

InRetail Perú Corp. and Subsidiaries

Interim consolidated financial statements as of March 31, 2019 (unaudited) and December 31, 2018 (audited) and for the three-month periods ended March 31, 2019 and 2018

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Interim consolidated statements of financial position

As of March 31, 2019 (unaudited) and December 31, 2018 (audited)

	Note	2019	2018		Note	2019	2018
		S/(000)	S/(000)			S/(000)	S/(000)
Assets				Liabilities and equity			
Current assets				Current liabilities			
Cash and short-term deposits	4	689,363	642,838	Trade payables	12	2,752,275	2,964,969
Investments at fair value through profit or loss		2,528	19,729	Other payables		658,098	466,510
Trade receivables, net	5	548,321	575,709	Accounts payable to related parties	19(b)	46,516	11,093
Other receivables, net		125,368	100,385	Current income tax	14(b)	11,310	10,665
Accounts receivables from related parties	19 (b)	64,863	64,260	Interest-bearing loans and borrowings	13	654,332	452,591
Inventories, net	6	1,741,837	1,736,290	Deferred revenue		11,637	28,783
Investments at fair value through equity	7	8,471	8,377	Lease liability		321,360	-
Prepayments		45,086	34,583	Total current liabilities		4,455,528	3,934,611
Taxes recoverable		145,537	150,541				
Total current assets		3,371,374	3,332,712	Non current liabilities			
				Trade payables	12	12,168	19,643
				Accounts payable to related parties	19(b)	39,167	38,918
				Other payables		971	1,424
				Interest-bearing loans and borrowings	13	4,532,718	4,616,549
				Income tax related to Special Purpose Entities	14 (b)	240,803	226,493
				Deferred revenue		27,204	26,510
				Deferred income tax liabilities, net	14(a)	471,469	481,616
				Reserves for employee retirement pension funds		19,720	20,428
				Lease liability		1,016,431	-
				Total non-current liabilities		6,360,651	5,431,581
				Total liabilities		10,816,179	9,366,192
Non-current assets				Equity			
Other receivables, net		31,156	29,524	Capital stock	15(a)	2,138,566	2,138,566
Accounts receivables from related parties	19(b)	7,519	8,240	Treasury shares	15(c)	(57,636)	(57,636)
Prepayments		48,908	51,077	Capital premium	15(b)	472,967	472,967
Taxes recoverable		16,014	6,166	Unrealized results on financial instruments derivatives		(6,691)	(40,028)
Derivative financial instruments	8	157,504	163,951	Unrealized results from available for-sale-investments		390	153
Property, furniture and equipment, net	9	4,785,980	3,435,967	Unrealized results from foreign currency translation		(16)	5
Investment properties	10	3,404,470	3,299,018	Retained earnings		1,614,900	1,626,564
Intangible assets, net	11	3,178,750	3,188,303	Equity attributable to owners of the parent		4,162,480	4,140,591
Deferred income tax assets, net	14(a)	60,706	62,153	Non-controlling interest		89,008	77,643
Other assets	-	5,286	7,315	Total equity		4,251,488	4,218,234
Total non-current assets		11,696,293	10,251,714	Total liabilities and equity		15,067,667	13,584,426
Total assets		15,067,667	13,584,426				

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

InRetail Perú Corp. and Subsidiaries

Interim consolidated Income statements

For the three-month periods ended March 31, 2019 and 2018

	Note	2019 S/(000)	2018 S/(000)
Net sales of goods		3,065,026	2,539,461
Rental income		105,788	87,142
Rendering of services		78,622	83,929
Revenue		3,249,436	2,710,532
Cost of sales	17(a)	(2,296,325)	(1,930,655)
Gross profit		953,111	779,877
Income from joint venture	19(a)	11,348	5,120
Gain on valuation at fair value of investment properties	10(b)	2,492	2,814
Selling expenses	17(a)	(594,977)	(512,486)
Administrative expenses	17(a)	(112,650)	(109,724)
Other operating income (expenses), net		(1,216)	8,795
Operating profit		258,108	174,396
Financial income		4,478	8,847
Financial expenses	18(a)	(114,226)	(162,447)
Exchange difference, net		13,629	88
Profit before income tax		161,989	20,884
Income tax expense	14(a)	(55,740)	(42,050)
Net profit (loss)		106,249	(21,166)
Attributable to:			
InRetail Perú Corp. Shareholders		97,275	(19,642)
Non-controlling interest		8,974	(1,524)
Net profit (loss)		106,249	(21,166)
Earnings (loss) per share:			
Basic and diluted profit (loss) for the period attributable to ordinary equity holders of the parent	20	0.946	(0.191)

All items above are related to continuing operations.

