InRetail Real Estate Corp. And Subsidiaries

Interim consolidated financial statements as of June 30, 2016 (unaudited) and December 31, 2015 (audited) and for the six-month periods ended as of June 30, 2016 and 2015.

InRetail Real Estate Corp. and Subsidiaries

Interim consolidated statements of financial position

As of June 30, 2016 (unaudited) and December 31, 2015 (audited)

	Note	2016	2015
		S/(000)	S/(000)
Assets			
Current assets			
Cash and cash equivalents	4	33,714	46,044
Available for-sale-investments	5	80,300	47,222
Investment at fair value through profit or loss	6	16,460	34,896
Trade receivables, net	7	25,674	34,213
Other receivables	8	5,942	2,274
Accounts receivables from related parties	25	36,700	42,290
Prepaid expenses	9	8,254	456
Recoverable taxes	10	58,116	38,868
Total current assets		265,160	246,263
Non-current assets			
Deferred income tax liability	17	798	798
Recoverable taxes	10	62,683	77,609
Facilities, furniture and equipment, net	11	10,092	11,041
Investment properties	12	3,018,023	2,925,501
Investment in associates		16,098	-
Intangible assets		2,261	1,629
Derivative financial instrument	13	59,099	62,498
Other assets		368	362
Total non-current assets		3,169,422	3,079,438
Total assets		3,434,582	3,325,701

	Note	2016	2015
		S/(000)	S/(000)
Liabilities and equity			
Current liabilities			
Trade payables	14	22,685	30,772
Other liabilities	15	58,019	57,320
Accounts payable to related parties	25	3,166	4,151
Current portion financial obligations	16	44,823	43,342
Total current liabilities		128,693	135,585
Other long-term liabilities	15	32,171	29,430
Other long-term liabilities	24(e)	139,021	113,342
Long-term financial obligations	16	1,206,297	1,204,206
Deferred income tax liabilities, net	17	18,633	17,717
Total non-current liabilities		1,396,122	1,364,695
Total liabilities		1,524,815	1,500,280
Equity			
Capital stock	19	1,475,706	1,475,706
Unrealized results on financial instruments		(3,191)	(32,171)
Retained earnings		437,252	375,467
Equity attributable to owners of the parent		1,909,767	1,819,002
Non-controlling interests		-	6,419
Total equity		1,909,767	1,825,421
Total liabilities and equity		3,434,582	3,325,701

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

InRetail Real Estate Corp. and Subsidiaries

Interim consolidated statements of income and other comprehensive income (unaudited)

For the six-month periods ended as of June 30, 2016 and 2015

	Note	2016 S/(000)	2015 S/(000)
Rental income	20	150,128	139,878
Cost of rental income	21	(15,218)	(11,748)
Net rental income		134,910	128,130
Income from management services	20	68,575	69,285
Cost related to income from management services	21	(52,672)	(53,671)
Net managament service		15,903	15,614
Gross profit		150,813	143,744
Fair value adjustment for investment properties	12(b)	3,309	13,758
Administrative expenses	22	(12,250)	(11,661)
Selling expenses	22	(3,444)	(3,889)
Other operating income (expenses)		281	(328)
Operating profit		138,709	141,624
Financial income	23	2,656	2,358
Financial expenses	23	(58,782)	(49,679)
Net exchange difference	26 (a)(ii)	9,844	(51,750)
Profit before income tax		92,427	42,553
Income tax	17(a)	(28,023)	(17,344)
Net profit		64,404	25,209
Attributable to:			
InRetail Real Estate Shareholders		64,404	24,965
Non-controlling interests		-	244
		64,404	25,209
Earnings per share:	19(b)		
Basic and diluted profit for the period attributable to ordinary equity holders of the parent		0.1133	0.0444

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

InRetail Real Estate Corp. and Subsidiaries

Interim consolidated statements of other comprehensive income (unaudited)

For the six-month periods ended as of June 30, 2016 and 2015

	Note	2016	2015
		S/(000)	S/(000)
Profit for the period		64,404	25,209
Other comprehensive income			
Unrealized gain on available-for-sale investments		2,802	735
		2,802	735
Gain on hedging derivative financial instrument		26,178	-
		26,178	-
Other comprehensive income for the period, net of income tax effects		28,980	735
Total comprehensive income for the period		93,384	25,944
Attributable to:			
InRetail Real Estate Shareholders		93,384	25,700
Non-controlling interests		-	244
		93,384	25,944

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

InRetail Real Estate Corp. and Subsidiaries

Interim consolidated statements of changes in equity (unaudited)

For the six-month periods ended as of June 30, 2016 and 2015

	Attributable to owners of InRetail Real Estate Corp.					
	Capital stock	**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)
Balance as of January 1, 2015	1,475,706	330	266,410	1,742,446	6,043	1,748,489
Net profit	-	-	24,965	24,965	244	25,209
Other comprehensive income	-	735	-	735	-	735
Total comprehensive income	-	735	24,965	25,700	244	25,944
Balance as of June 30, 2015	1,475,706	1,065	291,375	1,768,146	6,080	1,774,226
Balance as of January 1, 2016	1,475,706	(32,171)	375,467	1,819,002	6,419	1,825,421
		-				
Profit for the period	-	-	64,404	64,404	-	64,404
Other comprehensive income	-	28,980	-	28,980	-	28,980
	-	28,980	64,404	93,384	-	93,384
Purchase of share non-controlling interest	-	-	(2,619)	(2,619)	(6,419)	(9,038)
Balance as of June 30, 2016	1,475,706	(3,191)	437,252	1,909,767	-	1,909,767

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

InRetail Real Estate Corp. and Subsidiaries

Interim consolidated statements of cash flows (unaudited)

For the six-month periods ended as of June 30, 2016 and 2015

	2016 S/(000)	2015 S/(000)
Operating activities		
Revenue	226,728	147,548
Payments of goods and services to suppliers	(40,652)	(21,208)
Payments of salaries and social benefits to employees	(13,033)	(16,736)
Taxes paid	(8,497)	-
Recovery of taxes	-	21,191
Other payments	(27,673)	(11,612)
Net cash flows from operating activities	136,873	119,183
Investing activities		
Net investment in mutual funds	18,436	(23,533)
Purchase of certificates of participation in associated companies	(16,098)	(13,800)
Purchase of available for sale investments	(30,773)	(36,062)
Loan collected (granted to) from related parties	-	37,315
Purchase of property, furniture and equipment, net of acquisitions through leasing contracts	(665)	(2,273)
Purchase and development of intangible assets	(750)	(145)
Purchase of investment properties,net of acquisitions through leasing contracts	(91,981)	(84,601)
Purchase of share non-controlling interest	(9,038)	-
Sales of investment properties	2,751	-
Value Added tax payment related to investment properties	(9,257)	(4,948)
Net cash flows used in investing activities	(137,375)	(128,047)
Financing activities		
Payment of interest-bearing loans and borrowings	(22,116)	(4,466)
Structuring costs	-	(309)
Sale of third-party bonds	55,000	-
Interests paid	(44,712)	(40,283)
Repurchase of own bonds	-	(39,167)
Dividends paid	-	(207)
Net cash flows used in financing activities	(11,828)	(84,432)
Net (decrease) increase of cash and short-term deposits	(12,330)	(93,296)
Cash and short–term deposits at the beginning of the period	46,044	110,769
Cash and short–term deposits at the end of the period	33,714	17,473

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

InRetail Real Estate Corp. and Subsidiaries

Notes to the interim consolidated financial statements (unaudited)

Interim unaudited consolidated financial statements as of June 30, 2016 and December 31, 2015 and for the six-month periods ended as of June 30, 2016 and 2015.

