

InRetail Real Estate Corp. and Subsidiaries

Interim consolidated financial statements as of September 30, 2021 (unaudited) and December 31, 2020 (audited) and for the nine-month period ended as of September 30, 2021 and 2020.

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Interim consolidated statements of financial position

As of September 30, 2021 (unaudited) and December 31, 2020 (audited)

	Note	2021 S/(000)	2020 S/(000)		Note	2021 S/(000)	2020 S/(000)
Assets				Liabilities and equity			
Current assets				Current liabilities			
Cash and cash equivalents	4	202,703	19,987	Trade payables	14	52,486	64,021
Investments at fair value through equity	5	189,093	194,456	Other liabilities	15	37,700	57,715
Investments at fair value through profit or loss	6	2,002	149,334	Accounts payable to related parties	26	896	411
Trade receivables, net	7	49,763	35,060	Current portion financial obligations	17	160,373	101,003
Other receivables	8	4,312	6,590	Lease liability	16(c)	4,744	3,570
Accounts receivables from related parties	26	37,383	43,497	Total current liabilities		256,199	226,720
Prepaid expenses	9	4,481	402				
Recoverable taxes	10	11,374	8,583	Non-current liabilities			
Total current assets		501,111	457,909	Trade payables	14	2,849	5,495
				Other liabilities	15	13,936	15,546
Non-current assets				Income tax related to special purpose entity	25(e)	364,011	407,172
Accounts receivables from related parties	26	458,039	458,875	Lease liability	16(c)	229,481	208,515
Deferred income tax, net	18	5,622	4,496	Long-term financial obligations	17	2,225,051	2,094,917
Recoverable taxes	10	21,432	21,321	Deferred income tax liabilities, net	18	29,190	29,628
Facilities, furniture and equipment, net	11	10,609	11,636	Total non-current liabilities		2,864,518	2,761,273
Investment properties	12	4,328,226	4,224,337	Total liabilities		3,120,717	2,987,993
Right-of-use assets, net	16(b)	135,455	136,523	Equity			
Intangible assets, net		11,844	10,586	Capital stock	20	1,475,706	1,475,706
Derivative financial instrument	13	142,799	100,174	Unrealized results		43,767	(24,572)
Total non-current assets		5,114,026	4,967,948	Retained earnings		974,947	986,730
				Total equity		2,494,420	2,437,864
Total assets		5,615,137	5,425,857	Total liabilities and equity		5,615,137	5,425,857

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

InRetail Real Estate Corp. and Subsidiaries

Interim consolidated statements of income

For the nine-month period ended as of September 30, 2021 and 2020

	Note	2021 S/(000)	2020 S/(000)
Rental income	21	246,589	168,398
Cost of rental income	22	(33,948)	(30,436)
Net rental income		212,641	137,962
Income from management services	21	121,839	99,409
Cost related to income from management services	22	(94,932)	(78,224)
Net management service income		26,907	21,185
Gross profit		239,548	159,147
Fair value adjustment for investment properties	12(b)	45,194	(31,935)
Administrative expenses	23	(25,101)	(22,350)
Selling expenses	23	(15,071)	(14,660)
Other operating expenses, net		(375)	(470)
Operating profit		244,195	89,732
Financial income	24	28,064	24,693
Financial expenses	24	(171,400)	(112,622)
Exchange difference, net	27(a)(ii)	(116,330)	(14,468)
Loss before income tax		(15,471)	(12,665)
Income tax	18(a)	3,688	3,082
Net loss		(11,783)	(9,583)
Loss per share:			
Basic and diluted loss for the period attributable to ordinary equity holders of the parent	20(b)	(0.021)	(0.017)

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

InRetail Real Estate Corp. and Subsidiaries

Interim consolidated statements of other comprehensive income

For the nine-month period ended as of September 30, 2021 and 2020

	2021	2020
	S/(000)	S/(000)
Loss for the period	(11,783)	(9,583)
Other comprehensive income		
Unrealized (loss) gain on investments at fair value through equity	(5,364)	3,994
Income tax related to special purpose entities	27,880	(1,198)
Total other comprehensive income of investments at fair value through equity	22,516	2,796
Unrealized gain (loss) on hedging derivative financial instrument	34,987	(64,063)
Income tax related to special purpose entities	10,836	(9,291)
Total other comprehensive income of derivative financial instrument	45,823	(73,354)
Other comprehensive income for the period, net of income tax effects	68,339	(70,558)
Total comprehensive income for the period	56,556	(80,141)

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

InRetail Real Estate Corp. and Subsidiaries

Interim consolidated statements of changes in equity

For the nine-month period ended as of September 30, 2021 and 2020

	<u>Capital stock</u> S/(000)	<u>Unrealized results</u> S/(000)	<u>Retained earnings</u> S/(000)	<u>Total</u> S/(000)
Balance as of January 1, 2020	1,475,706	33,210	1,015,710	2,524,626
Loss for the period	-	-	(9,583)	(9,583)
Other comprehensive income	-	(70,558)	-	(70,558)
Total comprehensive income	-	(70,558)	(9,583)	(80,141)
Other	-	-	-	-
Balance as of September 30, 2020	1,475,706	(37,348)	1,006,127	2,444,485
Balance as of January 1, 2021	1,475,706	(24,572)	986,730	2,437,864
Loss for the period	-	-	(11,783)	(11,783)
Other comprehensive income	-	68,339	-	68,339
Total comprehensive income	-	68,339	(11,783)	56,556
Other	-	-	-	-
Balance as of September 30, 2021	1,475,706	43,767	974,947	2,494,420

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

InRetail Real Estate Corp. and Subsidiaries

Interim consolidated statements of cash flows

For the nine-month period ended as of September 30, 2021 and 2020

	2021	2020
	S/(000)	S/(000)
Operating activities		
Revenue	378,733	242,379
Payments of goods and services to suppliers	(112,160)	(90,365)
Payments of salaries and social benefits to employees	(30,662)	(30,532)
Taxes paid	(45,492)	(30,851)
Recovery of taxes	11,123	25,121
Other payments, net	(4,964)	(12,564)
Net cash flows from operating activities	196,578	103,188
Investing activities		
Collection of dividends	3,495	2,635
Collection of loans granted to related parties	27,761	27,762
Sale of investments at fair value through profit or loss	329,136	240,090
Purchase of investments at fair value through profit or loss	(181,980)	(336,141)
Purchase of facilities, furniture and equipment	(74)	(456)
Purchase and development of intangible assets	(2,893)	(2,228)
Purchase of investment properties	(58,695)	(57,871)
Value Added Tax payment related to investment properties	(10,565)	(10,417)
Net cash flows from (used) in investing activities	106,185	(136,626)
Financing activities		
Proceeds from interest-bearing loans and borrowings	167,000	188,399
Payment of interest-bearing loans and borrowings	(145,408)	(39,375)
Payment of lease liability	(4,018)	(2,477)
Interest payment of lease liability	(7,851)	(7,211)
Interests paid	(129,770)	(107,207)
Net cash flows (used in) from financing activities	(120,047)	32,129
Net increase (decrease) of cash and short-term deposits	182,716	(1,309)
Cash and short-term deposits at the beginning of the period	19,987	31,303
Cash and short-term deposits at the end of the period	202,703	29,994
Non-cash transactions		
Fixed assets purchased through leasing and other financial obligations	3,001	5,181
Investment properties purchased through leasing and other financial obligations	-	19,468
Addition of right-of-use asset	4,675	932

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

InRetail Real Estate Corp. and Subsidiaries

Notes to the interim consolidated financial statements (unaudited)

Interim unaudited consolidated financial statements as of September 30, 2021 and December 31, 2020 (audited) and for the nine-month period ended as of September 30, 2021 and 2020.

