Translation of independent auditors' report and financial statements originally issued in Spanish - Note 34

InRetail Real Estate Corp. and Subsidiaries

Consolidated financial statements as of December 31, 2022 and 2021, together with independent auditors' report

Building a better working world

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Consolidated financial statements as of December 31, 2022 and 2021, together with Independent Auditors' report

Content

Tanaka, Valdivia & Asociados
Sociedad Civil de R.L

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Independent Auditors' Report

Opinion

We have audited the consolidated financial statements of InRetail Real Estate Corp. and Subsidiaries (the Group), which comprise the consolidated statement of financial position as of December 31, 2022, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Peru, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities in connection with the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (ISAs) approved for application in Peru by the Board of Deans of Peruvian Public Accountants' Associations, we exercise professional judgment and maintain professional skepticism throughout the Audit. We Also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Translation of independent auditors' report and financial statements originally issued in Spanish - Note 34

Independent Auditors' Report (continued)

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Lima, Perú,
March 30, 2023

Countersigned by:

S. McLauchlan

Tanaka, Valdivia & Asoc.

Stephanie McLauchlan
C.P.C.C. Matrícula No. 33000

InRetail Real Estate Corp. and Subsidiaries

Consolidated statements of financial position

As of December 31, 2022 and 2021

	Note	2022 S/(000)	2021 S/(000)
Assets			
Current assets			
Cash and short-term deposits	3 and 4	220,746	195,484
Financial instruments at fair value through profit or loss	3 and 5	-	81,782
Trade accounts receivables, net	3 and 6	43,077	44,693
Accounts receivable from related parties	3 and 27(b)	50,916	45,528
Other receivables	3 and 7	14,765	8,890
Prepaid expenses	3	434	2,619
Recoverable taxes	3 and 8	11,036	10,086
Total current assets		340,974	389,082
Non-current assets			
Financial instruments at fair value through other comprehensive income	3 y 9	172,064	191,266
Other receivable	7	4,892	4,892
Recoverable taxes	3 and 8	13,166	20,076
Accounts receivable from related parties	3 and 27(b)	571,024	460,571
Derivative financial instruments – "Call Spread"	3 and 10	67,348	109,754
Facilities, furniture and equipment, net	3 and 11	8,539	9,734
Investment properties	3 and 12	4,554,078	4,430,543
Intangible assets, net	13	14,804	13,604
Right-of-use assets	20	139,100	138,604
Deferred income tax asset, net	3 and 17(a)	7,557	6,208
Total Non-current assets		5,552,572	5,385,252
Total assets		5,893,546	5,774,334

	Note	2022 S/(000)	2021 S/(000)
Liabilities and equity			
Current liabilities			
Trade accounts payable	3 and 14	41,323	48,209
Accounts payable to related parties	3 and 27(b)	62,783	1,880
Other liabilities	3 and 15	79,837	69,070
Current portion of long-term financial obligations	3 and 16	44,553	157,953
Lease liability	20	6,749	4,796
Total current liabilities		235,245	281,908
Non-current liabilities			
Trade accounts payable	3 and 14	5,137	6,809
Other long-term liabilities	3 and 15	13,563	13,760
Long-term financial obligations	3 and 16	2,070,333	2,163,896
Deferred Income tax liability	20	229,069	230,007
Lease liability	3 and 17(a)	40,365	33,717
Taxes related to Special Purpose Entities	3 and 26(f)	495,791	416,979
Derivative financial instruments	3 and 10	17,989	-
Total non-current liabilities		2,872,247	2,865,168
Total liabilities		3,107,492	3,147,076
Equity			
Capital stock	19	1,475,706	1,475,706
Unrealized results		(24,710)	30,521
Retained earnings		1,335,058	1,121,031
Total equity		2,786,054	2,627,258
Total liabilities and equity		5,893,546	5,774,334

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

InRetail Real Estate Corp. and Subsidiaries

Consolidated statements of income

For the years ended December 31, 2022 and 2021

	Note	2022 S/(000)	2021 S/(000)
Rental income	3 and 21	473,178	361,019
Income from management services	3 and 21	205,316	170,216
Cost related to income from management services	3 and 22	(168,936)	(137,569)
Net rental income		509,558	393,666
Cost of rental income	3 and 22	(59,492)	(47,219)
Gross profit		450,066	346,447
Fair value of investment properties	3 and 12(a) y (b)	3,943	168,478
Selling and administrative expenses	3 and 23	(54,598)	(51,992)
Disposal of investment properties	12(g)	(10,168)	(6,375)
Other expenses, net	12(f) and 27(f)	10,916	(1,685)
Operating profit		400,159	454,873
Financial income	3 and 25	36,830	39,409
Financial expenses	3 and 25	(180,009)	(218,328)
Exchange difference, net	3 and 29(b)(ii)	47,107	(84,390)
Profit before income tax		304,087	191,564
Income tax	3 and 17(c)	(90,911)	(57,263)
Net (loss) income		213,176	134,301
Basic and diluted profit per share (thousands of shares outstanding 568,201)	3 and 19(a)	0.375	0.236

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

InRetail Real Estate Corp. and Subsidiaries

Consolidated statements of comprehensive income

For the years ended December 31, 2022 and 2021

	Note	2022 S/(000)	2021 S/(000)
Net income		213,176	134,301
Other comprehensive income that will not be reclassified to the consolidated income statements in subsequent periods:			
Net unrealized results on financial instruments at fair value through other comprehensive income	3.3(b) and 9(c)	(19,202)	24,690
Other comprehensive income to be reclassified to the consolidated income statements in subsequent periods:			
Unrealized results on derivative financial instruments – "Call Spread"	3.3(s) and 10	(36,029)	30,403
Other comprehensive income to be reclassified to the consolidated income statements in subsequent periods, net of Income Tax		(55,231)	55,093
Total comprehensive income for the year, net of Income Tax		157,945	189,394

InRetail Real Estate Corp. and Subsidiaries

Consolidated statements of changes in equity net

For the years ended December 31, 2022 and 2021

	Number of shares issued Nota 19 (in thousand of units)	Capital stock S/(000)	Unrealized earnings S/(000)	Retained earnings S/(000)	Total S/(000)
Balance as of December 31, 2020	568,201	1,475,706	(24,572)	986,730	2,437,864
Net income	-	-	-	134,301	134,301
Other comprehensive income, note 19(b)	-	-	55,093	-	55,093
Total comprehensive income	-	-	55,093	134,301	189,394
Balance as of December 31, 2021	568,201	1,475,706	30,521	1,121,031	2,627,258
Net income	-	-	-	213,176	213,176
Other comprehensive income, note 19(b)	-	-	(55,231)	-	(55,231)
Total comprehensive income	-	-	(55,231)	213,176	157,945
Others	-	-	-	851	851
Balance as of December 31, 2022	568,201	1,475,706	(24,710)	1,335,058	2,786,054

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

InRetail Real Estate Corp. and Subsidiaries

Consolidated statements of cash flows

For the years ended December 31, 2022 and 2021

	Note	2022 S/(000)	2021 S/(000)
Operating activities			
Collections from ordinary activities		754,789	567,321
Payments to suppliers of goods and services		(165,848)	(156,960)
Payroll and social benefits payments		(47,136)	(43,531)
Taxes paid		(98,837)	(69,160)
Taxes recovered		16,797	14,230
Other (payments) collections, net		(41,279)	(25,081)
Net cash provided by operating activities		418,486	286,819
Investing activities			
Purchase of financial instruments at fair value through profit or loss		(478,371)	(263,639)
Withdrawal of financial instruments at fair value through profit or loss		561,251	331,141
Collection of interests related on loans to related parties		27,761	27,761
Dividend collections	25(a)	3,529	7,309
Sale of investment properties	12(g)	-	31,113
Sale of certificate of participation to related parties		5,052	-
Purchase of investment properties		(191,722)	(75,215)
Value Added Tax payment related to investment properties in progress		(6,173)	(13,539)
Purchase of facilities, furniture and equipment, net of acquisitions through leasing contracts	11(a)	(1,637)	(984)
Purchase and development of intangible assets	13(a)	(4,559)	(5,525)
Net cash provided by (used in) investing activities		(84,869)	38,422

Consolidated statements of cash flows (continued)

	Note	2022 S/(000)	2021 S/(000)
Financing activities			
Proceeds from interest-bearing debts and loans	29(d)	25,000	167,000
Payment of financial obligations	29(d)	(184,203)	(163,861)
Interest paid	29(d)	(133,155)	(136,972)
Leases paid	20(f)	(15,997)	(15,911)
Net cash flows (used in) provided by financing activities		(308,355)	(149,744)
Net (decrease) increase in cash and short-term deposits		25,262	175,497
Cash and cash equivalents at the beginning of year	3.3(e) and 4(a)	195,484	19,987
Cash and short–term deposits at the end of year		220,746	195,484
Non-cash transactions			
Investment properties acquired through leasing	12(d)	32,588	-
Leasing contracts	11(a)	3,321	2,673
Additions of right-of use asset	20(b)	8,790	9,857

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

1. **Business activity -**

(a) Identification –

InRetail Real Estate Corp. (hereinafter "the Company"), a holding entity incorporated in April 2012 in the Republic of Panama, and is a subsidiary of InRetail Perú Corp. The latter is a 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 and holds 100 percent of Intercorp Retail Inc.'s shares.

As of December 31, 2022, and 2021, Intercorp Perú Ltd. holds directly and indirectly 67.57 and 71.54 percent, of the capital stock of InRetail Perú Corp., which in turn holds 100 percent of the capital stock of the Company.

The Company's legal address is 50 Street and 74 Street, floor 16 "PH" Building, San Francisco, Republic of Panama. However, its Management and administrative offices are located at Av. Punta del Este 2403, Jesus Maria, Lima, Peru.

The Group, 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 subsidiary and Real Plaza S.R.L. (hereinafter and together, "InRetail Real Estate"), are dedicated to operating shopping malls as well as real estate development. InRetail Real Estate operations are concentrated in Peru. Note 2 presents in greater detail the structure and activities of the Group.

The consolidated financial statements for the year ended December 31, 2022, and 2021 have been approved by the General Shareholders Meeting on March 17,2023 and April 19, 2022, respectively.

(b) Global pandemic COVID-19 -

In March 2020, the World Health Organization declared Covid-19 a pandemic, which resulted in various measures such as travel restrictions, strict prolonged quarantines and, as a consequence of this, the slowdown of commercial activities and the Peruvian economy in general. The resumption of economic activities was carried out gradually in accordance with a plan developed and approved by the Peruvian Government starting from May 2020 following a series of protocols, and, by the first semester of 2022, economic activities were at levels prior to the pandemic.

As a result of the pandemic, the Group's assets have not presented impairment that have not been included in the financial statements and there have not been any changes in the accounting judgments as of December 31, 2022 and 2021.

2. Subsidiaries activities

InRetail Real Estate Corp. is the controlling entity of Patrimonio en Fideicomiso – D.S.N°093-2002–EF - InRetail Shopping Malls and Subsidiaries hereinafter "InRetail Shopping Malls", which is a Special Purpose Entity (SPE) constituted for the purpose to hold the certificates of participation of Patrimonio en Fideicomiso D.S N° 093-2002-EF - Interproperties Holding, Patrimonio en Fideicomiso D.S N° 093-2002-EF - Interproperties Holding II and Subsidiaries and the shares representing the capital stock of Real Plaza SRL and Subdidiaries jointly referred to as "the InRetail Real Estate Group".

Interproperties Holding and Interproperties Holding II are Special Purpose Entities that hold certificates of participation of Patrimonio en Fideicomiso–D.S.N°093-2002–EF-Interproperties Perú.

Patrimonio en Fideicomiso–D.S.N°093-2002–EF-Interproperties Perú (hereinafter " Patrimonio Fideicometido – Interproperties Perú") is a structured entity of special purpose entity established in April 2008, to which different investors —related to the Intercorp Group— contributed with investment properties; each investor or group of investors have the ownership and the specific control of the property they contributed. As of December 31, 2022 and 2021, the fair value of the properties contributed by Interproperties Holding and Interproperties Holding II, which were included in said structured entity, amounted to S/4,176,684,000 and S/3,999,491,000, respectively. For accounting purposes and according to IFRS 10 "Consolidated Financial Statements", the assets included in said structured entity are considered "silos", given that they are delimited parts of a broader structured entity (the Trust Property "Interproperties Perú"). InRetail Real Estate Group has ownership and decision power over these properties and has the exposure or rights over its returns; therefore, it has consolidated the silos that contain the investment properties it controls.

The InRetail Real Estate Group is dedicated to the business of investment properties under the format of shopping malls so as to generate income mainly through renting. The shopping malls operate under the name "Real Plaza" and are located in the cities of Chiclayo, Pucallpa, Piura, Chimbote, Trujillo, Huancayo, Arequipa, Juliaca, Huánuco, Cusco, Cajamarca and Lima. The detail of the Shopping Malls and other investment properties held by the InRetail Real Estate Group is presented in note 12 of the consolidated financial statements.

Additionally, Interproperties Holding II owns 100 percent of participation in the net assets of Inmobiliaria Puerta del Sol S.A., owner of the Real Plaza Cusco Shopping Mall.

Real Plaza S.R.L. and its subsidiaries are companies dedicated to the management and administration of shopping malls, as well as the maintenance and development of relations with other tenants. Likewise, as of December 31, 2022 and 2021, Real Plaza S.R.L. holds a participation of 100 percent, of the entity Inversiones Real Estate S.A.C.

A summary of the main data of the audited separate financial statements of the Company, its Subsidiaries and SPEs as of December 31, 2022 and 2021, and for the years then ended is presented below:

	As of December 31, 2022			
	Assets S/(000)	Liabilities S/(000)	Net Equity S/(000)	Profit (Loss) S/(000)
Company				
InRetail Real Estate Corp.	1,489,392	-	1,489,392	(23,554)
Real Plaza S.R.L. and subsidiaries	87,120	63,753	23,367	3,409
Special Purpose Entities (SPEs)				
Patrimonio en Fideicomiso D.S. Nº093-2002 -EF- Interproperties Holding	2,113,748	625,313	1,488,435	141,504
Patrimonio en Fideicomiso D.S. Nº093-2002 -EF- Interproperties Holding II and subsidiary	3,014,681	1,041,010	1,973,671	109,656
Patrimonio en Fideicomiso D.S. Nº093-2002 -EF- InRetail Shopping Malls	3,959,305	1,547,309	2,411,996	(41,166)

	As of December 31, 2021			
	Assets S/(000)	Liabilities S/(000)	Net Equity S/(000)	Profit (Loss) S/(000)
Company				
InRetail Real Estate Corp.	1,489,416	-	1,489,416	1
Real Plaza S.R.L. and subsidiaries	83,960	64,002	19,958	(1,597)
Special Purpose Entities (SPEs)				
Patrimonio en Fideicomiso D.S. Nº093-2002 -EF- Interproperties Holding	1,991,078	579,600	1,411,478	160,276
Patrimonio en Fideicomiso D.S. Nº093-2002 -EF- Interproperties Holding II and subsidiary	2,911,092	1,021,328	1,889,764	139,050
Patrimonio en Fideicomiso D.S. Nº093-2002 -EF- InRetail Shopping Malls	3,933,148	1,613,992	2,319,156	(163,164)

3. Summary of significant accounting policies

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

3.1 Basis of preparation and presentation

The consolidated financial statements of InRetail Real Estate Corp. have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), effective as of December 31, 2022 and 2021, respectively.

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

The information contained in these consolidated financial statements is the responsibility of the InRetail Real Estate Group Management, who explicitly manifest that principles and criteria included on IFRS, as issued by the IASB are fully applied as of the date of consolidated financial statements.

3.2 Changes in accounting standards and disclosures

The InRetail Real Estate Group applied certain standards and amendments became effective in 2022; however, they did not have a material impact on the consolidated financial statements of the Group and therefore, have not been disclosed. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Other standards, interpretations and amendments were also applied for the first time in 2022, but they had no significant impact on the consolidated financial statements as detailed below in this note.

The InRetail Real Estate Group has not adopted any standard, interpretation or amendment that was issued but is not effective.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37 -

An onerous contract is a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The amendments specify that when assessing whether a contract is onerous or loss-making, an entity needs to include 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. These amendments had no impact on the consolidated financial statements of the Group as there were no onerous contract during the period.

