" and "Plaza Vea Express" brands, and 3 discount stores that operate under the "Mass" and "Economax" commercial brand (61 hypermarkets, 37 supermarkets and 3 discount stores as of December 31, 2014). Supermercados Peruanos S.A. holds 100 percent of: (i) Peruana de Tiquetes S.A.C. and (ii) Plaza Vea Sur S.A.C.

(b) InRetail Real Estate Corp. is a Holding company incorporated in the Republic of Panama in April 2012. As indicated in Note 1(b), in July 2014 InRetail Shopping Mall (a SPE controlled by InRetail Real Estate Corp.) was incorporated only for the purpose of issuing “Senior Notes Unsecured”. As of June 30, 2015 and December 31 2014, the representative share of capital stock of InRetail Real Estate Corp.’s subsidiaries are maintained in trust in this entity, which are detailed below:

(i) Real Plaza S.R.L.

Entity dedicated to the management and administration of shopping centers (20 as of June 30, 2015 and December 31, 2014) named “Centro Comercial Real Plaza” and located in the cities of Chiclayo, Piura, Chimbote, Trujillo, Huancayo, Arequipa, Juliaca , Huanuco, Cusco, Cajamarca, Sullana, Pucallpa and Lima.

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

Entity that provides the staff which manages and operates Interproperties Holding.

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

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

3. Basis of preparation and presentation

(a) Interim Financial Statements

The consolidated financial statements of the InRetail Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Boards (IASB), effective as of June 30, 2015 and December 31, 2014, respectively.

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

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

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

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

(b) Basis of consolidation

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

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

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

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

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

(c) New accounting standards

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

The InRetail Group decided not to early adopt the following standards and interpretations that have been issued by the IASB, but which are not effectrive as of June 30, 2015:

- IFRS 9 “Financial Instruments”

  In July 2014, the IASB issued the final version of IFRS 9 “Financial Instruments” which includes all phases of the financial instruments project and replaces IAS 39 “Financial Instruments: Recognition and Measurement” and all previous versions of the IFRS 9. The standard introduces new requirements for the classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on January 1, 2018 but its early adoption is permitted. Retrospective application is permitted, but the comparative information is not mandatory. It is expected that the adoption of IFRS 9 will not have not a significant impact on the classification and measurement of InRetail Group´s financial assets and liabilities.

- Annual Improvements (Cycle 2010-2012) –

  These improvements are effective since July 1, 2014 and it is not expected that these have a material impact on the InRetail Group. These improvements are related to IFR 2 “Share-based Payments” (clarifies several issues related to performance conditions and accrual of benefits), IFRS 3 “Business Combinations” (classifications of liabilities arising on business combinations and subsequent fair value measurement), IFRS 8 “Operating Segments” (further disclosure is required on segments aggregation criteria) and IAS 24 “Related Party Disclosures” (further disclosure is required and clarifies that an entity that provides management services is a related party).

- Annual improvements (Cycle 2011-2013) –

  These improvements are effective since July 1, 2014, and it is not expected that these have a material impact on the InRetail Group. These improvements are related to IFRS 3 "Business Combinations" (establishes that joint arrangements are outside of its scope) and IAS 40 "Investment Property" (supplementary services will differentiate between investment property and owner-occupied property).

- IFRS 15 "Revenue from Contracts with Customers"–

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

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

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

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

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

4. Cash and short-term deposits

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

	As of June 30, 2015 S/.(000)	**As of December 31, 2014** S/.(000)
Cash (b)	14,245	4,787
Current accounts (c)	75,001	115,967
Time deposits (d)	49,188	158,998
Other	20,183	5,246
Total	158,617	284,998

(b) The balance as of June 30, 2015 and December 31, 2014, comprises mainly cash held by subsidiaries in the premises of their store chains and in the vaults of a security company, corresponding to sales during the last days of the period.

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

(d) As of June 30, 2015 and December 31, 2014, the time deposits are freely available and are kept in local banks in Nuevos soles and US dollars, have maturities up to one month since inception and bear annual interest rates between 4.30 and 4.70 percent for Nuevos soles and 0.05 percent for US dollars. (between 3.95 and 6.29 percent annual, as of December 31, 2014 in Nuevos soles).

5. Trade receivables, net

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

	As of June 30, 2015 S/.(000)	As of December 31, 2014 S/.(000)
Trade accounts receivable (c)	21,116	19,617
Rent receivable (d)	5,740	8,974
Merchandise vouchers (e)	40,659	50,058
Provision for accrued revenue (f)	10,363	9,262
Others	6,892	2,471
Total	84,770	90,382
Provision for doubtful accounts (g)	(7,724)	(6,633)
	77,046	83,749

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

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

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

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

(f) As of June 30, 2015 and December 31, 2014 relates to services unbilled at period end, mainly due to variable rentals. These amounts were billed in the month subsequent to the reporting date.

(g) Movements in the provision for doubtful accounts receivable for the six-months periods ended June 30, 2015 and 2014, were as follows:

	2015	2014
	S/.(000)	S/.(000)
Balance at the beginning of the year	6,633	4,506
Provision recognized as year expense, Note 17 (a)	1,080	933
Write offs and recoveries	-	(84)
Exchange foreign currency	11	-
Balance at the end of the period	7,724	5,355

As of June 30, 2015 and December 31, 2014, the balance of the trade receivable amounts to approximately S/.84,770,000 and S/.90,382,000 respectively, out of which approximately S/.7,724,000 and S/.6,633,000 were provisioned for at those dates. Likewise, the amount of non-impaired past due trade receivables amounted to S/.36,292,000 and S/.45,039,000, respectively.