1. Business activity and pandemic

Business activity

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

As of September 30, 2021 and December 31, 2020 Intercorp Perú holds directly and indirectly 70.85 percent of the capital stock of InRetail Perú Corp., which in turn holds 100 percent of the capital stock of the Company.

Its management and administrative offices are located at Av. Punta del Este 2403, Jesús Maria, Lima, Perú. However, the Company's legal address is 50 Street and 74 Street, floor 16 "PH" Building, San Francisco, Republic of Panama.

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

Pandemic

In March 2020, the World Health Agency "WHO" declared the coronavirus outbreak as a pandemic. The Company and its Subsidiaries have taken all the appropriate measures to safeguard the health of workers and ensure their critical processes.

From March 16 to June 21, 2020, the shopping centers were partially closed, only the stores related to essential services such as: supermarkets, pharmacies and banks remained open; for this reason, during this period the Company and its Subsidiaries granted discounts to their tenants for income and other related services. At the end of June, the opening of non essential stores and services was authorized with restrictions ruled by the government, which included maximum capacity in malls.

Notes to the interim consolidated financial statements (continued)

On January 26, 2021, the government of Peru announced new quarantine measures for the country to contain the virus, applying different measures in each region according to four different alert levels: extreme, very high, high and moderate. Measures were initially applicable for 15 days, from January 31, 2021 to February 15, 2021, but were extended to February 28, 2021. In this context, shopping centers in extreme risk regions were only allowed to operate essential retail and e-commerce. Shopping centers in other risk level regions were allowed to operate non-essential retail, but maximum visitor capacity was reduced to levels between 20% and 60%.

On February 24, 2021, the government of Peru announced the lifting of the quarantine measures in the country from March 1, 2021 to March 14, 2021. During this period, all shopping centers were allowed to operate both essential and non-essential retail, but with restrictions on maximum visitor capacity between 20% and 60% which varied depending on the tenant and risk level in each region. These effects are included in the consolidated financial statements.

On April 14, 2021, the Peruvian Government announced that, due to the increase in infections, several regions of the country would return to extreme risk, where the allowed capacity in shopping centers will be 20 percent, which will be in force from April 19 to May 5, 2021.

Since July 12, 2021, restrictions on Sundays were lifted, capacity in Malls was increased to 50%, and opening hours were increased until 10 pm. Since September 6, 2021, most regions of the country have been classified in the lowest risk level.

In the opinion of the Company's Management and its Subsidiaries, the Company has sufficient liquidity and debt capacity to meet its obligations; as well as to continue operations.

The consolidated financial statements as of September 30, 2021, were approved by the Board of Directors on November 15, 2021.

2. Subsidiaries activities

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

- (a) Patrimonio en Fideicomiso – D.S.N°093-2002-EF-InRetail Shopping Malls is a Special Purpose Entity (SPE) formed on July 2014, for the purpose of holding certificates of participation of Patrimonio en Fideicomiso – D.S.N°093-2002-EF-Interproperties Holding and Patrimonio en Fideicomiso – D.S.N°093—2002-EF-Interproperties Holding II and 100 percent of capital stock of Real Plaza S.R.L.
- (b) Patrimonio en Fideicomiso –D.S. N°093-2002-EF-Interproperties Holding and Patrimonio en Fideicomiso-D.S. N°093-2002-EF-Interproperties Holding II (hereinafter “Interproperties Holding” and “Interproperties Holding II”, respectively).

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

Notes to the interim consolidated financial statements (continued)

Additionally, as of September 30, 2021 and December 31, 2020, Interproperties Holding II owns 100 percent of participation in the assets of Patrimonio Fideicometido – D.S. N° 093-2002-EF-Interproperties Puerta del Sol which is a special purpose entity formed to own and handle Real Plaza Cusco “San Antonio” Shopping Mall.

(c) Real Plaza S.R.L. (hereinafter “Real Plaza”)

An entity focused on operating the shopping malls (21 as of September 30, 2021 and December 31, 2020) and maintaining and developing relationships with the tenants. Real Plaza operates under the name of “Real Plaza Shopping Mall”.

As of September 30, 2021 and December 31, 2020, Real Plaza manages shopping malls in Chiclayo, Piura, Chimbote, Trujillo, Huancayo, Arequipa, Juliaca, Huánuco, Cusco, Cajamarca, Pucallpa and Lima.

(d) Centro Comercial Estación Central S.A.

Company dedicated to the management of the shopping center located in the central station of Metropolitan Buses.

3. Summary of significant accounting policies

3.1 Basis of preparation and presentation

The interim consolidated financial statements of InRetail Real Estate have been prepared in accordance with the International Accounting Standard 34 “Interim financial reporting”. Also, the accounting policies adopted in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the InRetail Real Estate’s annual consolidated financial statements for the year ended December 31, 2020 which were audited. Therefore, these interim consolidated financial statements should be read in conjunction with such audited consolidated financial statements.

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

The interim consolidated financial statements do not include all information and disclosures required for annual consolidated financial statements and should be read together with consolidated financial statements as of December 31, 2020.

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

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

Notes to the interim consolidated financial statements (continued)

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

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

3.2 New standards and interpretations adopted by InRetail Real Estate

Several standards and amendments have come into effect from January 1, 2020; however, in the opinion of InRetail Real Estate's Management, they have no impact on the accompanying unaudited consolidated financial statements as of September 30, 2021.

The standards and amendments, and improvements to the standards that are issued, and effective up to the date of issuance of the accompanying consolidated financial statements, are disclosed below:

- (i) **Amendments to IFRS 3 "Business combinations": Reference to the Conceptual Framework**
In May 2020, the IASB issued Amendments to IFRS 3, intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989 with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'Day 2' gain or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 "Levies", if uncured separately.

At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements. The amendments are effective for annual reporting periods beginning on or after January 1, 2022 and apply prospectively.

Since the amendments apply prospectively to transactions or other events that occur on or after the date of the first application, the InRetail Real Estate Group will not be affected by these amendments on transition.

- (ii) **Modifications to IAS 1 "Presentation of financial statements" Classification of Liabilities as Current or Non-current**
In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify: (i) what is meant by a right to defer settlement; (ii) that a right to defer must exist at the end of the reporting period; (iii) that classification is unaffected by the likelihood that an entity will exercise its deferral right; and, (iv) that only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification. The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively.

Notes to the interim consolidated financial statements (continued)

The InRetail Real Estate Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

(iii) Amendments to IAS 16 “Property, plant and equipment”: Proceeds before intended Use

In May 2020, the IASB issued amendments to IAS 16, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss. The amendment is effective for annual reporting periods beginning on or after January 1, 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

The amendments are not expected to have a material impact on the InRetail Real Estate Group.