Reference to the Conceptual Framework – Amendments to IFRS 3 –
The amendments replace a reference to a previous version of the IASB's Conceptual Framework with a reference to the current version issued in March 2018 without significantly changing its requirements. The amendments add an exception to the recognition principle of IFRS 3 Business Combinations to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date. The amendments also add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date. These amendments had no impact on the consolidated financial statements of the Group as there were no contingent assets, liabilities and contingent liabilities within the scope of these amendments arisen during the period.

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16 –
The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale of 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. These amendments had no impact on the consolidated financial statements of the Group as there were no proceeds from selling items while bringing an asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

3.3 Summary of significant accounting policies –

(a) Basis of consolidation -
The consolidated financial statements comprise the financial statements of the Group, see note 2, as of December 31, 2022 and 2021.

The Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee).
- Exposure, or rights, to variable returns from its involvement with the investee.
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee,
- Rights arising from other contractual arrangements,

- The Group's voting rights and potential voting rights.

InRetail Real Estate assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the Subsidiary.

The financial statements of the Subsidiaries are prepared for the same period as the Company's, using uniform accounting policies. All intra-group balances, transactions, gains and losses resulting from intra-group transactions consolidated entities, as well as dividend income, have been eliminated.

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

Losses in a subsidiary are attributed to the non-controlling interests 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.

(b) Financial instruments–Initial recognition and subsequent measurement –
As of the date of consolidated financial statements, InRetail Real Estate classifies its financial instruments in the following categories defined on IFRS 9 (version 2018): (i) assets at amortized cost, at fair value through other comprehensive income or through profit or loss, (ii) financial liabilities at amortized cost or at fair value through profit or loss.

The main criteria of IFRS 9 are described below:

(i) Financial assets –
Recognition and initial measurement
Financial assets are classified, at the time of initial recognition and for subsequent valuation, as measured at amortized cost, at fair value through other comprehensive income and at fair value through profit or loss. The financial assets of the Group include cash and cash equivalents, financial instruments at fair value through profit or loss and at fair value through other comprehensive income, trade accounts receivable, other accounts receivable and accounts receivable from related parties.

Subsequent measurement

The Group classify their financial assets into the following four categories:

- Financial assets at amortized cost (debt instruments).
- Financial assets at fair value through OCI with recycle of cumulative gains and losses to the results of the year when they are written off (debt instruments).
- Financial assets at fair value through OCI, without recycle of cumulative gains and losses to the results of the year when they are written off (equity instruments).
- Financial assets at fair value through profit or loss.

The classification depends on the business model of the Group and on the characteristics of the cash flows of the instruments.

As of December 31, 2022 and 2021, the InRetail Real Estate Group has classified its financial assets in the following categories:

Financial assets at amortized cost (debt instruments)

The Group measure financial assets at amortized cost if the following conditions are met:

- The business model that the Group have for the management of financial assets in this category is to collect the contractual cash flows and not to sell or negotiate them; and
- The contractual terms of the financial asset give rise, on specified dates, to cash flows that are only payments of principal and interest on the outstanding principal amount.

Financial assets at amortized cost are subsequently measured using the effective interest method and are subject to impairment. These assets generate income from interest accrued prior to maturity or disposal. Profits and losses are recognized in results when the asset is written off, modified or impaired.

Financial assets are not reclassified after their initial recognition, except if the Group change their business model for management.

This category includes cash and cash equivalents, trade accounts receivable, other accounts receivable and accounts receivable from related parties.

Financial assets at fair value through other comprehensive income:
Debt Instruments:
The Group measure debt instruments at fair value with changes in other comprehensive income if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

As of December 31, 2022 and 2021, the Group has not designated financial assets at fair value with changes in other comprehensive income.

Equity instruments - shares
Equity instruments (shares) held for trading are recorded at fair value through profit or loss. For other equity instruments, the Group, at the time of initial recognition, must elect to irrevocably classify each equity instrument (shares) at fair value through other comprehensive income or at fair value through profit or loss. The classification is determined on an instrument by instrument basis.

The gains or losses of the shares classified in other comprehensive income are never recycled to profit or loss of the year. Dividends are recognized as other income in the consolidated statement of income when the right to payment has been established, except when the Group benefit from said income as a recovery of part of the cost of the financial asset, in which case, said earnings are recorded in other comprehensive income. These instruments are not subject to impairment evaluation.

The Group have chosen to classify all their investments in shares in this category.

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss include: financial assets held for trading, financial assets designated at the time of initial recognition at fair value through profit or loss, or financial assets that must be measured at fair value.

Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the short term, or if they correspond to derivatives that are not designated as effective hedging instruments, or financial assets with cash flows that are not solely payments of principal and interest, regardless of the business model.

Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value, with net changes in fair value recognized as financial expenses (net negative changes in fair value) or financial income (net positive changes in fair value) in the consolidated statement of income.

The Group hold in this category mutual funds that are presented in the caption "Financial instruments at fair value through profit or loss" in the consolidated statement of financial position. The changes in fair value are recorded in the consolidated income statement in the caption "Financial income".

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized when:

(i) The rights to receive cash flows from the asset have expired; or
(ii) Contractual rights have been transferred on the cash flows generated by the asset, or an obligation has been assumed to pay all of these cash flows to a third party without a significant delay, through a transfer agreement ("Pass-through arrangement"), and (a) substantially all the risks and benefits of the asset have been transferred; or (b) substantially all the risks and benefits of the asset have not been transferred or retained, but control over it has been transferred.

The Group will continue to recognize the asset when it has transferred its rights to receive the cash flows from an asset, or has entered into a pass through arrangement, but has not transferred or retained substantially all the risks and benefits of the asset, nor has it transferred the control over it. In this case, the Group will recognize the asset transferred based on its continuous involvement and will also recognize the related liability. The transferred asset and the related liability will be measured on a basis that reflects the rights and obligations retained by the Group.

Impairment of financial assets
The Group recognize an allowance for expected credit losses (ECL) for all debt instruments not held at fair value through profit or loss. The PCE is determined as the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expect to receive, discounted at a rate that approximates the original effective interest rate. The expected cash flows will include cash flows arising from the sale of guarantees held or other guarantees received.

For trade receivables and other accounts receivable, the Group applied the simplified approach in calculating the ECL. Therefore, the Group do not track changes in credit risk, but instead, they recognize a loss allowance based on the ECL for the entire life of each instrument at each reporting date. The Group have established a provision matrix based on the historical credit loss experience, adjusted for factors that consider the expected future variations with the debtors and the economic environment.

(ii) Financial Liabilities -
Recognition and initial measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans, accounts payable, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and payables, net of directly attributable transaction costs.

Financial liabilities include trade accounts payable, other accounts payable, accounts payable to related entities, interest-bearing loans and borrowings, lease liabilities and senior notes issued.

Subsequent measurement
The measurement of financial liabilities depends on their classification, as described below:

Loans and borrowings
After the initial recognition, the debts and loans that accrue interest are subsequently measured at amortized cost, using the effective interest rate (EIR) method. Profits and losses are recognized in the consolidated income statement when the liabilities are written off, as well as through the interest accrual process applying the effective interest rate (EIR) method.

The amortized cost is calculated taking into account any discount or premium on the acquisition and the commissions or costs that are an integral part of the effective interest rate. The amortization of the effective interest rate is recognized as a financial cost included in the caption "Finance expenses" in the consolidated statement of income.

In this category are trade payables, other payables, accounts payable to related parties, interest-bearing debts and loans, lease liabilities and senior notes issued.

Financial liabilities at fair value through profit or loss -
Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are contracted for the purpose of trading them in the near future; gains or losses related to these liabilities are recognized in results. This category also includes derivative financial instruments entered into by the InRetail Real Estate Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9.

As of December 31, 2022 and 2021, the InRetail Group have not designated any financial liability at fair value through profit or loss.

Derecognition
A financial liability is written off when the obligation has been paid, cancelled or expired. When an existing financial liability is replaced by another from the same lender under substantially different conditions, or when the conditions of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and recognition of a new liability. The difference in the respective carrying amounts is recognized in the consolidated statement of income.

(c) Compensation of financial assets and liabilities -
Financial assets and financial liabilities are subject to compensation so that the net amount is reported in the consolidated statement of financial position, if there is a current legal right to offset the amounts recognized, and there is an intention to settle them for the net amount, or to realize assets and cancel liabilities simultaneously.

(d) Transactions in foreign currency -

(i) Functional and presentation currency -

The Group has determined that it's functional and presentation currency is the Sol, because it reflects the economic substance of the underlying events and circumstances relevant to most of the Group, insofar as its main operations and/or transactions, sales, cost of sales, obtained financing and an important percentage of purchases are established and paid in Soles. Management assessed and determined the functional currency for every subsidiary; as a result, it concluded that, in all cases, they are the currencies of the countries where subsidiaries operate.

(ii) Transactions and balances in foreign currency -

Foreign currency transactions are those that have been realized in currencies different than the functional currency. Transactions in foreign currency are initially recorded in the functional currency using the spot exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currency are translated at the functional currency spot rates of exchange at the date of the consolidated statements of financial position. Exchange gains or losses arising from the settlement of said transactions and from translating the monetary assets and liabilities denominated in foreign currency into the spot exchange rates at the end of the year are recognized in the "Exchange difference, net" caption of the consolidated statements of income.

Non-monetary assets and liabilities denominated in foreign currency and accounted at historic cost are translated into the functional currency using the exchange rate at the dates of the initial transactions.

(e) Cash and short-term deposits –

Cash and short-term deposits in the consolidated statements of financial position comprise bank deposits, balances held in cash in different stores of the retail sector, remittance in transit and short-term deposits with an original maturity of three months or less.

For the purpose of the consolidated statements cash flows, cash consists of cash and short-term deposits as defined above.

(f) Facilities, furniture and equipment –

Facilities, furniture and equipment are stated at historical acquisition cost net of accumulated depreciation and impairment losses, if any.

The historical acquisition cost includes the expenditures that are directly attributable to the acquisition of the assets. The maintenance and repair costs are recognized as profit or loss in the consolidated statements of income, significant renewals and improvements are capitalized when it is probable that future economic benefits, in excess of what was originally assessed, will occur.

Depreciation is calculated on a straight line basis over the estimated useful lives of the assets, as follows:

	Years
Facilities	**Between 4 and 10**
Furniture and equipment	Between 3 and 10
Transport units	5
Miscellaneous equipment	Between 2 and 10
Computer equipment	Between 2 and 5

Upon the sale or disposal of the asset, the cost and the accumulated depreciation are eliminated, and any gain or loss from their disposal is recognized as profit or loss in the consolidated statements of income.

The asset's residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

As indicated in the following paragraph (i), for the transfers made from investment properties to property, plant and equipment, the attributed cost considered for the subsequent recognition is the asset's fair value at the date the use changes.

(g) Intangible assets –

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding development costs capitalized, are not capitalized and expenditure is reflected in the income statements in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite live are amortized over their useful economic lives (see note 13) and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense for intangible assets with finite lives is recognized in the consolidated income statements in the expense category consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated income statements when the asset is derecognized.

(h) Investment properties –
Investment property comprises completed property and property under construction or redevelopment held to earn rentals or for capital appreciation or both.

Investment properties are measured initially at cost, including transaction costs. Transaction costs include transfer taxes, professional fees for legal services and initial leasing commissions to bring the property to the condition necessary for it to be capable of operating.

Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the consolidated income statements in the period in which they arise. The fair value is evaluated annually by the Management.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the income statements in the period of derecognition. Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to component of property, furniture and equipment, the deemed cost for subsequent accounting is the fair value at the date of change. If a component of property, furniture and equipment becomes an investment property, the InRetail Group accounts such property in accordance with the policy stated under property, furniture and equipment.

Properties under construction are recorded at acquisition cost or construction cost. The initial cost comprises its purchase price, plus the directly related costs including professional fees for legal services and any cost directly attributable to bring the property to the condition necessary for its intended use.

The Group' management deem that the carrying amount of properties under construction does not exceed their recoverable value.

(i) Leases –

The determination of whether an agreement is, or contains, a lease is based on the substance of the agreement at the date of its subscription, or if its compliance depends on the use of one or more specific assets, or if it grants the asset's right of use, even if said right is not specified explicitly by the agreement.

The Group as lessee -

Tthe Group as lessees, apply a single recognition and measurement approach to all lease agreements, except for short-term leases and low-value asset leases.

(i) Right-of-use-assets

The InRetail Real Estate Group recognizes right-of-use assets at the lease commencement date (that is the date the underlying asset is available to be used). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and are adjusted for any re-measurement of lease labilities. The cost of right-of-use assets comprises the amount equal to the recognized lease liabilities, initial direct costs incurred, and lease payments made at or before the commencement date, less any lease incentives received. The Group maintains as right-of-use assets: land, buildings and facilities, and vehicles. Land is not depreciated; buildings and facilities and vehicles are depreciated on a straight-line basis over the lease term and are presented in note 20(a).

If ownership of the leased asset is transferred to the lessee at the end of the lease term or if the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

Right-of-use assets are also subject to impairment, see note 3.3(i).

(ii) Lease liabilities -

The Group recognizes lease liabilities measured at the present value of the lease payments to be made over the contract's term. Lease payments include fixed payments (less any lease incentives receivable), variable lease payments that depend on an index or rate and amounts expected to be payable under residual value guarantees. Lease payments also include the price to exercise a purchase option that the Group is reasonably certain to exercise and the penalties for terminating the lease, if the lease term does not reflect that the Group will exercise a termination option. Variable lease payments that do not depend on an index or rate are recognized as expenses in the period in which an event or condition causing the payment occurs. Lease payments are presented in note 20(c).

When calculating the present value of lease payments, the Group applies the incremental borrowing rate which is applied on the lease commencement date, as the interest rate implicit in the lease is not readily determinable. After the commencement date, lease liabilities' carrying amounts are increased to reflect the accumulation of interests and reduced to reflect the lease payments made. In addition, lease liabilities' carrying amounts are remeasured if there is a modification due to changes in the lease term, the assessment of a purchase option, the amounts expected to be payable under a residual value guarantee, and future lease payments resulting from a change in an index or a rate.

The lease liabilities of the Group are presented in the line item "Finance lease liability"; see Note 20.

(iii) Short-term leases and leases of low-value assets -

The Group apply the short-term lease recognition exemption to their short-term leases (that is to say, leases with a lease term ending in 12 months or less as of the date of initial application and with no purchase option). It also applies the low-value asset recognition exemption to the office equipment leases that are considered of low value. Lease payments for short-term leases and leases of low-value assets are recognized as expense using a straight-line basis over the lease term.

The Group as a lessor
As of the date of adoption of IFRS 16, there were no substantial changes for lessor accounting in the adoption of IFRS 16. The Group continues to classify leases as operating or financial using similar principles to those of IAS 17.

Leases in which the Group do not substantially transfer all the risks and benefits related to the asset's ownership are classified as operating leases. Rental income obtained from investment properties is accounted on a straight-line basis over the lease term and is recorded as income in the consolidated income statement due to its operating nature, except for the contingent rental income, which is recognized when it arises. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income.

(j) Impairment of non-financial assets –
The Group assesses at each end of year, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash generating units (CGU) fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate any cash inflows that are largely independent of those from other assets or group of assets. When the carrying amount of an asset or CGU exceeds its recoverable value, the asset is considered impaired and its value is reduced to its recoverable amount. In calculating the value in use, the estimated cash flows are discounted to their present value using a discount rate that reflects current market conditions and the risks specific to the asset. Cash flows come from the budget for the asset's remaining economic life and do not include restructuring activities to which the Group has not yet committed or significant future investments that would increase the performance of the good or the CGU being tested. In determining fair value less costs of disposal, recent market transactions are considered, if available. If no such transactions can be identified, an appropriate valuation model is used.

The Group bases its impairment calculation, if needed, on detailed budgets and forecast calculations which are prepared separately for each of the Group's cash generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

The recoverable amount is highly sensitive to the discount rate used for the discounted cash flow model and the expected future cash flows. Impairment losses are recognized in the consolidated income statement.