In the opinion of Management of the InRetail Group, the provision for doubtful accounts receivable as of June 30, 2015 and December 31, 2014, appropriately covers the credit risk of this item at those dates.

6. Inventories, net

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

	As of June 30, 2015	As of December 31, 2014
	S/.(000)	S/.(000)
Goods	751,932	777,051
In transit inventories (b)	10,035	27,942
Miscellaneous supplies	12,466	7,829
Total	774,433	812,822
Minus		
Provision for impairment of inventories (c)	(6,155)	(9,001)
Total	768,278	803,821

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

(c) The movement in the provision for inventory impairment for the six-month periods ended June 30, 2015 and 2014, was as follows:

	2015 S/.(000)	2014 S/.(000)
Balance at the beginning of the year	9,001	12,001
Provision of the period, Note 17(a)	1,363	3,063
Write-off	-	-
Recovery	(4,209)	(8,526)
Balance at the end of the period	6,155	6,538

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

7. Available-for-sale investment

As of June 30, 2015, available for sale investments corresponded to notes issued by a related company of Intercorp Group of approximately US$ 18,880,000. The unrealized gain, net of deferred income tax, of the notes held as of June 30, 2015 amounted to S /. 1,253,000, and is presented in the equity.

8. Property, furniture and equipment, net

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

	As of June 30, 2015 S/.(000)	As of December 31, 2014 S/.(000)
Cost		
Initial balance	2,923,468	2,650,251
Additions (b)	142,819	339,102
Disposals and/or sales (c)	(49,257)	(54,944)
Transfer to Investment properties	-	(10,941)
Final balance	3,017,030	2,923,468
Accumulated depreciation		
Initial balance	650,567	559,702
Additions (d)	68,333	118,954
Disposals and/or sales	(46,327)	(28,089)
Final balance	672,573	650,567
Net book value	2,344,457	2,272,901

(b) Additions for the six-month periods ended June 30, 2015 and 2014 correspond mainly to the construction and equipment of new premises for Supermercados Peruanos S.A. and the Eckerd Group, and the construction of shopping centers.

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

(d) Depreciation expense for the six-month periods ended June 30, 2015 and 2014, was recorded as follows in the income statement:

	2015	2014
	S/.(000)	S/.(000)
Sales expenses, Note 17 (a)	59,761	48,443
Administrative expenses, Note 17 (a)	8,572	7,387
Balance as of June 30	68,333	55,830

(e) As of June 30, 2015, Supermercados Peruanos S.A. has mortgaged land lots, buildings and facilities for a net book value of S/.361,025,000 (S/.331,856,000 as of December 31, 2014), as collateral over the financial obligations and the leasing contracts (see Note 12).

(f) As of June 30, 2015, the cost and corresponding accumulated depreciation of assets acquired through finance leases amount to approximately S/.516,237,000 and S/.100,690,000 respectively (S/.438,017,000 and S/.67,275,000, respectively, as of December 31, 2014).

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

9. Investment properties

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

	As of June 30, 2015	As of December 31, 2014
	S/. (000)	S/. (000)
Real Plaza Salaverry shopping Mall (i)	369,337	364,285
Real Plaza Primavera shopping Mall (ii)	215,312	212,800
Real Plaza Chiclayo shopping Mall (ii)	204,545	208,343
Real Plaza Cuzco shopping Mall	193,747	191,483
Real Plaza Centro Civico shopping Mall (ii)	192,431	179,435
Real Plaza Piura shopping Mall	153,452	151,397
Real Plaza Cajamarca shopping Mall	103,531	102,582
Real Plaza Trujillo shopping Mall (ii)	120,036	118,110
Real Plaza Puruchuco project	115,987	115,143
Real Plaza Huancayo shopping Mall (i) and (ii)	120,660	116,871
Real Plaza Huanuco shopping Mall	90,785	89,728
Real Plaza Arequipa shopping Mall (i) and (ii)	65,054	65,031
Real Plaza Juliaca shopping Mall (i) and (ii)	71,136	70,692
Real Plaza Pro shopping Mall (ii)	50,423	49,723
Real Plaza Santa Clara - Altamirano Shopping Mall	41,711	40,675
Real Plaza Chorrillos shopping Mall (ii)	50,427	48,851
Real Plaza Santa Sullana Shopping Mall (ii)	32,766	-
Real Plaza Santa Clara shopping Mall (ii)	24,195	23,486
Real Plaza Nuevo Chimbote shopping Mall (i) and (ii)	18,801	18,762
Jr. de la Unión stores	16,898	16,758
Others	108,163	107,433
	2,359,396	2,291,588

(i) For the construction of these shopping malls and properties, surface right contracts were subscribed with the Arzobispado de Cuzco (on land in Cuzco "San Antonio"), Municipalidad Provincial de Huanuco (on land of "Real Plaza Huanuco" Shopping Mall), Despensa Peruana S.A. and Mercantil Inca S.A. (Perámas), Inmobiliaria Pazos S.A.C. (La Curva), Gobierno Regional de Moquegua, (Moquegua), Ferrovias Central Andina S.A. (Huancayo), the Association denominated "Religiosas del Sagrado Corazón de Jesús" (Arequipa), Ferrocarril Trasandino S.A. (Juliaca) and the Marina de Guerra del Perú (Salaverry). These contracts have term for periods between 20 and 70 years.