1. Business activity

InRetail Real Estate Corp. (hereinafter "the Company") is a holding entity incorporated in April 2012 in the Republic of Panama, subsidiary of InRetail Perú Corp. The latter is subsidiary of Intercorp Retail Inc., which in turn is a subsidiary of Intercorp Peru Ltd. (a holding company incorporated in The Bahamas, hereinafter "Intercorp Perú"), which is the ultimate holding Company of "Intercorp Peru Group" or the "Group", which refers to Intercorp Perú and its subsidiaries.

As of June 30, 2016 and December 31, 2015 Intercorp Perú holds directly and indirectly 70.38 percent of the capital stock of InRetail Perú Corp., which in turn holds 100 percent of the capital stock of the Company.

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 Av. Carlos Villarán N° 140, Urb. Santa Catalina, La Victoria, Lima, Perú.

The Company and its Subsidiaries, Patrimonio en Fideicomiso – D.S.N° 093-2002-EF-Inretail Shopping Malls, Patrimonio en Fideicomiso – D.S.N° 093-2002-EF-Interproperties Holding, Patrimonio en Fideicomiso –D.S.N° 093-2002-EF-Interproperties Holding II, Real Plaza S.R.L., and InRetail Properties Management S.R.L. (hereinafter and together, "InRetail Real Estate"), are dedicated to the operation of shopping malls as well as real estate development. InRetail Real Estate operations are concentrated in Perú.

In September 2015, the Company sold its 100 percent stake in InRetail Properties Management S.R.L. to InRetail Perú Corp., a related company.

In March 2016, the Company, through its subsidiary Interproperties Holding II, acquired the minority interest of Inmobiliaria Puerta del Sol.

The consolidated financial statements as of June 30, 2016, were approved by the Board of Directors on August 11, 2016.

2. Subsidiaries activities

Following is the description of the Company´s main Subsidiaries' activities:

(a) Patrimonio en Fideicomiso – D.S.N°093-2002-EF-InRetail Shopping Mall is a special purpose entity (SPE) formed on July 2014, for the purpose of holding certificates of participation of Patrimonio en Fideicomiso – D.S.N°093-2002-EF-Interproperties Holding and Patrimonio en Fideicomiso – D.S.N°093—2002-EF-Interproperties Holding II and 100 percent of capital stock of Real Plaza S.R.L.

(b) Patrimonio en Fideicomiso –D.S. N°093-2002-EF-Interproperties Holding and Patrimonio en Fideicomiso-D.S. N°093-2002-EF-Interproperties Holding II (hereinafter "Interproperties Holding" and "Interproperties Holding II", respectively).

Interproperties Holding and Interproperties Holding II are two special purpose entities (SPEs) formed for the purpose of holding the certificates of participation of Patrimonio en Fideicomiso –D.S. N° 093-2002-EF-Interproperties Perú (hereinafter "Interproperties Peru"), which is a trust fund formed with the purpose of holding the real estate assets of InRetail Real Estate to obtain the necessary funding for developing investment plans.

Additionally, Interproperties Holding II owns 100 percent (95 percent as of December 31, 2015) of participation in the assets of Patrimonio Fideicometido – D.S. N° 093-2002-EF-Interproperties Puerta del Sol which is a special purpose entity formed to own and handle Real Plaza Cusco "San Antonio" Shopping Mall.

(c) Real Plaza S.R.L. (hereinafter "Real Plaza")
An entity focused on operating the shopping malls (20 as of June 30, 2016 and December 31, 2015) and maintaining and developing relationships with the tenants. Real Plaza operates under the name of "Real Plaza Shopping Mall".

As of June 30, 2016, Real Plaza manages shopping malls in Chiclayo, Piura, Chimbote, Trujillo, Huancayo, Arequipa, Juliaca, Huánuco, Cusco, Cajamarca, Pucallpa and Lima.

3. Summary of significant accounting policies

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

3.1 Basis of preparation and presentation

The interim consolidated financial statements of InRetail Real Estate have been prepared in accordance with the International Accounting Standard 34 "Interim financial reporting". Also, the accounting policies adopted in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the InRetail Real Estate´s annual consolidated financial statements for the year ended December 31, 2015 which were audited. Therefore, these interim consolidated financial statements should be read in conjunction with such audited consolidated financial statements.

The interim consolidated financial statements have been prepared on a historical cost basis, except for investment properties, which have been measured at fair value. The interim consolidated financial statements are presented in Soles and all values are rounded to the nearest thousands of Soles (S/ (000)), except were otherwise indicated.

The interim consolidated financial statements do not include all information and disclosures required for annual consolidated financial statements and should be read together with consolidated financial statements as of December 31, 2015.

The consolidated financial statements include the financial statements of the Company and its subsidiaries, see note 2.

Subsidiaries are fully consolidated from the acquisition date, being the date on which InRetail Real Estate obtains control, and are consolidated until the date when such control ceases. The financial statements of the Subsidiaries are prepared for the same reporting period as the parent Company, using consistent accounting policies. All intra-group balances, transactions and unrealized gains and losses resulting from intra group transactions have been eliminated in full.

The non-controlling interest has 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, the consolidated income statement 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 a subsidiary, without a loss of control, is accounted for as an equity transaction.

3.2 New standards and interpretations adopted by InRetail Real Estate-

Several standards and amendments have come into effect from January 1, 2016; however, in the opinion of InRetail Real Estate´s Management, they have no impact on the accompanying unaudited consolidated financial statements as of June 30, 2016.

IFRS 9 early implementation

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

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

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

3.3 Significant estimations and assumptions

InRetail Real Estate´s Management has used certain estimates and assumptions for the preparation of the interim consolidated financial statements, such as the method of depreciation, useful lives and residual values of facilities, furniture and equipment, fair value of investment properties, impairment of non-financial assets and taxes estimation; therefore, the final results could differ from the amounts recorded by the InRetail Real Estate.