(k) Taxes –

The income tax of the Subsidiaries is determined based on the non-consolidated financial statements of each subsidiary and the taxable income determined for taxing purposes.

Current income tax -

Assets and liabilities for income tax for the current period are measured by the amounts expected to be recovered or paid from or to the Tax Authority, based on the entity's financial statements. The tax rates and tax regulations used to compute said amounts are those that are approved, as of the date of the statement of financial position. According to Peruvian laws, employee profit sharing is calculated over the same basis used to calculate current income taxes and, in the case of Ecuador, over the basis of financial profit.

Current income tax relating to items recognized directly in consolidated equity is recognized in consolidated equity and consolidated statements of comprehensive income and not in the consolidated income statements. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax -

Deferred income tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, does not affects neither the accounting profit nor taxable profit or loss;

- In respect of taxable temporary differences associated with investments in Subsidiaries, associates and interests in joint ventures, when the timing of the reversal can be controlled and it is probable that the temporary differences will not be reversed in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses. Deferred tax assets are recognized to the extent that it is probable taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;

- In respect of deductible temporary differences associated with investments in Subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that enough taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized, or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date or whose approval procedure is about to be completed by that date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in consolidated equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(l) Provisions -

Provisions are recognized when InRetail Real Estate has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where InRetail Real Estate expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense related to any provision is presented in the consolidated income statement net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost in the consolidated income statement.

(m) Contingencies -

A contingent liability is disclosed when the existence of an obligation shall only be confirmed by future events or when the amount of the obligation cannot be measured with sufficient reliability. Contingent assets are not recognized but are nonetheless disclosed when it is probable that it will generate economic benefits to InRetail Real Estate.

Given their nature, contingencies shall only be settled when one or more future events occur or fail to occur. The determination of contingencies involves inherently the exercise of judgment and the calculation of estimates on the results of future events.

(n) Revenue recognition–

IFRS 15 establishes a five-step model that applies to accounting for revenue from contracts with customers and that includes:

- Identification of the contract with the client.
- Identification of performance obligations in the contract.
- Determination of the transaction price.
- Allocation of the transaction price to the performance obligations of the Contract.
- Recognition of revenue from ordinary activities when (or as) the entity meets performance obligations.

Revenue is recognized to the extent that it is probable that economic benefits will flow to InRetail Real Estate and the amount can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. InRetail Real Estate assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent and has concluded that it is acting as a principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognized:

- Rental income

  Rental income obtained from investment properties is accounted for on a straight-line basis over the lease term and is recorded as income in the consolidated income statement due to its operating nature, except for the contingent rental income, which is recognized when it arises.

  The lease term is the non-cancellable period, together with any other additional period for which the lessee has the option to extend the lease, if Management is reasonably certain, at the date of the commencement date, that the lessee will exercise that option.

  The amounts received from lessees to resolve rents or offset impairment of leased facilities are recorded as income in the consolidated income statement when the right to receive them arises.

  Service charges, management charges and others recoverable expenses paid by lessees, and the income from expenses charged to lessees are recognized in the period in which the compensation becomes receivable. Service and management charges and other invoices are included in the gross rental income of related costs, as Management considers that the Group acts as principal

- Key money

  The incentives granted by the tenants to enter into lease agreements (key money) are distributed evenly on the term of the lease, even if payments are not made on that basis. The deferral period of the incentives corresponds to the lease's unaccrued period, along with any other period for which the lessee has the option to extend the lease, and InRetail Real Estate's Management have certainty that it will exercise. These amounts are presented in the caption "Deferred income" of the consolidated financial statement. The amounts received from tenants to terminate leases or to compensate for wear-off are recognized in the consolidated statement of income when they arise.

The income related to service charges, management expenses and other expenses recoverable from tenants are recognized in the period in which such compensations are demandable. Management services charges and other income are included in the gross leasing income net of the related costs.

- Interest income
  For all financial instruments measured at amortized cost and interest bearing financial assets classified as financial instruments at fair value through other comprehensive income, interest income or expense is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in "financial income" in the consolidated income statement.

- Other income is recognized as realized and accrued, and is recorded in the periods to which it relates.

(o) Borrowing costs -
Loan costs that are directly attributable to the acquisition, construction or production of an asset which takes a long time to get ready for its intended use or sale are capitalized as part of the asset's cost. These costs are capitalized as part of the cost of the asset, provided that they are likely to lead to future economic benefits for the entity and they can be reliably measured. All the other loan costs are accounted for as expenses when they accrue and include interest charges and other costs incurred by the InRetail Real Estate Group in the execution of the respective loan agreements. Non-accrued finance costs reduce the liability that gave rise to them.

(p) Recognition of costs and expenses –
Service cost is recognized in a simultaneous manner to the recognition of the income from the corresponding service provided.

The rental expenses for usufruct and surface rights are recognized as they accrue; and are recorded in the periods with which they are related.

Lease expenses for rights to use and landlord leases are recognized as they accrue and are recorded in the periods to which they are related.

Loan costs are accounted for as financial expenses in the period they are incurred.
Loan costs include interests and other costs that InRetail Real Estate incurs in relation to the execution of the respective loan agreements.

Other operating costs and expenses are recognized when accrued, regardless of the moment they are paid, and are recorded in the periods to which they are related.

(q) Derivative financial instruments and hedging accounting –

Negotiation –

Derivatives are initially recognized at fair value on the date of subscription of the derivative contract and are subsequently measured again at their fair value. All derivatives are recognized as an asset when the fair value is positive and are presented as "Accounts receivable for derivative financial instruments" in the caption "Other accounts receivable and other assets, net" or as a liability when the fair value is negative and are presented as "Accounts payable for derivative financial instruments" in the caption "Other accounts payable, provisions and other liabilities" of the consolidated statement of financial position.

Derivatives can be designated as hedging instruments under accounting for hedging transactions if they qualify as such. Depending on the nature of the hedged item, the method for recognizing gains or losses from changes in fair value will be different. These derivatives, which are used to hedge risk exposures or modify the characteristics of financial assets and liabilities and which meet the criteria of IFRS 9, are recognized as hedging transactions.

Derivatives that are not designated as hedging instruments or that do not qualify for hedging transactions are initially recognized at fair value and subsequently measured at fair value; which is estimated based on market prices. Gains and losses for changes in fair value are recorded in the consolidated statement of income.

In accordance with IFRS 9, to qualify as hedging transactions, all of the following conditions must be met:

(i) The hedge relationship consists only of hedging instruments and eligible hedged items.

(ii) At the beginning of the hedge relationship and the objective and risk management strategy of the entity to undertake the hedge. This documentation will include the identification of the hedging instrument, the hedged item, the nature of the risk that is being hedged, and how the entity will evaluate whether the hedging relationship meets the hedge effectiveness requirements.

(iii) The hedge relationship meets all the hedge effectiveness requirements if:
- There is an economic relationship between the hedged item and the hedging instrument.
- The effect of credit risk does not predominate over the changes in value that come from that economic relationship.

- The coverage ratio of the hedging relationship is the same as that from the amount of the hedged item that the entity actually covers and the amount of the hedging instrument that the entity actually uses to cover that amount of the hedged item.

IFRS 9 presents three categories to account for hedging transactions: fair value hedge, cash flow hedge and net investment hedge for foreign operations. The Group uses derivatives as cash flow hedging instruments.

For designated derivatives that qualify as a cash flow hedge, the effective portion of the gains or losses on the derivative is recognized in the other comprehensive income by cash flow hedges, and is reclassified to income in the same period or periods in which the hedge transaction of affects the results. The part of the gain or loss in derivatives that represents the ineffective portion or the components of the hedge excluded from the effectiveness evaluation is recognized immediately in the results of the period. The amounts originally recorded in other comprehensive income and subsequently reclassified to results are recorded in the corresponding expense or income lines in which the hedged item is reported.

When a hedging instrument expires or is sold, or when a hedge no longer meets the hedge accounting criteria and also when the Group redesigns a hedge, any accumulated loss or gain in other comprehensive income is retained and recognized as income or expense when the hedged item is ultimately recognized in the consolidated statement of income. When a projected transaction is no longer expected to occur, the cumulative gain or loss recognized in other comprehensive income is immediately transferred to the consolidated statement of income.

(r) Fair value -

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by InRetail Real Estate. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

InRetail Real Estate uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements at fair value on a recurring basis, InRetail Real Estate determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, InRetail Real Estate has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

The fair value of financial instruments measured at amortized cost is presented in note 32.

(s) Earnings per share -

Basic and diluted earnings per share amounts are calculated by dividing the net profit for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year. As of December 31, 2022 and 2021, the Company does not have financial instruments with dilutive effect, therefore basic and diluted earnings per share are identical for the years reported.

(t) Business segments –
The Group reports financial and descriptive information about its reportable segments. A reportable business segment is an operating segment or an aggregate of operating segments that meet certain specific criteria. Business segments are a component of an entity on which the financial information is separately available and is periodically assessed by the Chief Operating Decision Maker (henceforth "CODM") on how to assign the resources and assess its performance.

Generally, the financial information is presented on the same basis that is used internally to assess the operating performance of business segments and to decide how to assign resources to them. The Group has two business segments located in Lima and provinces, note 28.

(u) Subsequent events –
The subsequent events at the end of the period that provide additional information about the financial situation of the Group at the date of the consolidated statements of financial situation (adjustment events) are included in the consolidated financial statements. The significant subsequent events that are not adjustment events are presented in the notes to the consolidated financial statements.

3.4 Judgments, estimates and significant accounting assumptions

The preparation of the consolidated financial statements requires the Management of InRetail Real Estate to use judgments, estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, as well as the amounts of income and expenses for the years ended December 31, 2022 and 2021.

In the process of applying the accounting policies of the Group, Management made the following judgments, which had a significant effect on the amounts recognized in the consolidated financial statements:

(i) Taxes (see note 3.3 (k) and 26)
The originators of the Trust Assets of InRetail Real Estate are subject to the withholding of the income tax by the latter. Significant lawsuits are required to determine the provision for current and deferred income tax.

There are several transactions and calculations for which the determination of taxes and the date of payment are uncertain. Particularly, in the calculation of deferred taxes, the effective tax rate applicable to temporary differences, mainly in investment properties, depends on the method by which the carrying amount of assets or liabilities will be realized.

The Group recognizes current tax liabilities based on estimates of whether additional taxes will be paid. When the final result of these matters is different from the amounts that have been initially recorded, said differences will impact the income and provisions for deferred taxes in the period in which they are determined. Deferred tax assets and liabilities are recognized in net terms by the Company, insofar as they are related to the same Tax Authority and expire in approximately the same period.

On the other hand, the most significant estimates and assumptions considered by the Management of InRetail Real Estate in relation to the consolidated financial statements are as follows:

(i) Depreciation method, estimated useful lives and residual values of facilities, furniture and equipment (see note 3.3(f)) –
The determination of the depreciation method, the estimated useful lives and the residual values of the components of facilities, furniture and equipment involves judgments and assumptions that could be affected if the circumstances change. Management reviews these assumptions periodically and adjusts them prospectively in the case of identifying any change.

(ii) Lease conditions in contracts with renewal and termination options - note 3.3(i)
The Group as a lessee defines the lease term as the non-cancellable period, together with any other period covered by an option to extend the lease if it is exercised or any other period covered by an option to terminate the lease if it is not exercised. The Group applied the judgement to evaluate the possibility of exercising the options to renew or terminate leases. Therefore, it considers all the facts that create an economic incentive to exercise either the renewal or the termination. After the commencement date, the Group reassesses the lease term if a significant event or change in circumstances that is within its control affects its capacity to exercise or not the renewal or termination options (for instance, the realization of significant improvements for leases or customization of a leased asset).

(iii) Incremental borrowing rate (note 3.3(o)) -
To determine the interest rate implicit in the lease, the Group uses their incremental borrowing rate (IBR) to measure lease liabilities. IBR is the interest rate the InRetail Group would have to pay to borrow, over a similar term and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. Therefore, IBR reflects how much the InRetail Group "would have to pay", which requires an estimate when there are not observable prices or when they have to be adjusted to reflect the terms and conditions of a lease (for instance, when leases are not in the subsidiary's functional currency). The Companies estimates the IBR using observable inputs (such as market interest rates) when available and is obliged to make certain specific adjustments in the Group (such as the subsidiary's independent credit evaluation, or in order to reflect the terms and conditions of the lease).

(iv) Fair value of the investment properties (see note 3.3(h))
The fair value of all completed investment properties (commercial and real estate centers) has been determined by Management using the discounted cash flow method.

Investment properties maintained to be operated in the future (land) are also measured at its fair value, which is determined based on the value assigned by an external appraiser. The external appraiser uses the comparable market method, according to which the fair value of a property is estimated based on comparable transactions; the unit of comparison applied is the price per square meter. In exceptional situations, when the fair value can't be reliably estimated, these investments are measured at cost.

The determination of the fair value of the investment properties requires the use of estimates, such as the future cash flows of the assets (for example: leases, sales, fixed rents to the different types of tenants, variable rent depending on a percentage of sales, operating costs, construction costs (CAPEX), CAPEX maintenance and discount rates applicable to assets). Additionally, development risks, such as construction and abandonment, are also taken into account when determining the fair value of investment property under construction.

The financial system volatility is reflected in the real estate markets. Therefore, in order to estimate investment properties market values in the consolidated statement of financial position, Management and appraisers use their market knowledge and professional judgement, and do not depend only on comparable historical transactions. In this sense, there is a greater degree of uncertainty than that presented in a more active market, for estimating the market values of investment properties.

The methods and significant assumptions used in the estimation of the fair value of investment properties are detailed in note 12.

Techniques used in investment properties valuation -
The discounted cash flow method involves the projection of a series of periodic cash flows from either a property or a property under development. For this series of projected cash flows, a discount rate is applied to obtain the present value of the income flow associated with the property. The periodic calculation of cash flows is normally determined as rental income net of operating expenses for investment properties in operation and in the case of construction investment properties whose advance is significant is determined on the basis of the rates per square meter included in the contracts signed on that date. The series of periodic net operating income, together with an estimate of the terminal value (which uses the traditional valuation method) at the end of the projection period, is discounted to present value. The sum of the net present values is equal to the market value of the property.

(v) Impairment of non-financial assets (see note 3.3(j)) -
The InRetail Real Estate Group assesses, on each reporting date, if there is sign that an asset may be impaired. If there is sign of it or whenever the annual impairment test of an asset is required (indefinite-life intangible assets), the InRetail Real Estate Group estimates the recoverable amount of the asset, as it mentioned in note 3.3(j).

For non-financial assets except for goodwill, an assessment is performed on each date of presentation of consolidated financial statements to know if there is sign that the permanent impairment loss previously recognized no longer exists or has decreased. If such sign exists, the Group estimates the recoverable amount. An impairment loss previously recognized for an asset is only reversed if there was a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized.

The reversal is limited in such a way that the asset's carrying amount may not exceed its recoverable amount or the carrying amount that it would have been determined had no impairment loss been recognized in prior periods. Said reversal is recorded in the consolidated income statement.

(vi) Recovery of deferred tax assets (see note 3.3(k)) -
Deferred tax assets require Management to evaluate the probability that the Group generates taxable income for future periods in order to use the deferred tax assets. The estimates of future taxable income are based on the projections of cash flows from operations and the application of the tax legislation in force. As the future cash flows and the taxable income differ significantly from the estimates, it might have an impact on the capability of the Group to realize the net deferred tax assets recorded at the reporting date of consolidated financial statements.

Additionally, future changes in tax legislation might limit the capability of the Group to obtain tax deductions in future periods. Any difference between the estimations and the later actual payments is recorded in the year in which it occurs.

(vii) Valuation of the derivative hedging financial instruments (see note 3.3(q) and 10)
When the fair value of the financial assets and liabilities recorded in the consolidated statement of financial position cannot be determined in active markets, they are obtained using valuation techniques that include the discounted cash flow model (DCF). The data for these models are taken from observable markets whenever possible, but when this is not possible, a degree of judgment in the establishment of fair values is required.

Valuations include data estimates such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments, see note 32.