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

(b) The movement of this account for six-month periods ended June 30, 2015 and 2014 was as follows:

	2015	2014
	S/.(000)	S/.(000)
Balance at the beginning of the year	2,291,588	1,707,103
Additions	56,435	206,642
Disposal	-	(533)
Fair value adjustment	11,373	32,228
Transfer from property, furniture and equipment; Note 8(a)	-	10,941
Balance at the end of the period	2,359,396	1,956,381

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

10. Intangible assets, net

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

	As of June 30, 2015	As of December 31, 2014
	S/.(000)	S/.(000)
Cost		
Initial balance	1,219,524	1,213,280
Additions (c)	9,488	15,571
Disposal and/or sales	(122)	(9,327)
Transfer	(64)	-
Final balance	1,228,826	1,219,524
Accumulated amortization		
Initial balance	43,032	42,317
Additions (d)	5,120	10,002
Disposals and/or sales	(19)	(9,287)
Transfer	(6)	-
Final Balance	48,127	43,032
Net, book value	1,180,699	1,176,492

(b) As of June 30, 2015 and December 31, 2014, this caption mainly includes approximately S/.373,054,000 and S/.709,472,000 corresponding to the brand “Inkafarma” and goodwill respectively, as a result of the acquisition of the Eckerd Group and other intangibles with finite lives such as software.

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

(c) As of June 30, 2015 and December 31, 2014, additions mainly correspond to disbursements for the acquisition of a commercial software program, a general planning system (ERP) and the corresponding licenses for use; and disbursements for implementation of the application "E3 InkaFarma", which will used in the new distribution center.

(d) Amortization expense for the six-month periods ended June 30, 2015 and 2014 has been recorded in the following items of the combined statements:

	2015	2014
	S/.(000)	S/.(000)
Sales expenses, Note 17 (a)	3,242	2,957
Administrative expenses, Note 17 (a)	1,878	1,978
Balance as of June 30	5,120	4,935

11. Trade payables

The table below presents the composition of this caption:

	As of June 30, 2015	As of December 31, 2014
	S/.(000)	S/.(000)
Bills payable for purchase of goods	1,099,699	1,103,965
Bill payable for commercial services	150,947	164,748
Total	1,250,646	1,268,713

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

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

12. Interest-bearing loans and borrowings

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

Type of obligation	Original currency	Interes rate %	Final maturity	Original amount		Total		Current		Non-current	
						2015	2014	2015	2014	2015	2014
				US$ (000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)
Notes Senior Unsecured											
Notes Senior unsecured (b)	USD	6.500	2021	350,000	-	926,351	899,188	-	-	926,351	899,188
Notes Senior unsecured (b)	PEN	7.875	2034	-	141,000	129,242	135,530	-	-	129,242	135,530
Notes Senior unsecured (c)	USD	5.250	2021	300,000	-	726,158	837,220	-	-	726,158	837,220
Notes Senior unsecured (c)	PEN	6.8125	2021	-	250,000	249,141	249,088	-	-	249,141	249,088
				650,000	391,000	2,030,892	2,121,026	-	-	2,030,892	2,121,026
Leasings (d)											
Related entities											
Banco Internacional del Perú-Interbank	PEN	8.000	2019	-	27,412	23,531	25,889	4,991	4,806	18,540	21,083
Banco Internacional del Perú-Interbank	PEN	Between 6.590 and 11.430	2019	-	145,277	78,255	84,671	27,898	26,700	50,357	57,971
Banco Internacional del Perú-Interbank	USD	6.450	2016	113	-	181	219	107	102	74	117
Non related entities											
Hewlett Packard S.A. (e)	USD	2.930	2017	3,678	-	13,574	10,967	5,650	4,241	7,924	6,726
Hewlett Packard S.A. (e)	USD	Between 2.230 and 8.000	2018	11,549	-	14,275	15,671	4,406	5,570	9,869	10,101
IBM Perú SAC (e)	USD	Between 1.920 and 7.450	2017	189	-	264	299	144	123	120	176
IBM Perú SAC (e)	USD	3.100	2016	100	-	53	119	53	88	-	31
IBM Perú SAC (e)	USD	8.000	2016	6,441	-	1,194	1,875	1,117	1,360	77	515
Hewlett Packard S.A. (e)	USD	4.260	2017	613	-	1,384	1,595	646	602	738	993
IBM Perú SAC (e)	USD	2.930	2016	664	-	589	947	512	700	77	247
Banco de Crédito del Perú	PEN	Between 6.590 and 7.760	2018	-	17,424	63,073	53,687	11,855	8,675	51,218	45,012
Banco de Crédito del Perú	PEN	Entre 7.970 y 8.060	2019	-	54,748	68,950	72,489	8,452	7,845	60,498	64,644
BBVA Banco Continental	PEN	Between 5.960 and 10.850	2018	-	69,850	16,277	19,818	6,050	7,201	10,227	12,617
BBVA Banco Continental	USD / PEN	7.000	2017	4,658	9,244	412	912	180	596	232	316
Banco Scotiabank	PEN / USD	Between 4.700 and 7.790	2018	264	21,864	32,531	33,371	6,031	5,822	26,500	27,549
				28,269	345,819	314,543	322,529	78,092	74,431	236,451	248,098