(iv) Amendments to IAS 37 “Provisions, contingent liabilities and contingent assets”: Onerous contracts – costs of fulfilling a contract

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a “directly related cost approach”. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual reporting periods beginning on or after January 1, 2022.

The InRetail Real Estate Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

(v) Annual Improvements (2018-2020 cycle)

As part of its 2018-2020 annual improvement to IFRS standards process, the IASB issued the following amendments:

- IFRS 1 “First-time adoption of international financial reporting standards”: Subsidiary as a first-time adopter

The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent’s date of transition to IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1. The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted.

Notes to the interim consolidated financial statements (continued)

- IFRS 9 “Financial instruments”: Fees in the ‘10 percent’ test for derecognition of financial liabilities
The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted.
- IAS 41 “Agriculture”: Taxation in fair value measurements
The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41. An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after January 1, 2022 with earlier adoption permitted.

In the Management's opinion, these standards will not have a significant impact on the consolidated financial statements of the InRetail Real Estae Group.

3.3 Significant estimations and assumptions

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

4. Cash and cash equivalent

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

	As of September 30, 2021 S/(000)	As of December 31, 2020 S/(000)
Cash	50	50
Current accounts (b)	154,427	19,937
Time deposits (c)	48,226	-
Total	202,703	19,987

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

(c) As of September 30, 2021, time deposits are unrestricted, are maintained in Soles and US Dollars in local financial institutions, have maturities of up to one month since its inception and accrue annual interest between 0.45 and 0.60 percent in Soles and 0.23 percent in US Dollars.

Notes to the interim consolidated financial statements (continued)

5. Investments at fair value through equity

As of September 30, 2021, the Company has other investments at fair value through equity for an amount of US\$45,719,000 equivalent to S/189,093,000 (US\$53,658,000 equivalent to S/194,456,000 as of December 31, 2020).

6. Investments at fair value through profit or loss

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

Entity	As of September 30, 2021 S/(000)	As of December 31, 2020 S/(000)
Mutual funds managed by Sura S.A. SAF	2,002	143,684
Mutual funds managed by Credifondos S.A. SAF	-	5,650
Total	2,002	149,334

As of September 30, 2021 and December 31, 2020, these mutual funds have been invested in a portfolio of financial instruments issued by renowned financial institutions of the local market. The results from this valuation are presented in the "Financial income" caption of the consolidated statement of income.

7. Trade receivables, net

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

	As of September 30, 2021 S/(000)	As of December 31, 2020 S/(000)
Rents receivable (b)	48,690	35,324
Unbilled services (c)	13,071	12,476
Documents receivable	12,786	7,328
Total trade receivables	74,547	55,128
Allowance for doubtful accounts (e)	(24,784)	(20,068)
Total trade receivables, net	49,763	35,060

(b) As of September 30, 2021 and December 31, 2020, trade accounts receivable are denominated in Soles and US Dollars, have current maturities and do not accrue interest.

Notes to the interim consolidated financial statements (continued)

- (c) As of September 30, 2021 and December 31, 2020, mainly corresponds to unbilled lease services for variable and fixed rents, which are billed during the following month.
- (d) As of September 30, 2021 and December 31, 2020 the analysis of trade receivables is as follows:

	Balance as of September 30, 2021		
	Non-impaired S/(000)	Impaired S/(000)	Total S/(000)
Unbilled services	13,071	-	13,071
Not past-due	6,116	5,595	11,711
Past-due			
From 1 to 90 days	25,078	3,197	28,275
From 91 to 120 days	1,585	704	2,289
From 121 to 180 days	1,484	1,107	2,591
From 181 to 270 days	1,782	1,493	3,275
More than 271 days	647	12,688	13,335
Total	49,763	24,784	74,547

	Balance as of December 31, 2020		
	Non-impaired S/(000)	Impaired S/(000)	Total S/(000)
Unbilled services	12,476	-	12,476
Not past-due	4,349	241	4,590
Past-due			
From 1 to 90 days	16,051	2,389	18,440
From 91 to 120 days	765	852	1,617
From 121 to 180 days	799	1,896	2,695
From 181 to 270 days	238	1,909	2,147
More than 271 days	382	12,781	13,163
Total	35,060	20,068	55,128

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

Notes to the interim consolidated financial statements (continued)

(e) The movement of the provision for impairment as of September 30, 2021 and 2020 is as follows:

	2021 S/(000)	2020 S/(000)
Balance at the beginning of the year	20,068	9,448
Provision recognized as period expense, note 23(b)	15,227	10,645
Recoveries, note 23(b)	(10,511)	(2,201)
Balance at the end of the period	24,784	17,892
Balance as of December 31, 2020		20,068

In the opinion of InRetail Real Estate's Management, the provision for impairment appropriately covers the credit risk as of September 30, 2021 and December 31, 2020.

8. Other receivables

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

	As of September 30, 2021 S/(000)	As of December 31, 2020 S/(000)
By type:		
Outstanding advances (b)	162	286
Fund retained - Banco de la Nación (c)	3,795	5,895
Others	355	409
Total	4,312	6,590

(b) As of September 30, 2021 and December 31, 2020, corresponds to advances given to suppliers related to projects for the investment properties.

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

(d) In the opinion of InRetail Real Estate's Management, it is not necessary to make a provision for impairment as of September 30, 2021 and December 31, 2020, as no credit risk has been identified.

Notes to the interim consolidated financial statements (continued)

9. Prepaid expenses

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

	As of September 30, 2021	As of December 31, 2020
	S/(000)	S/(000)
Insurance paid in advance (b)	1,747	171
Municipal taxes prepaid (c)	1,402	-
Others	1,332	231
Total	4,481	402

(b) Corresponds mainly to insurance payments on properties of the Company and its Subsidiaries.

(c) Corresponds mainly to municipal taxes prepaid for real estate.

10. Recoverable taxes

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

	As of September 30, 2021	As of December 31, 2020
	S/(000)	S/(000)
By type:		
Tax credit for value-added-tax (b)	29,707	26,941
Income tax payment	2,545	1,835
Others	554	1,128
Total	32,806	29,904
By term:		
Current	11,374	8,583
Non-current	21,432	21,321
Total	32,806	29,904

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

Notes to the interim consolidated financial statements (continued)

11. Facilities, furniture and equipment, net

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

	Facilities S/(000)	Furniture and fixtures S/(000)	Transport units S/(000)	Equipment miscellaneous S/(000)	Total S/(000)
Cost					
Balance as of January 1, 2021	7,263	4,225	506	22,636	34,630
Additions	1	1	-	3,073	3,075
Transfer	57	5	(2)	4	64
Disposals and/or sales	-	-	(154)	-	(154)
Balance as of September 30, 2021	7,321	4,231	350	25,713	37,615
Accumulated depreciation					
Balance as of January 1, 2021	5,766	3,570	298	13,360	22,994
Depreciation of the period, Note 23(b)	159	121	53	3,738	4,071
Transfer	57	5	(2)	4	64
Disposals and/or sales	-	-	(123)	-	(123)
Balance as of September 30, 2021	5,982	3,696	226	17,102	27,006
Net cost as of September 30, 2021	1,339	535	124	8,611	10,609
Net cost as of December 31, 2020	1,497	655	208	9,276	11,636

(b) As of September 30, 2021 and December 31, 2020, there are no pledges or guarantees provided to third parties on the facilities, furniture and equipment of InRetail Real Estate.