(viii) Estimation of taxes (see note 26)
Uncertainty exists with regard to the interpretation of complex tax regulations, the changes in the tax norms and the amount and opportunity in which future taxable income is generated. The subsidiaries of the Group calculate provisions, on the basis of reasonable estimations for the possible consequences derived from the inspections performed by the Tax Authority. The amount of these provisions is based on several factors such as the experience in previous tax examinations, and on the different interpretations about the tax regulations made by the Group and their advisers.

These differences in interpretation can arise in a great variety of questions, depending on the circumstances and existing conditions in the place of domicile of the Group.

In the Management's opinion, these judgments, estimations and assumptions were performed on the basis of their best knowledge of the relevant facts and circumstances at the date of preparation of the consolidated financial statements; nevertheless, the final results could differ from the estimations included in the consolidated financial statements. Management of the Group does not expect that the changes, provided they occur, will have significant effect on the consolidated financial statements.

3.5 New accounting standards -

The standards that have been issued but are not yet effective at the date of presentation of the consolidated financial statements are detailed below. This list of issued standards and interpretations include those that the InRetail Group plans to apply in the future. The InRetail Group aims to adopt such standards once they are effective and will not adopt them early:

- Amendments to IAS 1 "Presentation of Financial Statements: Classification of Liabilities as Current or Non-Current"
  In January 2020, the IASB issued amendments of IAS 1 to paragraphs 69–76 of with the purpose of specifying the requisites for the classification of liabilities as current or non-current. The amendments clarify:

  - What is meant by a right to defer a settlement arrangement.
  - That a right to defer must exist at the end of the reporting period.
  - That liability classification unaffected by the likehood that an entity will exercise its deferral right.
  - 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 periods beginning on January 1, 2023 and must be applied in a retrospectively manner. The Group is currently evaluating the impact the modifications will have on current practice and whether existing loan agreements may require renegotiation.

Definition of Accounting Estimates - Amendments to IAS 8 -
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 permitted as long as this fact is disclosed. The Group will apply changes in IAS 8 prospectively for any business combination.

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2 -
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 judgements 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. 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 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. The Group is currently assessing the impact of the amendments to determine the impact they will have on the Group's accounting policy disclosures.

As of the date of this report, the Group's Management is assessing these amendments to determine their impact on the consolidated financial statements, however, in Management's opinion, these standards, will not have a significant impact on the consolidated financial statements of the InRetail Group.

4. Cash and short-term deposits

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

	2022	2021
	S/(000)	S/(000)
Cash and petty cash	51	51
Current accounts (b)	220,695	190,433
Time deposits (c)	-	5,000
	220,746	195,484

(b) The current accounts comprise accounts in Soles and in US dollars, maintained in local financial institutions, are free of charge, are freely available and do not generate interest.

(c) As of December 31, 2021, time deposits are unrestricted, are maintained in Soles in local financial institutions, have maturities of up to one month since its inception and accrue annual interest of 1.70 percent in Soles.

5. Financial instruments at fair value through profit or loss

Below is the composition of the item as of December 31, 2022 and 2021:

	2022			2021		
Entity	Number of quotes	Quote value (in Soles)	2020 S/(000)	Number of quotes	Quote value (in Soles)	2020 S/(000)
Investment funds managed by Sura S.A. SAF						
Soles -						
Sura Corto Plazo Soles FMIV	-	-	-	1,803	161.38	291
Sura Ultra Cash Soles FMIV	-	-	-	288,312	137.56	39,659
US Dollars -						
Sura Ultra Cash Dólares FMIV	-	-	-	92,028	442.38	40,711
Sura Corto Plazo Dólares FMIV	-	-	-	2,270	493.58	1,121
			-			81,782

In Management's opinion, investment funds are highly liquid and have low risk levels.

As of December 31, 2022 and 2021, the value of the financial instruments at fair value through profit or loss includes the effects of the change in the quote price and the level of the exchange rate at the end of the year, these originated a recognition of a gain of approximately S/1,851,000 y S/133,000 during the years ended 2022 and 2021, respectively, presented in the caption "Finance income" in the consolidated income statements, note 25.

6. Trade accounts receivables, net

(a) Below is the composition of the item as of December 31, 2022 and 2021:

	2022 S/(000)	2021 S/(000)
Bills receivable (b)	36,587	37,665
Unbilled services (c)	21,007	15,882
Receivable bills of exchange (b)	12,278	14,429
	69,872	67,976
Minus -		
Allowance for doubtful accounts (e)	(26,795)	(23,283)
	43,077	44,693

(b) Corresponds mainly to rents, which are denominated in Soles and US dollars, have current maturity and do not bear interest.

(c) Corresponds mainly to accrued lease services not billed for the concept of variable income and fixed income, which are billed during the following quarter.

(d) As of December 31, 2022 and 2021 the aging analysis of trade receivables is as follows:

	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	216	1,974	2,190
More than 270 days	16	15,926	15,942
	43,077	26,795	69,872

	2021		
	Non-impaired S/(000)	**Impaired** S/(000)	**Total** S/(000)
Unbilled services	15,882	-	15,882
Not past-due	8,433	3,346	11,779
Past-due			
From 1 to 90 days	17,180	3,666	20,846
From 91 to 120 days	907	601	1,508
From 121 to 180 days	795	1,063	1,858
From 181 to 270 days	1,296	1,075	2,371
More than 270 days	200	13,532	13,732
	44,693	23,283	67,976

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

(e) The movement of the provision for impairment as of December 2022 and 2021 is as follows:

	2022 S/(000)	**2021** S/(000)
Balance as of January 1	23,283	20,068
Additions, see note 23	16,305	19,140
Recoveries, see note 23	(11,997)	(15,925)
Adjustment for difference in exchange	(796)	-
Balance as of December 31	26,795	23,283

In Management's opinion, the provision for impairment adequately covers the credit risk as of December 31, 2022 and 2021.

7. Other receivables

(a) Below is the composition of the item as of December 31, 2022 and 2021

	2022 S/(000)	2021 S/(000)
Funds held in Banco de la Nación (b)	14,406	8,374
Claims	4,892	4,892
Advances to suppliers	70	162
Claims and unsettled advances	44	240
Others	245	114
	19,657	13,782

(b) In accordance with Superintendence Resolution No. 183-2004/SUNAT, the funds held in the Banco de la Nación must be used exclusively for the payment of tax debts, or their refund in cash may also be requested. In the case of the Group, these funds have been used mainly for the payment of taxes during the months of January and February of the years 2023 and 2022, respectively.

(c) In Management's opinion, there is no credit risk, and therefore, it is not necessary to establish an impairment allowance as of December 31, 2022 and 2021.

8. Recoverable taxes

(a) The composition of this caption as of December 31, 2022 and 2021 is presented below:

By type:	2022 S/(000)	2021 S/(000)
Value-added-tax credit (b)	23,073	28,980
Income tax credit	428	373
Other taxes (c)	701	809
	24,202	30,162
By term:		
Current	11,036	10,086
Non-current	13,166	20,076
	24,202	30,162

(b) It originates mainly due to the expansion and construction of the Shopping malls owned by the Group, as well as other disbursements related to its operations. The Group Management considers that this balance will be recovered with the general sales tax that is applicable to future rental income of the property.

(c) It corresponds to the Temporary Tax over Net Assets deducted as payments of income tax. According to the tax legislation, its refund is requested after the annual tax declaration.

9. Financial instruments at fair value through other comprehensive income

(a) Below is the composition of the item as of December 31, 2022 and 2021:

		2022					2021				
				Gross amount not realized					Gross amount not realized		
	Number of shares	Price of share S/	Initial balance S/(000)	Profit S/(000)	Losses S/(000)	Estimated fair value S/(000)	Price per share S/	Initial balance S/(000)	Profit S/(000)	Losses S/(000)	Estimated fair value S/(000)
Shares											
InRetail Perú Corp.	1,368,825	125.70	191,266	-	(19,202)	172,064	139.73	194,456	-	(3,190)	191,266
Total			191,266	-	(19,202)	172,064		194,456	-	(3,190)	191,266

(b) As of December 31, 2022 and 2021, the fair value of these shares has been determined on the basis of their stock market price (Lima Stock Exchange).

(c) The unrealized result of years 2022 and 2021, were recorded in the consolidated statements of comprehensive income. The unrealized result for the years 2022 and 2021 was recognized in the consolidated statement of other comprehensive income as expense and income, amounting to approximately S/19,202,000 and S/24,690,000, respectively.

10. Derivative financial instruments – "Call Spread"

The composition of this caption as of December 31, 2022 and 2021 is presented below:

	Counterpart	Reference amount		Expiration	Fair value asset		Fair value liability	
		2022 US$(000)	2021 US$(000)		2022 S/(000)	2021 S/(000)	2022 S/(000)	2021 S/(000)
Cash flow hedge -								
Call Spread	J.P. Morgan	250,000	250,000	Abril - 2028	67,348	79,606	-	-
Cross Currency Swap	J.P. Morgan	100,000	100,000	Abril - 2028	-	30,148	17,989	-
					67,348	109,754	17,989	-

In March 2018, InRetail Shopping Malls signed a new "Call Spread" contract with J.P. Morgan for a reference value of US$350,000,000 in order to reduce exposure to foreign exchange risk arising from senior notes issued in foreign currency by InRetail Shopping Malls in April 2018, see note 16(b).

On July 1, 2021, InRetail Shopping Malls decided to replace US$100,000,000 of the Call Spread for US$100,000,000 of a 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 derivative financial instrument. As a result of this transaction, a total net expense of S/38,826,000, presented in the caption "Financial expenses - Expenses for early settlement of derivative financial instruments" of the consolidated statement of income, see note 25. Likewise, was recorded and reduction of the value of the premium of S/19,906,000.

The premium for the derivative was financed by J.P. Morgan, thus generating a liability which balance as of December 31, 2022 amounts to US$11,102,000, equivalent to approximately S/42,411,000 (US$12,557,000, equivalent to approximately S/50,204,000, as of December 31, 2021), see note 16(a). In accordance with IFRS 9, the financed premium was recorded and charged against the non-current asset in the caption "Derivative financial instrument – 'Call Spread'" and is recognized in profit or loss using a straight-line method over the hedging term. Consequently, the amount accrued during the fiscal year ended December 31, 2022 and 2021 was S/8,990,000 y S/9,688,000, respectively, and is recorded in the caption "Finance expenses – Straight-line accrued premium", see note 25.

During 2022, approximately S/36,029, 000 (S/30,403,000 during 2021) was recognized in the caption "Unrealized results on derivative financial instruments" in the consolidated statements of changes in equity, representing the derivative financial instrument hedging effect during such year.

As of December 31, 2021, the Call Spread hedges US$250,000,000 of the foreign exchange senior notes issued in April 2018 by InRetail Shopping Malls (see note 16) of the foreign exchange exposure of the issuance's principal and protects the exchange rate variations ranging from S/3.26 to S/3.75 per US$1.00 and the Cross-Currency Swap hedges the remaining amount of the debt for US$100,000,000, which establish the foreign exchange rate of S/3.887 per US$1.00; in this regard, during the year 2022, the exchange rate has suffered increases outside the exchange rate bands covered by the aforementioned derivative instruments, said exchange rate variation is recorded in the consolidated statement of income, in addition to generating a passive position in the "Cross-Currency Swap".

11. Facilities, furniture and equipment, net

(a) The movement of facilities, furniture and equipment and accumulated depreciation, for the years ended as of December 31, 2022 and 2021, is as follows:

	Facilities S/(000)	Furniture and equipment S/(000)	Transport units S/(000)	Computer equipment and miscellaneous S/(000)	Total S/(000)
Cost					
Balance as of January 1, 2021	7,263	4,225	506	22,636	34,630
Additions (c)	1	-	173	3,483	3,657
Disposals	-	-	(337)		(337)
Transfers	54	5	-	4	63
Balance as of December 31, 2021	7,318	4,230	342	26,123	38,013
Additions (c)	-	44	108	4,806	4,958
Disposals	-	-	(236)	-	(236)
Transfers	-	-	-	-	-
Balance as of December 31, 2022	7,318	4,274	214	30,929	42,735
Accumulated depreciation					
Balance as of January 1 2021	5,766	3,570	298	13,360	22,994
Depreciation of the year, see note 23	212	161	58	5,079	5,510
Disposal	-	-	(288)	-	(288)
Transfers	54	5	-	4	63
Balance as of December 2021	6,032	3,736	68	18,443	28,279
Depreciation of the year, see note 23	200	144	155	5,514	6,013
Disposal	-	-	(96)	-	(96)
Transfers	-	-	-	-	-
Balance as of December 2022	6,232	3,880	127	23,957	34,196
Net cost					
As of December 31, 2022	1,086	394	87	6,972	8,539
As of December 31, 2021	1,286	494	274	7,680	9,734

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

(c) During 2022, additions correspond mainly to the purchase of Videowall screens and other types of screens for approximately S/2,497,000 (during 2021, correspond mainly to the purchase of Videowall screens, for approximately S/2,117,000).

(d) Management periodically reviews the residual values, useful life and the depreciation method to ensure that they are consistent with the economic benefits and the life expectancy of the fixed assets. In Management's opinion, there is no evidence of impairment in its fixed assets as of December 2022 and 2021.

(e) As of December 2021, and 2020, the cost and corresponding accumulated depreciation of assets acquired through finance leases are the following:

	December 31 2022			December 31 2021		
	Cost S/(000)	Accumulated depreciation S/(000)	Net Cost S/(000)	Cost S/(000)	Accumulated depreciation S/(000)	Net Cost S/(000)
Miscellaneous equipment	17,252	(13,080)	4,172	14,168	(9,083)	5,085

12. **Investment properties**

(a) Below is the composition of the item as of December 31, 2022 and 2021:

	2022	2021	Year of acquisition or construction	Valuation (loss) profit (b) 2022	Valuation (loss) profit (b) 2021	Valuation methodology 2022 / 2021
	S/(000)	S/(000)		S/(000)	S/(000)	
Shopping Malls built on owned land:						
Puruchuco – Lima	624,742	635,879	2019	(12,671)	(3,624)	FCD
Chiclayo - Province	362,033	364,482	2005	(11,298)	34,594	FCD
Piura - Province	314,197	299,035	2011	14,275	27,662	FCD
Trujillo - Province	296,512	276,069	2007	18,035	33,681	FCD
Primavera - Lima	238,007	252,350	2011	(15,076)	17,279	FCD
Pucallpa – Province	132,056	130,733	2018	234	(495)	FCD
Santa Clara – Lima	120,427	121,117	2010	(1,079)	2,702	FCD
Pro – Lima	132,821	134,999	2008	(2,524)	17,905	FCD
Cajamarca - Province	123,574	115,014	2013	7,959	11,194	FCD
Molina Plaza - Lima	120,063	-	2022	6,496	-	FCD
Guardia Civil – Lima	91,554	86,409	2012	4,643	7,108	FCD
Sullana – Province	40,935	42,924	2013	(2,024)	824	FCD
Nuevo Chimbote – Province	37,173	35,559	2011	1,507	3,567	FCD
Lurín – Lima	16,681	15,243	2010	1,439	615	FCD
Shopping Malls built on surface rights or usufruct (*):						
Salaverry – Lima	508,523	498,139	2014	6,418	9,163	FCD
San Antonio Cusco – Province	375,218	366,370	2013	7,097	15,433	FCD
Centro Cívico – Lima	233,943	241,227	2010	(8,144)	(3,303)	FCD
Huancayo – Province	166,063	164,544	2008	849	3,057	FCD
Huánuco – Province	147,745	141,075	2012	5,598	4,521	FCD
Juliaca – Province	90,666	94,934	2011	(5,436)	(1,380)	FCD
Arequipa – Province	79,440	79,506	2010	(1,518)	1,305	FCD
Villa María – Lima	45,002	48,397	2017	(3,395)	360	FCD
Others	7,718	9,919	2018	(459)	(584)	
Property:						
San Juan de Lurigancho – Lima	15,133	13,144	2011	1,989	351	FCD
Jirón de la Unión – Lima	9,921	12,179	2011	(2,259)	(2,082)	FCD
	4,330,147	4,179,247		10,656	179,853	

	2022 S/(000)	2021 S/(000)	Year of acquisition or construction	Valuation (loss) profit (b) 2022 S/(000)	Valuation (loss) profit (b) 2021 S/(000)	Valuation methodology 2022 / 2021
Landbank:						
San Borja - Lima	51,297	-	2022	(8,301)	-	Appraisal
Chacarilla – Lima	35,149	36,542	2014	(1,393)	(1,640)	Appraisal
Carabayllo – Lima	24,981	25,435	2012	(481)	(997)	Appraisal
Land Valle Cañete – Lima	19,526	19,668	2010	(152)	1,229	Appraisal
Nuevo Chimbote – Province (**)	16,559	15,433	2011	1,126	857	Appraisal
Lurín 2 – Lima	12,145	12,479	2018	(338)	(623)	Appraisal
Santa Clara – Lima (**)	11,583	11,796	2010	(213)	(583)	Appraisal
Sullana – Province (**)	11,652	11,403	2013	249	(431)	Appraisal
Tarapoto – Province	8,391	16,363	2012	282	(928)	Appraisal
Pucallpa – Province	7,955	7,750	2018	205	(285)	Appraisal
Arequipa- Province (**)	7,851	-	2022	7,851	-	Appraisal
Pisco – Province	6,061	5,838	2012	(65)	413	Appraisal
Trujillo – Province (**)	5,590	5,527	2007	62	481	Appraisal
Lurín – Lima (**)	3,694	3,769	2016	(76)	(267)	Appraisal
Puruchuco – Lima (**)	1,497	1,536	2018	(40)	(108)	Appraisal
Rex – Lima	-	62,119	2014	(6,854)	(12,760)	Appraisal
Zapallal – Lima	-	15,638	2012	1,425	(396)	Appraisal
San Miguel – Lima	-	-	2019	-	4,663	Appraisal
	223,931	251,296		(6,713)	(11,375)	
Total	4,554,078	4,430,543		3,943	168,478	

DCF: Discounted cash flow

(*) It corresponds to shopping malls built using surface rights or usufruct. As of December 31, 2022 and 2021, the usufruct contracts for lands upon which the InRetail Real Estate Group has built shopping malls have a validity from 20 to 70 years.