Type Obligation	Original currency	Interest rate %	Final maturity	Original amount		Total		Current		Non-current	
						2015	2014	2015	2014	2015	2014
				US$ (000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)
Loans											
Banco Scotiabank	PEN	6.950	2019	-	120,000	120,000	-	-	-	120,000	-
				-	120,000	120,000	-	-	-	120,000	-
Lease back											
Related entities											
Banco Internacional del Perú-Interbank	PEN	4.030	2026	-	108,300	964	988	74	47	890	941
				-	108,300	964	988	74	47	890	941
Note and Loans											
Banco Internacional del Perú-Interbank	USD	7.480	2015	322	-	442	960	442	960	-	-
				322	-	442	960	442	960	-	-
Total				**678,591**	**965,119**	**2,466,841**	**2,445,503**	**78,608**	**75,438**	**2,388,233**	**2,370,065**

(b) In July 2014, InRetail Real Estate Corp. issued, through In Retail Shopping Malls, an offering in the local market and abroad of "Senior Notes Unsecured" for US$350,000,000 equivalent to approximately S/.1,112,650,000 as of June 30, 2015 (equivalent to approximately S/.1,046,150,000 as of December 31, 2014), due in July 2021, at a 6.50 percent nominal interest rate. This borrowing was recorded in the consolidated financial statement at amortized cost to an effective interest rate of 7.806 percent, after considering the respective up-front fees that amounted to US$ 25,920,000 equivalent to approximately S/.82,271,000 as of June 30, 2015 (US$27,296,000 equivalent to approximately S/. 81,368,000 as of December 31, 2014). Additionally, as of June 30, 2015 the balance is presented net of US$32,775,000 equivalent to S/.104,028,000 (US$22,004,000 equivalent to S/.65,594,000 as of December 31 2014), corresponding to the notes of this issuance held by InRetail Shopping Malls. As of June 30, 2015 and December 31, 2014 the balance of this loan is S/.926,351,000 and S/.899,188,000, respectively.

Also, In July 2014, InRetail Real Estate Corp. issued, through In Retail Shopping Malls, an offering in the local market and abroad of "Senior Notes Unsecured" for S/.141,000,000, due in July 2021, at a 7.875 percent nominal interest rate. This borrowing was recorded in the consolidated financial statement at amortized cost to an effective interest rate of 7.988 percent, after considering the respective up-front fees that amounted to S/.1,758,000 as of June 30, 2015 (S/. 1,470,000 as of December 31, 2014). Additionally, as of June 30, 2015, the balance is presented net of S/.10,000,000 (S/.4,000,000 as of December 31, 2014) corresponding to the notes of this issuance held by InRetail Shopping Mall. . As of June 30, 2015 and December 31, 2014 the balance of this loan is S/.129,242,000 and S/.135,530,000, respectively.

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

As a result of these issuances, InRetail Shopping Mall must comply until their maturity and cancellation, mainly with the following financial ratios:

- Debt ratio no greater than 1.6; and
- Hedging ratio EBITDA/interest expense from 1.5 to 1.00.

In Management's opinion, these ratios do not limit the operations of the InRetail Group and have been complied as of June 30, 2015 and December 31, 2014. Additionally, 100 percent of the "Senior Notes Unsecured" is guaranteed by InRetail Real estate Corp. and Subsidiaries' shares.

(c) On October 2014 the Company issued through InRetail Consumer, an offering in the local market and abroad of "Senior Notes Unsecured" for US$300,000,000 equivalent to approximately S/. 953,700,000 as of June 30, 2015 (S/. 896,700,000 as of December 31, 2014), due in 2021 at an 5.25 percent nominal interest rate. This borrowing was recorded in the consolidated financial statements at their amortized cost at a 5.823 percent effective interest rate, after considering the respective up-front fees for approximately US$5,245,000, equivalent to a total amount of approximately S/.16,673,000 as of June 30, 2015 (US$5,558,000 equivalent to approximately S/.16,614,000 as of December 31, 2014). Additionally, as of June 30, 2015, the balance is presented net of US$66,332,000 equivalent to a total amount of approximately S/.210,869,000 as of June 30, 2015 (US$14,353,000 equivalent to a total amount of approximately S/.42,867,000 as of December 31,2014) corresponding to notes of these issuance acquired by the Company itself. As of June 30, 2015 and December 31, 2014 the balance of this loan is S/.726,158,000 and S/.899,188,000, respectively.

Also, in October 2014 the Company issued through InRetail Consumer, an offering in the local market and abroad of “Senior Notes Unsecured” for S/.250,000,000, due in 2021 at an 6.8125 percent nominal interest rate. This borrowing was recorded in the consolidated financial statements at their amortized cost at a 6.8805 percent effective interest rate, after considering the respective up-front fees for approximately S/.859,000, as of June 30, 2015 (S/.912,000, as of December 31, 2014). As of June 30, 2015 and December 31, 2014 the balance of this loan is S/.249,141,000 and S/.249,088,000, respectively.

The funding was mainly used to:

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

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

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

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

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

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

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

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

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

- No greater than 3.75 times until September 2015
- No greater than 3.25 times between October 2015 and September 2016; y,
- No greater than 2.75 times after October 2017

In Management´s opinion, these clauses do not limit the operations of the InRetail Group and have been complied as of June 30, 2015 and December 31, 2014.

(d) Pomissory notes and bank loans are used to fund working capital and do not have any specific guarantee. Leasing operations are guaranteed by the assets related to them; see Note 8(f). Such obligations do not have any special conditions that must be complied (covenants), or restrictions affecting the operations of the InRetail Group.

