

InRetail Real Estate Corp. and Subsidiaries

Interim consolidated financial statements as of September 30, 2023 (unaudited) and December 31, 2022 (audited) and for the nine-month period ended as of September 30, 2023 and 2022.

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Interim consolidated statements of financial position

As of September 30, 2023 (unaudited) and December 31, 2022 (audited)

	Note	2023 S/(000)	2022 S/(000)		Note	2023 S/(000)	2022 S/(000)
Assets				Liabilities and equity			
Current assets				Current liabilities			
Cash and cash equivalents	4	119,528	220,746	Trade payables	14	45,884	41,323
Investments at fair value through profit or loss	6	86,724	-	Other liabilities	15	57,694	79,837
Trade receivables, net	7	41,626	43,077	Accounts payable to related parties	26	3,077	62,783
Other receivables	8	5,448	14,765	Current portion financial obligations	17	43,105	44,553
Accounts receivables from related parties	26	45,874	50,916	Lease liability	16(c)	6,870	6,749
Prepaid expenses	9	6,267	434	Total current liabilities		156,630	235,245
Recoverable taxes	10	11,763	11,036				
Total current assets		317,230	340,974	Non-current liabilities			
				Trade payables	14	3,940	5,137
Non-current assets				Other liabilities	15	13,995	13,563
Investments at fair value through equity	5	161,342	172,064	Income tax related to special purpose entity	25(e)	552,042	495,791
Other receivables	8	4,893	4,892	Lease liability	16(c)	227,454	229,069
Accounts receivables from related parties	26	519,678	571,024	Long-term financial obligations	17	2,050,561	2,070,333
Deferred income tax, net	18	8,287	7,557	Deferred income tax liabilities, net	18	43,229	40,365
Recoverable taxes	10	13,695	13,166	Derivative financial instrument	13	32,664	17,989
Facilities, furniture and equipment, net	11	8,735	8,539	Total non-current liabilities		2,923,885	2,872,247
Investment properties	12	4,748,987	4,554,078	Total liabilities		3,080,515	3,107,492
Right-of-use assets, net	16(b)	133,764	139,100	Equity			
Intangible assets, net		16,133	14,804	Capital stock	20	1,475,706	1,475,706
Derivative financial instrument	13	78,433	67,348	Unrealized results		(44,760)	(24,710)
Total non-current assets		5,693,947	5,552,572	Retained earnings		1,499,716	1,335,058
				Total equity		2,930,662	2,786,054
Total assets		6,011,177	5,893,546	Total liabilities and equity		6,011,177	5,893,546

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, 2023 and 2022

	Note	2023 S/(000)	2022 S/(000)
Rental income	21	379,023	336,626
Cost of rental income	22	(44,691)	(40,435)
Net rental income		334,332	296,191
Income from management services	21	176,731	149,541
Cost related to income from management services	22	(146,813)	(121,167)
Net management service income		29,918	28,374
Gross profit		364,250	324,565
Fair value adjustment for investment properties	12(b)	1,908	7,236
Administrative expenses	23	(29,748)	(29,534)
Selling expenses	23	(10,391)	(7,982)
Other operating income, net		1,506	9,350
Operating profit		327,525	303,635
Financial income	24	34,235	27,114
Financial expenses	24	(133,189)	(134,382)
Exchange difference, net	27(a)(ii)	3,767	(694)
Profit before income tax		232,338	195,673
Income tax	18(a)	(67,680)	(57,278)
Net profit		164,658	138,395
Profit per share:			
Basic and diluted profit for the period attributable to ordinary equity holders of the parent	20(b)	0.290	0.244

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, 2023 and 2022

	2023	2022
	S/(000)	S/(000)
Profit for the period	164,658	138,395
Other comprehensive income		
Unrealized loss on investments at fair value through equity	(9,327)	(9,940)
Total other comprehensive income of investments at fair value through equity	<u>(9,327)</u>	<u>(9,940)</u>
Unrealized loss on hedging derivative financial instrument	(10,723)	(17,893)
Total other comprehensive income of derivative financial instrument	<u>(10,723)</u>	<u>(17,893)</u>
Other comprehensive income for the period, net of income tax effects	(20,050)	(27,833)
Total comprehensive income for the period	<u>144,608</u>	<u>110,562</u>

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, 2023 and 2022

	<u>Capital stock</u> S/(000)	<u>Unrealized results</u> S/(000)	<u>Retained earnings</u> S/(000)	<u>Total Equity</u> S/(000)
Balance as of January 1, 2022	1,475,706	30,521	1,121,031	2,627,258
Profit for the period	-	-	138,395	138,395
Other comprehensive income	-	(27,833)	-	(27,833)
Total comprehensive income	-	(27,833)	138,395	110,562
Purchase of non-controlling interest shares	-	-	851	851
Balance as of September 30, 2022	1,475,706	2,688	1,260,277	2,738,671
Balance as of January 1, 2023	1,475,706	(24,710)	1,335,058	2,786,054
Profit for the period	-	-	164,658	164,658
Other comprehensive income	-	(20,050)	-	(20,050)
Total comprehensive income	-	(20,050)	164,658	144,608
Balance as of September 30, 2023	1,475,706	(44,760)	1,499,716	2,930,662

