InRetail Perú Corp. and Subsidiaries

Interim consolidated financial statements as of June 30, 2017 (non-audited) and December 31, 2016 (audited) and for the six-month periods ended June 30, 2017 and 2016

InRetail Peru Corp. and Subsidiaries

Interim consolidated financial statements as of June 30, 2017 and December 31, 2016 and for the six-month periods ended June 30, 2017 and 2016.

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InRetail Perú Corp. and Subsidiaries

Interim consolidated statements of financial position

As of June 30, 2017 and December 31, 2016

	Note	2017	2016
		S/(000)	S/(000)
Assets			
Current assets			
Cash and short-term deposits	4	166,112	243,555
Investments at fair value through profit or loss		133,797	158,633
Trade receivables, net	5	70,521	96,033
Other receivables, net		54,851	51,262
Accounts receivables from related parties	19 (b)	67,562	65,659
Inventories, net	6	977,895	978,829
Available-for-sale investment	7	29,597	30,053
Prepayments		45,207	20,409
Taxes recoverable		31,155	37,686
Total current assets		**1,576,697**	**1,682,119**
Non-current assets			
Other receivables, net		15,065	15,245
Prepayments		27,534	26,763
Taxes recoverable		30,907	53,680
Derivative financial instruments	8	72,840	87,644
Property, furniture and equipment, net	9	2,615,145	2,547,832
Investment properties	10	2,779,132	2,687,776
Intangible assets, net	11	1,195,595	1,194,173
Deferred income tax assets, net	14(a)	14,588	13,593
Other assets		465	457
Total non-current assets		**6,751,271**	**6,627,163**
Total assets		**8,327,968**	**8,309,282**

	Note	2017	2016
		S/(000)	S/(000)
Liabilities and equity			
Current liabilities			
Trade payables	12	1,448,726	1,593,744
Other payables		277,353	257,348
Accounts payable to related parties	19(b)	14,937	34,028
Current income tax	14(b)	836	8,709
Interest-bearing loans and borrowings	13	309,953	188,704
Deferred revenue, net		3,069	3,737
Total current liabilities		**2,054,874**	**2,086,270**
Accounts payable to related parties	19(b)	22,271	17,177
Interest-bearing loans and borrowings	13	2,400,840	2,470,040
Income Tax related to Special Purpose Entities	14 (b)	145,548	125,122
Deferred revenue		41,067	43,934
Deferred income tax liabilities, net	14(a)	202,327	192,923
Total non-current liabilities		**2,812,053**	**2,849,196**
Total liabilities		**4,866,927**	**4,935,466**
Equity			
Capital stock	15(a)	2,138,566	2,138,566
Treasury shares	15(c)	(39,256)	(39,256)
Additional paid in capital		527,029	527,029
Unrealized results on financial instruments derivatives		4,927	(25,450)
Unrealized results on available for-sale-investment		1,031	673
Retained earnings		828,540	772,055
Equity attributable to owners of the parent		**3,460,837**	**3,373,617**
Non-controlling interests		204	199
Total equity		**3,461,041**	**3,373,816**
Total liabilities and equity		**8,327,968**	**8,309,282**

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

InRetail Perú Corp. and Subsidiaries

Interim consolidated Income statements
For the six-month periods ended June 30, 2017 and 2016

	Note	2017 S/(000)	2016 S/(000)
Net sales of goods		3,516,926	3,273,650
Rental income		166,559	157,175
Rendering of services		95,348	80,273
Revenue		3,778,833	3,511,098
Cost of sales	17	(2,635,614)	(2,440,094)
Gross profit		**1,143,219**	**1,071,004**
Selling expenses	17	(757,480)	(694,450)
Administrative expenses	17	(106,283)	(99,740)
Gain on valuation at fair value of investment properties	10(b)	2,983	1,930
Income from joint venture	19(a)	11,766	8,770
Other operating (expenses) income		(3,882)	(4,208)
Operating profit		**290,323**	**283,306**
Finance income		5,771	5,194
Finance costs	18	(108,114)	(112,714)
Exchange difference, net		16,404	22,979
Profit before income tax		**204,384**	**198,765**
Income tax expense	14	(83,618)	(70,959)
Profit for the period		**120,766**	**127,806**
Attributable to:			
InRetail Perú Corp. Shareholders		120,761	127,802
Non-controlling interests		5	4
Profit for the period		**120,766**	**127,806**
Earnings per share:			
Basic and diluted profit for the period attributable to ordinary equity holders of the parent	20	1.17	1.24

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 statements of comprehensive income
For the six-month periods ended June 30, 2017 and 2016

	Note	2017	2016
		S/(000)	S/(000)
Profit for the period		120,766	127,806
Other comprehensive income			
Unrealized gain on available-for-sale investments		458	5,414
Income tax effect		(100)	(1,403)
		358	**4,011**
Unrealized gain on hedging derivative financial instrument		25,972	33,821
Income tax effect		4,405	1,020
		30,377	**34,841**
Other comprehensive income for the period, net of income tax effects		30,735	38,852
Total comprehensive income for the period		**151,501**	**166,658**
Attributable to:			
InRetail Perú Corp. shareholders		151,496	166,654
Non-controlling interests		5	4
Total comprehensive income for the period		**151,501**	**166,658**

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

InRetail Perú Corp. and Subsidiaries

Interim consolidated statements of change in equity

For the six-month periods ended June 30, 2017 and 2016

	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, 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					-	127,802	127,802	4	127,806
Other comprehensive income				34,841	4,011	-	38,852	-	38,852
Total comprehensive income	**-**	**-**	**-**	**34,841**	**4,011**	**127,802**	**166,654**	**4**	**166,658**
Treasury shares	-	(34,465)	(22,764)		-	-	(57,229)	-	(57,229)
Yields prepayments to non- controlling interest	-	-	-	-	-	(2,620)	(2,620)	(6,419)	(9,039)
Balance as of June 30, 2016	**2,138,566**	**(39,256)**	**527,029**	**(9,079)**	**1,782**	**632,186**	**3,251,228**	**190**	**3,251,418**
Balance as of January 1, 2017	2,138,566	(39,256)	527,029	(25,450)	673	772,055	3,373,617	199	3,373,816
Profit for the period	-	-		-	-	120,761	120,761	5	120,766
Other comprehensive income	-	-	-	30,377	358	-	30,735	-	30,735
Total comprehensive income	**-**	**-**		**30,377**	**358**	**120,761**	**151,496**	**5**	**151,501**
Dividends	-	-	-			(64,980)	(64,980)	-	(64,980)
Dividends treasury shares						754	754	-	754
Yields prepayments to non- controlling interest	-	-	-	-	-	(50)	(50)	-	(50)
Balance as of June 30, 2017	**2,138,566**	**(39,256)**	**527,029**	**4,927**	**1,031**	**828,540**	**3,460,837**	**204**	**3,461,041**

