InRetail Perú Corp. and Subsidiaries

Interim consolidated financial statements as of September 30, 2016 (non-audited) and December 31, 2015 (audited) and for the nine-month periods ended September 30, 2016 and 2015

InRetail Peru Corp. and Subsidiaries

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

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InRetail Perú Corp. and Subsidiaries

Interim consolidated statement of financial position

As of September 30, 2016 and December 31, 2015

	Note	2016	2015		Note	2016	2015
		S/(000)	S/(000)			S/(000)	S/(000)
Assets				**Liabilities and equity**			
Current assets				**Current liabilities**			
Cash and short-term deposits	4	275,279	235,409	Trade payables	12	1,357,502	1,450,088
Investments at fair value through profit or loss		31,958	34,896	Other payables		252,668	216,045
Trade receivables, net	5	68,545	98,314	Accounts payable to related parties	19(b)	26,293	27,002
Other receivables, net		33,341	38,177	Current income tax	14(b)	8,046	3,907
Accounts receivables from related parties	19 (b)	55,258	56,404	Interest-bearing loans and borrowings	13	262,788	178,689
Inventories, net	6	945,073	891,355	Deferred revenue		2,886	4,326
Available-for-sale investment	7	127,900	55,132	**Total current liabilities**		1,910,183	1,880,057
Prepayments		34,055	18,790				
Taxes recoverable		68,587	85,141	Accounts payable to related parties	19(b)	5,445	5,188
Total current assets		1,639,996	1,513,618	Interest-bearing loans and borrowings	13	2,529,538	2,491,125
				Income tax long term		111,631	75,637
				Deferred revenue		47,288	50,093
Non-current assets				Deferred income tax liabilities, net	14(a)	173,732	161,467
Other receivables, net		16,460	14,374	**Total non-current liabilities**		2,867,634	2,783,510
Prepayments		24,770	23,348	**Total liabilities**		4,777,817	4,663,567
Taxes recoverable		62,127	80,943				
Derivative financial instruments	8	94,760	95,190	**Equity**			
Property, furniture and equipment, net	9	2,515,960	2,435,177	Capital stock	15	2,138,566	2,138,566
Investment properties	10	2,567,412	2,465,673	Treasury shares		(4,791)	(4,791)
Intangible assets, net	11	1,192,833	1,185,910	Additional paid in capital		549,793	549,793
Other assets		401	362	Unrealized results on financial instruments		(38,227)	(43,920)
Total non-current assets		6,474,723	6,300,977	Unrealized results on available for-sale-investment		10,605	(2,229)
				Retained earnings		680,765	507,004
				Equity attributable to owners of the parent		3,336,711	3,144,423
				Non-controlling interests		191	6,605
				Total equity		3,336,902	3,151,028
Total assets		8,114,719	7,814,595	**Total liabilities and equity**		8,114,719	7,814,595

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

InRetail Perú Corp. and Subsidiaries

Interim consolidated Income statement
For the nine-month periods ended September 30, 2016 and 2015

	Note	2016 S/(000)	2015 S/(000)
Net sales of goods		4,939,969	4,589,558
Rental income		240,960	221,572
Rendering of services		124,449	119,330
Revenue		5,305,378	4,930,460
Cost of sales	17	(3,677,039)	(3,449,088)
Gross profit		1,628,339	1,481,372
Selling expenses	17	(1,054,093)	(956,993)
Administrative expenses	17	(153,514)	(137,912)
Gain on valuation at fair value of investment properties	10(b)	6,347	15,042
Income from joint venture		13,246	8,624
Other operating (expenses) income		179	(5,324)
Operating profit		440,504	404,809
Finance income		6,970	5,772
Finance costs	18	(169,591)	(169,094)
Net exchange difference		3,954	(132,072)
Profit before income tax		281,837	109,415
Income tax expense	14	(105,451)	(63,966)
Profit for the period		176,386	45,449
Attributable to:			
InRetail Perú Corp. Shareholders		176,381	45,089
Non-controlling interests		5	360
		176,386	45,449
Earnings per share:	20		
Basic and diluted profit for the period attributable to ordinary equity holders of the parent		1.72	0.44

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 nine-month periods ended September 30, 2016 and 2015

	Note	2016	2015
		S/(000)	S/(000)
Profit for the period		176,386	45,449
Other comprehensive income			
Unrealized gain on available-for-sale investments		15,619	(1,385)
Income tax effect		(2,785)	360
		12,834	(1,025)
Unrealized gain on hedging derivative financial instrument		5,367	1,745
Income tax effect		326	(273)
		5,693	1,472
Other comprehensive income for the period, net of income tax effects		18,527	447
Total comprehensive income for the period		194,913	45,896
Attributable to:			
InRetail Perú Corp. shareholders		194,908	45,536
Non-controlling interests		5	360
		194,913	45,896

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 nine-month periods ended September 30, 2016 and 2015

	Capital stock	Treasury Shares	Capital premium	Unrealized results on financial instruments	Unrealized results on available for-sale-investment	Retained earnings	Total	Non-controlling interest	Total equity
	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)
Balance as of January 1, 2015	2,138,566	-	549,793	-	-	363,208	3,051,567	6,163	3,057,730
Profit for the period					-	45,089	45,089	360	45,449
Other comprehensive income				447	-	-	447	-	447
Total comprehensive income	-	-	-	447	-	45,089	45,536	360	45,896
Capital contribution	-	-					-	-	-
Treasury Shares	-	(4,791)	-		-	-	(4,791)	-	(4,791)
Advancement of minority returns to participants	-	-	-	-	-	-	-	(207)	(207)
Others	-	-	-	-	-	(61)	(61)	61	-
Balance as of September 30, 2015	2,138,566	(4,791)	549,793	447	-	408,236	3,092,251	6,377	3,098,628
Balance as of January 1, 2016	2,138,566	(4,791)	549,793	(43,920)	(2,229)	507,004	3,144,423	6,605	3,151,028
Profit for the period	-	-		-	-	176,381	176,381	5	176,386
Other comprehensive income	-	-	-	5,693	12,834	-	18,527	-	18,527
Total comprehensive income	-	-		5,693	12,834	176,381	194,908	5	194,913
Advancement of minority returns to participants	-	-	-	-	-	-	-	-	-
Treasury Shares	-	-	-	-	-	-	-	-	-
Attribution of the equity premium to non-controlling interest	-	-	-	-	-	(2,620)	(2,620)	(6,419)	(9,039)
Balance as of September 30, 2016	2,138,566	(4,791)	549,793	(38,227)	10,605	680,765	3,336,711	191	3,336,902