(e) Corresponds to the debt that Subsidiaries. acquired with IBM del Perú S.A.C. to purchase computer equipment. Likewise, Hewlett Packard S.A. signed a promissory note with Supermercados Peruanos S.A. to finance the payment of the balances indebted to SAP Andina del Caribe S.A. for the development of the SAP system. Said contracts do not have any specific guarantee.

(f) During the six-month-periods ended June 30, 2015 and 2014, loans and borrowings accrued interest which is recorded in the “Finance costs” caption of the consolidated income statements, see Note 18. Also, as of June 30, 2015 and December 31, 2014, there are interests payable which are recorded in the “Other payables” caption of the consolidated statements of financial position.

(g) Some of the interest-bearing loans and borrowing include standard clauses requiring the InRetail Group to meet financial ratios, use of funds criteria and other administrative matters. Management’s opinion, as of June 30, 2015 and December 31, 2014, said standard clauses do not limit the normal operation of the Group and have been fulfilled.

13. Derivative financial instrument

As of June 30, 2015, this item comprises of a cross currency swap contract designated to hedge cash flows and recorded at its fair value. The detail of this operation is as follows:

	2015				
Counterparty	**Nominal value**	**Due**	**Pay fix at**	**Exchange rate**	**Fair value**
	US$(000)		%		S/.(000) Liability
Deutsche Bank A.G.	30,000,000	oct-21	3.83	3.133	2,166
					2,166

The financial instrument aims to reduce exposure to exchange rate risk associated with the financial obligation of the "Senior Unsecured Notes" therefore has the same term in October 2021.

14. Deferred income tax liabilities, net

(a) The amounts presented in the statement of financial position as of June 30, 2015 and December 31, 2014, as well as the consolidated income statements for the six-month periods ended June 30, 2015 and 2014 are shown below:

Statements of financial position	**Deferred liability, net**	
	As of June 30, 2015 S/. (000)	**As of December 31, 2014** S/.(000)
Deferred income tax asset	-	43,918
Deferred income tax liabilities	(250,263)	(277,104)
Deferred income tax liability, net	(250,263)	(233,186)

Statements of comprehensive income	**Income tax for the six-month periods ended June 30, 2015 and 2014**	
	2015 S/. (000)	**2014** S/.(000)
Current	(27,879)	(21,886)
Deferred	(16,989)	(28,987)
	(44,868)	(50,873)

(b) As of June 30, 2015 and December 31, 2014 the provision for current income tax payable, net of advanced payments amounts to approximately S/.4,948,000 and S/.2,545,000, respectively.

15. Equity

(a) Capital stock –
As of June 30, 2015 and December 31, 2014, the capital stock of InRetail Perú Corp. is represented by 102,807,319 shares with no par value, issued at US$10.00 each, which were totally paid and issued.(equivalent to S/.2,138,566,000).

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

16. Tax Situation

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

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

- 4.1 percent of the profits generated until December 31, 2014
- For the profits generated from 2015, whose distribution is made after that date, shall be:
  - For 2015 and 2016 will be 6.8 percent.
  - For 2017 and 2018 will be 8.0 percent
  - For 2019 onwards will be 9.3 percent. from entities domiciled in Peru

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

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

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

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

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

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

(d) For purposes of determining the Income Tax, transfer pricing of transactions with related companies and companies domiciled in territories with low or no taxation must be supported with documentation and information on assessment methods applied and criteria considered. Based on the analysis of the operations of the Group, Management and its legal advisors consider that as consequence of the application of the regulation in force, there will not be any significant contingencies for the Group as of June 30, 2015 and December 31, 2014.

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

	Income Tax	**Value added tax**
Supermercados Peruanos S.A.	From 2010 to 2014	From 2010 to 2014
Eckerd Perú S.A.	From 2013 to 2014	From 2013 to 2014
Eckerd Amazonia S.A.C.	2012, 2013 and 2014	2012, 2013 and 2014
Boticas del Oriente S.A.C.	2012, 2013 and 2014	2012, 2013 and 2014
Real Plaza S.R.L.	From 2010 to 2014	From 2010 to 2014
InRetail Properties Management S.R.L.	From 2010 to 2014	From 2010 to 2014

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

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

In opinion of Management of the InRetail Group as well as its legal advisors opinion, any eventual additional tax settlement would not be significant to the consolidated financial statements as of June 30, 2015 and December 31, 2014.

17. Operating expenses

(a) The table below presents the components of this caption for the six-month periods ended June 30, 2015 and 2014:

	2015	2014
	S/.(000)	S/.(000)
Cost of sales	2,276,548	2,033,753
Selling expenses	633,027	563,124
Administrative expenses	89,715	80,516
	2,999,290	2,677,393

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

	2015			
	Cost of sales	Selling expenses	Administrative expenses	Total
	S/.(000)	S/.(000)	S/.(000)	S/.(000)
Initial balance of goods, Note 6(a)	777,051	-	-	777,051
Purchase of goods	2,187,749	-	-	2,187,749
Final balance of goods, Note 6(a)	(751,932)	-	-	(751,932)
Impairment of inventories note 6 (c)	1,363	-	-	1,363
Cost of services	62,317	-	-	62,317
Packing and packaging	-	20,746	231	20,977
Personnel expenses	-	253,757	49,591	303,348
Depreciation, Note 8(d)	-	59,761	8,572	68,333
Amortization, Note 10(d)	-	3,242	1,878	5,120
Key money amortization	-	486	-	486
Services provided by third parties (b)	-	95,750	16,710	112,460
Advertising	-	38,201	-	38,201
Rental of premises	-	76,667	3,581	80,248
Taxes	-	11,697	1,315	13,012
Provision for doubtful trade receivables, Note 5(g)	-	1,080	-	1,080
Provision for doubtful other account receivables,	-	1,490	-	1,490
Insurance	-	4,202	283	4,485
Other charges (c)	-	65,948	7,554	73,502
	2,276,548	633,027	89,715	2,999,290