4. Cash and cash equivalent

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

	As of June 30, 2016 S/(000)	As of December 31, 2015 S/(000)
Cash	33	34
Current accounts (b)	19,771	24,411
Time deposits (c)	11,811	12,579
Management and security trust current accounts (e)	2,099	7,927
Restricted funds	-	1,093
Total	33,714	46,044

(b) The current accounts comprise accounts in Soles and US dollars, in local financial institutions, free of liens, unrestricted and do not bear interests.

(c) As of June 30, 2016, time deposits are unrestricted, maintained in Soles in local financial institutions, have maturities of up to one month since its inception and bear annual interests of 4.30 percent annual. (between 0.20 and 4.00 percent annually as of December 31, 2015 for US Dollars and Soles, respectively).

(d) As of June 30, 2016 and December 31, 2015, corresponds to the bank accounts, which serve as means of payment of the guaranteed obligations with regard to the leasing granted by Banco de Crédito del Perú in favor of Interproperties Holding II, see note 16 (d), in compliance with the contract of management and security trust.

5. Available for-sale investments

As of June 30, 2016, corresponds to bonds issued by Intercorp Ltd., of US$15,250,000 equivalent to S/50,203,000 (US$13,856,000 equivalent to S/47,222,000 as of December 31, 2015), which mature in 2025, and accrue effective annual interests at a rate of 5.785 percent. The valuation results, amounted to S/969,000 as of June 30, 2016 (S/1,065,000 as of June 30, 2015) and are presented, net of deferred income tax, in the "Unrealized results" caption of the consolidated statements of changes in equity.

The fair value is determined by price quotations published in an active market.

Additionally, as of June 30, 2016, the Company has other investments available for sale for an amount of US$9,142,000 equivalent to S/30,097,000.

6. Investment at fair value through profit or loss

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

Entity	As of June 30, 2016 S/(000)	As of December 31, 2015 S/(000)
Mutual funds managed by Interfondo SAF. S.A.	16,460	34,896
Total	16,460	34,896

As of June 30, 2016 and December 31, 2015, these mutual funds were comprised by a portfolio of financial instruments issued by renowned financial institutions on the local market. The results from this valuation are presented in the "Financial Income" caption of the consolidated statement of income.

7. Trade receivables

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

	As of June 30, 2016 S/(000)	As of December 31, 2015 S/(000)
Rents receivable (b)	18,189	26,223
Unbilled services (c)	11,711	13,482
Documents receivable	1,580	-
Total	31,480	39,705
Allowance for doubtful accounts	(5,806)	(5,492)
	25,674	34,213

(b) As of June 30, 2016 and December 31, 2015, trade accounts receivable are denominated in Soles and US Dollars, have current maturities and do not accrue interests.

(c) As of June 30, 2016 and December 31, 2015, mainly corresponds to unbilled lease services for variable and fixed rents, which are billed during the following month.

(d) As of June 30, 2016 and December 31, 2015 the analysis of trade receivables is as follows:

	Balance as of June 30, 2016		
	Non-impaired	Impaired	Total
	S/(000)	S/(000)	S/(000)
Unbilled services	11,711	-	11,711
Past-due			
From 1 to 90 days	13,251	-	13,251
From 91 to 120 days	456	215	671
From 121 to 180 days	220	498	718
From 181 to 270 days	20	834	854
More than 271 days	16	4,259	4,275
	25,674	5,806	31,480

	Balance as of December 31, 2015		
	Non-impaired	Impaired	Total
	S/(000)	S/(000)	S/(000)
Unbilled services	13,482	-	13,482
Past-due			
From 1 to 90 days	13,604	-	13,604
From 91 to 120 days	2,113	143	2,256
From 121 to 180 days	1,993	346	2,339
From 181 to 270 days	825	413	1,238
More than 271 days	2,196	4,590	6,786
	34,213	5,492	39,705

Past-due trade accounts receivable mainly correspond to tenants, who hold current contracts at the date of this report and are operating in the shopping malls. Likewise, the past-due accounts which have a payment agreement are considered as not impaired; therefore they do not represent risk of uncollectibility.

(e) The movement of the provision for impairment as of June 30, 2016 and 2015 is as follows:

	2016	2015
	S/(000)	S/(000)
Balance at the beginning of the year	5,492	3,863
Provision recognized as period expense, note 22(b)	1,232	1,058
Write offs and recovery's	(956)	-
Exchange difference	38	11
Balance at the end of the period	5,806	4,932
Balance as of December 31, 2015		5,492

In the opinion of InRetail Real Estate Management, the provision for impairment appropriately covers the credit risk as of June 30, 2016 and December 31, 2015.

8. Other receivables

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

	As of June 30, 2016 S/(000)	As of December 31, 2015 S/(000)
By type:		
Outstanding advances (b)	2,140	1,742
Others	3,802	532
Total	5,942	2,274

(b) As of June 30, 2016 and December 31, 2015, corresponds to advances realized to suppliers related to the Company activities, related to the projects in the investments properties.

(c) In the opinion of InRetail Real Estate´s Management, it is not necessary to make a provision for impairment as of June 30, 2016 and December 31, 2015, as no credit risk has been identified.

9. Prepaid expenses

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

	As of June 30, 2016 S/(000)	As of December 31, 2015 S/(000)
Insurances paid in advance (b)	5,576	240
Municipal taxes prepaid (c)	2,616	-
Others	62	216
Total	8,254	456

(b) As of June 30, 2016, corresponds mainly to insurance payments of properties of the Company.

(c) Corresponds mainly to prepaid taxes over properties of the Company and others municipal taxes.

10. Recoverable taxes

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

	As of June 30, 2016 S/(000)	As of December 31, 2015 S/(000)
By type:		
Tax credit for value-added-tax (b)	78,558	93,981
Funds held in Banco de la Nación (c)	38,642	17,094
Income tax payment	3,599	5,402
Total	120,799	116,477
By term:		
Current	58,116	38,868
Non-current	62,683	77,609
	120,799	116,477

(b) Corresponds to the tax credit for value-added-tax originated mainly from the development and construction of the shopping malls of Lima and provinces, as well as from other payments related to the operations of Interproperties Holding and Interproperties Holding II (SPE´s). In the opinion of InRetail Real Estate´s Management, this tax credit will be recovered off-setting it against the balances payable of said tax generated mainly by the rental income from InRetail Real Estate´s properties.

(c) In Accordance with Superintendence Resolution N°183-2004/SUNAT, funds held in Banco de la Nación must be used exclusively for the payments of tax debts, or a cash reimbursement requested. In the case of the Company and its Subsidiaries, these funds have been used entirely for tax payments.