(**) As of December 31, 2022 and 2021, the fair value includes the value of lands adjacent to operational shopping malls owned by the InRetail Real Estate Group for future extensions, amounting to S/66,381,000 and S/57,214,000, respectively.

(b) Following is the movement of investment properties:

	2022 S/(000)	2021 S/(000)
Balance as of January 1	4,430,543	4,224,337
Additions:		
Works for expansions and remodeling (b.1)	59,818	47,896
Acquisition Molina Plaza (c)	110,179	-
Purchase of land San Borja (d)	54,313	-
Construction – Section II Cusco Shopping Mall (e)	-	27,319
Sale of participation certificates (f)	(94,550)	-
Sale and disposal (g)	(10,168)	(37,487)
Fair value adjustment (a)	3,943	168,478
Balance as of December 31	4,554,078	4,430,543

(b.1) As of December 2022, and 2021 it corresponds mainly to the purchases, expansions and/or remodeling of the Shopping Centers and properties mentioned below:

Shopping Mall	Description	2022 S/(000)
Rex	Urban empowerment and change in participation (*)	22,223
Chiclayo	Expansion and Improvement Shopping Center	8,930
Salaverry	Remodeling and improvement in common areas and entrance	4,010
San Borja	Payment of alcabala and designs	5,286
Molina Plaza	Payment of alcabala and remodeling	3,388
Trujillo	Improvement in common areas and MAC center	2,431
Cusco	Shopping Center Improvement and MAC center	1,756
Puruchuco	Improvement in common areas	1,547
Arequipa	Remodeling of entrance	1,462
Others	Others less than a S/(000)1,500	8,785
		59,818

(*) As of December 31, 2022, it corresponds mainly to the increase in the participation percentage of Rex, for an approximate amount of S/20,993,000, which occurs before the sale of the participation certificates held by Inretail Shopping Malls, See 27(f).

Shopping Mall	Description	2021 S/(000)
Chiclayo	Remodeling of food court	11,384
Centro Civico	Expansion of the Shopping Mall which includes the opening of H&M	4,511
Cusco	Mall facilities and improvements	3,872
Huánuco	Improvement of MAC modules	3,666
Trujillo	Improvement of MAC modules	3,563
Salaverry	Expansion of the Shopping Mall which includes basement area	3,351
Cajamarca	Improvement of MAC modules	2,585
Pucallpa	Improvement of MAC modules	2,501
Puruchuco	Shopping center improvements	2,338
Huancayo	Remodeling and improvement of common area	1,666
Arequipa	Improvement of common area	1,516
Others	Others less than a S/(000)1,500	6,943
		47,896

(c) In July 2022, the Group acquired through Patrimonio en Fideicomiso D.S. N°093-2002-EF – Interproperties Perú a property called "Centro Comercial Molina Plaza", for a value of US$28,700,000 equivalent to S/110,179,300 on the date of the purchase. In view of the foregoing, management found it necessary to create Class 27, which will be owned by Patrimonio en Fideicomiso D.S. 093-2002-EF – Interproperties Holding II to which the aforementioned project would be assigned, this was approved by the Administration Committee on June 14, 2022.

(d) In April 2022, a piece of land located in the district of San Borja, Lima was acquired. This was obtained through Patrimonio en Fideicomiso D.S. N°093-2002-EF – Interproperties Perú for $14,100,000, approximately S/54,313,000. In view of the foregoing, Management found it necessary to create Class 26, which will be owned by Patrimonio en Fideicomiso D.S. 093-2002-EF – Interproperties Holding II, which will be designated to real estate projects, among which is the project " Primavera", this was approved by the Administration Committee on April 18, 2022.

(e) The Cusco mall is an investment property located in the city of Cusco, the land was acquired in 2008. The first section of the project was inaugurated in 2013. On September 7, 2021, the second section of the mall was inaugurated with an expansion of 37 thousand square meters, which includes 5 restaurants and 36 additional stores that accompany the 97 stores that exist in the mall.

(f) During 2022, the Group sold participation certificates, which had as underlying two properties located in Lima, called "Rex" and "Zapallal", to related Companies for an approximate amount of S/118,100,000, generating a gain of S/12,872,000, see note 27(f). Withdrawals for the "Rex" and "Zapallal" properties were for the approximate amount of S/77,487,000 and S/17,063,000, respectively.

(g) In 2022, a technical report was received showing that a part of the Tarapoto property is superimposed on the city airport and therefore belongs to a restricted domain area, so real estate projects could not be carried out, In light of this the Management decided to write off 50 percent at the end of fiscal year 2022 on that land for an approximate amount of S/8,391,000. On the other hand, the Management paralyzed the "Bazar La Marina" project with no predisposition to resume it in the future, for which it was decided to write off the investment for an approximate amount of S/1,777,000.

In 2021, it was approved, through the Act of the Committee for the Administration of Assets in Trust D.S. N°093-2002-EF – Interproperties Peru the sale of class 24 for the "San Miguel" project, the transaction was carried out with a price linked to the market value by S/31,113,000 and a loss of S/6,375,0000. Class 24 was designated for real estate projects, among which is the project called "San Miguel", a property located at Av. Venezuela No. 5415, district of San Miguel - Lima, which was acquired on December 16, 2019.

(h) As of December 2021, and 2020 the Group does not have properties classified in Level 1 or 2 of the fair value hierarchy. As of said dates, the fair value of the investment properties was classified in Level 3 and was determined through the discounted cash flow methodology (DCF) for operating commercial centers and real estate and a valuation formulated by an independent professional registered in the "Consejo Nacional de Tasadores-CONATA" and the "Registro de Peritos Valuadores" (REPEV) in the Superintendency of Banking and Insurance (SBS).

According to the provisions of note 3.3(h), in order to estimate the fair values of the investment properties, the Management of the Group have used their knowledge of the market and professional judgment.

During 2022 and 2021, the fluctuation of the fair value of investment properties generated a loss and an income of approximately S/168,478,000 y S/82,748,000, respectively; which is presented in the caption "Fair value of investment properties" in the consolidated statements of income.

A brief description of the assumptions considered for the calculation of cash flows, which are prepared on an added and unlevered basis, as of December 31, 2022 and 2021, are presented below:

	Percentage	
	2022	2021
- Long-term inflation - Is the increase of the general level of prices expected in Peru for the long term.	2.87	2.5
- Long-term average occupancy rate - The expected occupancy rate considered.	98.20	97.7
- Average growth rate of rental income - Is the rate that expresses the rental income growth and includes growth factors of the industry, inflation rates, stable exchange rate, per capita income and increasing expenses.	2.87	2.5
- Average EBITDA margin - Is projected from the rental income from leasable areas by property and marketing income, minus costs related to administration fees, other administrative expenses, insurance, taxes and other expenses.	83.84	83.23
- Average discount rate - It reflects the current market risk and the uncertainty associated with obtaining cash flows.	9.40	8.70

The fair value of parcels is determined based on the value set by an external appraiser. The external appraiser uses the comparative market analysis, through which the fair value of a property is estimated based on similar transactions. The unit of comparison applied by the Group and Subsidiaries is the price per square meter. As of December 31, 2020, the parcels' price range per square meter and the average price per square meter in the geographical area of the parcels are as follows:

Land	Range US$	Average US$
Chacarilla – Lima	2, 244 – 2,619	2,457
Arequipa - Arequipa	1,400 – 1,615	1,516
Puruchuco – Lima	1,141 – 1,220	1,184
Trujillo – La Libertad	700 – 1,275	953

Land	Range US$	Average US$
Santa Clara – Lima	700 - 834	759
San Borja – Lima	1,629 – 1,761	1,705
Sullana – Piura	474 - 523	504
Pucallpa - Pucallpa	380 - 600	429
Cañete -Lima	194 - 294	256
Tarapoto – San Martin	305 - 498	383
Lurin 2 – Lima	313 - 350	336
Nuevo Chimbote – Ancash	266 - 380	318
Carabayllo II – Lima	200 - 250	237
Lurin – Lima	223 - 227	225
Carabayllo – Lima	150 - 167	161
Pisco -Ica	133 - 159	152

(i) The sensitivity analysis on the valuation of investments in properties is presented below, together with changes in factors that Management deems more important:

	Rate change	2022 S/(000)	2021 S/(000)
Average growth rate of rents (basis) – 2.50%			
Increase	+0.25%	121,401	119,614
Decrease	-0.25%	(113,327)	(111,068)
Discount rate (basis) – 8.70% - 9.00%			
Increase	+0.5%	(252,689)	(253,143)
Decrease	-0.5%	288,550	290,861

(j) The amount of the future fixed minimum income per currency corresponding to the leases of the investment properties of the Group is as follows:

	2022					
Year	Related parties		Third parties		Total	
	US$(000)	S/(000)	US$(000)	S/(000)	US$(000)	S/(000)
2023	10,622	117,346	4,497	190,107	15,119	307,453
2024	9,512	112,817	4,435	126,493	13,947	239,310
2025	7,891	104,218	4,433	85,396	12,324	189,614
2026	7,175	101,848	4,375	65,094	11,550	166,942
2027-2076	90,135	1,261,683	79,233	325,617	169,368	1,587,300
Total	125,335	1,697,912	96,973	792,707	222,308	2,490,619

Year	2021					
	Related parties		Third parties		Total	
	US$(000)	S/(000)	US$(000)	S/(000)	US$(000)	S/(000)
2022	8,908	98,201	4,307	156,752	13,215	254,953
2023	8,907	92,681	4,212	114,705	13,119	207,386
2024	8,577	90,008	4,188	76,579	12,765	166,587
2025	8,490	88,848	4,187	51,924	12,677	140,772
2026-2076	123,428	1,212,938	78,683	368,527	202,111	1,581,465
Total	158,310	1,582,676	95,577	768,487	253,887	2,351,163

As of December 31, 2022 and 2021, the minimum rents are calculated on the basis of a time horizon between 56 and 57 years.

The Group maintain insurance on its investment properties in accordance with the policies established by Management.

13. Intangible assets, net

(a) The composition and movement of this item as of the date of the consolidated statement of financial position is presented below:

	Software S/(000)	Other assets S/(000)	Work in progress S/(000)	Total S/(000)
Cost				
Balance as of January 1, 2021	10,503	632	3,139	14,274
Additions (c)	2,556	966	2,003	5,525
Transfers	10	1,590	(1,600)	-
Balance as of December 31, 2021	13,069	3,188	3,542	19,799
Additions (c)	1,670	386	2,505	4,561
Disposals	-	(9)	-	(9)
Transfers	2,875	-	(2,875)	-
Balance as of December 31, 2022	17,614	3,565	3,172	24,351
Accumulated amortization				
Balance as of January 1, 2021	3,661	27	-	3,688
Amortization of the year, see note 23	2,366	141	-	2,507
Transfers	10	(10)	-	-
Balance as of December 31, 2021	6,037	158	-	6,195
Amortization of the year, see note 23	2,937	417	-	3,354
Transfers	-	(2)	-	(2)
Balance as of December 31, 2021	8,974	573	-	9,547
Net cost				
As of December 31, 2022	8,640	2,992	3,172	14,804
As of December 31, 2021	7,032	3,030	3,542	13,604

(b) Intangible assets are initially measured at cost and are carried at cost less accumulated amortisation. Amortisation is expensed and determined using the straight – line method over the basis of the corresponding useful life, which are estimated between two and ten years.

The useful life estimation is assessed periodically to ensure that amortization periods are consistent to the expected pattern of economic benefits arising from such assets.

(c) During 2022, the main additions correspond mainly to the purchase of software: Advance Real Estate V.1.0 – AFYL for S/1,687,618, Service Desk Project for S/396,851, Tenant Portal for S/239,344., Cross Microservices (Software Architecture) for S/238,233, Real Plaza Go for S/202,561 and improvements in assets in progress: App Real Plaza for S/523,621 and Real Plaza Go for S/283,796.

During 2021, additions correspond mainly to the purchase of software, licenses and cloud infrastructure for the amounting to approximately S/ 1,723,000 and improvement in the market place "Real Plaza Go" for the amount S/966,000.

14. Trade accounts payables

(a) The composition of this caption as of December 31, 2022 and 2021 is presented below:

	2022 S/(000)	2021 S/(000)
Third parties (b)	36,043	46,141
Provisions for unbilled services (c)	10,417	8,877
	46,460	55,018
By term:		
Current	41,323	48,209
Non-current	5,137	6,809
	46,460	55,018

(b) Trade accounts payable mainly comprise obligations with contractors for the construction and / or remodeling of the Shopping Malls. The invoices to pay are denominated in Soles and in US dollars, and do not accrue interest.

(c) Corresponds to provisions of services received and not invoiced by the suppliers, mainly for services of the construction companies provided in the last quarter of the period. In Management's opinion of the Group, such provisions are sufficient to meet the liabilities once they are invoiced.

15. Other liabilities

(a) The composition of this caption as of December 31, 2022 and 2021 is presented below:

	2022 S/(000)	2021 S/(000)
Interest payable on financial obligations (b)	28,999	30,316
Deferred rental income (c)	21,367	20,538
Tax Debit for General Sales Tax	8,240	3,862
Remunerations and social benefits	5,039	4,965
Provision of basic services (d)	4,679	5,043
Tenant's security deposits	4,136	3,412
Taxes and deductions payable	4,134	3,223
Interest cross currency swap (note 10)	3,038	2,788
Provision for payment to owners	2,572	1,645
Interest payable on financial obligation Puruchuco (e)	1,571	1,734
Workers' profit sharing	645	-
Other accounts payable	8,980	5,304
	93,400	82,830

	2022 S/(000)	2021 S/(000)
By term:		
Current	79,837	69,070
Non-current	13,563	13,760
	93,400	82,830

(b) Corresponds mainly to the interest payable resulting from senior notes issued, see note 16(b), and the financing obtained in relation to the acquisition of the derivative financial instrument - "Call Spread", see note 10.

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

	2022 S/(000)	2021 S/(000)
Key money (c.1)	17,947	17,149
Rents paid in advanced	2,294	2,130
Other deferred income	1,126	1,259
	21,367	20,538

(c.1) The movement of the deferred income of key money as of December 31, 2022 and 2021 is as follows:

	2022 S/(000)	2021 S/(000)
Balance as of January 1	17,149	19,683
Additions	5,982	2,364
Accrued key money, note 21(a)	(5,184)	(4,898)
Balance as of December 31	17,947	17,149

(d) Corresponds to the provision for basic services such as electricity, water and sewerage and internet networks of the Shopping Malls.