	2014			
	Cost of sales	Selling expenses	Administrative expenses	Total
	S/.(000)	S/.(000)	S/.(000)	S/.(000)
Initial balance of goods	774,024	-	-	774,024
Purchase of merchandise	2,001,090			2,001,090
Final balance of goods	(794,291)	-	-	(794,291)
Cost of services	3,063	-	-	3,063
Impairment of inventories	49,867	-	-	49,867
Packing and packaging	-	227,588	44,882	272,470
Advertising	-	48,443	7,387	55,830
Personnel expenses	-	2,957	1,978	4,935
Depreciation, Note 8(d)	-	454	-	454
Amortization, Note 10(d)	-	89,154	15,845	104,999
Key money amortization	-	40,836	-	40,836
Services provided by third parties (b)	-	13,855	126	13,981
Rental of premises	-	51,693	3,051	54,744
Taxes	-	11,416	1,373	12,789
Provision for doubtful trade receivables, Note 5(g)	-	849	-	849
Insurance	-	4,330	421	4,751
Other charges (c)	-	71,549	5,453	77,002
	2,033,753	563,124	80,516	2,677,393

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

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

18. Finance costs

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

	2015	2014
	S/. (000)	S/. (000)
Interest on loans, borrowings and bonds payable	81,511	76,633
Others financial costs	25,022	11,863
	106,533	88,496

(b) As of June 30, 2015 and December 31, 2014, there are interests payable for these obligations for approximately S/.48,655,000 and S/.53,911,000, respectively, which are recorded in the "Other payables" caption of the consolidated statements of financial position.

19. Transactions with related parties

(a) The following table provides the total amount of transactions that have been entered into with related parties for the six-month periods ended as of June 30, 2015 and 2014:

	2015 S/.(000)	2014 S/.(000)
Income		
Sales	2,225	1,860
Rental income	39,767	27,634
Rendering of services	16,869	25,785
Other	13,000	7,688
	71,861	62,967
Expenses		
Renting of premises and land	5,079	5,033
Reimbursements of expenses	762	234
Commissions	77	1,172
Other services	-	174
Interest	4,398	4,255
Others	5,993	8,297
	16,309	19,165

(b) As a result of the transactions with related companies, the InRetail Group recorded the following balances as of June 30, 2015 and December 31, 2014:

	As of June 30, 2015 S/.(000)	As of December 31, 2014 S/.(000)
Receivables		
Banco Internacional del Perú S.A.A. – Interbank	6,297	5,645
Interseguro Compañía de Seguros S.A.	2,149	218
Cineplex S.A.	5,422	5,435
Tiendas Peruanas S.A.	7,157	5,137
Urbi	242	186
Intercorp Perú Ltd. (d)	1,160	37,457
Home Centers Peruanos S.A. (e)	7,152	4,362
Financiera Uno S.A.	1,900	4,964
Bembos	2,652	1,986
Intercorp Retail Inc.	227	19,652
Others	11,998	10,146
	46,356	95,188

	As of June 30, 2015 S/.(000)	As of December 31, 2014 S/.(000)
Payables		
Banco Internacional del Perú S.A.A. – Interbank:		
Credit line and others	50	471
Guarantee deposit (f)	4,669	4,242
Horizonte Global Opportunities Perú S.A. (g)	586	545
Cineplex S.A.	9	35
Interseguro Compañía de Seguros S.A.	427	-
Intercorp Retail Inc. (h)	-	-
Tiendas Peruanas S.A.	308	159
Financiera Uno S.A.	21,485	15,813
Others	1,156	1,530
	28,690	22,795
Remunerations payable to key management	-	-
	28,690	22,795
Current portion	24,021	18,553
Non-current portion	4,669	4,242
Total	28,690	22,795

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

(c) Outstanding balances at the period-end are unsecured and interest free, except for the financial obligations explained in this one. There have been no guarantees provided or received for any related party receivables or payables. As of June 30, 2015 and December 31, 2014, the Group has not recorded any impairment of receivables relating to amounts owed by related parties. This assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.

(d) As of June 30, 2015 and December 31, 2014, the balance receivable from Intercorp Peru Ltd. corresponds to a loan in Nuevos soles that includes accrued interest at market rates of 6.25 and 7.00 percent annual, respectively.

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

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

Additionally, and only in the case of the 2004 contract, Supermercados Peruanos S.A. received from Banco Internacional del Perú – Interbank US$2,000,000 as collateral for the contract. As of June 30, 2015 and 2014, Supermercados Peruanos S.A. has credited the update of the present value of this deposit in the "Financial income" caption. As of June 30, 2015 and December 31, 2014, the net present value of the balances related to guarantee deposits amounts to S/.4,669,000 and S/.4,242,000, respectively, and is accounted for in the "Other payables" caption.

In relation to such contracts, during the six-month periods ended June 30, 2015 Supermercados Peruanos S.A. recognized accrued renting revenue that amounted to approximately S/.1,490,000 equivalent to US$496,000 (S/.1,626,000, equivalent to approximately US$541,000 during the six-month periods ended June 30, 2014), which are recorded net of the renting expenses in the "Rental income" caption in the consolidated statements of income.