11. Facilities, furniture and equipment, net

(a) The movement of cost and accumulated depreciation is presented below:

	Facilities	Furniture and fixtures	Transport units	Equipment miscellaneous	Work in progress	Total
	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)
Cost						
Balance as of January 1, 2016	5,424	4,258	443	6,151	63	16,339
Additions	-	2	-	644	19	665
Disposals	49	-	-	(128)	(82)	(161)
Balance as of June 30, 2016	5,473	4,260	443	6,667	0	16,843
Accumulated depreciation						
Balance as of January 1, 2016	900	1,597	149	2,652	-	5,298
Depreciation of the period	541	342	44	687	-	1,614
Balance as of June 30, 2016	1,441	1,939	193	3,178	-	6,751
Net cost as of June 30, 2016	4,032	2,321	250	3,489	0	10,092
Net cost as of December 31, 2015	4,524	2,661	294	3,499	63	11,041

(b) As of June 30, 2016 and December 31, 2015, there are no pledges or guarantees provided to third parties on the facilities, furniture and equipment of InRetail Real Estate.

(c) As of June 30, 2016 and 2015, InRetail Real Estate´s Management performed an assessment of the facilities, furniture and equipment, and has not found any impairment indicator on said assets. In its opinion, the book value of the facilities, furniture and equipment is recoverable with the income generated by InRetail Real Estate.

12. Investment properties

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

	As of June 30, 2016 S/(000)	As of December 31, 2015 S/(000)
Real Plaza Salaverry shopping center(i)	408,873	407,754
Real Plaza Chiclayo shopping center	252,722	250,444
Real Plaza Cuzco shopping center (i)	250,040	243,706
Real Plaza Centro Civico shopping center (i)	234,860	233,572
Real Plaza Primavera shopping center	222,210	208,429
Real Plaza Piura shopping center	216,193	203,971
Real Plaza Trujillo shopping center	175,689	164,109
Real Plaza Huancayo shopping center (i)	163,942	162,179
Real Plaza Puruchuco project (ii)	126,961	125,666
Real Plaza Huánuco shopping center (i)	120,550	119,301
Real Plaza Cajamarca shopping center	112,293	112,589
Real Plaza Santa Clara - Altamirano shopping center	107,987	106,890
Real Plaza Arequipa shopping center (i)	108,512	90,069
Real Plaza Pro shopping center	93,844	92,633
Real Plaza Juliaca shopping center (i)	90,385	90,411
Real Plaza Chorrillos shopping center	68,544	67,566
Real Plaza Nuevo Chimbote shopping center (i)	24,196	23,616
Jr. de la Unión stores	21,923	21,713
Others	218,299	200,883
	3,018,023	2,925,501

(i) For the construction of these shopping malls and properties, surface rights contracts were subscribed with the Arzobispado de Cuzco (on land in Cusco “San Antonio”), Municipalidad provincial de Huánuco (on land of “Real Plaza Huánuco” shopping mall), Oficina de Normalización Provisional – ONP (Centro Cívico), Inmobiliaria Pazos S.A.C. (La Curva), Gobierno Regional de Moquegua (Moquegua), Ferrovías 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 terms for periods between 20 to 70 years.

(ii) Correspond to lands on which real estate projects will be developed, mainly shopping malls branded “Real Plaza”. In the opinion of InRetail Real Estate´s Management the book values of these investment properties do not differ significantly from their fair values as of June 30, 2016 and 2015 since Management has been managing the related licenses for their development.

“Real Plaza” shopping malls comprise of a hypermarket, department store, commercial premises, a cinema complex and entertainment zone for which there have been subscribed contracts that include minimum monthly fixed rental payments based on the retail sales of the tenants.

(b) The movement of this caption for the six-month periods ended as of June 30, 2016 and December 31, 2015 is as follows:

	2016	2015
	S/(000)	S/(000)
Balance at the beginning of the year	2,925,501	2,719,800
Additions	91,981	80,693
Disposal	(2,768)	-
Fair value adjustment	3,309	13,758
Balance at the end of the period	3,018,023	2,814,251
Balance as of December 31, 2015		2,925,501

The fair value of the investment properties has been determined by InRetail Real Estate´s Management on the basis of the discounted cash flows method and based on the value assigned by an independent appraiser in the case of the land of investments properties under construction and for those held to operate in the future. The valuation is prepared on an aggregated and deleveraged basis. In order to estimate the fair value of investment properties, Management has used its market knowledge and professional judgment.

13. Derivative financial instrument

As of June 30, 2016 and December 31, 2015, this item comprises of a principal Call Spread contract designated to hedge cash flows and recorded at its fair value. The detail of this operation is as follows:

Counterparty	Nominal value	Due	Pay fix at	Book value of the hedged item	Fair value 2016	Fair value 2015
	US$(000)		%		S/(000)	S/(000)
J.P. Morgan	200,000	jul-21	1.84	658,400	59,099	62,498
					59,099	62,498

The financial instrument covers 57 percent of the exposure to foreign currency risk arising from the international bond issue of July 2014, see note 16 (b). This Call Spread covers variations in the exchange rate between S/3.225 and S/3.75 per US$1.00 and the price of the premium was funded in installments, generating a liability for the same. See note 16.

14. Trade payables

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

	As of June 30, 2016 S/(000)	As of December 31, 2015 S/(000)
Bills payable to third parties (b)	15,179	13,550
Provision of services unbilled (c)	7,506	17,222
Total	22,685	30,772

(b) As of June 30, 2016 and December 31, 2015, trade payables mainly comprise the liabilities with contractors for the construction works and/or refurbishing of shopping malls. Bills payable are denominated in Soles and US Dollars, do not accrue interests and their maturities are in the current period.

(c) Correspond to provisions for services received but unbilled by suppliers, mainly from services provided by construction companies in the last quarter of the period. In the opinion of InRetail Real Estate´s Management, provisions are enough to fulfill the liabilities once they are billed.

15. Other liabilities

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

	As of June 30, 2016 S/(000)	As of December 31, 2015 S/(000)
By type:		
Deferred income (b)	32,171	34,895
Interests payable (c)	37,027	36,750
Deposits from third parties (d)	2,829	2,817
Vacations	657	686
Workers' profit sharing	780	2,997
Others payable	16,726	8,605
Total	90,190	86,750
By term:		
Current	58,019	57,320
Non-current	32,171	29,430
	90,190	86,750

(b) The composition of the deferred income caption is presented below:

	As of June 30, 2016 S/(000)	As of December 31, 2015 S/(000)
Key money (b.1)	20,568	21,032
Advanced rents (b.2)	9,684	8,870
Others	1,919	4,993
Total	32,171	34,895

(b.1) As of June 30, 2016 and December 31, 2015, corresponds to the payment of key money from several tenants that operate in the Real Plaza shopping malls.

(b.2) As of June 30, 2016 and 2015, corresponds mainly to advanced rents by Cineplex S.A. (a related entity) and Ripley (third-party entity) for the premises it operates in Real Plaza Shopping Mall and Salaverry Shopping Malls respectively.