(e) Corresponds to the interest payable provisioned by the Puruchuco financial lease (with Scotiabank del Perú S.A.A.), which had the first disbursement date in August 2018. This obligation is only associated with the construction and commissioning of the Real Plaza Puruchuco Shopping Mall.

16. Financial obligations

(a) The composition of this caption as of December 31, 2022 and 2021 is presented below:

Type of obligation	Subsidiary	Original currency	Interest rate %	Payment of interest	Maturity	Original amount in thousands	2022 Total S/(000)	2022 Current S/(000)	2022 Non-current S/(000)	2021 Total S/(000)	2021 Current S/(000)	2021 Non-current S/(000)
Bond Issuance (b)												
Senior Notes Unsecured (b.1)	InRetail Shopping Malls	US$	5.75	Biannual	2028	350,000	1,277,478	-	1,277,478	1,327,464	-	1,327,464
Senior Notes Unsecured (b.2)	InRetail Shopping Malls	S/	6.56	Biannual	2028	313,500	310,959	-	310,959	310,569	-	310,569
Senior Notes Unsecured (b.3)	InRetail Shopping Malls	S/	7.88	Biannual	2034	141,000	135,755	-	135,755	135,668	-	135,668
							1,724,192	-	1,724,192	1,773,701	-	1,773,701
Leasing												
Unrelated parties												
Scotiabank del Perú S.A.A. (c)	Interproperties Holding II	S/	5.51	Quarterly	2025	380,000	305,526	31,015	274,511	336,480	30,954	305,526
Others	Real Plaza S.R.L.	US$	Between 2.18 and 9.50	Monthly	Between 2022 and 2025	2,673	4,140	2,429	1,711	5,346	3,676	1,670
							309,666	33,444	276,222	341,826	34,630	307,196
Related parties												
Banco Internacional del Perú S.A.A. – Interbank, purchase of transport unit	Real Plaza S.R.L	US$	4.53	Monthly	2025	25	69	33	36	134	71	63
							69	33	36	134	71	63
							309,735	33,477	276,258	341,960	34,701	307,259
Promissory notes and loans												
Unrelated parties												
Scotiabank del Perú S.A.A. (d)	InRetail Shopping Malls	S/	5.25	Quarterly	2027	50,000	38,548	4,941	33,607	43,484	4,935	38,549
Scotiabank del Perú S.A.A	Interproperties Holding II	S/	4.21	Biannual	2022	19,000	-	-	-	19,000	19,000	-
Banco de Crédito del Perú	Interproperties Holding I	S/	3.50	Biannual	2022	39,000	-	-	-	39,000	39,000	-
							38,548	4,941	33,607	101,484	62,935	38,549
Related parties												
Banco Internacional del Perú S.A.A.	Interproperties Holding I	S/	1.85	Biannual	2022	54,500	-	-	-	54,500	54,500	-
							-	-	-	54,500	54,500	-
										155,984	117,435	38,549
Financing of premiums “Call Spread”, note 10												
JP Morgan S.A.	InRetail Shopping Malls	US$	10.205	Biannual	2028	18,147	42,411	6,135	36,276	50,204	5,817	44,387
Total							2,114,886	44,553	2,070,333	2,321,849	157,953	2,546,506

(b) Corresponds to the following issuances:

(b.1) In April 2018, InRetail Shopping Malls, subsidiary of the Company, issued corporate bonds called "5.75 Senior Notes Unsecured" for US$68,312,000, under the Rule 144A and the Regulation S of the United States' Securities Act of 1993. The amount resulting from this issuance was used to pre-pay the bond holders that chose not to participate in the bonds exchange, as explained in the following paragraph.

InRetail Shopping Malls made a bond exchange offer aimed at holders of the "6.500% Senior Notes Unsecured 2022", that were issued in 2014, thus exchanging bonds for US$263,723,000 which generated financial charges for approximately US$17,965,000 in the item "Debt and interest-bearing loans" of the consolidated statement of financial position; therefore, the total effect on the item mentioned above for the bond exchange was US$281,688,000. Consequently, considering the bond issuance of April 2018 (for US$68,312,000) and the bonds exchange, the amount of "5.75% Senior Unsecured Notes" is US$350,000,000.

This obligation was recorded in the consolidated financial statements at its amortized cost at an annual effective interest rate of 6.752 percent, after considering the structure costs amounting to around US$15,582,000, approximately equivalent to S/59,522,000 on December 31, 2022 (US$17,968,000, approximately equivalent to S/71,836,000 as of December 31, 2021).

The Group's Management concluded that the aforementioned bond exchange did not generate a significant modification in the terms and conditions of the financial liability; therefore, it did not recognize a new financial liability. The original costs of the transaction related to the exchanged bonds will continue to be amortized based on the calendar of the new bond.

(b.2) In April 2018, debt instruments ("Notes") in Soles were issued for S/313,500,000, with interests paid every six months and whose principal is paid in one installment at their maturity date. This obligation is recorded in the consolidated financial statements at amortized cost at an effective annual rate of 6.730 percent, after considering structure costs of around S/2,541,000, as of December 31, 2022 (approximately S/2,931,000 of December 31, 2021).

(b.3) In July 2014, InRetail Real Estate Corp. issued through InRetail Shopping Malls, a private offering in the local market and abroad of " Senior Notes Unsecured " for S/141,000,000. This obligation was recognized in the consolidated financial statements at amortized cost and includes issuance charges for approximately S/1,245,000 as of December 31, 2022 (S/1,332,000 as of December 31, 2021). This obligation was recorded in the consolidated financial statements at amortized cost at an effective annual interest rate of 7.988 percent. In addition, as of December 31, 2022 and 2021 is presented net of S/4,000,000, corresponding to the "Senior Notes Unsecured " held by InRetail Shopping Malls.

(b.4) The interest accrued during the year 2022 for these bonds amounted to approximately S/108,655,000 (approximately S/109,990,000 during 2021) and is presented in the caption "Financial expenses - Interest on bonds issued" in the consolidated statement of income, see note 25(a). Also, as of December 31, 2022 and 2021, the balance of interest payable amounts to S/28, 489,000 and S/29,365,000, respectively.

(b.5) During 2022 and 2021, the InRetail Real Estate Group has recognized expenses for the accrual of the commission for structuring obligations for approximately S/10,756,000 y S/10,337,000, respectively, which are presented in the caption “Financial expense” of the consolidated statement of income, note 25(a).

(b.6) International issues are listed on the Luxembourg Stock Exchange. On the other hand, local and international issues maintain certain financial and operating covenants, which, in Management's opinion, do not limit its operations and have been met as of the dates of the consolidated statement of financial position, with the exception of the financial ratio “debt service”, which is of an operational nature and does not generate the enforceability of the debt. In this regard, Management has been managing the breach of said covenant and, in its opinion, it will not have significant negative impacts on its operations.

(c) In October 2019, the Group acquired a promissory note with Scotiabank del Perú S.A.A. for the amount of S/50,000,000, for a term of 7 years, payable in quarterly installments, which accrues an interest of 5.25 percent per year.

The debt has no specific guarantees and it 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/201,000 as of December 31, 2022 (S/266,000 as of December 31,2021).

(d) Future minimum payments for the leasing described in subsection (a) of this note, net of future financial charges, are as follows:

	Total 2022		Total 2021	
	Minimum payments S/(000)	Present value of the leasing installments S/(000)	Minimum payments S/(000)	Present value of the leasing installments S/(000)
Until 1 year	49,637	33,478	52,602	34,701
Between 1 and 3 years	299,049	276,225	94,386	63,785
Over 3 years	32	32	251,895	243,474
Total minimum payments	348,718	309,735	398,883	341,960
Minus- amounts representing finance charges	(38,983)	-	(56,923)	-
Present value of future minimum payments	309,735	309,735	341,960	341,960

(e) Future payments for bonds issued including interest expenses, but not including structuring costs, are as follows:

	2022			2021		
	Principal S/(000)	**Interest** S/(000)	**Total** S/(000)	**Principal** S/(000)	**Interest** S/(000)	**Total** S/(000)
2023	-	111,540	111,540	-	111,822	111,822
2024	-	111,540	111,540	-	111,822	111,822
2025	-	111,540	111,540	-	111,822	111,822
Until 2034	1,724,192	324,702	2,048,894	1,773,701	437,339	2,211,040
	1,724,192	659,322	2,383,514	1,773,701	772,805	2,546,396

(f) During 2022, the interest accrued on financial leases, promissory notes and others amounted to approximately S/23,866,000 (approximately S/26,093,000 during 2021) and are presented in the item "Financial expenses - Interest on financial lease and others" of consolidated income statement, see note 25.

(g) Since 2020, the following financial requirements ("covenants") are maintained for certain promissory notes and financial leasing contracts acquired by InRetail Real Estate and subsidiaries with Scotiabank Perú S.A.A., which are measured using the financial statements of InRetail Real Estate Corp.:

- The debt ratio, resulting from dividing (i) total debt, by (ii) total assets, must not be greater than 60 percent.
- The guaranteed debt ratio, resulting from dividing (i) guaranteed debt, by (ii) total assets, must not be greater than 30 percent.
- The net interest coverage ratio, resulting from dividing (i) EBITDA, by (ii) financial expenses (last twelve months), must be greater than 1.75.
- The debt service coverage ratio, resulting from dividing (i) EBITDA, by (ii) debt service (last twelve months), must be greater than 1.25.

As of December 31, 2022 and 2021, the Group has complied with the financial requirements ("covenants") indicated above.

17. Deferred Income Tax

(a) As of December 2022 and 2021, the deferred assets and liabilities presented in the consolidated statements are as follows:

	2022		2021	
	Deferred asset S/(000)	Deferred liability S/(000)	Deferred asset S/(000)	Deferred liability S/(000)
Inmobiliaria Puerta del Sol S.A.	-	39,712	-	33,085
Real Plaza S.A.	7,557	-	6,198	-
Inversiones Real Estate S.A.	-	653	-	632
Centro Comercial Estación Central S.A.	-	-	10	-
Total	7,557	40,365	6,208	33,717

(b) The detail of the deferred Income Tax assets and liabilities is as follows:

	Balance as of January 1, 2021 S/(000)	Income (expense) in consolidated statement of income S/(000)	Balance as of December 31, 2021 S/(000)	Income (expense) in consolidated statement of income S/(000)	Balance as of December 31, 2022 S/(000)
Total deferred assets, net	4,496	1,712	6,208	1,349	7,557
Deferred assets -					
Tax Ebitda	-	2,517	2,517	533	3,050
Carry-over tax loss	1,921	(478)	1,443	(1,443)	-
Lease liability	689	807	1,496	(289)	1,207
	2,610	2,846	5,456	(1,199)	4,257
Deferred liabilities -					
Valuation gains from investment properties	(17,025)	(4,553)	(21,578)	(2,115)	(23,693)
Tax depreciation of investment properties	(14,462)	(2,583)	(17,045)	(3,620)	(20,665)
Other	(751)	201	(550)	286	(264)
	(32,238)	(6,935)	(39,173)	(5,449)	(44,622)
Deferred income tax liability, net	(29,628)	(4,089)	(33,717)	(6,648)	(40,365)

(c) The expense for income tax presented in the consolidated statement of income for the years ended December 31, 2022 and 2021 is composed as follows:

	2022 S/(000)	2021 S/(000)
Current	(6,800)	(6,363)
Tax related to special purposes entities, note 26(f)	(78,812)	(48,523)
Deferred	(5,299)	(2,377)
Total	(90,911)	(57,263)

(d) The following is the determination of the income tax:

	2022		2021	
	S/000	%	S/000	%
Income before income tax	304,087	100.00	191,564	100.00
Theoretical expenses	89,706	(29.50)	(56,511)	(29.50)
Effect of permanent differences	1,205	(0.40)	(752)	(0.39)
Benefit (expense) for income tax	90,911	(29.90)	(57,263)	(29.89)

18. Commitments

As of December 31, 2022, the Group hold letters of guarantee in favor of third parties for approximately S/200,000 and US$2,930,000 equivalent to S/11,193,000 issued by Banco Internacional del Perú S.A.A. - Interbank, related entity, with maturity in the period 2023 (S/9,245,000 and US$3,150,000 equivalent to S/12,594,000, as of December 2021), which guarantee the fulfillment of obligations arising from contractual agreements related to the real estate projects of Interproperties Holding and Interproperties Holding II.

19. Equity, net

(a) Capital Stock -

As of December 31, 2022, and 2021, the capital stock of InRetail Real Estate Corp. amounts to approximately S/1,475,706,000 represented by 568,201,039 shares, issued at a nominal value of US$1 each.

(b) Unrealized results, net -

As of December 31, 2022 and 2021, the unrealized results were generated by the financial instruments at fair value through other comprehensive income and derivate financial instruments – "Call Spread andCross Currency Swap" see note 9 and 10, respectively.

(c) Distribution of dividends -

As of December 31, 2022 and 2021, no dividends were approved at the General Shareholders Meeting.

20. Leases

(a) The Group have land and building lease contracts used in its operations. These leases have lease terms between 3 and 27 years. The obligations of the Group under its leases are guaranteed by the lessor's title to the leased assets.

There are several leases that include extension and termination options, and variable lease payments.

The Group also have certain leases of premises with lease terms of 12 months or less and leases of low-value office equipment. The Group apply the short-term lease recognition and low-value asset lease exemptions for these leases.

(b) Movement of the financial assets for right of use for the period is detailed below.

	Lands S/(000)	**Buildings** S/(000)	**Total** S/(000)
Cost			
Balance as of January 1, 2021	150,864	933	151,797
Additions (c)	9,857	-	9,857
Balance as of December 31, 2021	160,721	933	161,654
Additions (c)	8,790	-	8,790
Balance as of December 31, 2022	169,511	933	170,444
Accumulated depreciation			
Balance as of January 1, 2021	14,749	525	15,274
Additions (e) and note 22(a)	7,514	262	7,776
Balance as of December 31, 2021	22,263	787	23,050
Additions (e) and note 22(a)	8,148	146	8,294
Balance as of December 31, 2022	30,411	933	31,344
Net worth as of December 31, 2022	139,100	-	139,100
Net worth as of December 31, 2021	138,458	146	138,604

(c) The movement of the financial lease liability for the period is detailed below:

	2021 S/(000)	2021 S/(000)
As of January 1	234,803	212,085
Lease additions	14,783	13,153
Financial interest expense, note 25	11,141	10,714
Lease payments (*) and (f)	(17,347)	(16,555)
Exchange difference	(7,562)	15,406
As of December 31	235,818	234,803
Classification -		
Current	6,749	4,796
Non-current	229,069	230,007
As of December 31	235,818	234,803

(*) The Group processed a S/1,457,000 rebill for Sublease, amount collected in cash (S/1,599,000, as of December 31, 2021).

(d) As of December 31, 2021, the amortization schedule of these obligations is as follows:

	2022 S/(000)	2021 S/(000)
2022	-	4,796
2023	6,749	8,071
2024	7,373	7,257
2025	221,696	214,679
Total	235,818	234,803

(e) The following table presents the amounts recognized in the consolidated statement of income:

	2022 S/(000)	2021 S/(000)
Depreciation cost of right-of-use asset, (b) and note 22(a)	8,294	7,776
Interest expense on lease liabilities, (c) and note 25	11,141	10,714
Total amount recognized in results	19,435	18,490

(f) The Group have commercial premises leases that contain variable payments based on sales. Management's objective is to align the leasing expense with the income generated.

Information about the variable lease payments made by the Group, including the magnitude in relation to the fixed payments, is provided below:

	Fixed payments S/(000)	Variable payments S/(000)	Total S/(000)
2022			
Fixed rent (c)	15,997	-	15,997
Variable rent with minimum payment	-	18,782	18,782
	15,997	18,782	34,779

	Fixed payments S/(000)	Variable payments S/(000)	Total S/(000)
2021			
Fixed rent (c)	15,911	-	15,911
Variable rent with minimum payment	-	11,242	11,242
	15,911	11,242	27,153

(g) There are no leases with residual value guarantees or leases not yet started with which the Group is committed.