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, 2023 and 2022

	2023 S/(000)	2022 S/(000)
Operating activities		
Revenue	607,625	541,793
Payments of goods and services to suppliers	(163,404)	(140,358)
Payments of salaries and social benefits to employees	(35,001)	(32,777)
Taxes paid	(85,761)	(77,410)
Recovery of taxes	33,366	15,821
Other collections (payments), net	47,104	(35,434)
Net cash flows from operating activities	403,929	271,635
Investing activities		
Collection of dividends	4,306	3,529
Collection of loans granted to related parties	27,762	27,761
Sale of investments at fair value through profit or loss	356,538	436,723
Purchase of investments at fair value through profit or loss	(442,228)	(407,932)
Purchase of facilities, furniture and equipment	(2,845)	(759)
Purchase and development of intangible assets	(4,118)	(2,765)
Purchase of investment properties	(193,001)	(177,505)
Payment related to the purchase of investment property from prior years	(31,869)	-
Value Added Tax payment related to investment properties	(20,387)	(3,246)
Net cash flows used in investing activities	(305,842)	(124,194)
Financing activities		
Proceeds from interest-bearing loans and borrowings	-	25,000
Payment of loans to related parties	(27,071)	-
Payment of interest-bearing loans and borrowings	(37,826)	(148,894)
Payment of lease liability	(3,598)	(3,630)
Interest payment of lease liability	(8,063)	(8,298)
Interests paid	(122,749)	(126,273)
Net cash flows used in financing activities	(199,307)	(262,095)
Net decrease of cash and short-term deposits	(101,220)	(114,654)
Cash and short-term deposits at the beginning of the period	220,746	195,484
Cash and short-term deposits at the end of the period	119,526	80,830
Non-cash transactions		
Fixed assets purchased through leasing and other financial obligations	628	(3,321)
Investment properties purchased through other non financial obligations with related parties	-	(32,104)
Addition of right-of-use asset	8,790	8,791

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

Notes to the interim consolidated financial statements (continued)

InRetail Real Estate Corp. and Subsidiaries

Notes to the interim consolidated financial statements (unaudited)

Interim unaudited consolidated financial statements as of September 30, 2023 and December 31, 2022 (audited) and for the nine-month period ended as of September 30, 2023 and 2022.

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, 2023, Intercorp Perú holds directly and indirectly 67.57 percent of the capital stock of InRetail Perú Corp. (71.54 percent as of December 31, 2022), 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 María, 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.

The consolidated financial statements as of September 30, 2023, were approved by the Board of Directors on November 13, 2023.

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).

Notes to the interim consolidated financial statements (continued)

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.

Additionally, as of September 30, 2023 and December 31, 2022, Interproperties Holding II owns 100 percent of participation in the assets of Inmobiliaria Puerta del Sol 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, 2023 and December 31, 2022) and maintaining and developing relationships with the tenants. Real Plaza operates under the name of “Real Plaza Shopping Mall”.

As of September 30, 2023 and December 31, 2022, 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 Buses Metropolitanos.

In February 2022, the concession contract expired and the Autoridad de Transporte Urbano (ATU) did not approve its renewal, therefore, the contract ended on July 31, 2022.

At the General Shareholders' Meeting on January 27, 2023, the liquidation and dissolution of the company was approved.

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, 2022 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, 2022.

Notes to the interim consolidated financial statements (continued)

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

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

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

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

3.2 New standards and interpretations adopted by InRetail Real Estate

Several standards and amendments have come into effect from January 1, 2023; 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, 2023.

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 IAS 8 "Accounting policies, changes in estimates and errors":** Definition of accounting estimates
In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of accounting estimates. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and apply to changes in accounting Policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is allowed as long as this fact is disclosed.
- (ii) **Amendments to IAS 1 and I AS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies**
In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 "Making Materiality Judgements", in which it provides guidance and examples to help entities apply materiality judgments to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their "significant" accounting policies with a requirement to disclose their material accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

Notes to the interim consolidated financial statements (continued)

The amendments to IAS 1 are applicable for annual periods beginning on or after January 1, 2023, with earlier application permitted. Since the amendments to the IFRS Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

- (iii) **Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12**
In May 2021, the Board issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

Under the amendments, the initial recognition exception does not apply to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. It only applies if the recognition of a lease asset and lease liability (or decommissioning liability and decommissioning asset component) give rise to taxable and deductible temporary differences that are not equal.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and an entity should apply the amendments to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, it should also recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for all deductible and taxable temporary differences associated with leases and decommissioning obligations.

In the Management's opinion, these standards will not have a significant impact on the consolidated financial statements of the InRetail Real Estate 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, 2023	As of December 31, 2022
	S/(000)	S/(000)
Cash	47	51
Current accounts (b)	119,481	220,695
Total	119,528	220,746

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

Notes to the interim consolidated financial statements (continued)

5. Investments at fair value through equity

As of September 30, 2023, the Company has other investments at fair value through equity for an amount of US\$42,570,000 equivalent to S/161,342,000 (US\$45,185,000 equivalent to S/172,064,000 as of December 31, 2022).