(c) As of June 30, 2016 and December 31, 2015, corresponds mainly to interests payable originated from the private offering of "Senior Notes Unsecured ", maturing in 2021. Interest on the notes will accrue at a rate of 6.5% percent annual and will be semi-annually in arrears on January and July of each year.

(d) As of June 30, 2016 and December 31, 2015 it mainly corresponds to deposits from the tenants of the Real Plaza shopping malls Arequipa, Primavera, Pro, Santa Clara, Huancayo, Huánuco, Trujillo, Cajamarca, Juliaca, Salaverry, Centro Cívico and Nuevo Chimbote.

These deposits do not accrue interests and will be refunded in the original currency at the end of the lease contract.

16. Financial obligations

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

Type of Obligation	Original Currency	Interest Rate %	Maturity final	Original Amount		Total		Current		Non-current	
						As of June 30, 2016	2015	As of June 30, 2016	2015	As of June 30, 2016	2015
				US$ (000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)
Bonds issuance (b)											
Foreign currency bonds issuance	USD	6.500	2021	350,000	-	911,094	938,518	-	-	911,094	938,518
Local currency bonds issuance	PEN	7.875	2034	-	141,000	135,303	80,365	-	-	135,303	80,365
				350,000	141,000	1,046,397	1,018,883	-	-	1,046,397	1,018,883
Leasings											
Related entities											
Banco Internacional del Perú-Interbank (c)	PEN	8.90	2026	-	1,000	891	928	80	77	811	851
Banco Internacional del Perú-Interbank	USD	6.45	2017	113	-	114	184	89	124	25	60
Non-related entities											
Banco de Crédito del Perú (d)	PEN	8.02	2019	-	54,748	15,376	17,357	4,205	4,046	11,171	13,311
Banco de Crédito del Perú (e)	PEN	7.97	2023	-	32,926	27,494	28,876	2,937	2,819	24,557	26,057
Banco de Crédito del Perú (f)	PEN	8.06	2024	-	20,726	17,626	18,412	1,670	1,602	15,956	16,810
IBM Perú SAC	USD	Between 1.820 and 4.930	2017	672	-	901	1,326	752	723	149	603
Hewlett Packard S.A.	USD	Between 1.920 and 7.450	2017	189	-	269	387	191	186	78	201
				1,177	109,400	62,671	67,470	9,924	9,577	52,747	57,893
Promissory notes and loans											
Non-related entities											
JP. Morgan	USD	1.840	2021	18,111	-	55,035	61,816	9,999	9,046	45,036	52,770
Scotiabank Perú S.A.A. (g)	PEN	6.7	2019	-	100,000	86,882	99,200	24,822	24,640	62,060	74,560
CSI Renting	USD	Between 4.640 and 4.730	2018	70	-	135	179	78	79	57	100
				18,181	100,408	142,052	161,195	34,899	33,765	107,153	127,430
Total				**369,358**	**350,808**	**1,251,120**	**1,247,548**	**44,823**	**43,342**	**1,206,297**	**1,204,206**

(b) As of 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/1,152,200,000 as of June 30, 2016 (equivalent to approximately S/1,194,550,000 as of December 31, 2015), 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$22,426,000 equivalent to approximately S/73,826,000 as of June 30, 2016 (US$24,203,000 equivalent to approximately S/ 82,604,000 as of December 31, 2015). Additionally, as of June 30, 2016 the balance is presented net of US$50,814,000 equivalent to S/167,280,000 (US$50,814,000 equivalent to S/173,428,000 as of December 31 2015), corresponding to the notes of this issuance held by InRetail Shopping Malls. As of June 30, 2016 and December 31, 2015 the balance of this loan is S/911,094,000 and S/938,518,000, 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 8.012 percent, after considering the respective up-front fees that amounted to S/1,697,000 as of June 30, 2016 (S/ 1,635,000 as of December 31, 2015). Additionally, as of June 30, 2016, the balance is presented net of S/4,000,000 (S/59,000,000 as of December 31, 2015) corresponding to the notes of this issuance held by InRetail Shopping Mall. As of June 30, 2016 and December 31, 2015 the balance of this loan is S/135,303,000 and S/80,365,000, respectively.

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

As of June 30, 2016 InRetail Shopping Malls complied with certain obligations and restrictive clauses that are referred to the compliance with financial ratios. Amongst the main obligations are presented as follows:

Local currency debt:

- The Parent and its restricted subsidiaries will maintain at all times unencumbered assets of not less than 150 percent of the aggregate principal amount of the consolidated unsecured indebtedness of the parent and it is restricted.
- Leverage Test: The aggregate principal amount of all outstanding indebtedness is not greater than 60 percent of the sum of total assets.
- Secured Debt Test: the aggregate principal amount of all outstanding secured indebtedness is not greater than 40 percent of the sum of total assets.
- Debt Service Test: The ratio of consolidated adjusted EBITDA to consolidated Interest Expense for the period consisting of the four consecutive fiscal quarters ending with the Latest Completed Quarter is greater than 1.50.

Foreign currency debt:

- The Parent and its restricted subsidiaries will maintain at all times unencumbered assets of not less than 150 percent of the aggregate principal amount of the consolidated unsecured indebtedness of the parent and its restricted.
- Leverage Test: The aggregate principal amount of all outstanding indebtedness is not greater than 60 percent of the sum of total assets.
- Secured Debt Test: the aggregate principal amount of all outstanding secured indebtedness is not greater than 30 percent of the sum of total assets.
- Debt Service Test: The ratio of consolidated adjusted EBITDA to consolidated Interest Expense for the period consisting of the four consecutive fiscal quarters ending with the Latest Completed Quarter is greater than 2.00.

In the opinion of InRetail Real Estate's Management, these obligations have been complied satisfactorily and are within the agreed limits as of June 30, 2016 and December 31, 2015.

(c) Inmobiliaria Puerta del Sol S.A. (IPS) entered into a leaseback agreement with Banco Internacional del Perú S.A.A. – Interbank to build the building where the Real Plaza San Antonio shopping malls operate. This leaseback was agreed for a former amount of S/ 108,300,000, with a term of 144 months and a grace period of 6 months, which will be computed from the date the asset is finished. During the first semester of 2014, the bank disbursed the total amount of the debt, however on September 2014 the Company made a prepayment of S/ 107,300,000 and as a result of this transaction, the debt balance amounted to S/1,000,000.

In order to secure the payment of this funding, IPS subscribed a cash flow trust contract with La Fiduciaria S.A., through which the former binds to channel all the future cash flows from the credit rights derived, generated or caused, as consequence of each and every asset comprised in the Real Plaza San Antonio project to the escrow accounts so that these assets serve as security for the guaranteed obligations.