(c) As of September 30, 2021 and December 31, 2020, InRetail Real Estate's Management performed an assessment of the facilities, furniture and equipment, and has not found any impairment indicator on those assets. In its opinion, the book value of the facilities, furniture and equipment is recoverable with the income generated by InRetail Real Estate.

Notes to the interim consolidated financial statements (continued)

12. Investment properties

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

	As of September 30, 2021 S/(000)	As of December 31, 2020 S/(000)
Real Plaza Puruchuco shopping mall	641,681	638,809
Real Plaza Salaverry shopping mall (i)	489,069	485,624
Real Plaza Cusco shopping mall (i)	349,265	319,745
Real Plaza Chiclayo shopping mall	326,489	318,403
Real Plaza Piura shopping mall	271,371	270,917
Real Plaza Trujillo shopping mall	245,358	243,871
Real Plaza Centro Cívico shopping mall (i)	244,097	240,019
Real Plaza Primavera shopping mall	235,256	234,446
Real Plaza Huancayo shopping mall (i)	161,280	159,821
Real Plaza Pucallpa shopping mall	138,554	136,762
Real Plaza Huánuco shopping mall (i)	134,631	132,887
Real Plaza Santa Clara shopping mall	132,811	130,483
Real Plaza Pro shopping mall	117,057	116,138
Real Plaza Cajamarca shopping mall	103,799	101,234
Real Plaza Juliaca shopping mall (i)	96,401	95,976
Real Plaza Chorrillos shopping mall	79,325	78,902
Real Plaza Arequipa shopping mall (i)	77,470	76,685
Real Plaza Sullana shopping mall	55,961	53,848
Real Plaza Nuevo Chimbote shopping mall	48,900	46,425
Jirón de la Unión	14,359	14,262
Others (ii)	365,092	329,080
Total	4,328,226	4,224,337

(i) For the construction of these shopping malls and properties, surface rights contracts were subscribed with the Arzobispado de Cusco (on land in Cusco “San Antonio”), Municipalidad provincial de Huánuco (on land of “Real Plaza Huánuco” shopping mall), Oficina de Normalización Provisional – ONP (Centro Cívico), Ferrovías Central Andina S.A. (Huancayo), the Association denominated “Religiosas del Sagrado Corazón de Jesús” (Arequipa), Ferrocarril Trasandino S.A. (Juliaca), and the Marina de Guerra del Perú (Salaverry). The terms of these contracts range from 20 to 70 years.

(ii) Corresponds mainly to lands on which real estate projects will be developed, mainly shopping malls branded “Real Plaza”. In the opinion of InRetail Real Estate’s Management the book values of these investment properties do not differ significantly from their fair values as of September 30, 2021 and December 31, 2020.

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

Notes to the interim consolidated financial statements (continued)

- (b) The movement of this caption for the nine-month period ended as of September 30, 2021 and 2020 is as follows:

	2021 S/(000)	2020 S/(000)
Balance at the beginning of the year	4,224,337	4,210,315
Additions	58,695	77,339
Fair value adjustment	45,194	(31,935)
Balance at the end of the period	4,328,226	4,255,719
Balance as of December 31, 2020		4,224,337

The fair value of the investment properties has been determined by InRetail Real Estate's Management on the basis of the discounted cash flows method and/or by the value assigned by an independent appraiser in the case of the land of investment properties under construction and for those held to operate in the future. The valuation is prepared on an aggregate and leveraged basis. In order to estimate the fair value of investment properties, Management has used its market knowledge and professional judgment, aside from historical comparable transactions.

13. Derivative financial instruments

As of September 30, 2021 and December 31, 2020, this item comprises a principal Call Spread and Full Cross-Currency Swap, both contracts were designated to hedge cash flows and were recorded at its fair value. The detail of this operation is as follows:

Counterparty	Nominal value US\$(000)	Due	Receives fixed rate at %	Pays fixed rate at %	Book value of the hedged item S/(000)	Fair value	Fair value
						2021 S/(000)	2020 S/(000)
J.P. Morgan (a)	350,000	April 2028	-	1.05	1,268,400	-	100,174
J.P. Morgan (a)	250,000	April 2028	-	1.05	1,034,000	81,517	-
J.P. Morgan (a)	100,000	April 2028	5.75	8.75	413,600	61,282	-
Total						142,799	100,174

- (a) In March 2018, Patrimonio en Fideicomiso D.S. 093-2002-EF InRetail Shopping Malls, Subsidiary of the Company, decided to carry out hedging operations through a Foreign Currency Call Spread for the financial obligations it holds for the "Senior Notes Unsecured", that were issued in April 2018. From the date of issue of the "Senior Notes Unsecured" for the purposes of IFRS 9, it was classified as an effective hedging instrument.

Notes to the interim consolidated financial statements (continued)

On July 1, 2021, the Company decided to replace US\$100,000,000 of the Call Spread for US\$100,000,000 of a Full Cross-Currency Swap on the issuance of its Senior Notes Unsecured, which establishes the currency exchange at an exchange rate of S/3.887 per dollar, which for the purposes of IFRS 9, qualifies as an effective hedging instrument.

The early settlement of the derivative financial instrument includes the partial settlement of the liability from the financing received from J.P. Morgan for the acquisition of the instrument derivative financial. As a result of this transaction, a total net expense of S/38,826,000 was recorded.

As of September 30, 2021, the Call Spread covers US\$250,000,000 (as of December 31, 2020, covers 100 percent) of the exposure in foreign currency of the principal of the issuance and protects exchange rate variations between S/3.26 and S/3.75 per US\$1.00. During the year 2021, the exchange rate has suffered increases that have not been covered by the Call Spread, said exchange rate variation is recorded in the consolidated statement of income. The premium price was financed in installments equal to the issuance.

14. Trade payables

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

	As of September 30, 2021	As of December 31, 2020
	S/(000)	S/(000)
Bills payable to third parties (b)	44,563	61,131
Provision of services unbilled (c)	10,772	8,385
Total	<u>55,335</u>	<u>69,516</u>
By term:		
Current	52,486	64,021
Non-current	<u>2,849</u>	<u>5,495</u>
	<u>55,335</u>	<u>69,516</u>

(b) As of September 30, 2021 and December 31, 2020, trade payables mainly comprise the liabilities with contractors for the construction works and/or refurbishing of shopping malls. Bills payables are denominated in Soles and US Dollars, do not accrue interests and their maturities don't exceed the current period.

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

Notes to the interim consolidated financial statements (continued)

15. Other liabilities

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

	As of September 30, 2021	As of December 31, 2020
	S/(000)	S/(000)
By type:		
Interest payable (c)	4,486	30,544
Deferred income (b)	19,680	22,131
Value added tax	2,668	2,238
Deposits from third parties (d)	3,301	3,360
Workers' profit sharing	-	240
Remunerations and social benefits to be paid	5,178	2,271
Tax payables	959	817
Vacations	1,600	676
Other payables	13,764	10,984
Total	51,636	73,261
By term:		
Current	37,700	57,715
Non-current	13,936	15,546
Total	51,636	73,261

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

	As of September 30, 2021	As of December 31, 2020
	S/(000)	S/(000)
Key money (b.1)	17,360	19,683
Others	2,320	2,448
Total	19,680	22,131

(b.1) As of September 30, 2021 and December 31, 2020, corresponds to the payment of key money from several tenants that operate in the Real Plaza shopping malls.