6. Investments at fair value through profit or loss

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

Entity	As of September 30, 2023 S/(000)	As of December 31, 2022 S/(000)
Mutual funds managed by Sura S.A. SAF	86,724	-
Total	86,724	-

As of September 30, 2023, 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, 2023 S/(000)	As of December 31, 2022 S/(000)
Rents receivable (b)	47,442	36,587
Unbilled services (c)	16,227	21,007
Documents receivable	6,209	12,278
Total trade receivables	69,878	69,872
Allowance for doubtful accounts (e)	(28,252)	(26,795)
Total trade receivables, net	41,626	43,077

(b) As of September 30, 2023 and December 31, 2022, trade accounts receivable are denominated in Soles and US Dollars, have current maturities and do not accrue interest.

(c) As of September 30, 2023 and December 31, 2022, mainly corresponds to unbilled lease services for variable and fixed rents, which are billed during the following month.

Notes to the interim consolidated financial statements (continued)

(d) As of September 30, 2023 and December 31, 2022 the analysis of trade receivables is as follows:

	Balance as of September 30, 2023		
	Non-impaired S/(000)	Impaired S/(000)	Total S/(000)
Unbilled services	16,227	-	16,227
Not past-due	7,381	2,222	9,603
Past-due			
From 1 to 90 days	16,466	2,940	19,406
From 91 to 120 days	871	1,377	2,248
From 121 to 180 days	432	1,263	1,695
From 181 to 270 days	249	1,583	1,832
More than 271 days	-	18,867	18,867
Total	41,626	28,252	69,878

	Balance as of December 31, 2022		
	Non-impaired S/(000)	Impaired S/(000)	Total S/(000)
Unbilled services	21,007	-	21,007
Not past-due	8,177	3,406	11,583
Past-due			
From 1 to 90 days	13,093	3,467	16,560
From 91 to 120 days	169	693	862
From 121 to 180 days	399	1,329	1,728
From 181 to 270 days	211	1,974	2,185
More than 271 days	21	15,926	15,947
Total	43,077	26,795	69,872

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, 2023 and 2022 is as follows:

	2023 S/(000)	2022 S/(000)
Balance at the beginning of the year	26,795	23,283
Provision recognized as period expense, note 23(b)	8,863	12,611
Recoveries, note 23(b)	(7,406)	(10,218)
Exchange difference	-	(796)
Balance at the end of the period	28,252	24,880
Balance as of December 31, 2022		26,795

In the opinion of InRetail Real Estate's Management, the provision for impairment appropriately covers the credit risk as of September 30, 2023 and December 31, 2022.

8. Other receivables

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

	As of September 30, 2023 S/(000)	As of December 31, 2022 S/(000)
By type:		
Outstanding advances (b)	1,190	70
Claims (d)	4,892	4,892
Fund retained - Banco de la Nación (c)	3,458	14,406
Others	801	289
Total	10,341	19,657
By Term:		
Current	5,448	14,765
Non-current	4,893	4,892
Total	10,341	19,657

- (b) As of September 30, 2023 and December 31, 2022, 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) Corresponds to the claim resource before the Superintendency of Tax Administration for the inspection of non-domiciled income for the 2016 period. In Management's opinion, it is estimated that the result will be favorable.
- (e) In the opinion of InRetail Real Estate's Management, it is not necessary to make a provision for impairment as of September 30, 2023 and December 31, 2022, 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, 2023	As of December 31, 2022
	S/(000)	S/(000)
Insurance paid in advance (b)	1,673	208
Municipal taxes prepaid (c)	3,343	-
Others	1,251	226
Total	6,267	434

(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, 2023	As of December 31, 2022
	S/(000)	S/(000)
By type:		
Tax credit for value-added-tax (b)	24,994	23,073
Income tax payment	-	428
Others	464	701
Total	25,458	24,202
By term:		
Current	11,763	11,036
Non-current	13,695	13,166
Total	25,458	24,202

(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 equipment S/(000)	Transport units S/(000)	Equipment miscellaneous S/(000)	Total S/(000)
Cost					
Balance as of January 1, 2023	7,318	4,274	214	30,929	42,735
Additions	11	245	-	3,217	3,473
Disposals and/or sales	(94)	(16)	(214)	(13)	(337)
Balance as of September 30, 2023	7,235	4,503	-	34,133	45,871
Accumulated depreciation					
Balance as of January 1, 2023	6,232	3,879	128	23,957	34,196
Depreciation of the period, Note 23(b)	146	128	-	2,917	3,191
Disposals and/or sales	(94)	(16)	(128)	(13)	(251)
Balance as of September 30, 2023	6,284	3,991	-	26,861	37,136
Net cost as of September 30, 2023	951	512	-	7,272	8,735
Net cost as of December 31, 2022	1,086	394	87	6,972	8,539