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

InRetail Perú Corp. and Subsidiaries

Interim consolidated statement of cash flows

For the nine-month periods ended September 30, 2016 and 2015

	2016 S/(000)	2015 S/(000)
Operating activities		
Revenue	5,371,761	4,928,134
Payments of goods and services to suppliers	(4,357,324)	(4,020,777)
Payments of salaries and social benefits to employees	(498,038)	(456,466)
Taxes paid	(52,765)	(58,598)
Recovery of taxes	18,714	41,154
Other payments, net	(5,236)	(14,195)
Net cash flows from operating activities	477,112	419,252
Investing activities		
Sales of property, furniture and equipment	14,999	69
Loan collected from related parties	-	57,109
Sales of investment properties	2,751	-
Sales of investments at fair value through profit or loss	18,436	-
Sales of available for sale investment	-	10,104
Purchase of shares	-	(13,818)
Purchase of investments at fair value through profit or loss	(15,498)	(2,977)
Purchase of investment properties,net of acquisitions through leasing contracts	(89,711)	(70,874)
Purchase of property, furniture and equipment, net of acquisitions through leasing	(196,921)	(187,255)
Value Added Tax payment related to investment properties	(9,257)	(8,199)
Purchase of non-controlling interest shares	(9,039)	-
Purchase of available for sale investment	(57,247)	(57,017)
Loans granted to related parties	(24,959)	-
Purchase and development of intangible assets	(17,120)	(13,905)
Net cash flows used in investing activities	(383,566)	(286,763)
Financing activities		
Proceeds from interest-bearing loans and borrowings	176,490	644,808
Repayment of interest-bearing loans and borrowings	(143,236)	(349,938)
Repurchase of own bonds	-	(434,842)
Interest paid	(141,930)	(138,281)
Payment of guarantee deposit for derivative financial instruments	-	(6,446)
Sales of bonds issued	55,000	-
Purchase of treasury shares	-	(4,791)
Advancement of returns to minority shareholders	-	(207)
Net cash flows used in financing activities	(53,676)	(289,697)
Net (decrease) increase of cash and short-term deposits	39,870	(157,208)
Cash and short–term deposits at the beginning of the period	235,409	284,998
Cash and short–term deposits at the end of the period	275,279	127,790
Non-cash transactions		
Fixed assets purchased through leasing and other financial obligations	23,566	41,699

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 September 30, 2016 and December 31, 2015

1. Business activity and group reorganization and issuance process

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 September 30, 2016, the percentages of ownership are:

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

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

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

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

The accompanying interim consolidated financial statements as of December 31, 2015 were approved by the Board of Directors on November 9, 2016.

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 September 30, 2016 and December 31, 2015 the representative shares of stock of Supermercados Peruanos S.A. and Subsidiaries and Eckerd Perú S.A. and Subsidiaries are maintained in trust in this entity. A description of such subsidiaries is presented below:

- Eckerd Perú S.A. is dedicated to the commercialization of pharmaceutical products, cosmetic products, food for medical use and other elements related to health protection and recovery through its "InkaFarma" pharmacy chain. As of September 30, 2016 and December 31, 2015, it mainly operates in Lima and provinces, such as Lambayeque, La Libertad, Piura, Arequipa, Loreto, San Martin, Ucayali, Madre de Dios, among others. 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 September 30, 2016 and December 31, 2015, has a chain of stores operating under the "Plaza Vea", "Plaza vea Super", "Vivanda" and "Mass" brands, which are located in Lima and provinces, such as Trujillo, Chimbote, Piura, Cusco, Arequipa, Huancayo and others. Supermercados Peruanos S.A. holds 100 percent of: (i) Desarrolladora de Strip Centers S.A.C. (former Peruana de Tiquetes S.A.C.) and (ii) Plaza Vea Sur S.A.C.

(b) InRetail Real Estate Corp. is a Holding company incorporated in the Republic of Panama in April 2012. 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 September 30, 2016 and December 31, 2015, 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 September 30, 2016 and December 31, 2015) named "Centro Comercial Real Plaza" and located in the cities of Chiclayo, Piura, Chimbote, Trujillo, Huancayo, Arequipa, Juliaca , Huanuco, Cusco, Cajamarca, Sullana, Pucallpa and Lima.

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

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

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

3. Basis of preparation and presentation

(a) Interim Financial Statements

The consolidated financial statements of the InRetail Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Boards (IASB), effective as of September 30, 2016 and December 31, 2015, respectively.

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

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

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

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

(b) Basis of consolidation

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

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

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

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

The accounting policies followed in the preparation of the consolidated financial statements are consistent with those followed in the preparation of the consolidated financial statements at December 31, 2015.

(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, 2015, except for the adoption of the new standards and interpretations as of January 1, 2016.

Standard adopted early

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

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

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

Standards not adopted early

The InRetail Group decided not to early adopt the following standards and interpretations that have been issued by the IASB, but which are not effective as of September 30, 2016:

- 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.

- IFRS 16 “Leasing”

  IFRS 16 deals with the identification of leases, as well as its accounting treatment for tenants and landlords. Under this IFRS operating leases entered the Statement of Financial Position, recognizing all leases on the balance sheet as an asset more and more passive, like a purchase financed.

  Earlier application is permitted provided that it also applies IFRS 15 "Revenue from contracts with customers", is effective for fiscal years beginning on January 1, 2019.

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 September 30, 2016 S/(000)	As of December 31, 2015 S/(000)
Cash (b)	18,734	9,203
Current accounts (c)	90,600	85,655
Time deposits (d)	157,115	115,416
Other	8,830	25,135
Total	275,279	235,409

(b) The balance as of September 30, 2016 and December 31, 2015, comprises mainly cash held by subsidiaries in the premises of their store chains and in the vaults of a security company, corresponding to sales during the last days of the period.