As of June 30, 2015 Supermercados Peruanos S.A. maintains deferred revenue that amounts to approximately S/.5,749,000 (S/.6,889,000 as of December 31, 2014) which will be recognized as income in upcoming periods.

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

(h) As of June 30, 2015 and December 31, 2014 it corresponds to the account payable for some expenses assumed by Intercorp Retail Inc. This balance does not generate interest and is of current maturity.

(i) The compensation of key management personnel of the Group for the six-month periods ended June 30, 2015 and 2014, is detailed below:

	2015	**2014**
	S/.(000)	S/.(000)
Short term employee benefits	9,583	9,935
Insurance and medical benefits	356	368
Termination benefits	184	259
	10,123	10,562

(j) As of June 30, 2015 and December 31, 2014, the Group maintains the following balances in the cash and cash equivalent captions:

	2015	**2014**
	S/.(000)	S/.(000)
Banco Internacional del Peru – Interbank S.A.A.	42,623	69,183
Inteligo Bank Ltd.	357	152

Interest-bearing loans and borrowings (Note,12)

(k) Banco Internacional del Perú – Interbank signed leasing and leaseback contracts with Supermercados Peruanos S.A., Eckerd S.A., Interproperties Holding and Real Plaza which to date have outstanding balances of approximately S/.78,255,000, S/.23,531,000, S/.964,000, and S/.181,000 respectively, for the construction of new stores, Real Plaza shopping center building located in Santa Clara and working capital. These leasing contracts accrue annual interest rates that fluctuate between 4.03 and 11.43 percent, and whose maturities are between 2016 and 2019. These transactions are included in "Interest-bearing loans and borrowings", see Note 12. During the six-month periods ended June 30, 2015 and 2014, leasing contracts generated interests which are recorded in the "Financial costs" caption of the consolidated income statements.

20. Earnings per share

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

The following reflects basic and diluted earnings per share computations:

	Ordinary shares		
	Outstanding shares	**Effective days until period-end**	**Weighted average of shares**
Number as of January 1, 2014	102,807,319		102,807,319
Number as of June 30, 2014	102,807,319		102,807,319
Number as of January 1, 2015	102,807,319		102,807,319
Number as of June 30, 2015	102,807,319		102,807,319

	For the six-month-periods ended June 30, 2015		
	Net income (numerator) S/.	**Shares (denominator)**	**Earnings per share** S/.
Basic and diluted earnings per share	25,750,000	102,807,319	0.25

	For the six-month-periods ended June 30, 2014		
	Net income (numerator) S/.	**Shares (denominator)**	**Earnings per share** S/.
Basic and diluted earnings per share	89,861,000	102,807,319	0.87

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

21. Commitments and contingencies

Commitments –
The main commitments assumed are presented below:

(a) As of June 30, 2015 and December 31, 2014, the Company and its Subsidiaries have signed renting contracts with third parties for the premises in which some of its stores operate. The assumed commitments correspond to fixed and/or variable monthly rents base on sales, whichever is highest.

The total commitments are assumed to be calculated on the basis of the fixed renting and paid up until 2052.

(b) As of June 30, 2015, the Company as its Subsidiaries agreed with several financial entities on the issuance of solidary and irrevocable letters of guarantee for approximately S/.21,540,000 and US$3,565,000 (S/.27,929,000 and US$ 5,565,000 as of December 31, 2014), respectively, to comply with the payment of goods purchased to foreign suppliers.

Contingencies –

(a) Eckerd Amazonía S.A.C. is in the process of claim against the Tax Authority for determinations of debts and fines related to VAT for the period between January 2003 and September 2005. In opinion of Management and its legal advisors these contingencies are stated as possible and significant liabilities will not arise as result of this contingency as of June 30, 2015 and December 31, 2014.

(b) Supermercados Peruanos S.A. is a party to tax proceedings related to Income Tax and monthly Value Added Tax presented in taxable years 2004, 2005, 2006, 2007, 2008 and 2009. As of the date of this report, Supermercados Peruanos S.A. has challenged the Tax Administration for these resolutions and, in Management's opinion and its legal advisors, significant liabilities will not arise as result of this situation as of June 30, 2015 and December 31, 2014.

22. Business segments

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

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

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

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

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

Notes to the interim consolidated financial statements

As of June 30, 2015 and December 31, 2014 and for the six-month periods ended June 30, 2015 and 2014, InRetail Peru Corp. is organized into three main business lines, see Note 2. Transactions between the business segments are carried out under normal commercial terms and conditions. The following table presents the financial information of InRetail Perú Corp. and subsidiaries by business segments for the six-month periods ended June 30, 2015 and 2014