(b) As of September 30, 2023 and December 31, 2022, 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, 2023 and December 31, 2022, 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, 2023 S/(000)	As of December 31, 2022 S/(000)
Real Plaza Puruchuco shopping mall	636,589	626,239
Real Plaza Salaverry shopping mall (i)	513,833	508,523
Real Plaza Cusco shopping mall (i)	377,926	375,218
Real Plaza Chiclayo shopping mall	364,454	362,033
Real Plaza Piura shopping mall	317,951	314,197
Real Plaza Trujillo shopping mall	302,783	302,102
Real Plaza Primavera shopping mall	240,819	238,008
Real Plaza Centro Cívico shopping mall (i)	233,078	233,943
Real Plaza Huancayo shopping mall (i)	167,267	166,063
Real Plaza Santa Clara shopping mall	158,902	132,010
Real Plaza Huánuco shopping mall (i)	148,914	147,745
Real Plaza Pucallpa shopping mall	136,930	140,011
Real Plaza Pro shopping mall	133,435	132,821
Real Plaza Cajamarca shopping mall	126,238	123,574
Molina shopping mall (iii)	121,053	120,063
Real Plaza Chorrillos shopping mall	90,416	91,554
Real Plaza Juliaca shopping mall (i)	89,105	90,666
Real Plaza Arequipa shopping mall (i)	84,670	87,291
Real Plaza Nuevo Chimbote shopping mall	54,209	53,732
Real Plaza Sullana shopping mall	52,447	52,587
Jirón de la Unión Building	10,849	9,921
Others (ii)	387,119	245,777
Total	4,748,987	4,554,078

(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, 2023 and December 31, 2022.

(iii) On July 5, 2022, the Company acquired through Interproperties Perú a property called “Molina Plaza Shopping Center”, for a value of US\$28,700,000 equivalent to S/110,179,300 at the date of purchase.

“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, 2023 and 2022 is as follows:

	2023	2022
	S/(000)	S/(000)
Balance at the beginning of the year	4,554,078	4,430,543
Additions (i)	193,001	209,609
Disposal for sale to related party (ii)	-	(77,487)
Fair value adjustment	1,908	7,236
Balance at the end of the period	4,748,987	4,569,901
Balance as of December 31, 2022		4,554,078

- (i) In June 2023, the Company acquired the Izaguirre property for US\$21,900,000 equivalent to S/79,738,000 at the time of the purchase, in addition to construction of the Supermercados Peruanos S.A. store for S/29,300,000 in the Santa Clara property.

In August 2023, the Company acquired a building located in Lurin to Supermercados Peruanos S.A. (a related Company) for S/48,873,000.

- (ii) During the year 2022, the Company sold participation certificates, which had as underlying two properties located in Lima, called "Rex" and "Zapallal", to Related Companies for an amount of S/118,100,000, of this amount S/62,055,000 (as of December 31, 2022, S/5,052,000) has been collected and there is account receivable by S/38,982,000 and S/17,063,000 (as of December 31, 2022, S/95,985,000 and S/17,063,000), see note 26 (f).

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 deleveraged 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, 2023 and December 31, 2022, this item comprises two principal Call Spread and one 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	Due	Receives fixed rate at	Pays fixed rate at	Book value of the hedged item	2023		2022	
						Fair value assets	Fair value liability	Fair value assets	Fair value liability
	US\$(000)		%	%	S/(000)	S/(000)	S/(000)	S/(000)	
J.P. Morgan (a)	250,000	April 2028	-	1.05	949,250	66,717	-	67,348	-
J.P. Morgan (b)	100,000	April 2028	5.75	8.75	379,700	-	32,664	-	17,989
J.P. Morgan (c)	100,000	April 2028	-	0.97	379,700	11,716	-	-	-
Total						78,433	32,664	67,348	17,989

Notes to the interim consolidated financial statements (continued)

- (a) Patrimonio en Fideicomiso D.S. 093-2002-EF InRetail Shopping Malls, Subsidiary of the Company, carried out hedging operations through a Call Spread that covers US\$250,000,000 of the financial obligations in foreign currency of the "Senior Notes Unsecured" and protects variations in the rate of change between S/3.26 and S/3.75 for US\$1.00. From the date of issue of the "Senior Notes Unsecured" for the purposes of IFRS 9, it was classified as an effective hedging instrument.
- (b) In July 2021, the Company acquired a Full Cross-Currency Swap covering US\$100,000,000 of the exposure in foreign currency of the issuance of its financial obligations of the Senior Notes Unsecured, which establishes the currency exchange at the exchange rate of S/3.887 for US\$1.00, which for the purposes of IFRS 9, it qualifies as an effective hedging instrument.
- (c) On April 4, 2023, InRetail Shopping Malls (a subsidiary of the Company) acquired a Call Spread that covers US\$100,000,000 of the foreign currency exposure of the principal of the issuance of "Notes" debt instruments and protects exchange rate fluctuations between 3.90 and 4.30 per US\$1.00. The Call Spread premium is financed in a term equal to that of the issue.

As of September 30, 2023, the Call Spread covers US\$250,000,000 of the foreign currency exposure of the principal of the issuance and protects exchange rate fluctuations between S/3.26 and S/3.75 for US\$1.00 and Call Spread covers US\$100,000,000, protects variations between S/3.90 and S/4.30 (as of December 31, 2022, the Call Spread covers US\$250,000,000 and protects variations between S/3.26 and S/3.75).