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

(d) As of September 30, 2016 and December 31, 2015, the time deposits are freely available and are kept in local banks in Soles and US Dollars, have maturities up to one month since inception and bear annual interest rates of 4.00 and 0.30 percent annual, respectively. (4.00 and 0.20 percent annual, as of December 31, 2015 in Soles and US Dollars).

5. Trade receivables, net

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

	As of September 30, 2016 S/(000)	As of December 31, 2015 S/(000)
Trade accounts receivable (c)	26,788	22,031
Rent receivable (d)	24,947	35,013
Merchandise vouchers (e)	7,050	27,167
Provision for accrued revenue (f)	12,113	13,482
Others	9,449	11,603
Total	80,347	109,296
Provision for doubtful accounts (g)	(11,802)	(10,982)
	68,545	98,314

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

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

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

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

(f) As of September 30, 2016 and December 31, 2015 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 nine-months periods ended September 30, 2016 and 2015, were as follows:

	2016	2015
	S/(000)	S/(000)
Balance at the beginning of the year	10,982	6,633
Provision recognized as year expense, Note 17 (a)	1,878	1,380
Write offs and recoveries	(1,087)	-
Foreign currency variation	29	12
Balance at the end of the period	11,802	8,025
Balance as of December 31, 2015		10,982

As of September 30, 2016 and December 31, 2015, the balance of the trade receivable amounts to approximately S/80,347,000 and S/109,296,000 respectively, out of which approximately S/11,802,000 and S/10,982,000 were provisioned for at those dates. Likewise, the amount of non-impaired past due trade receivables amounted to S/36,665,000 and S/42,208,000, respectively.

In the opinion of Management of the InRetail Group, the provision for doubtful accounts receivable as of September 30, 2016 and December 31, 2015, 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 September 30, 2016 S/(000)	As of December 31, 2015 S/(000)
Goods	922,394	876,298
In transit inventories (b)	19,043	9,599
Miscellaneous supplies	12,183	15,055
Total	953,620	900,952
Minus		
Provision for impairment of inventories (c)	(8,547)	(9,597)
Total	945,073	891,355

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

(c) The movement in the provision for inventory impairment for the nine-month periods ended September 30, 2016 and 2015, was as follows:

	2016 S/(000)	2015 S/(000)
Balance at the beginning of the year	9,597	9,001
Provision of the period, Note 17(a)	7,062	3,866
Write-off	(8,112)	(4,973)
Balance at the end of the period	8,547	7,894
Balance as of December 31, 2015		9,597

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 September 30, 2016, available for sale investments corresponded to notes issued by a related company of Intercorp Group of approximately US$ 18,135,000, equivalent to S/61,713,000 (US$16,153,000 equivalent to S/55,132,000 as of December 31,2015). The unrealized gain, net of deferred income tax, of the notes held as of September 30, 2016 amounted to S/3,118,000 (gain of S/1,253,000 as of September 30, 2015) and is presented in the equity.

Additionally, as of September 30, 2016, the Company has other investments available for sale for an amount of US$19,450,000 equivalent to S/66,187,000.

8. Derivative financial instruments

As of September 30, 2016 and December 31, 2015, this item comprises of three "Principal Call Spread" contracts designated to hedge cash flows from exchange rate variations and recorded at their fair value. The detail of the operations is as follows:

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)
Deutsche Bank A.G.	100,000	October 2021	1.56	340,300	27,483	32,692
Bank of Tokyo	30,000	October 2021	1.20	102,090	5,867	-
J.P. Morgan	200,000	July 2021	1.84	680,600	61,410	62,498
					94,760	95,190

The financial instruments cover 43 and 57 percent, respectively, of the exposure to foreign currency risk arising from the international bond issues in July and October 2014, see note 13 (b) (c). The Call Spreads cover variations in the exchange rate from S/3.220, S/3.379 and S/3.225, respectively to S/3.75 per US$1.00 and the price of the premiums was funded in installments, generating a liability for the same. See Note 13.

9. Property, furniture and equipment, net

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

	As of September 30, 2016	As of December 31, 2015
	S/(000)	S/(000)
Cost		
Initial balance	3,155,597	2,923,468
Additions (b)	220,487	350,225
Disposals and/or sales (c)	(38,561)	(118,157)
Transfer to Investment properties	(8,447)	61
Final balance	3,329,076	3,155,597
Accumulated depreciation		
Initial balance	720,420	650,567
Additions (d)	115,357	142,215
Disposals and/or sales	(22,661)	(72,369)
Transfer to Investment properties	-	7
Final balance	813,116	720,420
Net book value	2,515,960	2,435,177

(b) Additions for the nine-month periods ended September 30, 2016 and 2015 correspond mainly to the construction and equipment of new premises for Supermercados Peruanos S.A. and the Eckerd Group, and the construction and/or extension of shopping centers.

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

(d) Depreciation expense for the nine-month periods ended September 30, 2016 and 2015, was recorded as follows in the income statement:

	2016	**2015**
	S/(000)	S/(000)
Sales expenses, Note 17 (a)	101,890	91,440
Administrative expenses, Note 17 (a)	13,467	12,996
Balance as of September 30	115,357	104,436

(e) As of September 30, 2016, Supermercados Peruanos S.A. has mortgaged land lots, buildings and facilities for a net book value of S/380,571,700 (S/402,391,000 as of December 31, 2015), as collateral over the financial obligations and the leasing contracts (see Note 13).

(f) As of September 30, 2016, the cost and corresponding accumulated depreciation of assets acquired through finance leases amount to approximately S/555,701,000 and S/174,865,000 respectively (S/548,464,000 and S/143,108,000, respectively, as of December 31, 2015).