(h) Lease contracts bear interest at annual rates of 10.50 percent for leases in Soles and 6.70 percent for leases in dollars.

21. Income from real estate service

(a) The composition of the balance is presented below:

	2022 S/(000)	2021 S/(000)
Rental income		
Income from fixed income	382,722	283,792
Income from variable income	64,039	61,741
Rent of space for publicity	21,233	10,588
Key money, note 15(c.1)	5,184	4,898
	473,178	361,019
Income from management services		
Common expenses (b)	91,361	80,180
Electricity and water (c)	64,768	53,799
Promotion and advertisement fund (d)	25,678	21,517
Parking	11,360	5,770
Management services	1,739	1,224
Other income	10,410	7,726
	205,316	170,216

(b) Corresponds to the income for common expenses that includes maintenance, security, administration and supervision of the Shopping Malls, which are billed to each tenant according to the terms established in the lease agreement.

(c) Corresponds to the income for energy and water that are assumed by the Group and that are subsequently billed to each tenant of the Shopping Malls.

(d) Corresponds to the income from the promotional and advertising activities of the Shopping Malls, which are invoiced to each tenant of the Shopping Malls according to the terms established in the corresponding lease contract.

22. Operating costs

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

	2022 S/(000)	2021 S/(000)
Cost related to income from management services		
Electricity and water	55,958	45,587
Maintenance and administration of parking lot	27,229	20,625
Personnel expenses, note 24(b)	20,454	19,322
Advertising and marketing	20,153	14,290
Safety services	13,921	12,531
Cleaning	13,640	11,011
Leases, professional fees and communications	10,064	11,109
Other costs	7,517	3,094
	168,936	137,569
Cost of rental income		
Property tax and duties	21,081	19,705
Cost of variable lease (b)	19,023	12,400
Depreciation of assets for rights of use, note 20(b) and (e)	8,294	7,776
Property insurance costs	6,652	6,528
Other costs	4,442	810
	59,492	47,219

(b) It corresponds to the lease of land upon which Interproperties Holding and Interproperties Holding II have built or are building a shopping mall.

23. Selling and administrative expenses

	2022		
	Administrative expenses S/(000)	Selling expenses S/(000)	Total S/(000)
Personnel expenses, note 24(b)	17,976	9,987	27,963
Provision for doubtful accounts, net of recoveries, note 6(e)	-	4,308	4,308
Provision for doubtful accounts related (*)	-	(3,113)	(3,113)
Professional fees	13,161	1,425	14,586
Depreciation, note 11(a)	6,013	-	6,013
Amortization, note 13(a)	3,354	-	3,354
Other expenses	1,278	209	1,487
	41,782	12,816	54,598

(*) Corresponding to common expenses with Cineplex.

	2021		
	Administrative expenses S/(000)	Selling expenses S/(000)	Total S/(000)
Personnel expenses, note 24(b)	16,228	9,468	25,696
Provision for doubtful accounts, net of recoveries, note 7(e)	-	3,215	3,215
Provision for doubtful accounts related	.	3,114	3,114
Professional fees	10,024	981	11,005
Depreciation, note 11(a)	5,510	-	5,510
Amortization, note 13(a)	2,507	-	2,507
Other expenses	821	124	945
	35,090	16,902	51,992

24. Personnel expenses

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

	2022 S/(000)	2021 S/(000)
Salaries	26,378	25,236
Regular bonuses	6,206	5,595
Workers' profit sharing	4,761	3,176
Social security	3,212	2,842
Compensation for length of service	2,880	2,689
Vacations	2,539	2,331
Other personnel expenses	2,441	3,149
	48,417	45,018

(b) The distribution of personnel expenses is presented below:

	2022 S/(000)	2021 S/(000)
Operating costs, see note 22	20,454	19,322
Administrative expenses, see note 23	17,976	16,228
Selling expenses, see note 23	9,987	9,468
	48,417	45,018

25. Financial income and expenses

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

	2022 S/(000)	2021 S/(000)
Financial Income		
Interest on loans granted to related parties, note 27	27,761	27,916
Dividend income (b)	3,529	7,309
Interests on deposits	2,621	423
Income on instruments at fair value through profit or loss, note 5	1,851	133
Income from reversal of leasing option expense	-	2,900
Others	1,068	728
	36,830	39,409

	2022 S/(000)	2021 S/(000)
Financial expenses		
Interest on senior notes issued, note 16(b.4)	108,655	109,990
Interest on financial leasing, borrowings and others financial obligations, note 16(f)	23,866	26,093
Interest for cross currency swap	12,896	9,022
Interest on financial lease liabilities, note 20(c) and (e)	11,141	10,714
Expenditures for structuring debt, note 16(b.5)	10,756	10,337
Amortization of premium for derivative financial instrument, note 10	8,990	9,688
Premium for early settlement of Call Spread, note 10	-	38,826
Other financial expenses	3,705	3,658
	180,009	218,328

(b) At the General Shareholders Meeting of InRetail Perú Corp held on April 21, 2022, the distribution of dividends in favor of InRetail Shopping Malls for the shares held as an investment in said Company was approved (see note 9); the amount amounted to approximately US$944,000 (equivalent to an amount of S/3,529,000). On May 17, InRetail Shopping Malls collected that dividends in US dollars cash.

At the General Shareholders Meeting of InRetail Perú Corp held on March 30, 2021 and September 9, 2021, the distribution of dividends in favor of InRetail Shopping Malls for the shares held as an investment in said Company was approved (see note 9); the amount amounted to approximately US$1,864,0000 (equivalent to an amount of S/7,309,000). On May 17, 2021 and December 6, 2021, InRetail Shopping Malls collected that dividends in US dollars cash.

26. 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 attention to Legislative Decree No. 1261, issued on December 10, 2016 and effective since January 1, 2017, the additional tax on dividend income generated is as follows:

- 6.8 percent for the profits generated from January 1, 2015 to December 31, 2016.
- For the profits generated since January 1, 2017, which distribution is made since that date, the applicable rate will be 5 percent.

(b) Real Plaza is domiciled in Peru and is subject to the Peruvian tax regime. In attention to Legislative Decree No. 1261, issued on December 10, 2016 and effective since January 1, 2017, the income tax rate applicable on taxable profit, after deducting employee participation will be from 2017 onwards, 29.5 percent.

(c) In Peru, non-domiciled entities are subject to income tax only in case of income taxed from a Peruvian source; e.g., those obtained by the indirect alienation of capital shares or interest representative of the capital of legal entities domiciled in the country.

For these purposes, it should be considered that an indirect alienation occurs when shares or interest representative of the capital of a non-domiciled legal person that owns – directly or through another legal person or persons – shares or interest representative of the capital of one or more legal entities domiciled in the country are alienated, provided that the conditions established by the Income Tax Act are met. It also defines the cases in which legal persons domiciled in Peru have joint and several liabilities.

The Income Tax Act provides that an indirect transfer of shares occurs when the following conditions are met: (i) In any of the 12 months prior to the alienation, the market value of the shares or interest of the domiciled legal person was equal to 50 percent or more of the market value of the shares or interest of the non-domiciled legal person; and, (ii) In any 12-month period, shares or interest representing 10 percent or more of the capital of a non-domiciled legal person are alienated.

In addition, it will also apply as indirect alienation when the total amount of shares held by the legal entity domiciled in Peru whose indirect alienation transaction value is equal or greater than 40,000 Tax Units (ITU). It should be noted that this assumption will represent an indirect alienation even when the aforementioned conditions are not met.

(d) In Peru, transfer pricing regulations are applicable to determine the market value of transactions made by domiciled legal entities with related companies from, to or through non-cooperative countries or territories or those with low or no taxes, or those made with subjects whose income, profit or gains from said transactions are subject to a preferential tax regime.

The valuation methods applied, as well as the criteria used to determine the market value, shall be properly documented and supported. Based on the analysis of the operations, Management and its legal advisors believe that, as a consequence of the application of these standards, no significant contingencies will arise for the InRetail Group as of December 31, 2022 and 2021.

(e) The Tax Authority has the power to review and, if applicable, correct the income tax calculated during the four years after the year of filing the tax return. Below are the years subject to review by the Tax Authority of the Subsidiaries of InRetail Real Estate Corp. domiciled in Peru:

	Income tax	**Value Added Tax (VAT)**
Real Plaza S.R.L.	Del 2018 al 2022	Del 2019 al 2022
Inmobiliaria Puerta del Sol	Del 2018 al 2022	Del 2019 al 2022
Inversiones Real Estate S.R.L.	Del 2018 al 2022	Del 2019 al 2022

In case of Peru, the Tax Administration Authority has a term to perform the reviews or audits to the sworn declarations submitted by taxpayers, which have a statute of limitations of 4 years, as of January 1 of the following year after the submission of the sworn declaration.

Due to possible interpretations that tax authorities can give to the current legislation, it is not possible to determine whether or not future reviews will result in tax liabilities for the InRetail Group, therefore, any major tax or surcharge that may result from eventual revision by the tax authority would be charged to the income statements of the period in which that tax or surcharge is determined.

(f) According to the Peruvian law, 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 Patrimonio en fideicomiso D.S.N°093-2002-EF- Puerta del Sol are not considered as income taxpayers due to its status as Special Purpose Entities. Such Entities attribute their generated results, the net losses and Income Tax credits on foreign source income, to the holders of its certificates of participation or whoever holds those rights. In consequence, as of December 31, 2022 and 2022 the income tax liability related to Special Purpose Entities consists of:

	2022 S/(000)	**2021** S/(000)
Opening balance as of January 1	416,979	407,172
Tax related to SPE, recorded as income tax expense, note 17(c)	78,812	48,523
Tax related to SPE, recorded in other comprehensive income, notes 6 and 10	-	(38,716)
Balance as of December 31	495,791	416,979

(g) The main tax regulations that were issued in Peru during 2022, effective as of January 1, 2023, are the following:

(i) Special depreciation regimes – Law No. 31652:
Special depreciation applicable from the year 2023 on buildings and constructions:

- Buildings and constructions may be depreciated, for the purposes of Income Tax, by applying an annual depreciation percentage to their value with a maximum of 33.33% up to their total depreciation, provided that the assets are used exclusively for business development and meet the following conditions:

  (a) Construction would have started on January 1, 2023.
  (b) Until December 31, 2024, the construction has a work progress of at least 80%.

- The foregoing also applies to taxpayers who, during fiscal years 2023 and 2024, own assets that comply with points a) and b) above.
- The special depreciation regime will not apply when the goods have been totally or partially built before January 1, 2023.
- In the case of subsequent costs generated by the buildings and constructions that meet the aforementioned conditions, the depreciation will be computed separately with respect to that corresponding to the assets to which they have been incorporated.
- Special depreciation applicable from the year 2023 on electric vehicles
- Land transport vehicles (except railways) hybrid (with piston engine and electric motor) or electric (with electric motor), acquired in the years 2023 and 2024, affected to the production of taxable income, may be depreciated by applying on their value the annual percentage of depreciation with a maximum of 50%, until its total depreciation.

(ii) Exemption of income from the sale of shares - Law N°30341
By means of Law No. 31662 published in the 2022 period, it is established to extend until December 31, 2023 the exoneration of capital gains for the sale of securities carried out through a centralized negotiation mechanism supervised by the Superintendencia del Mercado de Valores, in accordance with the following:

- The exemption is applicable to capital gains generated by a natural person, undivided succession or conjugal partnership that chose to pay taxes as such.
- The exemption applies up to the first 100 UIT or S/ 495,000 (for 2023) of the capital gain generated in each taxable year.

27. Transactions with related parties

(a) The main transactions with related parties recorded in the consolidated income statements for the years ended in December 31, 2022 and 2021, are the following:

	2022 S/(000)	2021 S/(000)
Income		
Rental income	162,124	120,781
Reimbursements of expenses	56,658	48,726
Sale of investment property, note 12(f)	12,872	31,113
Interest income, note 25(a)	27,761	27,916
Dividend income	3,529	7,309
Income from management services	5,214	4,896
Other	5,037	1,672
	273,195	242,143
Expenses		
Services between parties	4,867	4,296
Reimbursements of expenses	1,847	1,460
Renting of premises and land	845	824
Others	5,790	5,712
	13,349	12,292

(b) As result of transactions with related parties, InRetail Real Estate presents the following balances in the consolidated statements of financial position as of December 31, 2022 and 2021:

	2022 S/(000)	2021 S/(000)
Trade and other receivables		
InRetail Perú Corp. (d)	409,517	409,517
Supermercados Peruanos S.A. (e) y (f)	93,445	33,359
Homecenters Peruanos S.A. (e) y (f)	86,705	28,055
Cineplex S.A.	11,035	4,815
Tiendas Peruanas S.A.	4,532	4,466
EP de Franquicias S.A.C.	3,591	5,171
Bembos S.A.	2,444	3,016
Compañía Food Retail S.A.C.	1,738	-
Alert del Perú S.A.	1,652	1,971
Corporación Peruana de Restaurantes	1,262	2,047
Banco Internacional del Perú S.A.A.-Interbank	607	1,986
Tiendas Peruanas Oriente S.A.C.	513	359
Servicio Educativa Empresarial	440	3,695
Intercorp Peru LTD	-	2,423
Otras entidades relacionadas	4,459	5,219
	621,940	506,099
By term:		
Current	50,916	45,528
Non-current	571,024	460,571
	621,940	506,099
Trade and other payable		
Banco Internacional del Perú S.A.A.-Interbank	32,372	-
Intercorp Perú Ltd.	12,902	-
Interseguro Compañia de Seguros S.A.	8,337	-
Supermercados Peruanos S.A.	5,022	206
Tiendas Peruanas S.A.	1,501	695
Homecenters Peruanos S.A.	1,411	251
IR Management	973	338
Indigital Xp S.A.C.	162	358
Otros	103	32
	62,783	1,880
Financial obligations		
Banco Internacional del Perú S.A.A.-Interbank, note 16(a)	69	134

The policy of the Group is to carry out transactions with related parties in terms and conditions similar to those made with third parties and under normal market conditions. The taxes that these transactions generated, as well as the calculation bases for the determination of these, are the usual ones in the industry and are settled in accordance with the current tax regulations.

The outstanding balances do not accrue interest and no guarantees have been received or granted from any related party for the balances receivable and payable. For the years ended December 31, 2022 and 2022, the Group have not recorded any provision for impairment related to accounts receivable from related parties. This evaluation is carried out in each fiscal year through the analysis of the financial situation of the related party and the market in which it operates.

(c) As of December 31, 2022 and 2021, the Group maintained the following balances with related parties as part of the line of cash and cash equivalents and financial instruments at fair value through profit or loss and financial instruments at fair value through other comprehensive income:

	2022 S/(000)	2021 S/(000)
Cash and cash equivalents, note 4		
Banco Internacional del Perú S.A.A-Interbank	28,292	183,845
Financial investment at fair value through other comprehensive income, note 9		
Shares- InRetail Perú Corp.	172,064	191,266

(d) In April 2018, InRetail Shopping Malls, a subsidiary of the Company, granted a loan to InRetail Perú Corp for a principal amount of S/402,500,000 that accrues an effective annual interest rate of 6.90 percent and has a maturity of 10 years. As of December 2022, and 2021, the loan accrued an amount of S/27,761,000 as interest (see note 25), respectively, which is presented in the caption "Financial income" of the consolidated statement of income of which an amount of S/7,017,000 is pending collection, respectively.

(e) As of December 31, 2022, it corresponds mainly to the account receivable that Interproperties Peru maintains with Supermercados Peruanos S.A. and Homecenters Peruanos S.A. for an amount of S/33,040,000 and S/29,674,000, respectively (S/30,639,000 and S/27,432,000 as of December 31, 2021, 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 it leases the properties.

Additionally, as of December 31, 2022, it includes S/ S/56,098,000 receivable from Supermercados Peruanos S.A. and S/56,098,000 Homecenters Peruanos S.A. for the sale of participation certificates that InRetail Shopping Malls and Patrimonio en Fideicomiso D.S. N°093-2002-EF- Interproperties Holding II held land, see note 27(f).