(c) As of September 30, 2021, corresponds mainly to interest payable originated from the private offering of "Senior Notes Unsecured" maturing in 2034 that accrue an annual interest rate of 7.875 percent (As of December 31, 2020, "Senior Notes Unsecured" maturing in 2028 and 2034 that accrue an annual interest rate of 5.75, 6.5625 and 7.875 percent).

(d) As of September 30, 2021 and December 31, 2020, it mainly corresponds to deposits from the tenants of the Real Plaza shopping malls Arequipa, Primavera, Pro, Santa Clara, Huancayo, Huánuco, Trujillo, Cajamarca, Juliaca, Salaverry, Pucallpa, Centro Cívico and Nuevo Chimbote.

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

Notes to the interim consolidated financial statements (continued)

16. Leases

- (a) The InRetail Real Estate Group maintains leasing contracts for land, buildings and facilities used for its operations. Leases of land, buildings and facilities generally have terms of 1 to 40 years. The InRetail Real Estate Group's obligations under its leases are guaranteed by the lessor's title of the leased assets.

Several leases include extension and termination options and variable payments. The InRetail Real Estate Group has also entered into certain leases of premises with terms of 12 months or less and leases of low-value office equipment. The InRetail Real Estate Group applies the short-term and low-value lease exemptions for this kind of leases.

- (b) The movement of this caption for the nine-month period ended as of September 30, 2021 and December 31, 2020, is as follows:

	Land	Buildings infrastructure and facilities	As of September 30, 2021	As of December 31, 2020
	S/(000)	S/(000)	S/(000)	S/(000)
Cost				
Initial balance	150,864	933	151,797	150,865
Additions	4,675	-	4,675	932
Final balance	155,539	933	156,472	151,797
Accumulated depreciation				
Initial balance	14,749	525	15,274	7,663
Additions. Note 22(a)	5,547	196	5,743	7,611
Final balance	20,296	721	21,017	15,274
Net book value	135,243	212	135,455	136,523

Depreciation expense for the nine-month period ended September 30, 2021 and 2020, was recorded as follows in the income statement:

	2021 S/(000)	2020 S/(000)
Cost of sales, Note 22 (a)	5,743	5,697
Balance as of September 30,	5,743	5,697
Balance as of December 31, 2020		7,611

Notes to the interim consolidated financial statements (continued)

(c) The movement of the lease liability caption, as of September 30, 2021 and December 31, 2020, is as follows:

	As of September 30, 2021 S/(000)	As of December 31, 2020 S/(000)
Initial balance	212,085	202,626
Additions	4,675	932
Increase for accrued interest, Note 24	7,851	9,694
Amortization	(11,752)	(14,107)
Exchange difference	21,366	12,940
Final balance	234,225	212,085
Current	4,744	3,570
Non-current	229,481	208,515
Final balance	234,225	212,085

Additionally, in the nine-month period ended as of September 30, 2021 and 2020, interest related to the lease liability of S/7,851,000 and S/7,211,000 respectively, has been accrued.

Notes to the interim consolidated financial statements (continued)

17. Financial obligations

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

Type of Obligation	Original currency	Interest Rate %	Final maturity	Original Amount		Total		Current		Non-current	
						September 30, 2021	As of December 31, 2020	September 30, 2021	As of December 31, 2020	September 30, 2021	As of December 31, 2020
						US\$ (000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)
Bonds issuance											
Senior Notes Unsecured (b)	USD	5.750	2028	350,000	-	1,370,876	1,195,204	-	-	1,370,876	1,195,204
Senior Notes Unsecured (c)	PEN	7.875	2034	-	141,000	135,647	135,588	-	-	135,647	135,588
Senior Notes Unsecured (b)	PEN	6.563	2028	-	313,500	310,473	310,202	-	-	310,473	310,202
				350,000	454,500	1,816,996	1,640,994	-	-	1,816,996	1,640,994
Leasings											
Related entities											
Banco Internacional del Perú-Interbank	USD	4.530	2022	50	-	42	60	36	31	6	29
Non-related entities											
Scotiabank Perú S.A.A. (f)	PEN	5.510	2025	-	380,000	344,208	367,378	30,939	30,897	313,269	336,481
Hewlett Packard S.A.	USD	Between 2.180 and 6.200	2021 - 2024	3,717	-	6,057	5,752	3,716	2,766	2,341	2,986
CSI Renting	USD	Between 4.530 and 9.500	2021- 2025	370	-	490	404	250	288	240	116
				4,137	380,000	350,797	373,594	34,941	33,982	315,856	339,612
Promissory notes and loans											
Related entities											
Banco Internacional del Perú-Interbank	PEN	1.760	2021	-	35,000	-	35,000	-	35,000	-	-
Banco Internacional del Perú-Interbank	PEN	1.650	2021	-	54,500	54,500	-	54,500	-	-	-
Non-related entities											
Scotiabank Perú S.A.A. (d)	PEN	5.250	2027	-	50,000	44,717	48,414	4,934	4,930	39,783	43,484
Banco de Crédito del Perú (e)	PEN	1.480	2023	-	10,000	8,477	10,000	5,061	2,884	3,416	7,116
Scotiabank Perú S.A.A.	PEN	2.070	2021	-	17,500	-	17,500	-	17,500	-	-
Banco de Crédito del Perú	PEN	2.100	2021	-	39,000	39,000	-	39,000	-	-	-
Scotiabank Perú S.A.A.	PEN	2.230	2021	-	19,000	19,000	-	19,000	-	-	-
Call Spread financing, Note 13											
JP. Morgan	USD	10.205	2028	23,440	-	51,937	70,418	2,937	6,707	49,000	63,711
				23,440	225,000	217,631	181,332	125,432	67,021	92,199	114,311
Total				377,577	1,059,500	2,385,424	2,195,920	160,373	101,003	2,225,051	2,094,917

Notes to the interim consolidated financial statements (continued)

(b) In April 2018, Patrimonio en Fideicomiso D.S. 093-2002-EF InRetail Shopping Malls, Subsidiary of the Company, issued debt instruments ("Notes") denominated in US Dollars through a private offer to institutional investors under Rule 144A and Regulation S, for US\$350,000,000, equivalent to S/1,447,600,000 as of September 30, 2021 (S/1,268,400,000 as of December 31, 2020) that accrues an annual interest of 5.75 percent, with a maturity of 10 years, with semi-annual interest payments and the principal in a single installment upon maturity of the securities. This borrowing was recorded in the consolidated financial statement at amortized cost to an effective interest rate of 6.752 percent, after considering the respective up-front fees that amounted to US\$18,550,000 equivalent to approximately S/76,724,000 as of September 30, 2021 (US\$20,198,000 equivalent to approximately S/73,196,000 as of December 31, 2020).

Additionally, in April 2018, the Company's Subsidiary issued debt instruments ("Notes") denominated in Soles for S/313,500,000 that bear an annual interest rate of 6.5625 percent, maturing in 10 years and paying semiannual interest and the principal in a single installment at the expiration of the securities. This borrowing was recorded in the consolidated financial statement at amortized cost to an effective interest rate of 6.730 percent, after considering the respective up-front fees that amounted to S/3,027,000 as of September 30, 2021 (S/3,298,000 as of December 31, 2020).