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

10. Investment properties

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

	As of September 30, 2016 S/(000)	As of December 31, 2015 S/(000)
Real Plaza Salaverry shopping Mall (i)	374,800	373,585
Real Plaza Primavera shopping Mall	221,440	208,371
Real Plaza Chiclayo shopping Mall	208,650	206,011
Real Plaza Centro Civico shopping Mall	198,544	197,095
Real Plaza Cuzco shopping Mall (i)	197,248	196,516
Real Plaza Piura shopping Mall	186,924	172,565
Real Plaza Trujillo shopping Mall	156,780	139,709
Real Plaza Huancayo shopping Mall (i)	132,112	129,904
Real Plaza Puruchuco project	130,673	124,978
Real Plaza Cajamarca shopping Mall	98,803	98,860
Real Plaza Huánuco shopping Mall (i)	92,427	91,268
Real Plaza Juliaca shopping Mall (i)	70,575	70,684
Real Plaza Arequipa shopping Mall (i)	77,842	64,862
Real Plaza Santa Clara - Altamirano shopping Mall	69,343	68,161
Real Plaza Chorrillos shopping Mall	60,465	55,274
Real Plaza Pro shopping Mall	52,176	51,030
Real Plaza Sullana shopping Mall	33,279	32,891
Real Plaza Nuevo Chimbote shopping Mall	19,398	18,471
Jr. de la Unión stores	15,671	15,481
Others	170,262	149,957
	2,567,412	2,465,673

(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 Huánuco (on land of “Real Plaza Huanuco” Shopping Mall), Inmobiliaria Pazos S.A.C. (La Curva), Gobierno Regional de Moquegua, (Moquegua), Ferrovias Central Andina S.A. (Huancayo), the Association denominated “Religiosas del Sagrado Corazón de Jesús” (Arequipa), Ferrocarril Trasandino S.A. (Juliaca) and the Marina de Guerra del Perú (Salaverry). These contracts have term for periods between 20 and 70 years.

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

(b) The movement of this account for the nine-month periods ended September 30, 2016 and 2015 was as follows:

	2016	2015
	S/(000)	S/(000)
Balance at the beginning of the year	2,465,673	2,291,588
Additions	89,711	70,874
Disposal	(2,770)	-
Fair value adjustment	6,347	15,042
Transfer from property, furniture and equipment; Note 9	8,451	2,149
Balance at the end of the period	2,567,412	2,379,653

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

11. Intangible assets, net

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

	As of September 30, 2016	As of December 31, 2015
	S/(000)	S/(000)
Cost		
Initial balance	1,240,125	1,219,524
Additions (c)	17,120	21,023
Disposal and/or sales	(1)	(485)
Transfer	-	63
Final balance	1,257,244	1,240,125
Accumulated amortization		
Initial balance	54,215	43,032
Additions (d)	10,198	11,209
Disposals and/or sales	(2)	(19)
Transfer	-	(7)
Final Balance	64,411	54,215
Net, book value	1,192,833	1,185,910

(b) As of September 30, 2016 and December 31, 2015, 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 September 30, 2016 and December 31, 2015, additions mainly correspond to disbursements for the acquisition of a commercial software program, a general planning system (ERP) and the corresponding licenses for use of “point of sales software” to InkaFarma, which will be used in the new stores.

(d) Amortization expense for the nine-month periods ended September 30, 2016 and 2015 has been recorded in the following items of the combined statements:

	2016 S/(000)	2015 S/(000)
Sales expenses, Note 17 (a)	5,794	4,757
Administrative expenses, Note 17 (a)	4,404	3,164
Balance as of September 30	10,198	7,921

12. Trade payables

The table below presents the composition of this caption:

	As of September 30, 2016 S/(000)	As of December 31, 2015 S/(000)
Bills payable from purchase of goods	1,188,578	1,259,258
Bills payable from commercial services	168,924	190,830
Total	1,357,502	1,450,088

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

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

13. Interest-bearing loans and borrowings

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

Type of obligation	Original currency	Interes rate %	Final maturity	Original amount		Total		Current		Non-current	
						2016	2015	2016	2015	2016	2015
				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	-	944,950	938,518	-	-	944,950	938,518
Notes Senior unsecured (b)	PEN	7.875	2034	-	141,000	135,310	80,365	-	-	135,310	80,365
Notes Senior unsecured (c)	USD	5.250	2021	300,000	-	582,244	582,122	-	-	582,244	582,122
Notes Senior unsecured (c)	PEN	6.813	2021	-	250,000	249,283	249,197	-	-	249,283	249,197
				650,000	391,000	1,911,787	1,850,202	-	-	1,911,787	1,850,202
Leasings (d)											
Related entities											
Banco Internacional del Perú-Interbank	PEN	7.850	2019	-	27,412	16,926	21,083	5,381	5,184	11,545	15,899
Banco Internacional del Perú-Interbank	PEN	Between 11.240 and 11.430	2020	-	145,277	52,824	74,627	26,719	27,375	26,105	47,252
Banco Internacional del Perú-Interbank	USD	6.450	2017	113	-	63	184	63	124	-	60
Non related entities											
Hewlett Packard S.A. (f)	USD	2.963	2018	7,855	-	20,139	16,076	8,438	7,357	11,701	8,719
IBM Perú SAC (f)	USD	3.000	2017	129	-	34	70	34	55	-	15
Hewlett Packard S.A. (f)	USD	Between 1.820 and 4.930	2017	672	-	738	1,326	738	723	-	603
IBM Perú SAC (f)	USD	Between 1.920 and 7.450	2017	189	-	229	387	229	186	-	201
IBM Perú SAC (f)	USD	2.930	2018	839	-	238	545	107	357	131	188
Banco de Crédito del Perú	PEN	Between 6.590 and 7.850	2021	-	81,335	53,511	61,502	16,125	14,467	37,386	47,035
Banco de Crédito del Perú	PEN	Between 7.970 and 8.060	2023	-	108,400	58,704	64,645	8,956	8,467	49,748	56,178
BBVA Banco Continental	PEN	Between 5.960 and 10.850	2018	-	69,850	7,708	12,617	4,325	4,669	3,383	7,948
BBVA Banco Continental	USD	4.370	2017	4,658	-	188	316	172	172	16	144
Banco Scotiabank	PEN	Between 6.750 and 7.760	2020	-	57,972	35,284	41,270	11,124	7,458	24,160	33,812
				14,455	490,246	246,586	294,648	82,411	76,594	164,175	218,054