As of September 30, 2023 and December 31, 2022, the exchange rate has suffered increments that have not been covered by the Call Spread of US\$250,000,000, 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, 2023	As of December 31, 2022
	S/(000)	S/(000)
Bills payable to third parties (b)	40,902	36,043
Provision of services unbilled (c)	8,922	10,417
Total	49,824	46,460
By term:		
Current	45,884	41,323
Non-current	3,940	5,137
Total	49,824	46,460

- (b) As of September 30, 2023 and December 31, 2022, 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, 2023	As of December 31, 2022
	S/(000)	S/(000)
By type:		
Deferred income (b)	21,102	21,367
Value added tax	5,798	8,240
Tax payables	6,944	4,134
Remunerations and social benefits to be paid	6,502	5,039
Deposits from third parties (d)	4,145	4,136
Interest payable (c)	4,249	30,570
Vacations	1,867	1,336
Workers' profit sharing	10	645
Other payables	21,072	17,933
Total	71,689	93,400
By term:		
Current	57,694	79,837
Non-current	13,995	13,563
Total	71,689	93,400

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

	As of September 30, 2023	As of December 31, 2022
	S/(000)	S/(000)
Key money (b.1)	18,246	17,947
Others	2,856	3,420
Total	21,102	21,367

(b.1) As of September 30, 2023 and December 31, 2022, corresponds to the payment of key money from several tenants that operate in the Real Plaza shopping malls.

(c) As of September 30, 2023 and December 31, 2022, corresponds mainly to interest payable originated from the private offering of "Senior Notes Unsecured" maturing in 2028 and 2034 that accrue an annual interest rate of 5.750, 6.5625 and 7.875 percent.

(d) As of September 30, 2023 and December 31, 2022, 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, 2023 and December 31, 2022, is as follows:

	Land	Buildings infrastructure and facilities	As of September 30, 2023	As of December 31, 2022
	S/(000)	S/(000)	S/(000)	S/(000)
Cost				
Initial balance	169,511	933	170,444	161,654
Additions	4,533	-	4,533	8,790
Disposals and/or sales (c)	(6,218)	(933)	(7,151)	-
Final balance	167,826	-	167,826	170,444
Accumulated depreciation				
Initial balance	30,411	933	31,344	23,050
Additions, Note 22(a)	6,140	-	6,140	8,294
Disposals and/or sales (c)	(2,489)	(933)	(3,422)	-
Final balance	34,062	-	34,062	31,344
Net book value	133,764	-	133,764	139,100

Depreciation expense for the nine-month period ended September 30, 2023 and 2022, was recorded as follows in the income statement:

	2023	2022
	S/(000)	S/(000)
Cost of sales, Note 22 (a)	6,140	6,215
Balance as of September 30,	6,140	6,215
Balance as of December 31, 2022		8,294

Notes to the interim consolidated financial statements (continued)

(c) The movement of the lease liability caption, as of September 30, 2023 and December 31, 2022, is as follows:

	As of September 30, 2023 S/(000)	As of December 31, 2022 S/(000)
Initial balance	235,818	234,803
Additions	8,646	14,783
Increase for accrued interest, Note 24 (a)	8,063	11,141
Amortization	(12,880)	(17,347)
Extinguishment of part of a lease liability	(4,283)	-
Exchange difference	(1,040)	(7,562)
Final balance	234,324	235,818
Current	6,870	6,749
Non-current	227,454	229,069
Final balance	234,324	235,818

Additionally, in the nine-month period ended as of September 30, 2023 and 2022, interest related to the lease liability of S/8,063,000 and S/8,298,000 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	
				US\$ (000)	S/(000)	September 30, 2023	As of December 31, 2022	As of September 30, 2023	As of December 31, 2022	September 30, 2023	As of December 31, 2022
						S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)
Bonds issuance											
Senior Notes Unsecured (b)	USD	5.750	2028	350,000	-	1,276,952	1,277,478	-	-	1,276,952	1,277,478
Senior Notes Unsecured (c)	PEN	7.875	2034	-	141,000	135,825	135,755	-	-	135,825	135,755
Senior Notes Unsecured (b)	PEN	6.563	2028	-	313,500	311,268	310,959	-	-	311,268	310,959
				350,000	454,500	1,724,045	1,724,192	-	-	1,724,045	1,724,192
Leasings											
Related entities											
Banco Internacional del Perú-Interbank	USD	3.950	2023	25	-	-	69	-	33	-	36
Non-related entities											
Scotiabank Perú S.A.A. (e)	PEN	5.510	2025	-	380,000	282,269	305,526	31,061	31,015	251,208	274,511
Hewlett Packard S.A.	USD	Between 2.190 and 2.900	2023 - 2025	2,009	-	2,091	3,457	1,409	2,225	682	1,232
CSI Renting	USD	Between 2.320 and 2.360	2025	69	-	123	178	67	72	56	106
Inversiones Nueva Capital Peru S.A.	USD	12.000	2026	163	-	407	505	155	132	252	373
				2,266	380,000	284,890	309,735	32,692	33,477	252,198	276,258
Promissory notes and loans											
Non-related entities											
Scotiabank Perú S.A.A. (d)	PEN	5.250	2027	-	50,000	34,843	38,548	4,946	4,941	29,897	33,607
Call Spread financing, Note 13											
JP. Morgan	USD	10.205	2028	18,147	-	36,057	42,411	3,285	6,135	32,772	36,276
JP. Morgan	PEN	11.200	2028	-	15,704	13,831	-	2,182	-	11,649	-
				18,147	65,704	84,731	80,959	10,413	11,076	74,318	69,883
Total				370,413	900,204	2,093,666	2,114,886	43,105	44,553	2,050,561	2,070,333

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/1,328,950,000 as of September 30, 2023 (S/1,337,000,000 as of December 31, 2022) 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\$13,695,000 equivalent to approximately S/51,998,000 as of September 30, 2023 (US\$15,582,000 equivalent to approximately S/59,522,000 as of December 31, 2022).