(d) Corresponds to a leasing agreement with Banco de Crédito del Perú (hereinafter BCP), for an approximate amount of S/54,748,000, over a term of 120 months, for the properties Interseguro sold through a landlord lease contract. This loan was used mainly for the acquisition of the property where Real Plaza Chiclayo shopping mall is located. BCP put the leased buildings in favor of Interproperties Peru, since it made the payment of an initial installment amounting to S/ 18,748,000 on October 28, 2009, in accordance to the leasing contract.

This obligation is associated solely with the Real Plaza Chiclayo shopping mall project and is provided with a guarantee and management trust through la Fiduciaria S.A., which securitized the future cash flows of the collection rights of the contracts of lease, sublease, usufruct and any other type of contract that the tenants of Real Plaza Chiclayo shopping mall must pay for: (a) rent (fixed and/or variable), use, penalties, indemnifications, key right and/or any type of consideration for the use or enjoyment of said premises; (b) commissions on events and sponsorships or the leases of spaces for advertisement; and, (c) in a general way, any type of collection related to the activity of Real Plaza Chiclayo shopping mall, which constitute the assets in trust that have been transferred to the trust managed by La Fiduciaria S.A.

In the opinion of InRetail Real Estate´s Management, these obligations have been complied satisfactorily and are within the agreed limits.

(e) During 2012, Interproperties Holding II (SPE), decided to enlarge Real Plaza Chiclayo shopping mall (hereinafter “Enlargement of Section 2A”), for which on December 26, 2012, signed an addendum to the Framework Contract with BCP, which committed to finance the project up to US$12,500,000. As of June 30, 2016 and 2015, it is already operating; therefore, Interproperties Holding II has recorded the corresponding liabilities at such dates.

(f) During 2013, Interproperties Holding II (SPE) continued the enlargement of Real Plaza Chiclayo shopping mall (hereinafter “Enlargement of Section 2B”), for which it signed an addendum to the leasing agreement with BCP, which committed to finance the project for up to US$7,500,000. As of June 30, 2016 and December 31, 2015, the expansion of Section 2B is under construction; however, Interproperties Holding II (SPE) has recorded the corresponding liabilities at such dates.

(g) Corresponds to a loan agreement with the Scotiabank Perú S.A.A. by amount of S/ 100,000,000, for a period of four years, payable in quarterly installments. This loan was used to repay debt and other corporate purposes.

This obligation was recorded in the consolidated financial statement as amortized cost at effective annual interest rate of 7.002 percent per annum after considering the respective initial charge of approximately S/618,000 at June 30, 2016 (S/800,000 at December 31,2015).

As of June 30, 2016, InRetail Real Estate amortized the debt Scotiabank Peru S.A.A. the value of S/12,500,000.

(h) Financial obligations are payable as follows:

	As of June 30, 2016	**As of December 31, 2015**
	S/(000)	S/(000)
2016	44,823	43,342
2017	43,540	44,275
2018	44,365	45,095
2019	45,009	45,203
2020 onwards	1,073,383	1,069,633
Total	1,251,120	1,247,548

17. Income tax

(a) The Deferred Income Tax assets and liabilities presented in the consolidated statements as of June 30, 2016 and December 31, 2015 is detailed as follows:

Statements of financial position	**Deferred liability, net**	
	As of June 30, 2016 S/(000)	**As of December 31, 2015** S/(000)
Deferred income tax asset	798	798
Deferred income tax liability	(18,633)	(17,717)
Deferred income tax liability, net	(17,835)	(16,919)

Statements of comprehensive income	**Income tax for the six-month periods ended June 30, 2016 and 2015**	
	2016 S/(000)	**2015** S/(000)
Current	(27,107)	(15,094)
Deferred	(916)	(2,250)
	(28,023)	(17,344)

18. Commitments

As of June 30, 2016 and December 31, 2015, corresponds to guarantee letters in favor of third parties for approximately S/20,798,000 and S/21,447,000, respectively, which guarantee the compliance of obligations from contractual agreements related to the real estate projects of Interproperties Holding and Interproperties Holding II.

19. Equity

(a) Capital stock –

As of June 30, 2016 and December 31, 2015, the capital stock of InRetail Real Estate Corp. amounts to S/1,475,706,000 approximately, represented by 568,201,039 shares, issued at a nominal value of US$ 1.00 each.

(b) Earnings per share –

Earnings per share are calculated by dividing the income of the period attributable to the common shareholders of InRetail Real Estate Corp. by the weighted average number of shares outstanding during the year. Because outstanding instruments with dilutive effect are not held, basic and diluted earnings per share are the same.

The calculation of basic and diluted earnings per share is presented as follows:

	Ordinary shares		
	Outstanding shares	**Effective days until period-end**	**Weighted average of shares**
Number as of January 01, 2015	568,201,039	365	568,201,039
Number as of June 30, 2015	568,201,039		568,201,039
Number as of January 01, 2016	568,201,039	365	568,201,039
Number as of June 30, 2016	568,201,039		568,201,039

	For the six-month-periods ended June 30, 2016		
	Net income (numerator) S/	**Shares (denominator)**	**Earnings per share** S/
Basic and diluted earnings per share	64,404,000	568,201,039	0.1133

	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	25,209,000	568,201,039	0.0444

20. Income from real estate service

(a) The composition of the balance for the six-month periods ended as of June 30, 2016 and 2015 is presented below:

	2016 S/(000)	2015 S/(000)
Rental income		
Rental income (b)	139,996	130,933
Rent of space for publicity	5,260	3,340
Rendering of services	4,872	5,605
	150,128	139,878
Income from management services		
Common expenses (c)	30,506	29,220
Electricity and water (d)	24,813	21,671
Promotion and advertisement (e)	7,721	7,451
Advisory and supervision	-	4,450
Parking	3,881	2,397
Management services	476	1,212
Negotiations of land and buildings	0	1,630
Others	1,178	1,254
	68,575	69,285

(b) As of June 30, 2016 and 2015, corresponds to rental income from the economic exploitation of the “Real Plaza” Shopping Malls.

The composition of the rental income is presented below:

	2016 S/(000)	2015 S/(000)
Fixed rental income	121,593	113,231
Variable rental income	18,403	17,702
	139,996	130,933

(c) Corresponds to income from common expenses including expenses of maintenance, safety management and supervision of shopping malls, which are billed to each tenant according to the terms established in the lease contract.

(d) Corresponds to income from electricity and water that are assumed by the Company and are then billed to every tenant of shopping malls.

(e) Corresponds to income from advertising and promotional activities of Shopping malls, which are billed to every tenant of the shopping malls according to the terms established in the lease contract.