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

InRetail Perú Corp. and Subsidiaries

Interim consolidated statements of cash flows

For the six-month periods ended June 30, 2017 and 2016

	2017 S/(000)	2016 S/(000)
Operating activities		
Revenue	3,808,952	3,577,992
Payments of goods and services to suppliers	(3,228,055)	(2,960,563)
Payments of salaries and social benefits to employees	(338,220)	(329,031)
Taxes paid	(54,799)	(39,571)
Recovery of taxes	13,356	-
Other payments, net	(3,692)	221
Net cash flows from operating activities	**197,542**	**249,048**
Investing activities		
Sales of property, furniture and equipment	53	2,895
Loan collected from related parties	33,224	-
Sales of investment properties	-	2,751
Sales of investments at fair value through profit or loss	329,816	18,436
Purchase of investments at fair value through profit or loss	(305,397)	-
Purchase of investment properties,net of acquisitions through leasing contracts	(50,246)	(78,282)
Purchase of property, furniture and equipment, net of acquisitions through leasing	(125,747)	(131,067)
Value Added Tax payment related to investment properties	(5,051)	(9,257)
Purchase of non-controlling interest shares	-	(9,039)
Loans granted to related parties	(35,004)	(24,959)
Purchase and development of intangible assets	(8,932)	(12,866)
Net cash flows used in investing activities	**(167,284)**	**(241,388)**
Financing activities		
Proceeds from interest-bearing loans and borrowings	130,000	74,400
Repayment of interest-bearing loans and borrowings	(96,321)	(96,565)
Payment of dividends	(64,226)	-
Interest paid	(77,154)	(89,944)
Sales of bonds issued	-	55,000
Purchase of treasury shares	-	(57,229)
Net cash flows used in financing activities	**(107,701)**	**(114,338)**
Net (decrease) increase of cash and short-term deposits	(77,443)	(106,678)
Cash and short–term deposits at the beginning of the period	243,555	235,409
Cash and short–term deposits at the end of the period	**166,112**	**128,731**
Non-cash transactions		
Fixed assets purchased through leasing and other financial obligations	64,057	18,428

The accompanying notes are an integral part of these consolidated statements

InRetail Perú Corp. and Subsidiaries

Notes to the interim condensed consolidated financial statements
As of June 30, 2017 and December 31, 2016

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 June 30, 2017 the percentages of ownership are:

Owner	**Ownership**
	%
Intercorp Retail Inc.	58.04
Intercorp Financial Services	2.33
Intercorp Perú Ltd	3.26
Inteligo Bank	7.62
NG Pharma Corp.	6.30
Others	22.45
Total	**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-InRetail Consumer (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 June 30, 2017 were approved by the Board of Directors on August 9, 2017.

2. Subsidiary activities

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

(a) As indicated in Note 1 (b), InRetail Consumer (a SPE controlled by the Company), was incorporated during the year 2014 only for the purpose of offering the "Senior Notes Unsecured". As of June 30, 2017 and December 31, 2016 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 June 30, 2017 and December 31, 2016, 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 June 30, 2017 and December 31, 2016, has a chain of stores operating under the "Plaza Vea", "Plaza vea Super", "Plaza Vea Express" "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 Malls (a SPE controlled by InRetail Real Estate Corp.) was incorporated only for the purpose of issuing "Senior Notes Unsecured". As of June 30, 2017 and December 31, 2016, 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 (21 as of June 30, 2017 and December 31, 2016) 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.

3. Basis of preparation and presentation

(a) Interim Financial Statements

The consolidated financial statements of the InRetail Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Boards (IASB), effective as of June 30, 2017 and December 31, 2016, 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, 2016.

(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, 2016, except for the adoption of the new standards and interpretations as of January 1, 2017.

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 June 30, 2017:

- 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.

- 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 June 30, 2017 S/(000)	As of December 31, 2016 S/(000)
Cash (b)	13,447	20,294
Current accounts (c)	114,484	91,203
Time deposits (d)	25,025	119,264
Other	13,156	12,794
Total	**166,112**	**243,555**

(b) The balance as of June 30, 2017 and December 31, 2016, 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 June 30, 2017 and December 31, 2016, 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 between 3.75 and 4.45 percent in soles and between 0.15 and 0.50 percent in US Dollars (between 4.15 and 4.70 percent in soles and between 0.20 and 0.30 percent in US Dollars as of December 31, 2016).

5. Trade receivables, net

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

	As of June 30, 2017 S/(000)	As of December 31, 2016 S/(000)
Trade accounts receivable (c)	13,727	28,467
Rent receivable (d)	19,293	16,056
Merchandise vouchers (e)	22,461	35,563
Provision for accrued revenue (f)	11,559	16,562
Others	17,794	12,255
Total	**84,834**	**108,903**
Provision for doubtful accounts (g)	(14,313)	(12,870)
Total	**70,521**	**96,033**

(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 June 30, 2017 and December 31, 2016 relates to services unbilled at period end, mainly due to variable rentals. These amounts were billed in the month subsequent to the reporting date.

(g) Movements in the provision for doubtful accounts receivable for the six-months periods ended June 30, 2017 and 2016, were as follows:

	2017	**2016**
	S/(000)	S/(000)
Balance at the beginning of the year	12,870	10,982
Provision recognized as expense, Note 17 (a)	1,995	2,089
Write offs and recoveries	(540)	(956)
Foreign currency variation	(12)	34
Balance at the end of the period	**14,313**	**12,149**
Balance as of December 31, 2016		**12,870**

As of June 30, 2017 and December 31, 2016, the amount of trade receivables past due but not impaired amounted to approximately S/29,859,000 and S/44,298,000, respectively. Past-due accounts which have a payment agreement are considered as not impaired; therefore they do not represent risk of uncollectibility.