As a result of these issues, InRetail Shopping Malls must comply, until maturity and full payment, with certain obligations and covenants for these transactions.

As of September 30, 2021, the EBITDA/interest expense covenant was 2.01, above the limit established by the bond Indenture. However, in the context of the pandemic, in the year ended December 31, 2020, this covenant was 1.6, below the limit established by the bond Indenture, without this implying a breach of the obligations assumed by the Company.

All the other covenants from the bond issuance have been complied satisfactorily and are within the agreed limits as of September 30, 2021 and December 31, 2020.

(c) In July 2014, InRetail Real Estate Corp. issued, through InRetail 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/1,353,000 as of September 30, 2021 (S/1,412,000 as of December 31, 2020). Additionally, as of September 30, 2021 and December 31, 2020, the balance is presented net of S/4,000,000 corresponding to the notes of this issuance held by InRetail Shopping Malls. As of September 30, 2021 and December 31, 2020, the balance of this loan is S/135,647,000 and S/135,588,000, respectively.

(d) In October 2019, the Company entered into a new loan agreement with Scotiabank del Perú S.A.A. for S/50,000,000. In February 2020, the term of the debt was restructured for a period of seven years, payable in quarterly installments and with accrued annual interest rate of 5.25 percent.

This obligation was recorded in the consolidated financial statements at amortized cost with an effective annual interest rate of 5.442 percent after considering the respective initial charge of approximately S/283,000 as of September 30, 2021 (S/336,000 as of December 31, 2020).

As of September 30, 2021, the Company amortized a amount of S/5,000,000.

(e) In May 2020, the Company obtained a new loan under the "Reactiva Peru" program with Banco de Crédito del Perú for the amount of S/10,000,000 with an interest rate of 1.48 percent per year, maturing in 2023, including a grace period (non-capitalized interest in the first year).

As of September 30, 2021, the Company amortized an amount of S/1,523,000.

Notes to the interim consolidated financial statements (continued)

- (f) In December, 2020, the disbursement of the financial lease mainly for the construction of the Puruchuco shopping center with Banco Scotiabank del Perú S.A.A. was completed, for a total amount of S/380,000,000 and which will be paid in quarterly installments that accrue an interest of 5.510 percent annually and with maturity in 2025.

This obligation was recorded in the consolidated financial statements at amortized cost with an effective annual interest rate of 5.899 percent after considering the respective initial charge of approximately S/3,792,000 as of (S/4,622,000 as of December 31, 2020).

As of September 30, 2021, the Company amortized an amount of S/32,000,000.

As of September 30, 2021, InRetail Real Estate and subsidiaries have complied with the financial requirements ("covenants"). As of December 31, 2020, InRetail Real Estate and subsidiaries had complied with the covenants except for the net interest coverage ratio and the debt service coverage ratio, which were below the minimum required. However, InRetail Real Estate obtained the respective waiver as of December 31, 2020 and, in that sense, as of September 30, 2021 and December 31, 2020, the debt classification has been made in accordance with the payment schedule originally agreed with the bank.

- (g) Financial obligations are payable as follows:

	As of September 30, 2021	As of December 31, 2020
	S/(000)	S/(000)
2021	123,778	101,003
2022	50,790	50,814
2023	46,228	46,751
2024	43,554	45,082
2025	256,484	258,268
2026 onwards	1,864,590	1,694,002
Total	2,385,424	2,195,920

18. Income tax

- (a) The Deferred Income Tax assets and liabilities presented in the consolidated statements as of September 30, 2021 and December 31, 2020, as well as those presented in the consolidated statement of income for the nine months periods ended September 30, 2021 and 2020, are detailed as follows:

Statements of financial position	As of September 30, 2021		As of December 31, 2020	
	Assets S/(000)	Liabilities S/(000)	Assets S/(000)	Liabilities S/(000)
Real Plaza S.R.L.	5,614	-	4,491	-
Inversiones Real Estate S.A.	-	632	-	632
Centro Comercial Estación Central S.A.	8	-	5	-
Inmobiliaria Puerta del Sol S.A.	-	28,558	-	28,996
Total	5,622	29,190	4,496	29,628

Statements of comprehensive income	Income tax for the nine-month period ended September 30, 2021 and 2020	
	2021 S/(000)	2020 S/(000)
Current	2,124	(148)
Deferred	1,564	3,230
Total	3,688	3,082

Notes to the interim consolidated financial statements (continued)

19. Commitments

As of September 30, 2021, corresponds to guarantee letters in favor of third parties for approximately S/8,689,000 and US\$3,466,000 (S/9,240,000 and US\$3,972,000 as of December 31, 2020), which guarantee the compliance of obligations from contractual agreements related to the real estate projects of Interproperties Holding and Interproperties Holding II.

20. Equity

(a) Capital stock

As of September 30, 2021 and December 31, 2020, the capital stock of InRetail Real Estate Corp. amounts to S/1,475,706,000 approximately, represented by 568,201,039 shares, issued at a nominal value of US\$1.00 each.

(b) Earnings per share

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

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

	Ordinary shares		
	Outstanding shares	Effective days until period-end	Weighted average of shares
Number as of January 1, 2020	568,201,039		568,201,039
Number as of September 30, 2020	568,201,039	270	568,201,039
Number as of January 1, 2021	568,201,039		568,201,039
Number as of September 30, 2021	568,201,039	270	568,201,039
For the nine-month period ended September 30, 2021			
	Net loss (numerator) S/	Shares (denominator)	Loss per share S/
Basic and diluted loss per share	(11,783,000)	568,201,039	(0.021)
For the nine-month period ended September 30, 2020			
	Net loss (numerator) S/	Shares (denominator)	Loss per share S/
Basic and diluted loss per share	(9,583,000)	568,201,039	(0.017)

Notes to the interim consolidated financial statements (continued)

21. Income from real estate service

- (a) The composition of the balance for the nine-month period ended as of September 30, 2021 and 2020 is presented below:

	2021 S/(000)	2020 S/(000)
Rental income		
Rental income (b)	237,088	160,183
Rent of space for publicity	5,863	3,645
Key money	3,638	4,570
Total	246,589	168,398
Income from management services		
Common expenses (c)	58,531	53,020
Electricity and water (d)	37,635	32,502
Promotion and advertisement (e)	14,657	8,342
Parking	3,646	2,597
Management services	844	476
Others	6,526	2,472
Total	121,839	99,409

- (b) As of September 30, 2021 and 2020, corresponds to rental income from the economic exploitation of the "Real Plaza" shopping malls.

The composition of the rental income is presented below:

	2021 S/(000)	2020 S/(000)
Fixed rental income	196,220	136,835
Variable rental income	40,868	23,348
Total	237,088	160,183

- (c) Corresponds to income from common expenses including expenses of maintenance, safety management and supervision of shopping malls, which are billed to each tenant according to the terms established in the lease contract.
- (d) Corresponds to income from electricity and water that are assumed by the Company and are then billed to every tenant of the shopping malls.
- (e) Corresponds to income from advertising and promotional activities of the Real Plaza shopping malls, which are billed to every tenant of the shopping malls according to the terms established in the lease contract.