Type of Obligation	Original currency	Interest rate %	Final maturity	Original amount		Total		Current		Non-current	
						2016	2015	2016	2015	2016	2015
				US$ (000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)
Notes and Loans (d)											
Related entities											
Banco Internacional del Perú-Interbank	PEN	6.350	2020	-	60,000	48,950	56,848	11,241	10,614	37,709	46,234
Banco Internacional del Perú-Interbank	PEN	8.900	2026	-	1,000	-	928	-	77	-	851
Non related entities											
BBVA Banco Continental	PEN	5.850	2016	-	40,000	47,000	-	47,000	-	-	-
Banco de Crédito del Perú	PEN	6.350	2020	-	40,182	32,903	38,216	8,207	7,133	24,696	31,083
Banco Scotiabank	PEN	Between 5.350 and 6.950	2022	-	240,000	219,569	223,103	68,143	40,714	151,426	182,389
Banco Scotiabank	PEN	6.700	2019	-	100,000	80,713	99,200	24,822	25,000	55,891	74,200
Bank of Tokyo (e)	USD	Between 2.540 and 2.640	2021	30,000	-	101,326	-	-	-	101,326	-
				30,322	481,182	530,461	418,295	159,413	83,538	371,048	334,757
Call spread financing											
JP Morgan	USD	1.840	2021	18,111	-	52,605	61,816	9,426	9,046	43,179	52,770
Deutsche Bank	USD	1.560	2021	9,366	-	27,322	29,670	4,489	4,875	22,833	24,795
Bank of Tokyo (e)	USD	1.200	2021	1,953	-	6,645	-	1,300	-	5,345	-
				29,430	-	86,572	91,486	15,215	13,921	71,357	77,565
Other obligations (f)											
Hewlett Packard S.A.	USD	Between 1.690 and 6.840	2018	11,549	-	16,793	14,563	5,622	4,116	11,171	10,447
IBM Perú SAC	USD	Between 1.690 and 7.220	2016	6,441	-	9	441	9	441	-	-
CSI Renting	USD	Between 4.640 and 4.730	2018	70	-	118	179	118	79	-	100
				18,060	-	16,920	15,183	5,749	4,636	11,171	10,547
Total				**742,267**	**1,362,428**	**2,792,326**	**2,669,814**	**262,788**	**178,689**	**2,529,538**	**2,491,125**

(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$350,000,000 equivalent to approximately S/1,191,050,000 as of September 30, 2016 (equivalent to approximately S/1,194,550,000 as of December 31, 2015), due in July 2021, at a 6.50 percent nominal interest rate. This borrowing was recorded in the consolidated financial statement at amortized cost to an effective interest rate of 7.806 percent, after considering the respective up-front fees that amounted to US$ 21,505,000 equivalent to approximately S/73,180,000 as of September 30, 2016 (US$24,203,000 equivalent to approximately S/ 82,604,000 as of December 31, 2015). Additionally, as of September 30, 2016 the balance is presented net of US$50,814,000 equivalent to S/172,920,000 (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 September 30, 2016 and December 31, 2015 the balance of this loan are S/944,950,000 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 2034, 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/1,690,000 as of September 30, 2016 (S/ 1,635,000 as of December 31, 2015). Additionally, as of September 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 September 30, 2016 and December 31, 2015 the balance of this loan are S/135,310,000 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 September 30, 2016 and December 31, 2015, InRetail Shopping Malls complied with certain obligations and restrictive clauses that are referred to the compliance with financial ratios. Amongst the main obligations are presented as follows:

Local currency debt:

- The Parent and its restricted subsidiaries will maintain at all times unencumbered assets of not less than 150 percent of the aggregate principal amount of the consolidated unsecured indebtedness of the parent and its restricted subsidiaries.
- 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 subsidiaries.
- 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 September 30, 2016 and December 31, 2015. Additionally, 100 percent of the "Senior Notes Unsecured" is guaranteed by InRetail Real estate Corp. and Subsidiaries' shares.

(c) On October 2014 the Company issued through InRetail Consumer, an offering in the local market and abroad of "Senior Notes Unsecured" for US$300,000,000 equivalent to approximately S/1,020,900,000 as of September 30, 2016 (S/1,023,900,000 as of December 31, 2015), due in 2021 at and 5.25 percent nominal interest rate. This borrowing was recorded in the consolidated financial statements at amortized cost at a 5.823 percent effective interest rate, after considering the respective up-front fees for approximately US$4,377,000, equivalent to a total amount of approximately S/14,895,000 as of September 30, 2016 (US$4,933,000 equivalent to approximately S/16,836,000 as of December 31, 2015). Additionally, as of September 30, 2016, the balance is presented net of US$124,526,000 equivalent to a total amount of approximately S/423,761,000 (US$124,526,000 equivalent to a total amount of approximately S/424,942,000 as of December 31, 2015) corresponding to notes of this issuance acquired by the Company itself. As of September 30, 2016 and December 31, 2015 the balance of this loan is S/582,244,000 and S/582,122,000, 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 amortized cost at a 6.8805 percent effective interest rate, after considering the respective up-front fees for approximately S/717,000, as of September 30, 2016 (S/803,000, as of December 31, 2015). As of September 30, 2016 and December 31, 2015 the balance of this loan is S/249,283,000 and S/249,197,000, 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 premiums for the repurchase of the bonds.

  It should be noted that 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.

  (ii) 117,277,000 were settled in cash.

  (iii) 30,000,000 were purchased on behalf of Intercorp Retail Inc.

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

Likewise, 100 percent of the “Senior Unsecured Notes” 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 2016
- No greater than 3.25 times between October 2016 and September 2017; and,
- No greater than 2.75 times after October 2017

In Management´s opinion, these clauses do not limit the operations of the InRetail Group and have been complied as of September 30, 2016 and December 31, 2015.

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

(e) On September 2016, the Company received a loan from Bank of Tokyo for US$30,000,000 (equivalent to S/102,090,000), with maturity in September 2019 and which bears an annual interest rate of 2.54 percent during the first year and 2.64 during the following two years . This loan was recorded at its amortized cost after considering the respective up-front fees of approximately S/763,000.