In the opinion of Management of the InRetail Group, the provision for doubtful accounts receivable as of June 30, 2017 and December 31, 2016, appropriately covers the credit risk of this item at those dates.

6. Inventories, net

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

	As of June 30, 2017 S/(000)	As of December 31, 2016 S/(000)
Goods	956,342	962,870
In transit inventories (b)	19,654	12,258
Miscellaneous supplies	9,250	12,661
Total	**985,246**	**987,789**
Minus		
Provision for impairment of inventories (c)	(7,351)	(8,960)
Total	**977,895**	**978,829**

(b) Corresponds 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 six-month periods ended June 30, 2017 and 2016, was as follows:

	2017 S/(000)	2016 S/(000)
Balance at the beginning of the year	8,960	9,597
Provision of the period, Note 17(a)	6,312	6,099
Write-off	(7,921)	(8,112)
Balance at the end of the period	**7,351**	**7,584**
Balance as of December 31, 2016		**8,960**

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

7. Available-for-sale investment

As of June 30, 2017 available for sale investments corresponded to notes issued by a related company of Intercorp Group of approximately US$ 9,093,000, equivalent to S/29,597,000 (US$8,944,000 equivalent to S/30,053,000 as of December 31,2016). The unrealized gain, net of deferred income tax, of the notes held as of June 30, 2017 amounted to S/358,000 (gain of S/4,011,000 as of June 30, 2016) and is presented in the equity.

8. Derivative financial instruments

As of June 30, 2017 and December 31, 2016, 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 2017	Fair value 2016
	US$(000)		%	S/(000)	S/(000)	S/(000)
J.P. Morgan	200,000	July 2021	1.84	651,000	44,888	55,908
Deutsche Bank A.G.	100,000	October 2021	1.56	325,500	21,762	25,404
Bank of Tokyo	30,000	October 2021	1.20	97,650	6,190	6,332
Total					**72,840**	**87,644**

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) and (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. See Note 13.

9. Property, furniture and equipment, net

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

	As of June 30, 2017	As of December 31, 2016
	S/(000)	S/(000)
Cost		
Initial balance	3,390,798	3,155,591
Additions (b)	189,804	292,971
Disposals and/or sales (c)	(14,754)	(49,313)
Transfer to Investment properties, Note 10 (b)	(39,188)	(8,451)
Final balance	**3,526,660**	**3,390,798**
Accumulated depreciation		
Initial balance	842,966	720,414
Additions (d)	79,495	155,110
Disposals and/or sales	(9,885)	(32,558)
Transfer to Investment properties, Note 10 (b)	(1,061)	-
Final balance	**911,515**	**842,966**
Net book value	**2,615,145**	**2,547,832**

(b) Additions for the six-month periods ended June 30, 2017 and 2016 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 six-month periods ended June 30, 2017 and 2016, was recorded as follows in the income statement:

	2017	**2016**
	S/(000)	S/(000)
Sales expenses, Note 17 (a)	70,574	67,367
Administrative expenses, Note 17 (a)	8,921	8,925
Balance as of June 30	**79,495**	**76,292**

(e) As of June 30, 2017 Supermercados Peruanos S.A. has mortgaged land lots, buildings and facilities for a net book value of S/371,626,000 (S/381,356,000 as of December 31, 2016), as collateral over the financial obligations and the leasing contracts (see Note 13).

(f) As of June 30, 2017 the cost and corresponding accumulated depreciation of assets acquired through finance leases amount to approximately S/639,070,000 and S/203,794,000, respectively (S/569,556,000 and S/175,788,000, respectively, as of December 31, 2016).

(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 June 30, 2017 S/(000)	As of December 31, 2016 S/(000)
Real Plaza Salaverry shopping Mall (i)	397,742	392,691
Real Plaza Chiclayo shopping Mall	212,429	210,013
Real Plaza Primavera shopping Mall	208,271	208,378
Real Plaza Cuzco shopping Mall (i)	206,817	201,106
Real Plaza Centro Civico shopping Mall	197,638	195,638
Real Plaza Piura shopping Mall	190,926	189,398
Real Plaza Trujillo shopping Mall	164,903	157,927
Real Plaza Puruchuco project	139,602	137,298
Real Plaza Huancayo shopping Mall (i)	132,600	132,137
Real Plaza Cajamarca shopping Mall	99,073	98,970
Real Plaza Huánuco shopping Mall (i)	90,772	89,983
Real Plaza Villa Maria del Triunfo shopping Mall (La Curva) (i)	91,257	67,152
Real Plaza Arequipa shopping Mall (i)	74,599	72,638
Real Plaza Juliaca shopping Mall (i)	74,477	74,632
Real Plaza Santa Clara - Altamirano shopping Mall	69,866	69,023
Real Plaza Chorrillos shopping Mall	61,076	60,402
Real Plaza Pro shopping Mall	55,763	54,556
Real Plaza Lurin shopping Mall	43,247	34,409
Real Plaza Sullana shopping Mall	31,729	31,842
Real Plaza Nuevo Chimbote shopping Mall	19,542	19,411
Jr. de la Unión stores	14,937	14,751
Others	201,866	175,421
Total	**2,779,132**	**2,687,776**

(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; with whom contracts have been signed that provide a minimum monthly rent and a variable rent based on sales.

(b) The movement of this account for the six-month periods ended June 30, 2017 and 2016 was as follows:

	2017	2016
	S/(000)	S/(000)
Balance at the beginning of the year	2,687,776	2,465,673
Additions	50,246	78,448
Disposal	-	(2,770)
Fair value adjustment	2,983	1,930
Transfer from property, furniture and equipment; Note 9 (a)	38,127	8,451
Balance at the end of the period	**2,779,132**	**2,551,732**
Balance as of December 31, 2016		**2,687,776**

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 has 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 June 30, 2017	As of December 31, 2016
	S/(000)	S/(000)
Cost		
Initial balance	1,262,105	1,240,125
Additions (c)	8,932	24,073
Disposal and/or sales	(95)	(2,093)
Final balance	**1,270,942**	**1,262,105**
Accumulated amortization		
Initial balance	67,932	54,215
Additions (d)	7,430	13,718
Disposals and/or sales	(15)	(1)
Final Balance	**75,347**	**67,932**
Net, book value	**1,195,595**	**1,194,173**

(b) As of June 30, 2017 and December 31, 2016, 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.