(f) On April 4, 2022, the Group sold the participation certificates held by InRetail Shopping Malls 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 item Other income (expenses), net, of the consolidated statement of income and S/5,052,000 has been collected that is presented in the statement of cash flows, maintaining a receivable balance of S/95,985,000, see note 12 (b).

On October 4, 2022, the Group 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 (f).

(g) The compensation to the key personnel of the Management, of the Group is detailed below:

	2022 S/(000)	2021 S/(000)
Short-term benefits	12,435	11,517
Insurance and medical benefits	846	801
Others	1,258	1,578
Total	14,539	13,896

28. Segments

The Group monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements. The Group separated in two groups their incomes and costs in Lima and Provinces.

The following table presents income and certain asset information regarding InRetail Real Estate's reportable segments (in thousands of soles) for the years ended 31 December 31, 2022 and 2021:

	Rental Income S/(000)	Income from management services S/(000)	Fair value adjustment to investment properties S/(000)	Investments properties S/(000)
2022				
Lima	237,406	111,357	(41,045)	2,324,407
Provinces	235,772	93,959	44,988	2,229,671
Total	473,178	205,316	3,943	4,554,078

	Rental Income S/(000)	Income from management services S/(000)	Fair value adjustment to investment properties S/(000)	Investments properties S/(000)
2021				
Lima	173,722	89,514	34,408	2,257,984
Provinces	187,297	80,702	134,070	2,172,559
Total	361,019	170,216	168,478	4,430,543

29. Management of financial risks

The activities of the Group expose it to a variety of financial risks, which include the effects of changes in foreign currency exchange rates, interest rates, credit and liquidity. The risk management program of the Group seeks to minimize the potential adverse effects on its financial performance.

The Management of the Group is aware of the existing conditions in the market and, based on their knowledge and experience, has defined the general approach of risk management and policies and strategies, currently in force.

The main risks that the Group faces due to the nature of its operations are: credit, market and liquidity risk:

(a) Credit risk -

Credit risk is the risk that a counterparty does not comply with its obligations stipulated in a financial instrument or contract, causing a loss. The Group are exposed to credit risk for their operating activities. This risk is managed by the Management in accordance with the principles provided by the Board of Directors to minimize the concentration of risk and, consequently, mitigate financial losses arising from potential breaches of the counterparty. The maximum exposure to credit risk of the components of the consolidated financial statements as of December 2022 and 2021, comes from the items "Cash and cash equivalents", "Trade accounts receivable", "Accounts receivable with related parties" and "Other accounts receivable", "Financial instruments at fair value with changes in other comprehensive income" and "Derivative financial instruments - Call Spread".

Below is the credit risk analysis:

(i) Trade receivables -

The Group assess the concentration of risk with respect to trade accounts receivable. In general, there are no significant concentrations of commercial accounts receivable with any particular counterparty. The Group carry out an evaluation of the collectability risk of commercial accounts receivable to determine the respective provision.

(ii) Accounts receivable from related parties -

Due to the nature of these accounts, the credit risk is reduced, since they are related companies whose debts are collected and / or normally compensated in the short term.

(iii) Bank deposits, derivative financial instruments, instruments at fair value through profit or loss and financial instruments at fair value with changes in other comprehensive income -

The balances of cash equivalents and derivative financial instruments are maintained in and with first level financial entities, including a related financial entity. Likewise, the financial instruments at fair value with changes in the results of the Group are very quick to carry out and are managed by entities of recognized prestige. In the case of financial instruments at fair value with changes in other comprehensive income, as explained in note 6, they correspond to investment in shares of a related entity.

(b) Market risk -

Market risk is the possibility of loss due to variations in financial market conditions. The main variations to which the Group is exposed are the value of the exchange rate, interest rates and prices. These variations may affect the value of the assets and financial liabilities of the InRetail Real Estate Group.

(i) Interest rate risk -

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument fluctuate due to changes in market interest rates.

The policy of the Group is to maintain financial instruments that bear fixed interest rates, so that the operating cash flows of the Group are substantially independent of changes in market interest rates. In this sense, In Management's opinion, the Group do not have a significant exposure to interest rate risks.

(ii) Exchange risk -

Exchange rate risk is the risk that the fair value or future cash flows of a financial instrument fluctuate due to changes in exchange rates. The exposure of the Group to exchange rates is mainly related to the operating activities of the Group, related to rental income in foreign currency, financial obligations and financial instruments through profit or loss.

Transactions in foreign currency are carried out at the free market exchange rates published by the Superintendency of Banking, Insurance and Peru's Private Pension System. As of December 31, 2022, the weighted average free market exchange rate for transactions in US dollars was S/3.808 per US$1 for the purchase and S/3.820 for US$1 for the sale (S/3.975 for US$1 for the purchase and S/3.998 for US$1 for sale as of December 31, 2021).

As of December 31, 2022 and 2021, the assets and liabilities in foreign currency were the following (expressed in thousands of US dollars):

	2022 US$(000)	2021 US$(000)
Assets		
Cash and cash equivalents	51,242	29,321
Financial instruments at fair value through profit or loss	-	10,515
Financial instruments at fair value through other comprehensive income	45,185	47,840
Trade receivables, net	643	1,381
Accounts receivable from related parties	1,457	1,323
Other trade receivables	15	5
	98,542	90,385

Notes to the consolidated financial statements (continue)

	2022 US$(000)	2021 US$(000)
Liabilities		
Financial obligations	346,622	345,960
Other liabilities	5,308	5,577
Trade payables	2,805	2,183
IFRS16 lease liability	44,414	41,350
Accounts payable from related parties	8,466	3
	407,615	395,073
"Call Spread" – Short position, note 10 and 16(b)	250,000	350,000
Full Cross-Currency Swap	100,000	-
Net asset (liability) position	40,927	45,312

The Group manages the foreign currency exchange risk by monitoring and controlling the values of its position in foreign currency. InRetail Real Estate measures its performance in Soles so that, if the exchange position in foreign currency is positive, any depreciation of the US dollar would negatively affect the financial condition of the Group. The current position in foreign currency includes the assets and liabilities that are indicated at the exchange rate. Any devaluation/revaluation of the foreign currency would affect the income statement.

During the year 2022, the Group has incurred a net loss for exchange difference of approximately S/47,107,000 (net loss of approximately S/84,390,000, during 2021), which is presented in the caption "Exchange difference, net" of the consolidated statement of income.

The following table presents the sensitivity analysis of US Dollars, the currency at which InRetail Real Estate has a significant exposure as of December 31, 2022 and 2021, in its monetary assets and liabilities and its estimated cash flows. The analysis determines the effect of a reasonably possible change of the US dollar exchange rate, considering other variables to be constant in the consolidated statement of income. Any negative amount shows a potential net decrease in the consolidated statement of income, while a positive amount reflects a net potential increase.

Sensitivity analysis	Change in exchange rates %	Profit (loss) 2022 S/(000)	 2021 S/(000)
Devaluation -			
US Dollars	5	(7,548)	(8,551)
US Dollars	10	(15,096)	(17,103)
Revaluation -			
US Dollars	5	7,548	8,551
US Dollars	10	15,096	17,103

(iii) Price risk -

Financial instruments at fair value through profit or loss (mutual funds) and financial investments at fair value through changes in other comprehensive income (shares) are subject to changes in their fair value due to changes in their market value. Management mitigates this risk by investing in financial instruments with a conservative risk profile. A calculation of sensitivity in market prices and the effect on the unrealized gain or expected loss in the consolidated statement of income, before income tax, as of December 31, 2022 and 2021 is presented below:

Sensitivity analysis	Change in Exchange rates %	2022 S/(000)	2021 S/(000)
Shares	+/-15	258	287
Shares	+/-10	172	191
Mutual funds	+/-10	-	82
Mutual funds	+/-15	-	123
Mutual funds	+/-30	-	245

(c) Liquidity risk -

The liquidity risk is the risk that the Group cannot meet their payment obligations related to financial liabilities at maturity. The consequence would be the failure to pay their obligations to third parties.

The management of liquidity risk involves maintaining sufficient cash and availability of financing, through an adequate amount of committed credit sources and the ability to settle transactions, mainly, of indebtedness. In this regard, and although the Group maintains short and long-term financial obligations for significant amounts as of December 31, 2022 and 2021, the Management of the Group considers that this situation does not constitute a limitation to its operations, due to the to the support and economic and managerial support that the Intercorp Perú Ltd. Group can provide and due to the monitor of the liquidity risks of the Group that the Management does, who directs its efforts to maintain sources of financing through the availability of credit lines.

The following table shows the maturity of the obligations contracted by InRetail Real Estate at the date of the consolidated statements of financial position and the amounts to disburse at their maturities, based on non-discounted payments that will be made:

	Less than 3 months S/(000)	More than 3 months and less than 1 year S/(000)	More than 1 year and less than 5 years S/(000)	More than 5 years and less than 11 years S/(000)	Total S/(000)
As of December 31, 2022					
Financial obligations					
Principal amortization, note 16	9,734	34,819	341,309	1,729,024	2,114,886
Cash flow for interest payment	10,047	123,621	482,717	101,861	718,246
Trade payables, note 14	39,605	1,718	5,137	-	46,460
Accounts payable to related parties, note 27(b)	24,579	38,204	-	-	62,783
Financial lease liabilities					
Principal amortization	1,644	5,105	33,821	195,248	235,818
Cash flow for interest payment	4,182	12,371	60,850	109,083	186,486
Other liabilities, note 15 (*)	37,949	34,084	-	-	72,033
	127,740	249,922	923,834	2,135,216	3,436,712
As of December 31, 2021					
Financial obligations					
Principal amortization, note 16	122,464	35,489	356,981	1,806,915	2,321,849
Cash flow for interest payment	11,689	130,275	500,873	215,271	858,108
Trade payables, note 14	43,900	4,309	2,560	4,249	55,018
Accounts payable to related parties, note 27(b)	1,880	-	-	-	1,880
Financial lease liabilities					
Principal amortization	1,107	3,689	33,560	196,447	234,803
Cash flow for interest payment	2,631	8,487	42,631	72,746	126,495
Other liabilities, note 15 (*)	27,659	34,633	-	-	62,292
	211,330	216,882	936,605	2,295,628	3,660,445

(*) It does not include the cash balance received from the tenants for the right of key and rents paid in advance, see note 15(c).

(d) Changes in liabilities related to financing activities -

Below are the changes in liabilities related to financing activities.

	Balance at beginning of year S/(000)	Accrued Interests S/(000)	Additions S/(000)	Others, note 10	Cash flows S/(000)	Foreign currency movement S/(000)	Structuring commission accrual S/(000)	Balance at end of year S/(000)
Balance as of December 31, 2022 -								
Financial obligations	2,321,849	-	25,000	3,321	(184,203)	(61,836)	10,756	2,114,887
Interests for financial obligations	32,050	132,521	-	-	(133,155)	(846)	-	30,570
Liabilities related to financing activities	2,353,899	132,521	25,000	3,321	(317,358)	(62,682)	10,756	2,145,457
Balance as of December 31, 2021 -								
Financial obligations	2,195,920	-	2,673	(19,906)	3,139	129,686	10,337	2,321,849
Interests for financial obligations	30,544	136,083	-	-	(136,972)	2,395	-	32,050
Liabilities related to financing activities	2,226,464	136,083	2,673	(19,906)	(133,833)	132,081	10,337	2,353,899

30. Property risk

Property risk is the possibility of loss as a result of variations or volatility in the market prices of investment properties.

The InRetail Real Estate has identified the following risks associated to its investment properties:

- The cost of projects being executed or that will be executed can increase if the planning process is delayed. InRetail Real Estate is provided with the service of advisors experienced in the requirements for project planning and execution.

- A principal tenant can be insolvent, thereby causing a significant loss in rental income and the decrease of the related property value. To reduce this risk, InRetail Real Estate reviews the financial situation of all possible tenants, determining the adequate level of security and requesting security deposits or any other type of guarantee, if necessary.

- The fair value of investment properties can be affected by the cash flows generated by occupants and/or tenants, significant variations in the assumptions used for fair value estimation (see note 12(g)) or fluctuations in the real estate market due to external.

31. Capital management risk

The Group actively manage a capital base to cover the risks inherent in their activities. The capital adequacy of the Group are monitored using, among other measures, the ratios established by the Management.

The objectives of the Group when managing its capital is a broader concept than the "Consolidated Net Worth" that is shown in the consolidated statement of financial position, these objectives are: (i) Safeguard the capacity of the Group to continue operating in a manner that continues to provide returns to shareholders and benefits to the other participants; and (ii) maintain a strong capital base to support the development and growth of its activities.

As of December 31, 2022 and 2021, there have been no changes in the activities and policies of capital management in the Group.

32. Fair value of financial instruments and fair value hierarchy –

Fair value is defined as the amount for which an asset could be exchanged or a liability settled between knowledgeable and willing parties in a current transaction, under the assumption that the Entity is a going concern.

When a financial instrument is traded in a liquid and active market, its market price stipulated in a real transaction provides the best evidence of its fair value. When the price stipulated in the market is not available or it cannot be an indication of the fair value of the financial instrument, the market value of another instrument, substantially similar, the analysis of discounted cash flows can be used to determine said fair value. Other applicable techniques; which are affected significantly by the assumptions used. Although the Management of the Group have used their best judgment in estimating the fair values of their financial instruments, any technique to make such an estimate entails a certain level of inherent fragility. As a result, the fair value cannot be indicative of the net realizable or liquidation value of the financial instruments.

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

(a) Financial instruments whose fair value is similar to the 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 accounts receivable, trade accounts payable and other current liabilities, the carrying amount is considered to be It is similar to fair value.

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

(c) Financial investments at fair value through profit or loss and changes in other comprehensive income and financial derivative instruments -
The financial investments at fair value that are traded in active markets at the date of the consolidated statements of financial position is based on their quoted price, without deducting the transaction costs. For financial investments that are not traded in active markets and for derivative financial instruments, fair value is determined using appropriate valuation techniques. Valuation techniques include net present value techniques and comparison with similar instruments for which there are market prices.

On the basis of the aforementioned criteria's, set out below is a comparison by class of the carrying amounts and fair values of the Group's financial instrument and investment properties as of December 31, 2022 and 2021:

	2022		2021	
	Book value S/(000)	Fair value S/(000)	Book value S/(000)	Fair value S/(000)
Assets				
Cash and cash equivalents	220,746	220,746	195,484	195,484
Financial instruments at fair value through profit or loss	-	-	81,782	81,782
Financial investments at fair value through other comprehensive income	172,064	172,064	191,266	191,266
Trade receivables, net	43,077	43,077	44,693	44,693
Accounts receivable from related parties	50,916	50,916	45,528	45,528
Other receivables, net	14,765	14,765	8,890	8,890
Derivative financial instrument – "Call Spread"	67,348	67,348	109,754	109,754
Liabilities				
Trade payables	46,460	46,460	55,018	55,018
Accounts payable to related parties	62,783	62,783	1,880	1,880
Other payables (current and non-current)	72,033	67,912	62,292	58,829
Liability for right of use	235,818	235,818	234,803	234,803
Financial obligations	2,114,886	2,098,042	2,321,849	2,313,417

The Group have not made transfers from Level 3 to Level 1 or Level 2 of the fair value accounting hierarchy during the years 2022 and 2021. The financial instruments and their level of hierarchy for the determination of fair value, for accounting purpose or for disclosure purposes in the notes of the consolidated financial statements are as follows:

- Financial investments at fair value through other comprehensive income, Level 1.
- Financial instruments at fair value through profit or loss, Level 2.
- Derivative financial instruments, Level 2.
- Trade receivables (non-current), Level 2.
- Financial liabilities, Trade payables (non-current) and Others non-current liabilities, Level 2.

The Group have determined the fair value of the investment properties through level 3 of the fair value hierarchy, see note 12(f).

A description of the accounting hierarchies of fair value is presented in note 3.3(r).

33. Subsequent events

The Group's Management and its 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.

34. Explanation added for English translation

The accompanying consolidated financial statements were originally issued in Spanish and are presented on the basis of International Financial Reporting Standards "IFRS" as described in Note 3. These consolidated financial statements should be read in conjunction with the Spanish consolidated financial statements, in the event of a discrepancy the Spanish language version prevails.

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