(f) 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.

(g) During the nine-month-periods ended September 30, 2016 and 2015, loans and borrowings accrued interest which is recorded in the "Finance costs" caption of the consolidated income statements, see Note 18. Also, as of September 30, 2016 and December 31, 2015, there are interests payable which are recorded in the "Other payables" caption of the consolidated statements of financial position.

(h) 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 September 30, 2016 and December 31, 2015, said standard clauses do not limit the normal operation of the Group and have been fulfilled.

(i) Financial obligations are payable as follows:

	2016	**2015**
	S/ (000)	S/ (000)
2016	227,028	178,689
2017	158,898	180,902
2018	149,441	174,875
2019	231,471	125,675
2020 onwards	2,025,488	2,009,673
	2,792,326	2,669,814

14. Deferred income tax liabilities, net

(a) The amounts presented in the statement of financial position as of September 30, 2016 and December 31, 2015, as well as the consolidated income statements for the nine-month periods ended September 30, 2016 and 2015 are shown below:

Statements of financial position	**Deferred liability, net**	
	As of September 30, 2016	**As of December 31, 2015**
	S/(000)	S/(000)
Deferred income tax liabilities	(173,732)	(161,467)
Deferred income tax liability, net	(173,732)	(161,467)

Statements of comprehensive income	**Income tax for the nine-month periods ended September 30, 2016 and 2015**	
	2016	**2015**
	S/(000)	S/(000)
Current	(93,185)	(42,540)
Deferred	(12,266)	(21,426)
	(105,451)	(63,966)

(b) As of September 30, 2016 and December 31, 2015 the provision for current income tax payable, net of advanced payments amounts to approximately S/8,046,000 and S/3,907,000, respectively.

Also, as of September 30, 2016 and December 31, 2015, non-current income tax of S/111,631,000 and S/75,637,000, respectively, is payable as a result of the net taxable income from the assets in the trusts, the Company's subsidiaries.

15. Equity

(a) Capital stock –
As of September 30, 2016 and December 31, 2015, 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 September 30, 2016 and December 31, 2015, the statutory Income Tax rate was 28 percent on taxable income, after calculating the employees profit sharing, which according to prevailing standards is computed with a rate between 5 to 8 percent.

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 September 30, 2016 and December 31, 2015.

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

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

According to Peruvian law, InRetail Consumer, InRetail Shopping Mall and Interproperties Holding, special purpose entities, are not considered an income taxpayer due to its status as a trust. 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. Therefore, to reflect this obligation, the Company has provisioned 30 percent of long term income tax over the profit earned to date. As of September 30, 2016 and December 31, 2015, the accrued income tax amounted to S/111,631,000 and S/75,637,000, respectively.

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 September 30, 2016 and December 31, 2015.

17. Operating expenses

(a) The table below presents the components of this caption for the nine-month periods ended September 30, 2016 and 2015:

	2016	**2015**
	S/(000)	S/(000)
Cost of sales	3,677,039	3,449,088
Selling expenses	1,054,093	956,993
Administrative expenses	153,514	137,912
	4,884,646	4,543,993

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

	2016			
	Cost of sales	**Selling expenses**	**Administrative expenses**	**Total**
	S/(000)	S/(000)	S/(000)	S/(000)
Initial balance of goods, Note 6(a)	876,298	-	-	876,298
Purchase of goods	3,614,033	-	-	3,614,033
Final balance of goods, Note 6(a)	(922,394)	-	-	(922,394)
Impairment of inventories Note 6 (c)	7,062	-	-	7,062
Cost of services	102,040	-	-	102,040
Personnel expenses	-	412,005	86,033	498,038
Depreciation, Note 9(d)	-	101,890	13,467	115,357
Amortization, Note 11(d)	-	5,794	4,404	10,198
Key money amortization	-	994	-	994
Services provided by third parties (b)	-	161,616	22,218	183,834
Advertising	-	61,715	-	61,715
Packing and packaging	-	33,373	162	33,535
Rental of premises	-	138,543	5,668	144,211
Taxes	-	20,194	2,629	22,823
Provision for doubtful trade receivables, Note 5(g)	-	791	-	791
Insurance	-	7,602	642	8,244
Other charges (c)	-	109,576	18,291	127,867
	3,677,039	1,054,093	153,514	4,884,646

	2015			
	Cost of sales	Selling expenses	Administrative expenses	Total
	S/(000)	S/(000)	S/(000)	S/(000)
Initial balance of goods	777,051	-	-	777,051
Purchase of goods	3,402,353	-	-	3,402,353
Final balance of goods	(826,744)	-	-	(826,744)
Impairment of inventories, Note 6(c)	3,866	-	-	3,866
Cost of services	92,562	-	-	92,562
Personnel expenses	-	380,534	75,932	456,466
Depreciation, Note 9(d)	-	91,440	12,996	104,436
Amortization, Note 11(d)	-	4,757	3,164	7,921
Key money amortization	-	724	-	724
Services provided by third parties (b)	-	146,339	25,821	172,160
Advertising	-	55,958	-	55,958
Packing and packaging	-	31,273	332	31,605
Rental of premises	-	114,775	4,076	118,851
Taxes	-	18,342	2,025	20,367
Provision for doubtful trade receivables, Note 5(g)	-	1,380	-	1,380
Provision for doubtful other account receivables	-	1,653	-	1,653
Insurance	-	6,671	369	7,040
Other charges (c)	-	103,147	13,197	116,344
	3,449,088	956,993	137,912	4,543,993

(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:

	2016	2015
	S/(000)	S/(000)
Interest on loans, borrowings and bonds payable	133,333	128,953
Interest from derivative instruments	10,114	1,283
Other financial costs	26,144	38,858
	169,591	169,094

(b) As of September 30, 2016 and December 31, 2015, there are interests payable for these obligations for approximately S/41,058,000 and S/47,572,000, 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 nine-month periods ended as of September 30, 2016 and 2015:

	2016 S/(000)	2015 S/(000)
Income		
Sales	2,989	3,321
Rental income	64,421	54,004
Rendering of services	31,663	26,648
Other	23,925	19,064
	122,998	103,037
Expenses		
Renting of premises and land	7,256	5,079
Reimbursement of expenses	1,109	762
Commissions	199	77
Interest	2,089	4,398
Others	6,900	5,993
	17,553	16,309

(b) As a result of the transactions with related companies, the InRetail Group recorded the following balances as of September 30, 2016 and December 31, 2015:

	As of September 30, 2016 S/(000)	As of December 31, 2015 S/(000)
Receivables		
Tiendas Peruanas S.A.	8,119	9,346
Bembos S.A.C.	6,366	4,856
Home Centers Peruanos S.A.	2,499	4,642
Cineplex S.A.	3,670	4,590
Financiera Uno S.A.	3,784	3,701
Banco Internacional del Perú S.A.A.-Interbank	7,646	3,321
Intercorp Perú Ltd. (d)	1,542	2,652
Interseguro Compañía de Seguros S.A.	748	5,969
Intercorp Retail Inc. (h)	404	267
Urbi Propiedades S.A.	215	244
Others	20,265	16,816
	55,258	56,404

	As of September 30, 2016 S/(000)	As of December 31, 2015 S/(000)
Payables		
Banco Internacional del Perú S.A.A. – Interbank:		
Credit line and others (e)	103	243
Guarantee deposit (f)	5,445	5,188
Financiera Uno S.A.	19,754	21,828
Tiendas Peruanas S.A.	3,404	2,161
Inmobiliaria Milenia S.A.	175	663
Interseguro Compañía de Seguros S.A.	677	569
Horizonte Global Opportunities Perú S.A. (g)	26	35
Cineplex S.A.	5	6
Others	2,149	1,497
	31,738	32,190
Remunerations payable to key management	-	-
	31,738	32,190
Current portion	26,293	27,002
Non-current portion	5,445	5,188
Total	31,738	32,190

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 September 30, 2016 and December 31, 2015, the Group has not recorded any impairment of receivables relating to amounts owed by related parties. This assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.

(d) As of December 31, 2015, the balance receivable from Intercorp Peru Ltd. corresponds to a loan in Soles that includes accrued interest at market rates of 6.625 percent annual.

(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 September 30, 2016 and December 31, 2015, Supermercados Peruanos S.A. has credited the update of the present value of this deposit in the "Financial income" caption. As of September 30, 2016 and December 31, 2015, the net present value of the balances related to guarantee deposits amounts to S/5,446,000 and S/5,188,000, respectively, and is accounted for in the "Other payables" caption.

In relation to such contracts, during the nine-month periods ended September 30, 2016 Supermercados Peruanos S.A. recognized accrued renting revenue that amounted to approximately S/1,370,000 equivalent to US$448,000 (S/2,211,000, equivalent to approximately US$736,000 during the nine-month periods ended September 30, 2015), which are recorded net of the renting expenses in the "Rental income" caption in the consolidated statements of income.

As of September 30, 2016 Supermercados Peruanos S.A. maintains deferred revenue that amounts to approximately S/3,015,000 (S/4,552,000 as of December 31, 2015) which will be recognized as income in upcoming periods.

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

(h) As of September 30, 2016 and December 31, 2015 it corresponds to the account receivable for some expenses assumed for Intercorp Retail Inc. This balance does not generate interest and is of current maturity.

Interest-bearing loans and borrowings (Note, 13)

(i) Banco Internacional del Perú – Interbank signed leasing and leaseback contracts with Supermercados Peruanos S.A., Eckerd S.A., and Real Plaza which to date have outstanding balances of approximately S/52,824,000, S/16,926,000, and S/63,000 respectively, for the construction of new stores, Real Plaza shopping center building located in Santa Clara and working capital. These leasing contracts accrue annual interest rates that fluctuate between 6.45 and 8.48 percent, and whose maturities are between 2016 and 2019. These transactions are included in "Interest-bearing loans and borrowings". During the nine-month periods ended September 30, 2016 and 2015, leasing contracts generated interests which are recorded in the "Financial costs" caption of the consolidated income statements.

(j) The compensation of key management personnel of the Group for the nine-month periods ended September 30, 2016 and 2015, is detailed below:

	2016	**2015**
	S/(000)	S/(000)
Short term employee benefits	12,404	12,575
Insurance and medical benefits	662	1,050
	13,066	13,625

(k) As of September 30, 2016 and December 31, 2015, the Group maintains the following balances in the cash and cash equivalent captions:

	2016	**2015**
	S/(000)	S/(000)
Banco Internacional del Peru – Interbank S.A.A.	103,988	92,726
Inteligo Bank Ltd.	2,520	1,009

20. Earnings per share

Basic earnings per share amounts are calculated by dividing profit for the nine-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, 2015	102,807,319		102,807,319
Number as of September 30, 2015	102,807,319		102,807,319
Number as of January 1, 2016	102,807,319		102,807,319
Number as of September 30, 2016	102,807,319		102,807,319

	For the nine-month-periods ended September 30, 2016		
	Net income (numerator) S/	Shares (denominator)	Earnings per share S/
Basic and diluted earnings per share	176,381,000	102,807,319	1.72

	For the nine-month-periods ended September 30, 2015		
	Net income (numerator) S/	Shares (denominator)	Earnings per share S/
Basic and diluted earnings per share	45,089,000	102,807,319	0.44

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 September 30, 2016 and December 31, 2015, 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 September 30, 2016, the Company as its Subsidiaries agreed with several financial entities on the issuance of solidary and irrevocable letters of guarantee for approximately S/18,354,000 and US$3,922,000 (S/27,572,000 and US$ 3,627,000 as of December 31, 2015), 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 September 30, 2016 and December 31, 2015.

(b) Eckerd Perú S.A. has received a notification issued by Instituto Nacional de Defensa de la Competencia y de la Propiedad Intelectual (INDECOPI), whereby Eckerd Perú SA has been sanctioned for alleged offenses committed in previous years. In management opinion and its legal advisors, this contingency is considered as “possible” and no material liabilities will be generated as of September 30, 2016.