21. Operating costs

(a) The composition of this caption for the six-month periods ended as of June 30, 2016 and 2015 is presented below:

	2016	2015
	S/(000)	S/(000)
Cost of rental income		
Property tax and duties	5,794	5,250
Landlord leases (b)	7,160	4,315
Property insurance costs	1,944	1,810
Others	320	373
	15,218	11,748
Cost related to income from management services		
Electricity and water	25,653	22,287
Personnel expenses	4,739	8,679
Safety services	3,216	3,410
Cleaning	4,368	3,899
Advertising and marketing	7,529	7,763
Maintenance and administration of parking lot	6,008	5,582
Leases, professional fees and comunications	-	1,057
Other costs	1,159	994
	52,672	53,671

(b) Correspond to the leases of land over which Interproperties Holding and Interproperties Holding II have built or have a shopping mall under construction.

22. Selling and administrative expenses

(a) The composition of this caption for the six-month periods ended as of June 30, 2016 and 2015 is presented below:

	2016	2015
	S/.(000)	S/.(000)
Administrative expenses	12,250	11,661
Selling expenses	3,444	3,889
	15,694	15,550

(b) The components of operating expenses included in the selling and administrative expenses captions are presented below:

	2016		
	Selling expenses	**Administrative expenses**	**Total**
	S/(000)	S/(000)	S/(000)
Personnel expenses	2,745	5,206	7,951
Depreciation	-	1,614	1,614
Amortization	-	118	118
Key money amortization	221	1,076	1,297
Services provided by third parties	(956)	-	(956)
Allowance for doubtful accounts	1,232	-	1,232
Other charges	202	4,236	4,438
	3,444	12,250	15,694

	2015		
	Selling expenses	**Administrative expenses**	**Total**
	S/(000)	S/(000)	S/(000)
Personnel expenses	2,558	6,582	9,140
Depreciation	-	1,225	1,225
Amortization	-	49	49
Services provided by third parties	-	-	-
Allowance for doubtful accounts, net	1,058	-	1,058
Other charges	273	3,398	3,671
	3,889	11,661	15,550

23. Financial income and expenses

The composition of this caption for the six-month periods ended as of June 30, 2016 and 2015 is presented below:

	2016	2015
	S/(000)	S/(000)
Income		
Gain from valuation of financial instruments	1,521	405
Interest on deposits	568	498
Interest from granted loans	264	584
Others	303	871
	2,656	2,358

	2016	2015
	S/(000)	S/(000)
Expenses		
Bond interest expenses	38,231	40,003
Derivative financial instruments expenses	6,458	-
Debt structuring expenses	6,222	4,381
Interest from long-term loans	3,183	-
Interest from leasing	2,533	2,757
Others	2,155	2,538
	58,782	49,679

24. Tax situation

(a) InRetail Real Estate Corp. is incorporated in Panama; therefore, it is not subject to any Income Tax.

Entities and individuals not domiciled in Peru are subject to retention of an additional tax on dividends received. In this regard, attention to Law 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.

(b) Real Plaza is domiciled in Perú and is subject to the Peruvian tax system and, in compliance with current Peruvian legislation calculate their income tax on the basis of their separate financial statements. As of June 30, 2016 and December 31, 2015, the statutory income tax rate was 28 percent on tax payable income, 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 tax rate applicable on taxable income, after deducting the of workers profit sharing is as follows:

- Exercise 2016: 28 percent
- Exercise 2017 and 2018: 27 percent
- Exercise 2019 onward: 26 percent

(c) According to the text of the Law on Income Tax, as amended by Law 29663 and 29757, since year 2012, among the transactions subject to capital duty, are those obtained by the indirect sale of shares of Peruvian companies. For these purposes, an indirect transfer is set when two instances occur together:

(i) In First place, the market value of the shares of Peruvian society must represent 50 percent or more of the market value of non-domiciled, in any period of twelve months and,

(ii) In Second place, 10 percent or more of the shares of non-resident must be sold in any twelve month period;

(d) Transactions entered into between related parties and/or with tax heaven residents fall into the scope of the Peruvian Transfer Pricing rules. Such rules are based on the application of the arm´s length principle, as understood by the OECD. It is important to mention that Transfer Pricing rules are only applicable for Income Tax purposes, and adjustments are allowed under certain conditions only. Based on the analysis of operations of InRetail, its Management and legal advisors believe that the implementation of these standards does not generate any significant contingencies for InRetail Real Estate as of June 30, 2016 and 2015.

(e) The Peruvian Tax Authority is legally entitled to perform tax audit procedures on local taxpayers for up to four years subsequent to the year of the presentation of the tax return. The Tax Authority is entitled to challenge the Income Tax calculation performed by such taxpayers. Following are the years subject to review by the tax authority of the Subsidiaries of InRetail Real estate Corp. incorporated in Perú:

	Income Tax	**Value added tax**
Real Plaza S.R.L.	From 2014 to 2015	From 2010 to 2015

In accordance with Peruvian law, InRetail Shopping Mall, Interproperties Holding and Interproperties Holding II, Special Purpose Entities, are not considered to be taxpayers due to their conditions as trusts but they attribute their obtained income, net losses and tax credits on their foreign source income to the holders of their certificates of participation. Therefore, to reflect this obligation, the Company has provisioned 30 percent of long term income tax over the profits earned to date. As of June 30, 2016 and December 31, 2015, the accrued income tax amounted to S /139,021,000 and S / 113,342,000, respectively.

Due to the possible interpretations that the Tax Auditory may give to the legal regulations currently in force, it is not possible to determine, to date, whether the examinations performed will or will not result in liabilities for InRetail Real Estate and its Subsidiaries. Thus, any higher tax or charges that could result from eventual tax examinations would be applied to the results of the period in which such tax or surcharge are determined.

In the opinion of the Management of InRetail Real Estate and of its legal advisors, any subsequent additional settlement of taxes would not be significant for the consolidated financial statements as of June 30, 2016 and December 31, 2015.

25. Transactions with related companies

(a) As a result of transactions with related parties, InRetail Real Estate presents the following balances in the consolidated statements of financial position as of June 30, 2016 and December 31, 2015:

	As of June 30, 2016 S/(000)	As of December 31, 2015 S/(000)
Receivables		
Intercorp Perú Ltd (b)	2,577	2,652
Tiendas Peruanas S.A.	7,718	8,085
Home Centers Peruanos S.A.	3,402	3,160
Cineplex S.A.	4,039	4,360
Bembos	3,067	3,209
Interseguro Compañía de Seguros S.A.	0	1,764
Supermercados Peruanos S.A.	1,898	6,788
Eckerd Perú S.A.	240	240
Banco Internacional del Perú S.A.A.- Interbank (c)	250	954
InRetail Management S.R.L.	4,215	-
Others	9,294	11,078
	36,700	42,290

	As of June 30, 2016 S/(000)	As of December 31, 2015 S/(000)
Payables		
Tiendas Peruanas S.A.	2,534	1,900
Supermercados Peruanos S.A.	50	1,606
Home Centers Peruanos S.A.	62	-
Others	520	645
	3,166	4,151
Financial Obligations		
Leasing		
Banco Internacional del Pérú - Interbank	891	988

InRetail Real Estate’s policy with related parties is to establish transactions on similar terms and conditions to those made with third parties.