Notes to the interim consolidated financial statements (continued)

22. Costs of rental income and management services

- (a) The composition of this caption for the nine-month period ended as of September 30, 2021 and 2020 is presented below:

	2021 S/(000)	2020 S/(000)
Cost of rental income		
Cost of variable lease (b)	7,917	5,619
Depreciation from right-of-use asset, Note 16(b)	5,743	5,697
Property tax and duties	14,813	13,728
Property insurance costs	4,937	5,015
Others	538	377
Total	33,948	30,436
Cost related to income from management services		
Electricity and water	31,710	28,435
Maintenance and administration of parking lot	14,820	10,089
Advertising and marketing	7,190	6,609
Personnel expenses	14,527	12,010
Cleaning services	7,780	7,214
Safety services	9,215	9,897
Leases, professional fees and communications	7,484	2,385
Other costs	2,206	1,585
Total	94,932	78,224

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

23. Selling and administrative expenses

- (a) The composition of this caption for the nine-month period ended as of September 30, 2021 and 2020 is presented below:

	2021 S/(000)	2020 S/(000)
Administrative expenses	25,101	22,350
Selling expenses	15,071	14,660
Total	40,172	37,010

Notes to the interim consolidated financial statements (continued)

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

	2021		
	Selling expenses	Administrative expenses	Total
	S/(000)	S/(000)	S/(000)
Personnel expenses	7,078	11,964	19,042
Depreciation, Note 11 (a)	-	4,071	4,071
Amortization	-	1,636	1,636
Services provided by third parties	650	6,892	7,542
Allowance for doubtful accounts, Note 7 (e)	15,227	-	15,227
Allowance for doubtful accounts related	2,560	-	2,560
Recovery of allowance for doubtful accounts, Note 7 (e)	(10,511)	-	(10,511)
Other charges	67	538	605
Total	15,071	25,101	40,172

	2020		
	Selling expenses	Administrative expenses	Total
	S/(000)	S/(000)	S/(000)
Personnel expenses	5,651	11,991	17,642
Depreciation, Note 11 (a)	-	3,640	3,640
Amortization	-	923	923
Services provided by third parties	352	5,307	5,659
Allowance for doubtful accounts, Note 7 (e)	10,645	-	10,645
Recovery of allowance for doubtful accounts, Note 7 (e)	(2,201)	-	(2,201)
Other charges	213	489	702
Total	14,660	22,350	37,010

Notes to the interim consolidated financial statements (continued)

24. Financial income and expenses

- (a) The composition of this caption for the nine-month period ended as of September 30, 2021 and 2020 is presented below:

	2021 S/(000)	2020 S/(000)
Income		
Interest on deposits	286	86
Interest from loans granted to related parties	20,888	21,124
Dividend income	3,495	2,635
Income on investments at fair value through profit or loss	24	437
Income from reversal of leasing option expense	2,900	-
Others	471	411
Total	<u>28,064</u>	<u>24,693</u>
	2021 S/(000)	2020 S/(000)
Expenses		
Bond interest expenses	81,583	75,892
Premium for early settlement of Call spread, Note 13 (a)	38,826	-
Interest from leasing and others	19,588	13,509
Interest from swap	6,050	-
Debt structuring expenses	7,589	6,362
Accrual of the Call Spread premium	7,274	6,999
Interest from lease liabilities, Note 16 (c)	7,851	7,211
Other	2,639	2,649
Total	<u>171,400</u>	<u>112,622</u>

25. Tax situation

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

Entities and individuals not domiciled in Peru are subject to retention of an additional tax on dividends received. In this regard, attention to Legislative Decree N° 1261, published on December 10, 2017 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 for the profits generated since January 1, 2017.

- (b) Real Plaza and Inmobiliaria Puerta del Sol are domiciled in Perú and are subject to the Peruvian tax system and, in compliance with current Peruvian legislation calculate their income tax on the basis of their separated financial statements. As of September 30, 2021 and December 31, 2020, the statutory income tax rate was 29.5 percent on tax payable income, after calculating the employees' profit sharing, which according to prevailing standards is computed with a rate between 5 to 8 percent.

Notes to the interim consolidated financial statements (continued)

- (c) According to the text of the Law on Income Tax, as amended by Law 29663 and 29757, since the year 2012, among the transactions subject to capital duty, are those obtained by the indirect sale of shares of Peruvian companies. For these purposes, an indirect transfer is set when two instances occur together:
- (i) In first place, the market value of the shares of the Peruvian society must represent 50 percent or more of the market value of non-domiciled, in any period of twelve-months and,
 - (ii) In second place, 10 percent or more of the shares of the non-resident must be sold in any twelve-month period;
- (d) Transactions entered within related parties and/or with tax heaven residents fall into the scope of the Peruvian Transfer Pricing rules. Such rules are based on the application of the arm's length principle, as understood by the OECD. It is important to mention that Transfer Pricing rules are only applicable for Income Tax purposes, and adjustments are allowed under certain conditions only. Based on the analysis of operations of InRetail Real Estate, its Management and legal advisors believe that the implementation of these standards does not generate any significant contingencies for InRetail Real Estate as of September 30, 2021 and December 31, 2020.
- (e) The Peruvian Tax Authority is legally entitled to perform tax audit procedures on local taxpayers for up to four years subsequent to the year of the presentation of the tax return. The Tax Authority is entitled to challenge the Income Tax calculation performed by such taxpayers. Following are the years subject to review by the tax authority of the Subsidiaries of InRetail Real estate Corp. incorporated in Perú:

	Income Tax	Value added tax
Real Plaza S.R.L.	From 2017 to 2020	From 2017 to 2021
Inmobiliaria Puerta del Sol S.A.	From 2016 to 2020	From 2017 to 2021
Inversiones Real Estate S.A.	From 2016 to 2020	From 2017 to 2021
Centro Comercial Estación Central S.A.	From 2016 to 2020	From 2017 to 2021

In accordance with Peruvian law, InRetail Shopping Malls, Interproperties Holding and Interproperties Holding II, Special Purpose Entities, are not considered to be taxpayers due to their conditions as trusts but they attribute their obtained income, net losses and tax credits on their foreign source income to the holders of their certificates of participation. Therefore, to reflect this obligation, the Company has provisioned 30 percent of long term income tax over the profits earned to date. As of September 30, 2021 and December 31, 2020, the accrued income tax amounted to S/364,011,000 and S/407,172,000, respectively.

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

In the opinion of the Management of InRetail Real Estate and of its legal advisors, any subsequent additional settlement of taxes would not be significant for the consolidated financial statements as of September 30, 2021 and December 31, 2020.