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 6.563 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/2,232,000 as of September 30, 2023 (S/2,541,000 as of December 31, 2022).

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, 2023 and December 31, 2022, the covenants from the bond issuance have been complied satisfactorily and are within the agreed limits.

- (c) In July 2014, InRetail Real Estate Corp. issued, through InRetail Shopping Malls, an offering in the 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/1,175,000 as of September 30, 2023 (S/1,245,000 as of December 31, 2022). Additionally, as of September 30, 2023 and December 31, 2022, 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, 2023 and December 31, 2022, the balance of this loan is S/135,825,000 and S/135,755,000, 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/157,000 as of September 30, 2023 (S/202,000 as of December 31, 2022).

As of September 30, 2023, the Company amortized a amount of S/15,000,000 (as of December 31, 2022, S/11,250,000).

- (e) 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/1,731,000 as of September 30, 2023 (S/2,474,000 as of December 31, 2022).

Notes to the interim consolidated financial statements (continued)

As of September 30, 2023, the Company amortized an amount of S/96,000,000 (As of December 31, 2022, S/72,000,000).

As of September 30, 2023 and December 31, 2022, InRetail Real Estate and subsidiaries have complied with the financial requirements (“covenants”).

(f) Financial obligations are payable as follows:

	As of September 30, 2023	As of December 31, 2022
	S/(000)	S/(000)
2023	10,546	44,553
2024	46,561	44,095
2025	259,002	256,245
2026	16,089	13,229
2027	30,892	27,740
2028 onwards	1,730,576	1,729,024
Total	2,093,666	2,114,886

18. Income tax

(a) The Deferred Income Tax assets and liabilities presented in the consolidated statements as of September 30, 2023 and December 31, 2022, as well as those presented in the consolidated statement of income for the nine months periods ended September 30, 2023 and 2022, are detailed as follows:

Statements of financial position	As of September 30, 2023		As of December 31, 2022	
	Assets	Liabilities	Assets	Liabilities
	S/(000)	S/(000)	S/(000)	S/(000)
Real Plaza S.R.L.	8,287	-	7,557	-
Inversiones Real Estate S.A.	-	651	-	653
Inmobiliaria Puerta del Sol S.A.	-	42,578	-	39,712
Total	8,287	43,229	7,557	40,365

Statements of comprehensive income	Income tax for the nine-month period ended September 30, 2023 and 2022	
	2023	2022
	S/(000)	S/(000)
Current	(65,545)	(55,525)
Deferred	(2,135)	(1,753)
Total	(67,680)	(57,278)

19. Commitments

As of September 30, 2023, corresponds to guarantee letters in favor of third parties for approximately S/479,000 and US\$1,128,000 (S/200,000 and US\$2,930,000 as of December 31, 2022), which guarantee the compliance of obligations from contractual agreements related to the real estate projects of Interproperties Holding and Interproperties Holding II.

Notes to the interim consolidated financial statements (continued)

20. Equity

(a) Capital stock

As of September 30, 2023 and December 31, 2022, 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, 2022	568,201,039		568,201,039
Number as of September 30, 2022	568,201,039	270	568,201,039
Number as of January 1, 2023	568,201,039		568,201,039
Number as of September 30, 2023	568,201,039	270	568,201,039
For the nine-month period ended September 30, 2023			
	Net profit (numerator)	Shares (denominator)	Profit per share
	S/		S/
Basic and diluted profit per share	164,658,000	568,201,039	0.290
For the nine-month period ended September 30, 2022			
	Net profit (numerator)	Shares (denominator)	Profit per share
	S/		S/
Basic and diluted profit per share	138,395,000	568,201,039	0.244

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, 2023 and 2022 is presented below:

	2023 S/(000)	2022 S/(000)
Rental income		
Rental income (b)	354,102	318,543
Rent of space for publicity	20,680	14,335
Key money	4,241	3,748
Total	379,023	336,626
Income from management services		
Common expenses (c)	74,910	67,833
Electricity and water (d)	61,947	47,672
Promotion and advertisement (e)	20,408	18,063
Parking	9,929	8,104
Management services	2,998	1,152
Others	6,539	6,717
Total	176,731	149,541

- (b) As of September 30, 2023 and 2022, corresponds to rental income from the economic exploitation of the "Real Plaza" shopping malls.