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

(c) As of June 30, 2017 and December 31, 2016, additions mainly correspond to disbursements for the acquisition of a commercial software program, a general planning system (ERP) and related licenses; and disbursements for implementation of software and licenses in new stores of InRetail Group. Such disbursements include the acquisition of usage licenses, development costs and other directly attributable costs.

(d) Amortization expense for the six-month periods ended June 30, 2017 and 2016 has been recorded in the following items of the combined statements:

	2017	**2016**
	S/(000)	S/(000)
Sales expenses, Note 17 (a)	4,265	3,779
Administrative expenses, Note 17 (a)	3,165	2,863
Balance as of June 30	**7,430**	**6,642**

12. Trade payables

The table below presents the composition of this caption:

	As of June 30, 2017	**As of December 31, 2016**
	S/(000)	S/(000)
Bills payable from purchase of goods	1,244,295	1,354,097
Bills payable from commercial services	204,431	239,647
Total	**1,448,726**	**1,593,744**

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	
						2017	2016	2017	2016	2017	2016
				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	-	913,165	936,147	-	-	913,165	936,147
Notes Senior unsecured (b)	PEN	7.875	2034	-	141,000	135,352	135,324	-	-	135,352	135,324
Notes Senior unsecured (c)	USD	5.250	2021	300,000	-	558,804	575,535	-	-	558,804	575,535
Notes Senior unsecured (c)	PEN	6.813	2021	-	250,000	249,375	249,314	-	-	249,375	249,314
				650,000	**391,000**	**1,856,696**	**1,896,320**	**-**	**-**	**1,856,696**	**1,896,320**
Leasings (d)											
Related entities											
Banco Internacional del Perú-Interbank	PEN	7.850	2019	-	27,412	12,937	15,627	5,700	5,485	7,237	10,142
Banco Internacional del Perú-Interbank	PEN	Between 6.850 and 8.500	2020	-	132,181	91,596	45,921	17,506	24,865	74,090	21,056
Banco Internacional del Perú-Interbank	USD	5.300	2017 - 2019	129	-	87	124	44	56	43	68
Non related entities											
Banco de Crédito del Perú	PEN	Between 6.590 and 8.500	2022	-	81,335	41,513	49,583	16,592	16,409	24,921	33,174
Banco de Crédito del Perú	PEN	Between 7.970 and 8.060	2019 - 2024	-	108,401	51,683	56,178	9,523	9,161	42,160	47,017
BBVA Banco Continental	PEN	Between 7.800 and 8.000	2018	-	44,123	4,336	6,807	3,684	4,611	652	2,196
BBVA Banco Continental	PEN	8.040	2017	-	1,028	53	144	53	144	-	-
Banco Scotiabank	PEN	Between 6.390 and 7.760	2020	-	57,972	27,013	32,574	11,716	11,318	15,297	21,256
				129	**452,452**	**229,218**	**206,958**	**64,818**	**72,049**	**164,400**	**134,909**

Type of Obligation	Original currency	Interest rate %	Final maturity	Original amount		Total		Current		Non-current	
						2017	2016	2017	2016	2017	2016
				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	40,678	46,234	11,775	11,415	28,903	34,819
Non related entities											
Banco de Crédito del Perú	PEN	Between 4.000 and 6.350	2020	-	40,293	41,706	31,079	22,956	8,335	18,750	22,744
Banco Scotiabank	PEN	Between 4.080 and 6.950	2022	-	240,000	189,026	182,389	68,143	41,143	120,883	141,246
BBVA Banco Contnental	PEN	3.970	2017	-	88,000	88,000	-	88,000	-	-	-
Banco Scotiabank (f)	PEN	6.700	2019	-	100,000	62,172	74,539	24,798	24,822	37,374	49,717
Bank of Tokyo (e)	USD	Between 2.540 and 2.641	2019	30,000	-	97,087	100,048	-	-	97,087	100,048
				30,000	**528,293**	**518,669**	**434,289**	**215,672**	**85,715**	**302,997**	**348,574**
Call spread financing, Note 8											
JP Morgan	USD	1.840	2021	18,111	-	46,042	51,940	9,036	9,307	37,006	42,633
Deutsche Bank	USD	1.560	2021	9,366	-	21,696	24,690	4,575	5,091	17,121	19,599
Bank of Tokyo	USD	1.200	2021	1,953	-	5,205	5,945	1,130	1,163	4,075	4,782
				29,430	**-**	**72,943**	**82,575**	**14,741**	**15,561**	**58,202**	**67,014**
Other obligations (g)											
Hewlett Packard S.A.	USD	Between 1.450 and 5.640	2021	15,886	-	12,825	15,213	5,770	5,609	7,055	9,604
IBM Perú SAC	USD	2.170	2019	335	-	143	185	72	74	71	111
Hewlett Packard S.A.	USD	2.360	2021	12,084	-	18,687	20,794	8,202	8,560	10,485	12,234
IBM Perú SAC	USD	3.000	2017	129	-	9	25	9	25	-	-
Hewlett Packard S.A.	USD	Between 2.750 and 6.202	2017 - 2020	1,998	-	1,394	1,998	504	852	890	1,146
IBM Perú SAC	USD	Between 1.919 and 2.584	2017 - 2018	194	-	76	194	76	147	-	47
Hewlett Packard S.A.	USD	Between 4.635 and 5.132	2021	193	-	133	193	89	112	44	81
				30,819	**-**	**33,267**	**38,602**	**14,722**	**15,379**	**18,545**	**23,223**
Total				**740,378**	**1,371,745**	**2,710,793**	**2,658,744**	**309,953**	**188,704**	**2,400,840**	**2,470,040**