Notes to the interim consolidated financial statements (continued)

26. Transactions with related companies

- (a) As a result of transactions with related parties, InRetail Real Estate presents the following balances in the consolidated statements of financial position as of September 30, 2021 and December 31, 2020:

	As of September 30, 2021	As of December 31, 2020
	S/(000)	S/(000)
Receivables		
InRetail Perú Corp. (d)	402,500	409,517
Tiendas Peruanas Oriente S.A.C.	1,468	6,571
Tiendas Peruanas S.A.	5,184	6,322
EP de Franquicias S.A.C.	5,907	2,885
Homecenters Peruanos S.A. (e)	27,661	29,227
Supermercados Peruanos S.A. (e)	30,828	32,275
Bembos S.A.C.	3,568	751
Interseguro Compañía de Seguros S.A.	619	314
IR Management S.R.L.	4	320
Cineplex S.A.	3,407	3,841
Homecenters Peruanos Oriente S.A.C.	33	59
Banco Internacional del Perú S.A.A.- Interbank	1,692	4,127
Plaza Vea Oriente S.A.C.	106	341
InRetail Pharma S.A.	468	1,000
Mifarma S.A.C.	35	191
Other	11,942	4,631
Total	495,422	502,372
Current	37,383	43,497
Non-current	458,039	458,875
Total	495,422	502,372
	As of September 30, 2021	As of December 31, 2020
	S/(000)	S/(000)
Payables		
Supermercados Peruanos S.A.	306	215
Homecenters Peruanos S.A.	92	86
IR Management S.R.L.	318	50
Homecenters Oriente S.A.C.	5	24
Tiendas Peruanas S.A.	39	-
Others	136	36
Total	896	411

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

- (b) As of September 30, 2021 and December 31, 2020, InRetail Real Estate holds balances with its related entity Banco Internacional del Perú S.A.A. – Interbank in the cash and cash equivalent caption for an amount of S/145,173,000 and S/13,904,000, respectively.

Notes to the interim consolidated financial statements (continued)

- (c) Transactions with related companies have been performed under normal market conditions. The taxes that these transactions generated, as well as the calculation bases for their determination, are the usual ones in the industry and they are settled in accordance with the current tax regulations.
- (d) In April 2018, InRetail Shopping Malls, subsidiary of the Company, granted a loan to InRetail Perú Corp. of S/402,500,000 that accrues an effective annual interest rate of 6.90 percent and matures in March 2028.

In March 2021 and 2020, the Company collected an interest fee of S/27,761,000 which is presented in the consolidated statement of cash flows.

For the nine months ended September 30, 2021 and 2020, an interest of S/20,744,000 and S/20,783,000 was earned, respectively, which was recorded in the "financial income" caption of the consolidated statement of comprehensive income. As of December 31, 2020, accumulated interest receivable of S/7,017,000, is maintained.

- (e) As of September 30, 2021 and December 31, 2020, it corresponds mainly to the account receivable that Interproperties Perú maintains with Supermercados Peruanos S.A. and Homecenters Peruanos S.A. for an amount of S/29,331,000 and S/26,209,000, respectively (S/29,811,000 and S/26,564,000 as of December 31, 2020, respectively). These accounts receivable are due to the fact that Interproperties Peru acts as an intermediary between the lessor (unrelated third party) and the related companies to whom the property is leased to.

27. Financial risks management

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

InRetail Real Estate's Board of Directors is responsible for the overall risk management approach and for the approval of the policies and strategies currently in place. The Board provides principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk and credit risk, among others.

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

(a) Market risk

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

(i) Interest rate risk

It is the risk that the fair values or future cash flows of a financial instrument fluctuate due to changes in market interest rates. InRetail Real Estate manages its interest rate risk through the obtainment of debt with fixed interest rate. As of September 30, 2021 and December 31, 2020, InRetail Real Estate does not maintain debts at variable rate, which would be exposed to the risk of change in the interest rate.

Notes to the interim consolidated financial statements (continued)

(ii) Exchange rate risk

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

As of September 30, 2021 and December 31, 2020, assets and liabilities maintained in foreign currency were the following (expressed in thousands US Dollars):

	As of September 30, 2021	As of December 31, 2020
	US\$(000)	US\$(000)
Assets		
Cash and cash equivalents	30,603	1,723
Investment at fair value through profit or loss	-	1,425
Investments at fair value through equity	45,719	53,658
Trade receivables, net	1,120	489
Other receivables	9	15
Accounts receivables from related parties	889	993
Total assets	78,340	58,303
Liabilities		
Trade payables	(1,841)	(2,759)
Other liabilities	(242)	(5,607)
Accounts payable to related parties	(4)	(2)
Lease liability	(42,135)	(41,575)
Financial obligations	(345,600)	(350,948)
Total liabilities	(389,822)	(400,891)
Hedge amount	350,000	350,000
Net asset position	38,518	7,412

As of September 30, 2021 and December 31, 2020, InRetail Real Estate and its Subsidiaries have decided to reduce its exchange rate risk by entering into hedging operations through a Call Spread and a Full Cross-Currency Swap written over its "Senior Notes Unsecured", which are considered an effective hedging instruments.

The Call Spread is written over a nominal amount of US\$250,000,000 and the Full Cross-Currency Swap over an amount of US\$100,000,000 as of September 30, 2021 (Call Spread of US\$350,000,000 as of December 31, 2020) and will be effective until maturity of the "Senior Notes Unsecured". See further detail in Note 13 and 17.

Transactions in foreign currency are performed at free market exchange rates. As of September 30, 2021, the market end of period exchange rate for transactions in US Dollars was S/4.132 per US\$1.00 bid and S/4.136 per US\$1.00 ask (S/3.618 per US\$1.00 bid and S/3.624 per US\$1.00 ask as of December 31, 2020).

For the nine-month period ended as of September 30, 2021, InRetail Real Estate incurred into a net loss for exchange difference of approximately S/116,330,000 (net loss of S/14,468,000 as of September 30, 2020), which is presented in the caption "Exchange difference, net" the consolidated statements of income and other comprehensive income.

Notes to the interim consolidated financial statements (continued)

(b) Credit risk

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

Credit risk related to accounts receivable

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

Credit risk related to financial instruments and bank deposits

The credit risk of bank balances is managed by Management in accordance with the policies of InRetail Real Estate. The investments of cash surpluses are performed through a first-level related financial institution. The maximum exposure to credit risk as of September 30, 2021 and December 31, 2020, is the book value of the balances of cash and cash equivalent.

(c) Liquidity risk

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

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

28. Fair value of financial instruments

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

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

Notes to the interim consolidated financial statements (continued)

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

- (a) Financial instruments whose fair value is similar to their book value
For financial assets and liabilities that are liquid or have short-term maturities (less than three-months), such as cash and cash equivalents, trade receivables, accounts receivable to related parties and other receivables, trade accounts payable and other current liabilities, it is deemed that their book values are similar to their fair values.
- (b) Financial instruments at fixed rate
The fair value of the financial assets and liabilities at fixed rate and at amortized cost is determined by comparing the market interest rate at the moment of their initial recognition to the current market rates related to similar financial instruments. The estimated fair value of financial obligations that accrue interests is determined through discounted cash flows by using the currently available rates for debts with similar conditions, credit risk and maturities.
- (c) Investment to fair value through equity
Fair value of investment through equity 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 Real Estate 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 Real Estate 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 period ended September 30, 2021 and 2020. The InRetail Real Estate Group maintains the following financial instruments at fair value:

- Investments to fair value through equity which fair value was determined under level 1 hierarchy.
- Derivative instrument which fair value was determined under level 2 hierarchy.

29. Subsequent event

- (a) The Company's management and Subsidiaries continue monitoring the evolution of the situation and the guidance of national and international authorities, since events beyond Management's control may arise that require modifying the established business plan. Further spread of COVID-19 and subsequent measures taken to limit the spread of the disease could affect the ability to conduct business in the normal way and therefore affect financial condition and results of operations.

30. Additional explanation for English translation

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