The composition of the rental income is presented below:

	2023 S/(000)	2022 S/(000)
Fixed rental income	304,335	275,474
Variable rental income	49,767	43,069
Total	354,102	318,543

- (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 each 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, 2023 and 2022 is presented below:

	2023 S/(000)	2022 S/(000)
Cost of rental income		
Cost of variable lease (b)	15,258	12,820
Depreciation from right-of-use asset, Note 16(b)	6,140	6,215
Property tax and duties	17,272	15,948
Property insurance costs	5,222	4,802
Others	799	650
Total	44,691	40,435
Cost related to income from management services		
Electricity and water	53,522	40,817
Maintenance and administration of parking lot	24,861	18,945
Advertising and marketing	15,550	13,647
Personnel expenses	16,112	14,983
Cleaning services	11,880	10,010
Safety services	11,343	10,230
Leases, professional fees and communications	12,009	6,414
Other costs	1,536	6,121
Total	146,813	121,167

- (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, 2023 and 2022 is presented below:

	2023 S/(000)	2022 S/(000)
Administrative expenses	29,748	29,534
Selling expenses	10,390	7,982
Total	40,138	37,516

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:

	2023		
	Selling expenses	Administrative expenses	Total
	S/(000)	S/(000)	S/(000)
Personnel expenses	7,749	12,603	20,352
Depreciation, Note 11 (a)	-	3,191	3,191
Amortization	-	2,791	2,791
Services provided by third parties	1,045	10,424	11,469
Allowance for doubtful accounts, Note 7 (e)	8,863	-	8,863
Recovery of allowance for doubtful accounts, Note 7 (e)	(7,406)	-	(7,406)
Other charges	139	739	878
Total	10,390	29,748	40,138

	2022		
	Selling expenses	Administrative expenses	Total
	S/(000)	S/(000)	S/(000)
Personnel expenses	7,519	12,618	20,137
Depreciation	-	4,547	4,547
Amortization	-	2,439	2,439
Services provided by third parties	1,046	9,145	10,191
Allowance for doubtful accounts, Note 7 (e)	12,611	-	12,611
Recovery of allowance for doubtful accounts, Note 7 (e)	(10,218)	-	(10,218)
Recovery of allowance for doubtful accounts related	(3,113)	-	(3,113)
Other charges	137	785	922
Total	7,982	29,534	37,516

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, 2023 and 2022 is presented below:

	2023 S/(000)	2022 S/(000)
Income		
Interest on deposits	4,974	1,335
Interest from loans granted to related parties	20,745	20,745
Dividend income	4,306	3,529
Income on investments at fair value through profit or loss	3,541	762
Others	669	743
Total	<u>34,235</u>	<u>27,114</u>
	2023 S/(000)	2022 S/(000)
Expenses		
Bond interest expenses	79,563	80,983
Interest from leasing and others	16,519	18,198
Interest from swap	10,131	9,730
Debt structuring expenses	8,202	7,934
Accrual of the Call Spread premium	8,063	6,735
Interest from lease liabilities, Note 16 (c)	8,149	8,298
Other	2,562	2,504
Total	<u>133,189</u>	<u>134,382</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, 2023 and December 31, 2022, 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, 2023 and December 31, 2022.
- (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 2018 to 2022	From 2019 to 2023
Inmobiliaria Puerta del Sol S.A.	From 2018 to 2022	From 2019 to 2023
Inversiones Real Estate S.A.	From 2018 to 2022	From 2019 to 2023

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, 2023 and December 31, 2022, the accrued income tax amounted to S/552,042,000 and S/495,791,000, 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, 2023 and December 31, 2022.

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, 2023 and December 31, 2022:

	As of September 30, 2023 S/(000)	As of December 31, 2022 S/(000)
Receivables		
InRetail Perú Corp. (d)	402,500	409,517
Homecenters Peruanos S.A. (e), (f)	69,649	86,705
Supermercados Peruanos S.A. (e), (f)	61,628	93,445
Tiendas Peruanas S.A.	7,864	4,532
EP de Franquicias S.A.C.	3,637	3,591
Cineplex S.A.	3,622	11,035
Bembos S.A.C.	2,648	2,444
Compañía Food Retail S.A.C.	2,581	1,738
Banco Internacional del Perú S.A.A.- Interbank	1,877	607
Alert del Perú S.A.	1,437	1,652
EP de Restaurantes S.A.C.	1,337	1,510
Corporación Peruana de Restaurantes S.A.C.	1,177	1,262
Boticas IP S.A.C.	657	413
Tiendas Peruanas Oriente S.A.C.	631	513
Servicio Educativo Empresarial S.A.C.	436	440
Interseguro Compañía de Seguros S.A.	297	296
Other	3,575	2,240
Total	565,553	621,940
Current	45,875	50,916
Non-current	519,678	571,024
Total	565,553	621,940
	As of September 30, 2023 S/(000)	As of December 31, 2022 S/(000)
Payables		
IR Management S.R.L.	917	973
Supermercados Peruanos S.A.	354	5,022
Homecenters Peruanos S.A.	81	1,411
Interseguro Compañía de Seguros S.A.	384	8,337
Agora Servicios Digitales S.A.C.	199	162
InDigital XP S.A.C.	115	-
Tiendas Peruanas S.A.	19	1,501
Banco Internacional del Perú S.A.A.- Interbank (g)	-	32,372
Intercorp Perú Ltd	594	12,902
Others	414	103
Total	3,077	62,783
Financial Obligations		
Leasing:		
Banco Internacional del Perú - Interbank	-	69

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

Notes to the interim consolidated financial statements (continued)

- (b) As of September 30, 2023 and December 31, 2022, 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/102,537,000 and S/28,294,000, respectively.
- (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.