(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$350,000,000 equivalent to approximately S/1,139,250,000 as of June 30, 2017 (equivalent to approximately S/1,137,150,000 as of December 31, 2016), due in July 2021, at a 6.50 percent nominal interest rate. This borrowing was recorded in the consolidated financial statement at amortized cost to an effective interest rate of 7.806 percent, after considering the respective up-front fees that amounted to US$ 18,644,000 equivalent to approximately S/60,685,000 as of June 30, 2017 (US$20,571,000 equivalent to approximately S/ 69,118,000 as of December 31, 2016). Additionally, as of June 30, 2017 the balance is presented net of US$50,814,000 equivalent to S/165,400,000 (US$50,814,000 equivalent to S/170,735,000 as of December 31 2016), corresponding to the notes of this issuance held by InRetail Shopping Malls. As of June 30, 2017 and December 31, 2016 the balance of this loan are S/913,165,000 and S/936,147,000, 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/1,648,000 as of June 30, 2017 (S/ 1,676,000 as of December 31, 2016). Additionally, as of June 30, 2017 the balance is presented net of S/4,000,000 (S/4,000,000 as of December 31, 2016) corresponding to the notes of this issuance held by InRetail Shopping Mall. As of June 30, 2017 and December 31, 2016 the balance of this loan are S/135,352,000 and S/135,324,000, 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, 2017 and December 31, 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 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 June 30, 2017 and December 31, 2016. 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/976,500,000 as of June 30, 2017 (S/1,008,000,000 as of December 31, 2016), 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 5.5869 percent effective interest rate, after considering the respective up-front fees for approximately US$3,798,000, equivalent to a total amount of approximately S/12,363,000 as of June 30, 2017 (US$4,184,000 equivalent to approximately S/14,058,000 as of December 31, 2016). Additionally, as of June 30, 2017 the balance is presented net of US$124,526,000 equivalent to a total amount of approximately S/405,333,000 (US$124,526,000 equivalent to a total amount of approximately S/418,407,000 as of December 31, 2016) corresponding to notes of this issuance acquired by the Company itself. As of June 30, 2017 and December 31, 2016 the balance of this loan is S/558,804,000 and S/575,535,000, 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/625,000, as of June 30, 2017 (S/686,000, as of December 31, 2016). As of June 30, 2017 and December 31, 2016 the balance of this loan is S/249,375,000 and S/249,314,000, 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 June 30, 2017 and December 31, 2016.

(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/97,650,000 as of June 30, 2017 (US$30,000,000 equivalent to S/100,800,000 as of December 31, 2016)), 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/564,000 (S/752,000 as of December 31, 2016).

(f) On December 2015, Inretail Shopping Malls received a loan from Bank Scotiabank of Peru S.A.A for S/100,000,000, for a term of 4 years, payable in quarterly installments, at an annual interest rate of 6.70. This loan was recorded at its amortized cost after considering the respective up-front fee of approximately S/328,000 (S/461,000 as of December 31, 2016).
As of June 30, 2017, Inretail Shopping Malls amortized the debt by the amount of S/37,500,000.

(g) Corresponds to the debt that the Subsidiaries. acquired with IBM del Perú S.A.C. and Hewlett Packard S.A. to purchase computer equipment. Said contracts do not have any specific guarantee.

(h) During the six-month-periods ended June 30, 2017 and 2016, loans and borrowings accrued interest which is recorded in the "Finance costs" caption of the consolidated income statements, see Note 18. Also, as of June 30, 2017 and December 31, 2016, there are interests payable which are recorded in the "Other payables" caption of the consolidated statements of financial position.

(i) 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. In Management's opinion, as of June 30, 2017 and December 31, 2016, standard clauses do not limit the normal operation of the Group and have been fulfilled.

(j) Financial obligations are payable as follows:

	2017	2016
	S/ (000)	S/ (000)
2017	222,806	188,704
2018	181,158	170,668
2019	142,431	250,052
2020	185,860	83,332
2021 onwards	1,978,538	1,965,988
Total	**2,710,793**	**2,658,744**

14. Deferred income tax liabilities, net

(a) The amounts presented in the statement of financial position as of June 30, 2017 and December 31, 2016, as well as the consolidated income statements for the six-month periods ended June 30, 2017 and 2016 are shown below:

Statements of financial position	**As of June 30, 2017**		**As of December 31, 2016**	
	Assets	**Libialities**	**Assets**	**Liabilities**
	S/(000)	S/(000)	S/(000)	S/(000)
Eckerd Perú and Subsidiaries	13,174	-	12,193	-
Supermercados Peruanos and Subsidiaries	-	72,353	-	65,682
InRetail Real Estate and Subsidiaries	1,106	21,983	1,106	19,052
InRetail Management S.R.L.	308	-	294	-
Consolidation adjustment	-	107,991	-	108,189
Total	**14,588**	**202,327**	**13,593**	**192,923**

Statements of comprehensive income	Income tax for the six-month periods ended June 30, 2017 and 2016	
	2017	**2016**
	S/(000)	S/(000)
Current	(75,209)	(63,798)
Deferred	(8,409)	(7,161)
Income tax expense	**(83,618)**	**(70,959)**

(b) As of June 30, 2017 and December 31, 2016 the provision for current income tax payable, net of advanced payments amounts to approximately S/836,000 and S/8,709,000, respectively.

Also, as of June 30, 2017 and December 31, 2016, non-current income related special purpose entity tax of S/145,548,000 and S/125,122,000, 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 June 30, 2017 and December 31, 2016, 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.

(c) Treasury shares
As of June 30, 2017 and December 31, 2016, the Company and Its Subsidiaries have acquired 1,187,815 Shares issue for InRetail Perú Corp., for approximately S/57,229,000, The nominal value of said shares being S/39,256,000, with the difference of S / 22,764,000 being recorded as a decrease in the capital premium.

(d) Dividends
At the General Shareholders' Meeting held on March 31, 2017 it was agreed to distribute dividends of US$20,000,000 equivalent to S/64,980,000. Of this amount S/754,000 corresponds to the dividends related to treasury shares maintained by the Company.

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 Legislative Decree N° 1261, published on December 10, 2016 and effective from January 1, 2017, the additional tax on dividend income generated is as follows:

- 4.1 percent of the profits generated until December 31, 2014

- 6.8 percent for the profits generated in the years 2015 and 2016.
- 5.0 percent of the profits generated since January 1, 2017.

(b) The Company's Subsidiaries domiciled in Peru are subject to the Peruvian Tax System and, in compliance with current Peruvian legislation they calculate their Income tax on the basis of their individual financial statements. As of June 30, 2017 the statutory Income Tax rate was 29.5 percent (28.0 percent as of December 31, 2016) on taxable income, after calculating the employees profit sharing, which according to prevailing standards is computed with a rate between 5 to 8 percent.

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

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

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

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

(d) For purposes of determining the Income Tax, transfer pricing of transactions with related companies and companies domiciled in territories with low or no taxation must be supported with documentation and information on assessment methods applied and criteria considered. Based on the analysis of the operations of the Group, Management and its legal advisors consider that as consequence of the application of the regulation in force, there will not be any significant contingencies for the Group as of June 30, 2017 and December 31, 2016.