(b) As of June 30, 2016 and December 31, 2015, corresponds to promissory notes issued by Intercorp Perú Ltd in Soles. which accrue effective annual interests at a rate of 6.000 and 6.625 percent, respectively.

(c) As of June 30, 2016 and December 31, 2015, InRetail Real Estate holds balances with its related entity Banco International del Perú S.A.A. – Interbank in the cash and cash equivalent caption for an amount of S/19,771,000 and S/29,087,000, respectively.

(d) Transactions with related companies have been performed under normal market conditions. The taxes that these transactions generated, as well as the calculation bases for their determination, are the usual ones in the industry and they are settled in accordance with the current tax regulations.

26. Financial risks management

The activities of InRetail Real Estate expose it to a variety of financial risks, which include the effects of the changes in the exchange rates, interest rate, credit and liquidity. The program of risk management of InRetail Real Estate tries to minimize the potential adverse effects in its financial performance.

InRetail Real Estate´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 and credit risk.

The most important aspects for the management of these risks are:

(a) Market risk –

Is the risk that the fair values of the future cash flows of a financial instrument fluctuate due to changes in market prices. Market prices comprise three types of risk: interest rate risk, currency risk and investments in shares risk. In the case of InRetail Real Estate, the financial instruments affected by market risks include loans, which are exposed to currency risk and interest rate risk.

The sensitivity analysis shown in the following section relates to the position as of June 30, 2016 and December 31, 2015. The sensitivity analysis has been prepared considering that the total amount of the net debt and the proportion of financial instruments in foreign currency is constant.

(i) Interest rate risk –

It is the risk that the fair values or future cash flows of a financial instrument fluctuate due to changes in market interest rates. InRetail Real Estate manages its interest rate risk through the obtaining of debt with fixed interest rate. As of June 30, 2016 and December 31, 2015, InRetail Real Estate does not maintain debts at variable rate, which would be exposed to the risk of change in the interest rate.

(ii) Exchange rate risk –

It is the risk that the fair values of future cash flows of a financial instrument fluctuate due to changes in exchange rates. The exposure of InRetail Real Estate to exchange rate risk is related mainly to the operating activities of InRetail Real Estate related to rental income in foreign currency and financial obligations.

As of June 30, 2016 and December 31, 2015, assets and liabilities by currency were the following (expressed in Thousands US Dollars):

	As of June 30, 2016 US$(000)	As of December 31, 2015 US$(000)
Assets		
Cash and cash equivalents	5,572	2,362
Investment at fair value through profit or loss	5,000	-
Available-for-sale investments	15,250	13,836
Trade receivables, net	3,881	1,053
Other receivables, net	911	1,267
Accounts receivable from related parties	4,996	3,626
	35,610	22,144
Liabilty		
Trade payables	5,310	337
Other liabilities	11,629	10,748
Accounts payable to related parties	44	452
Financial obligations	293,909	293,703
	310,892	305,240
Call Spread	200,000	200,000
Net liability position	(75,282)	(83,096)

As of June 30, 2016 and December 31, 2015, InRetail Real Estate and its Subsidiaries have decided to reduce its exchange rate risk by entering into a hedging operation through a Call Spread written over its "Senior Notes Unsecured", which is considered an effective hedging instrument. The Call Spread is written over a nominal amount of US$200,000,000, protects it from exchange rate fluctuations between S/3.225 and S/3.750 and will be effective until maturity of the "Senior Notes Unsecured". The net position in the derivatives related to the currency Call Spread agreement corresponds to exchange rate operations (Soles exchanged for US Dollars) with notional of US$200,000,000. See further detail in Note 13 y 16.

Transactions in foreign currency are performed at free market exchange rates. As of June 30, 2016, the market weighted average exchange rate for transactions in US dollars was S/3.323 per US$1.00 bid and S/3.328 per US$1.00 ask (S/3.408 per US$1.00 bid and S/3.413 per US$1.00 ask as of December 31, 2015).

For the six-month period ended as of June 30, 2016, InRetail Real Estate incurred into a net gain for exchange difference of approximately S/9,844,000 (loss of S/51,750,000 as of June 30, 2015), which is presented in the caption "Exchange difference, net" the consolidated statements of income and other comprehensive income.

(b) Credit risk –

It is the risk that a counterparty cannot comply with its obligations regarding a financial instrument or sales contract, thus generating a financial loss. InRetail Real Estate is exposed to credit risk for its operating activities (mainly accounts receivable and loans) and for its financing activities, including bank deposits.

Credit risk related to accounts receivable –

The credit risk of clients is managed by Management, and it is subject to policies, procedures and controls properly established. The pending balances on accounts receivable are reviewed periodically to assure their recovery. The maximum exposure to credit risk at the date of the consolidated statement of financial position is the book value of each class of financial asset.

Credit risk related to financial instruments and bank deposits –

The credit risk of bank balances is managed by Management in accordance with the policies of InRetail Real Estate. The investments of cash surpluses are performed through a first-level related financial institution. The maximum exposure to credit risk as of June 30, 2016 and December 31, 2015, is the book value of the balances of cash and cash equivalent.

(c) Liquidity risk –

Liquidity is controlled through the matching of the maturities of assets and liabilities, the obtaining of credit lines and/or maintaining of liquidity surpluses, which allows InRetail Real Estate to develop its activities in a normal way.

Managing liquidity risk implies maintaining sufficient cash and financing availability, through a suitable amount of committed credit sources and the ability to settle transactions, mainly of indebtedness. In this matter, Management directs its efforts to maintain financing sources through the availability of credit lines.

It is the possibility of losses due to the changes or the volatility of the market prices of market of properties.

27. Fair value of financial instruments –

Fair value is defined as the amount at which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm´s length transaction, assuming an on-going enterprise.

When a financial instrument is traded on 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 to determine such fair value it is possible to use the current fair value of another financial instrument that is substantially similar, discounted cash flow analysis or other techniques applicable thereto, all of which are significantly affected by the assumptions applied. 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 value of settlement value of the financial instrument.

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

(a) Financial instruments whose fair value is similar to their book value-
For financial assets and liabilities that are liquid or have short-term maturities (less than three-months), such as cash and cash equivalents, trade receivables, accounts receivable to related parties and other receivables, trade accounts payable and other current liabilities, it is deemed that their book values are similar to their fair values.

(b) Financial instruments at fixed rate –
The fair value of the financial assets and liabilities at fixed rate and at amortized cost is determined by comparing the market interest rate at the moment of their initial recognition to the current market rates related to similar financial instruments. The estimated fair value of financial obligations that accrue interests is determined through discounted cash flows by using the currently available rates for debts with similar conditions, credit risk and maturities.