As of September 30, 2023, the Company collected an interest fee of S/27,761,000 (S/27,761,000 as of December 31, 2022) which is presented in the consolidated statement of cash flows.

For the nine months ended September 30, 2023 and 2022, an interest of S/20,745,000 and S/20,745,000 was earned, respectively, which was recorded in the “financial income” caption of the consolidated statement of comprehensive income. As December 31, 2022, accumulated interest receivable of S/7,017,000, is maintained.

- (e) As of September 30, 2023, 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/34,575,000 and S/31,141,000, respectively (S/33,040,000 and S/29,674,000 as of December 31, 2022, 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.

Additionally, it includes S/19,592,000 receivable from Supermercados Peruanos S.A. and from S/36,454,000 Homecenters Peruanos S.A. for the sale of participation certificates that InRetail Shopping Malls held on one land. See Note 26 (f).

Also, there are other accounts receivable for S/7,461,000 from Supermercados Peruanos S.A. and S/2,054,000 to Homecenters Peruanos S.A.

- (f) On April 4, 2022, the Company sold the participation certificates held by InRetail Shopping Mall to Supermercados Peruanos S.A. and Homecenters Peruanos S.A. (Related companies) for a value of S/101,037,000, generating a gain of S/12,872,000 that is presented in the caption “Other income (expenses), net”, of the consolidated income statement and S/62,055,000 as of September 30, 2023 (S/5,052,000 as of December 31, 2022) has been collected, which is presented in the consolidated statement of cash flows and maintaining account receivable of S/38,092,000 as of September 30, 2023 (S/95,985,000 as of December 31, 2022). See Note 12 (b).

On October 4, 2022, the Company sold the certificates held by Patrimonio en Fideicomiso D.S. N°093-2002-EF- Interproperties Holding II to Supermercados Peruanos S.A. and Homecenters Peruanos S.A. for an amount of S/17,063,000 having as underlying the land called "Zapallal". See Note 12 (b).

- (g) As of December 31, 2022, maintained a balance payable with Banco Internacional del Perú S.A.A.- Interbank for US\$8,460,000 equivalent to S/32,317,000 payable in one year for the acquisition of a property located in the district of Surquillo. In March 2023, the balance of the account payable was paid in full and is presented in the consolidated statement of cash flows.

Notes to the interim consolidated financial statements (continued)

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, 2023 and December 31, 2022, InRetail Real Estate does not maintain debts at variable rate, which would be exposed to the risk of change in the interest rate.

(ii) Exchange rate risk

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

As of September 30, 2023 and December 31, 2022, assets and liabilities maintained in foreign currency were the following (expressed in thousands US Dollars):

	As of September 30, 2023 US\$(000)	As of December 31, 2022 US\$(000)
Assets		
Cash and cash equivalents	9,705	51,242
Investment at fair value through profit or loss	1,707	-
Investments at fair value through equity	42,570	45,185
Trade receivables, net	609	643
Other receivables	147	15
Accounts receivables from related parties	1,089	1,457
Total assets	55,827	98,542
Liabilities		
Trade payables	(1,985)	(2,805)
Other liabilities	(425)	(5,308)
Accounts payable to related parties	(12)	(8,466)
Lease liability	(44,406)	(44,414)
Financial obligations	(346,492)	(346,622)
Total liabilities	(393,320)	(407,615)
Hedge amount	350,000	350,000
Net asset position	12,507	40,927

Notes to the interim consolidated financial statements (continued)

As of September 30, 2023 and December 31, 2022, 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 US\$100,000,000 and the Full Cross-Currency Swap over an amount of US\$100,000,000 as of September 30, 2023 (as of December 31, 2022, Call Spread over a nominal amount of US\$250,000,000 and the Full Cross-Currency Swap over amount of US\$100,000,000) 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, 2023, the market end of period exchange rate for transactions in US Dollars was S/3.790 per US\$1.00 bid and S/3.797 per US\$1.00 ask (S/3.808 per US\$1.00 bid and S/3.820 per US\$1.00 ask as of December 31, 2022).

For the nine-month period ended as of September 30, 2023 and 2022, InRetail Real Estate has incurred in the following results for exchange difference:

	2023	2022
	S/(000)	S/(000)
Exchange difference generated by hedged assets and liabilities	2,300	1,400
Compensation of exchange difference for hedging derivative	(2,300)	(1,400)
Exchange difference generated by unhedged assets and liabilities	3,767	(694)
Net gain (loss)	<u>3,767</u>	<u>(694)</u>

(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, 2023 and December 31, 2022, 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.

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.

Notes to the interim consolidated financial statements (continued)

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, 2023 and 2022. 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

From October 1, 2023, to the date of presentation of this report, no significant event has occurred that affects the financial statements, in addition to what is reported in the notes to the consolidated financial statements.

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.