(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 2012 to 2016	From 2013 to 2016
Eckerd Perú S.A.	From 2014 to 2016	From 2013 to 2016
Eckerd Amazonia S.A.C.	From 2013 to 2016	From 2013 to 2016
Boticas del Oriente S.A.C.	From 2013 to 2016	From 2013 to 2016
Real Plaza S.R.L.	From 2015 to 2016	From 2013 to 2016
InRetail Management S.R.L.	2012, 2013, 2015 and 2016	From 2013 to 2016
Inmobiliaria Puerta del Sol S.A.	From 2012 to 2016	From 2013 to 2016

According to Peruvian law, InRetail Consumer, InRetail Shopping Malls and Interproperties Holding, special purpose entities, are not considered an income taxpayer due to its status as a trust. InRetail Shopping Malls 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 June 30, 2017 and December 31, 2016, the accrued income tax amounted to S/145,548,000 and S/125,122,000, 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 June 30, 2017 and December 31, 2016.

17. Operating expenses

(a) The table below presents the components of this caption for the six-month periods ended June 30, 2017 and 2016:

	2017	2016
	S/(000)	S/(000)
Cost of sales	2,635,614	2,440,094
Selling expenses	757,480	694,450
Administrative expenses	106,283	99,740
Total	**3,499,377**	**3,234,284**

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

	2017			
	Cost of sales	**Selling expenses**	**Administrative expenses**	**Total**
	S/(000)	S/(000)	S/(000)	S/(000)
Initial balance of goods, Note 6(a)	962,870	-	-	962,870
Purchase of goods	2,543,585	-	-	2,543,585
Final balance of goods, Note 6(a)	(956,342)	-	-	(956,342)
Impairment of inventories Note 6 (c)	6,312	-	-	6,312
Cost of services	79,189	-	-	79,189
Personnel expenses	-	277,247	60,973	338,220
Depreciation, Note 9(d)	-	70,574	8,921	79,495
Amortization, Note 11(d)	-	4,265	3,165	7,430
Key money amortization	-	649	-	649
Services provided by third parties (b)	-	134,122	14,079	148,201
Advertising	-	45,028	-	45,028
Packing and packaging	-	20,406	70	20,476
Rental of premises	-	101,732	3,236	104,968
Taxes	-	14,482	1,866	16,348
Provision for doubtful trade receivables, Note 5(g)	-	1,455	-	1,455
Insurance	-	4,557	453	5,010
Other charges (c)	-	82,963	13,520	96,483
Total	**2,635,614**	**757,480**	**106,283**	**3,499,377**

	2016			
	Cost of sales	Selling expenses	Administrative expenses	Total
	S/(000)	S/(000)	S/(000)	S/(000)
Initial balance of goods	876,298	-	-	876,298
Purchase of goods	2,335,471	-	-	2,335,471
Final balance of goods	(845,971)	-	-	(845,971)
Impairment of inventories, Note 6(c)	6,099	-	-	6,099
Cost of services	68,197	-	-	68,197
Personnel expenses	-	271,228	57,803	329,031
Depreciation, Note 9(d)	-	67,367	8,925	76,292
Amortization, Note 11(d)	-	3,779	2,863	6,642
Key money amortization	-	691	-	691
Services provided by third parties (b)	-	110,005	13,239	123,244
Advertising	-	39,181	-	39,181
Packing and packaging	-	21,210	109	21,319
Rental of premises	-	90,918	3,769	94,687
Taxes	-	13,594	1,619	15,213
Provision for doubtful trade receivables, Note 5(g)	-	1,133	-	1,133
Insurance	-	5,154	375	5,529
Other charges (c)	-	70,190	11,038	81,228
Total	**2,440,094**	**694,450**	**99,740**	**3,234,284**

(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:

	2017	2016
	S/(000)	S/(000)
Interest on loans, borrowings and bonds payable	80,807	86,701
Premium accrual "Call Spread"	7,226	6,627
Other financial costs	20,081	19,386
Total	**108,114**	**112,714**

(b) As of June 30, 2017 and December 31, 2016, there are interests payable for these obligations for approximately S/47,897,000 and S/52,651,000, respectively, which are recorded in the "Other payables" caption of the consolidated statements of financial position.

19. Transactions with related parties

(a) The following table provides the total amount of transactions that have been entered into with related parties for the six-month periods ended as of June 30, 2017 and 2016:

	2017 S/(000)	2016 S/(000)
Income		
Sales	2,356	2,037
Rental income	49,332	72,739
Rendering of services	22,438	21,223
Consortium income	11,766	8,770
Other	8,653	7,971
Total	**94,545**	**112,740**
Expenses		
Renting of premises and land	4,703	4,801
Reimbursement of expenses	1,104	960
Commissions	136	172
Interest	2,385	1,523
Others	3,412	4,891
Total	**11,740**	**12,347**

(b) As a result of the transactions with related companies, the InRetail Group recorded the following balances as of June 30, 2017 and December 31, 2016:

	As of June 30, 2017 S/(000)	As of December 31, 2016 S/(000)
Receivables		
Tiendas Peruanas S.A.	20,413	22,558
Homecenters Peruanos S.A.	7,202	4,057
Bembos S.A.C.	4,608	3,988
Cineplex S.A.	4,434	4,138
Inmobiliaria Milenia S.A.	4,029	-
Financiera Oh! S.A.	3,004	4,533
Banco Internacional del Perú S.A.A.-Interbank	2,605	2,581
Intercorp Perú Ltd. (d)	553	476
Interseguro Compañía de Seguros S.A.	355	342
Intercorp Retail Inc. (h)	224	429
Urbi Propiedades S.A.	209	213
Others	19,926	22,344
Total	**67,562**	**65,659**

	As of June 30, 2017	As of December 31, 2016
	S/(000)	S/(000)
Payables		
Homecenters Peruanos S.A. (j)	16,937	12,225
Financiera Oh! S.A. (i)	8,823	24,573
Banco Internacional del Perú S.A.A. – Interbank:		
Líneas de crédito y otros (e)	17	-
Depósito en garantía (f)	5,484	5,470
Tiendas Peruanas S.A.	4,569	4,698
Interseguro Compañía de Seguros S.A.	638	741
Horizonte Global Opportunities Perú S.A. (g)	44	25
Intercorp Retail Inc.	21	-
Inmobiliaria Milenia S.A.	-	478
Others	675	2,995
	37,208	**51,205**
Remunerations payable to key management	-	-
Total	**37,208**	**51,205**
Current portion	14,937	34,028
Non-current portion	22,271	17,177
Total	**37,208**	**51,205**

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

(c) Outstanding balances at the period-end are unsecured and interest free, except for the financial obligations explained in this one. There have been no guarantees provided or received for any related party receivables or payables. As of June 30, 2017 and December 31, 2016, 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, 2016, the balance receivable from Intercorp Peru Ltd. corresponds to a loan in Soles that includes accrued interest at market rate of 6.625 percent annually.