(C) Supermercados Peruanos S.A. is a party to tax proceedings related to Income Tax and monthly Value Added Tax presented in taxable years 2004, 2005, 2006, 2007, 2008, 2009 and 2010. As of the date of this report, Supermercados Peruanos S.A. has challenged the Tax Administration for these resolutions and, in Management’s opinion and its legal advisors, significant liabilities will not arise as result of this situation as of September 30, 2016 and December 31, 2015.

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 September 30, 2016 and December 31, 2015 and for the nine-month periods ended September 30, 2016 and 2015, 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 nine-month periods ended September 30, 2016 and 2015

	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 nine-month periods ended September 30, 2016						
Revenue						
External income	3,051,154	1,948,020	300,443	5,299,617	5,761	5,305,378
Inter-segment	10,465	-	32,698	43,163	(43,163)	-
Total revenue	3,061,619	1,948,020	333,141	5,342,780	(37,402)	5,305,378
Cost of sales	(2,257,406)	(1,317,593)	(101,914)	(3,676,913)	(126)	(3,677,039)
Gross profit	804,213	630,427	231,227	1,665,867	(37,528)	1,628,339
Gain on valuation at fair value of investment properties	-	-	8,501	8,501	(2,154)	6,347
Selling expenses	(650,384)	(434,531)	(5,238)	(1,090,153)	36,060	(1,054,093)
Administrative expenses	(82,328)	(44,830)	(18,113)	(145,271)	(8,243)	(153,514)
Other operating expenses	18,525	(157)	435	18,803	(5,378)	13,425
Operating profit	90,026	150,909	216,812	457,747	(17,243)	440,504
Net, exchange difference	2,793	123	731	3,647	307	3,954
Finance income	1,804	2,053	3,598	7,455	(485)	6,970
Finance costs	(40,698)	(2,016)	(89,296)	(132,010)	(37,581)	(169,591)
Profit before income tax	53,925	151,069	131,845	336,839	(55,002)	281,837
Income tax expense	(22,347)	(45,176)	(39,790)	(107,313)	1,862	(105,451)
Profit for the year	31,578	105,893	92,055	229,526	(53,140)	176,386
Attributable to:						
Owners of the parent	31,578	105,893	92,054	229,525	(53,134)	176,391
Non-controlling interests	-	-	-	-	(5)	(5)
	31,578	105,893	92,054	229,525	(53,139)	176,386

	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 nine-month periods ended September 30, 2015						
Revenue						
External income	2,920,731	1,725,900	288,577	4,935,208	(4,748)	4,930,460
Inter-segment	7,589	11	28,699	36,299	(36,299)	-
Total revenue	2,928,320	1,725,911	317,276	4,971,507	(41,047)	4,930,460
Cost of sales	(2,176,711)	(1,179,815)	(97,013)	(3,453,539)	4,451	(3,449,088)
Gross profit	751,609	546,096	220,263	1,517,968	(36,596)	1,481,372
Gain on valuation at fair value of investment properties	-	-	19,165	19,165	(4,123)	15,042
Other operating income	(601,745)	(378,519)	(6,192)	(986,456)	29,463	(956,993)
Selling expenses	(72,546)	(43,888)	(18,505)	(134,939)	(2,973)	(137,912)
Administrative expenses	5,026	453	(2,396)	3,083	217	3,300
Operating profit	82,344	124,142	212,335	418,821	(14,012)	404,809
Net, exchange difference	(36,890)	(108)	(64,541)	(101,539)	(30,533)	(132,072)
Finance income	2,308	1,490	3,559	7,357	(1,585)	5,772
Finance costs	(38,274)	(1,867)	(80,129)	(120,270)	(48,824)	(169,094)
Profit before income tax	9,488	123,657	71,224	204,369	(94,954)	109,415
Income tax expense	(7,564)	(38,644)	(20,285)	(66,493)	2,527	(63,966)
Profit for the year	1,924	85,013	50,939	137,876	(92,427)	45,449
Attributable to:						
Owners of the parent	1,924	85,013	50,579	137,516	(92,427)	45,089
Non-controlling interests	-	-	360	360	-	360
	1,924	85,013	50,939	137,876	(92,427)	45,449

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

Geographic information-
As of September 30, 2016 and December 31, 2015, 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 derivative 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 nine-month periods ended September 30, 2016 and 2015. 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 September 30, 2016, the weighted average exchange rates in the market for transactions in US Dollars were S/3.397 per US$ 1.00 bid and S/ 3.403 per US$ 1.00 ask (S/3.408 and S/3.413 per US$1.00 for bid and ask as of December 31, 2015).

As of September 30, 2016 and December 31, 2015, The InRetail Group held the following foreign currency assets and liabilities:

	As of September 30, 2016	**As of December 31, 2015**
	US$(000)	US$(000)
Assets		
Cash and short-term deposits	39,256	16,708
Investments at fair value through profit or loss	-	8,800
Available-for-sale investment	37,584	16,153
Trade receivables, net	8,231	1,057
Other accounts receivables, net	9,165	4,967
Accounts receivable from related parties	3,127	4,987
	97,363	52,672
Liabilities		
Trade payables	(20,814)	(15,911)
Other payables	(23,093)	(25,282)
Accounts payable to related parties	(9,683)	-
Interest - bearing loans and borrowings	(519,067)	(482,336)
	(572,657)	(523,529)
Call Spread	330,000	300,000
Net liability position	(145,294)	(170,857)

As of September 30, 2016 and December 31, 2015 InRetail Perú Corp.and its Subsidiaries have decided to reduce its exchange rate risk by entering into three hedging operations through a Call Spread written over its “Senior Notes Unsecured”, which are considered effective hedging instruments. The Call Spreads have been written over a nominal amount of US$100,000,000, US$30,000,000 and US$200,000,000, respectively, and will be effective until maturity of the “Senior Notes Unsecured”. The net position in the derivatives related to the currency Call Spread agreement correspond to exchange rate operations (Soles exchanged for US$ Dollars) with notional amounts of approximately US$100,000,000, 30,000,000 and US$200,000,000. See further detail in Note 8.

25. Additional explanation for English translation

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