	Supermarkets S/.(000)	Pharmacies S/.(000)	Shopping center S/.(000)	Total segments S/.(000)	Holding accounts, consolidation adjustments and intercompany eliminations S/.(000)	Consolidated S/.(000)
For the six-month periods ended June 30, 2015						
Revenue						
External income	1,938,632	1,129,638	188,275	3,256,545	-	3,256,545
Inter-segment	5,706	7	20,888	26,601	(26,601)	-
Total revenue	1,944,338	1,129,645	209,163	3,283,146	(26,601)	3,256,545
Cost of sales	(1,443,978)	(770,253)	(65,419)	(2,279,650)	3,102	(2,276,548)
Gross profit	500,360	359,392	143,744	1,003,496	(23,499)	979,997
Other operating income	3,961	556	13,767	18,284	(2,386)	15,898
Selling expenses	(398,466)	(249,352)	(3,889)	(651,707)	18,680	(633,027)
Administrative expenses	(47,541)	(28,959)	(11,661)	(88,161)	(1,554)	(89,715)
Other operating expenses	(2,288)	(212)	(337)	(2,837)	-	(2,837)
Operating profit	56,026	81,425	141,624	279,075	(8,759)	270,316
Net, Exchange difference	(29,947)	(661)	(51,750)	(82,358)	(14,840)	(97,198)
Finance income	1,711	420	2,358	4,489	(212)	4,277
Finance costs	(24,156)	(1,226)	(49,679)	(75,061)	(31,472)	(106,533)
Profit before income tax	3,634	79,958	42,553	126,145	(55,283)	70,862
Income tax expense	(3,887)	(24,905)	(17,344)	(46,136)	1,268	(44,868)
Profit for the year	(253)	55,053	25,209	80,009	(54,015)	25,994
Attributable to:						
Owners of the parent	(253)	55,053	24,965	79,765	(54,015)	25,750
Non-controlling interests	-	-	244	244	-	244
	(253)	55,053	25,209	80,009	(54,015)	25,994

	Supermarkets S/.(000)	Pharmacies S/.(000)	Shopping center S/.(000)	Total segments S/.(000)	Holding accounts, consolidation adjustments and intercompany eliminations S/.(000)	Consolidated S/.(000)
For the six-month periods ended June 30, 2014						
Revenue						
External income	1,743,897	995,280	125,392	2,864,569	-	2,864,569
Inter-segment	5,545	-	19,814	25,359	(25,359)	-
Total revenue	1,749,442	995,280	145,206	2,889,928	(25,359)	2,864,569
Cost of sales	(1,301,848)	(682,038)	(52,835)	(2,036,721)	2,968	(2,033,753)
Gross profit	447,594	313,242	92,371	853,207	(22,391)	830,816
Other operating income	22,789	596	24,264	47,649	(14,067)	33,582
Selling expenses	(363,336)	(215,454)	(3,390)	(582,180)	19,056	(563,124)
Administrative expenses	(42,733)	(25,983)	(10,875)	(79,591)	(925)	(80,516)
Other operating expenses	(12,398)	(5)	-	(12,403)	10,941	(1,462)
Operating profit	51,916	72,396	102,370	226,682	(7,386)	219,296
Net, exchange difference	363	(30)	616	949	86	1,035
Finance income	2,500	187	6,361	9,048	194	9,242
Finance costs	(37,648)	(2,028)	(32,728)	(72,404)	(16,092)	(88,496)
Profit before income tax	17,131	70,525	76,619	164,275	(23,198)	141,077
Income tax expense	(6,159)	(22,495)	(21,137)	(49,791)	(1,082)	(50,873)
Profit for the year	10,972	48,030	55,482	114,484	(24,280)	90,204
Attributable to:						
Owners of the parent	10,972	48,030	55,141	114,143	(24,282)	89,861
Non-controlling interests	-	-	341	341	2	343
	10,972	48,030	55,482	114,484	(24,280)	90,204

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 June 30, 2015 and December 31, 2014, the operations of all the Subsidiaries of the Company are concentrated in Peru, therefore, there are no revenues from external customers, or assets located in a foreign country as of those dates.

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

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

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

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

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

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

Fair value hierarchy –

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

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

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

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

The InRetail Group does not maintain any financial instrument with fair value determination under level 3 and there were no transfers between levels during the six-month periods ended June 30, 2015 and 2014. The InRetail Group maintains the following financial instruments at fair value:

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

24. Transactions in foreign currency

Transactions in foreign currency are carried out using exchange rates prevailing in the market as published by the Superintendence of Banks. Insurance and Pension Funds Administration. As of June 30, 2015, the weighted average exchange rates in the market for transactions in US Dollars were S/.3.174 per US$ 1.00 bid and S/. 3.179 per US$ 1.00 ask (S/.2.981 and S/.2.989 per US$1.00 for bid and ask as of December 31, 2014).

As of June 30, 2015 and December 31, 2014, The InRetail Group held the following foreign currency assets and liabilities:

	As of June 30, 2015 US$(000)	As of December 31, 2014 US$(000)
Assets		
Cash and short-term deposits	2,034	5,364
Investments at fair value through profit or loss	6,000	-
Available-for-sale investment	18,880	-
Trade receivables, net	2,093	1,119
Other accounts receivables, net	3,397	2,826
Accounts receivable from related parties	4,585	19,519
	36,989	28,828
Liabilty		
Trade payables	(10,519)	(20,474)
Other payables	(21,460)	(20,390)
Accounts payable to related parties	(1,733)	(349)
Interest - bearing loans and borrowings	(530,018)	(584,256)
	(563,730)	(625,469)
Currency swap transactions	30,000	-
Net liability position	(496,741)	(596,641)

As of June 30, 2015 and December 31, 2014, the InRetail Group has decided to accept its exchange rate risk and so it has not performed, at these dates, any hedging of exchange rate risk with the exception of a hedging operation held by InRetail Consumer which relates to a currency swap written over its “Senior Notes Unsecured”, which has qualified as an effective hedging instrument, The net position in the derivatives related to the currency swap agreements correspond to exchange operations (Nuevos soles exchanged for US Dollars) with notional amounts of approximately US$30,000,000 equivalent to S/.95,370,000 as of June 30,2015. See further details in Note 13.

25. Additional explanation for English translation

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