(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. The contract signed in September 2009 finished in April 2016.

Additionally, and only in the case of the 2004 contract, Supermercados Peruanos S.A. received from Banco Internacional del Perú – Interbank US$2,000,000 as collateral for the contract. As of June 30, 2017 and December 31, 2016, Supermercados Peruanos S.A. has credited the update of the present value of this deposit in the "Financial income" caption. As of June 30, 2017 and December 31, 2016, the net present value of the balances related to guarantee deposits amounts to S/5,484,000 and S/5,470,000, respectively, and is accounted for in the "Other payables" caption.

In relation to such contracts, during the six-month periods ended June 30, 2017 Supermercados Peruanos S.A. recognized accrued renting revenue that amounted to approximately S/511,000 equivalent to US$160,000 (S/1,100,000, equivalent to approximately US$363,000 during the six-month periods ended June 30, 2016), which are recorded net of the renting expenses in the "Rental income" caption in the consolidated statements of income.

As of June 30, 2017 Supermercados Peruanos S.A. maintains deferred revenue that amounts to approximately S/2,090,000 (S/2,698,000 as of December 31, 2016) which will be recognized as income in upcoming periods.

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

(h) As of June 30, 2017 and December 31, 2016 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.

(i) On June 2013, Supermercados Peruanos S.A. y Financiera Oh! S.A., a related entity, signed the "Contract of Issuance and Administration of the "Oh! credit card". Said contract established that Financiera Oh! S.A. can exclusively operate its "Oh! credit card" in the Supermercados Peruanos stores, instead of the "Vea" credit card of Banco Internacional del Perú S.A.A. –Interbank, which was operating until that moment. Also, as a result of this agreement, as of June 30, 2017 and December 31, 2016, the InRetail Group holds Inretail accounts payables to Financiera Oh! S.A for S/8,823,000 and S/24,573,000, respectively, which correspond mainly to the collection of installments to user of the Oh! Credit card.

(j) As of June 30, 2017 mainly includes contributions from the affiliate Homecenters Peruanos S.A. (hereinafter "The associate")) for approximately S/16,732,000, (S/11,707,000 as of December 31, 2016), these contributions arise from the joint venture agreements celebrated with the Company which establishes that the associate undertake to deliver cash in favor of the Company in exchange of having a participation in the results of the project Mall "Lurín". This agreement have a term of 60 years, for this reason is recognized as long-term liability.

Interest-bearing loans and borrowings (Note, 13)

(k) 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/38,891,000, S/14,295,000, and S/99,000 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 5.25 and 8.48 percent, and whose maturities are between 2016 and 2019. These transactions are included in "Interest-bearing loans and borrowings". During the six-month periods ended June 30, 2017 and 2016, leasing contracts generated interests which are recorded in the "Financial costs" caption of the consolidated income statements.

(l) The compensation of key management personnel of the Group for the six-month periods ended June 30, 2017 and 2016, is detailed below:

	2017 S/(000)	**2016** S/(000)
Short term employee benefits	11,246	8,414
Insurance and medical benefits	382	341
Total	**11,628**	**8,755**

(m) As of June 30, 2017 and December 31, 2016, the Group maintains the following balances in the cash and cash equivalent captions:

	2017 S/(000)	**2016** S/(000)
Banco Internacional del Peru – Interbank S.A.A.	80,208	55,555
Inteligo Bank Ltd.	418	6,832

20. Earnings per share

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

The following reflects basic and diluted earnings per share computations:

	Ordinary shares		
	Outstanding shares	**Effective days until period-end**	**Weighted average of shares**
Number as of January 1, 2016	102,807,319		102,807,319
Number as of June 30, 2016	102,807,319		102,807,319
Number as of January 1, 2017	102,807,319		102,807,319
Number as of June 30, 2017	102,807,319		102,807,319

	For the six-month-periods ended June 30, 2017		
	Net income (numerator) S/	**Shares (denominator)**	**Earnings per share** S/
Basic and diluted earnings per share	120,761,000	102,807,319	1.17

	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	127,802,000	102,807,319	1.24

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

21. Commitments and contingencies

Commitments –
The main commitments assumed are presented below:

(a) As of June 30, 2017 and December 31, 2016, 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 2076.

(b) As of June 30, 2017 the Company as its Subsidiaries agreed with several financial entities on the issuance of solidary and irrevocable letters of guarantee for approximately S/26,402,000 and US$5,118,000 (S/18,261,000 and US$ 3,794,000 as of December 31, 2016), respectively, to comply with the payment of goods purchased to foreign suppliers.

Contingencies –

(a) Eckerd Amazonía S.A.C. is in the process of claim against the Tax Authority for determinations of debts and fines related to VAT for the period between January 2003 and September 2005. In opinion of Management and its legal advisors these contingencies are stated as possible and significant liabilities will not arise as result of this contingency as of June 30, 2017 and December 31, 2016.

(b) Eckerd Perú S.A. received a notification issued by Instituto Nacional de Defensa de la Competencia y de la Propiedad Intelectual (INDECOPI), whereby Eckerd Perú SA was sanctioned for alleged offenses committed in previous years. In November 2016, Eckerd Perú S.A. decided not to appeal and pay in full that sanction. The reason for this decision is that the facts investigated occurred in 2008 and 2009, before Inkafarma was acquired by the Intercorp Group in 2011. As part of the Intercorp Group, Inkafarma rejects any kind of practice that would Market and the consumer.

(c) Supermercados Peruanos S.A. has been examined by the Tax Authority of Income Tax returns and monthly Value Added Tax returns for the years 2004 to 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 June 30, 2017 and December 31, 2016.

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.

As of June 30, 2017 and December 31, 2016 and for the six-month periods ended June 30, 2017 and 2016, InRetail Peru Corp. is organized into three main business lines, see Note 2. Transactions between the business segments are carried out under normal commercial terms and conditions. The following table presents the financial information of InRetail Perú Corp. and subsidiaries by business segments for the six-month periods ended June 30, 2017 and 2016

	Supermarkets S/(000)	Pharmacies S/(000)	Shopping center S/(000)	Total segments S/(000)	Holding accounts, consolidation adjustments and intercompany eliminations S/(000)	Consolidated S/(000)
For the six-month periods ended June 30, 2017						
Revenue						
External income	2,245,035	1,323,514	206,964	3,775,513	3,320	3,778,833
Inter-segment	7,559	-	22,937	30,496	(30,496)	-
Total revenue	**2,252,594**	**1,323,514**	**229,901**	**3,806,009**	**(27,176)**	**3,778,833**
Cost of sales	(1,667,967)	(888,458)	(78,995)	(2,635,420)	(194)	(2,635,614)
Gross profit	**584,627**	**435,056**	**150,906**	**1,170,589**	**(27,370)**	**1,143,219**
Gain on valuation at fair value of investment properties	-	-	4,724	4,724	(1,741)	2,983
Selling expenses	(461,421)	(316,709)	(3,770)	(781,900)	24,420	(757,480)
Administrative expenses	(58,456)	(31,923)	(11,977)	(102,356)	(3,927)	(106,283)
Other operating income (expenses)	9,517	(2,582)	1,259	8,194	(310)	7,884
Operating profit	**74,267**	**83,842**	**141,142**	**299,251**	**(8,928)**	**290,323**
Net, exchange difference	6,104	(1,100)	7,279	12,283	4,121	16,404
Finance income	1,890	1,645	3,276	6,811	(1,040)	5,771
Finance costs	(26,180)	(1,178)	(57,378)	(84,736)	(23,378)	(108,114)
Profit before income tax	**56,081**	**83,209**	**94,319**	**233,609**	**(29,225)**	**204,384**
Income tax expense	(24,533)	(26,699)	(29,633)	(80,865)	(2,753)	(83,618)
Profit for the year	**31,548**	**56,510**	**64,686**	**152,744**	**(31,978)**	**120,766**
Attributable to:						
Owners of the parent	31,548	56,510	64,686	152,744	(31,983)	120,761
Non-controlling interests	-	-	-	-	5	5
Profit for the year	**31,548**	**56,510**	**64,686**	**152,744**	**(31,978)**	**120,766**

	Supermarkets S/(000)	Pharmacies S/(000)	Shopping center S/(000)	Total segments S/(000)	Holding accounts, consolidation adjustments and intercompany eliminations S/(000)	Consolidated S/(000)
For the six-month periods ended June 30, 2016						
Revenue						
External income	2,037,039	1,273,430	197,080	3,507,549	3,549	3,511,098
Inter-segment	6,549	-	21,623	28,172	(28,172)	-
Total revenue	**2,043,588**	**1,273,430**	**218,703**	**3,535,721**	**(24,623)**	**3,511,098**
Cost of sales	(1,508,854)	(863,043)	(67,890)	(2,439,787)	(307)	(2,440,094)
Gross profit	**534,734**	**410,387**	**150,813**	**1,095,934**	**(24,930)**	**1,071,004**
Gain on valuation at fair value of investment properties	-	-	3,309	3,309	(1,379)	1,930
Selling expenses	(430,837)	(283,485)	(3,444)	(717,766)	23,316	(694,450)
Administrative expenses	(53,076)	(29,516)	(12,250)	(94,842)	(4,898)	(99,740)
Other operating income (expenses)	9,829	(170)	281	9,940	(5,378)	4,562
Operating profit	**60,650**	**97,216**	**138,709**	**296,575**	**(13,269)**	**283,306**
Net, exchange difference	8,075	(729)	9,844	17,190	5,789	22,979
Finance income	1,439	1,327	2,656	5,422	(228)	5,194
Finance costs	(27,244)	(1,374)	(58,782)	(87,400)	(25,314)	(112,714)
Profit before income tax	**42,920**	**96,440**	**92,427**	**231,787**	**(33,022)**	**198,765**
Income tax expense	(15,446)	(28,680)	(28,023)	(72,149)	1,190	(70,959)
Profit for the year	**27,474**	**67,760**	**64,404**	**159,638**	**(31,832)**	**127,806**
Attributable to:						
Owners of the parent	27,474	67,760	64,404	159,638	(31,836)	127,802
Non-controlling interests	-	-	-	-	4	4
Profit for the year	**27,474**	**67,760**	**64,404**	**159,638**	**(31,832)**	**127,806**

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

Geographic information-

As of June 30, 2017 and December 31, 2016, 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 six-month periods ended June 30, 2017 and 2016. The InRetail Group maintains the following financial instruments at fair value:

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

24. Transactions in foreign currency

Transactions in foreign currency are carried out using exchange rates prevailing in the market as published by the Superintendence of Banks, Insurance and Pension Funds Administration. As of June 30, 2017 the weighted average exchange rates in the market for transactions in US Dollars were S/3.251 per US$ 1.00 bid and S/ 3.255 per US$ 1.00 ask (S/3.352 and S/3.360 per US$1.00 for bid and ask as of December 31, 2016).

As of June 30, 2017 and December 31, 2016, The InRetail Group held the following foreign currency assets and liabilities:

	As of June 30, 2017	**As of December 31, 2016**
	US$(000)	US$(000)
Assets		
Cash and short-term deposits	7,038	7,000
Investments at fair value through profit or loss	20,875	16,147
Available-for-sale investment	9,093	8,944
Trade receivables, net	414	900
Other accounts receivables, net	5,567	4,846
Accounts receivable from related parties	3,254	3,325
Total assets	**46,241**	**41,162**
Liabilities		
Trade payables	(18,490)	(18,138)
Other payables	(24,949)	(27,938)
Accounts payable to related parties	(2,806)	(2,487)
Interest - bearing loans and borrowings	(514,702)	(515,824)
Total Liabilities	**(560,947)**	**(564,387)**
Call Spread	330,000	330,000
Net liability position	**(184,706)**	**(193,225)**

As of June 30, 2017 and December 31, 2016 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". 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.