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

InRetail Perú Corp. and Subsidiaries

Interim consolidated statements of comprehensive income
For the three-month periods ended March 31, 2019 and 2018

	2019 S/(000)	2018 S/(000)
Profit (loss) for the period	106,249	(21,166)
Other comprehensive income		
Unrealized gain (loss) on investments at fair value through equity	237	(106)
Transfer of unrealized loss on investments at fair value through equity	-	(1,289)
Income tax related to Special Purpose Entities	-	386
	237	(1,009)
Unrealized gain on hedging derivative financial instrument	40,772	-
Transfer of realized loss on available-for-sale investments to result of the period	-	9,491
Income tax related to Special Purpose Entities	(298)	(8,440)
Income tax	(5,447)	-
	35,027	1,051
Unrealized results from foreign currency translation	(24)	(580)
	(24)	(580)
Other comprehensive income for the period, net of income tax effects	35,240	(538)
Total comprehensive income for the period	141,489	(21,704)
Attributable to:		
InRetail Perú Corp. shareholders	130,828	(20,024)
Non-controlling interest	10,661	(1,680)
Total comprehensive income for the period	141,489	(21,704)

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

InRetail Perú Corp. and Subsidiaries

Interim consolidated statements of change in equity

For the three-month periods ended March 31, 2019 and 2018

	Capital stock S/(000)	Treasury shares S/(000)	Capital premium S/(000)	Unrealized results			Retained earnings S/(000)	Total S/(000)	Non- controlling interest S/(000)	Total equity S/(000)
				from derivative financial instruments S/(000)	from investment to fair value through equity S/(000)	from foreign currency translation S/(000)				
Balance as of January 1, 2018	2,138,566	(16,801)	538,036	(1,051)	1,400	-	999,231	3,659,381	217	3,659,598
Loss for the period	-	-	-	-	-	-	(19,642)	(19,642)	(1,524)	(21,166)
Other comprehensive income	-	-	-	1,051	(1,009)	(424)	-	(382)	(156)	(538)
Total comprehensive income	-	-	-	1,051	(1,009)	(424)	(19,642)	(20,024)	(1,680)	(21,704)
Non-controlling interest arising from the acquisition of a subsidiary company	-	-	-	-	-	-	-	-	481,500	481,500
Others	-	-	-	-	-	-	-	-	-	-
Balance as of March 31, 2018	2,138,566	(16,801)	538,036	-	391	(424)	979,589	3,639,357	480,037	4,119,394
Balance as of January 1, 2019	2,138,566	(57,636)	472,967	(40,028)	153	5	1,626,564	4,140,591	77,643	4,218,234
Effect first adoption of IFRS 16	-	-	-	-	-	-	4,725	4,725	704	5,429
Balance as of January 1, 2019, after IFRS 16	2,138,566	(57,636)	472,967	(40,028)	153	5	1,631,289	4,145,316	78,347	4,223,663
Profit for the period	-	-	-	-	-	-	97,275	97,275	8,974	106,249
Other comprehensive income	-	-	-	33,337	237	(21)	-	33,553	1,687	35,240
Total comprehensive income	-	-	-	33,337	237	(21)	97,275	130,828	10,661	141,489
Dividends	-	-	-	-	-	-	(115,640)	(115,640)	-	(115,640)
Dividends treasury shares	-	-	-	-	-	-	1,976	1,976	-	1,976
Balance as of March 31, 2019	2,138,566	(57,636)	472,967	(6,691)	390	(16)	1,614,900	4,162,480	89,008	4,251,488

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

InRetail Perú Corp. and Subsidiaries

Interim consolidated statements of cash flows

For the three-month periods ended March 31, 2019 and 2018

	2019 S/(000)	2018 S/(000)
Operating activities		
Revenue	3,245,277	2,685,059
Recovery of taxes	21,240	17,425
Payments of goods and services to suppliers	(2,711,450)	(2,243,955)
Payments of salaries and social benefits to employees	(296,001)	(261,020)
Taxes paid	(95,565)	(80,034)
Other (payments) collections, net	(4,669)	7,079
Net cash flows from operating activities	158,832	124,554
Investing activities		
Sale of property, furniture and equipment	451	1,093
Loan collected from related parties	2,010	-
Sale of investments at fair value through profit or loss	17,201	275,268
Sale of available-for-sale investments	-	69,012
Acquisition of subsidiaries	-	(1,873,510)
Purchase of investments at fair value through profit or loss	-	(99,408)
Purchase of investment properties, net of acquisitions through leasing contracts	(36,839)	(172,358)
Purchase of property, furniture and equipment, net of acquisitions through leasing contracts	(118,945)	(124,262)
Value added tax payment related to investment properties	(5,981)	(5,966)
Loans granted to related parties	(73)	-
Purchase and development of intangible assets	(4,010)	(28,009)
Net cash flows used in investing activities	(146,186)	(1,958,140)
Financing activities		
Proceeds from interest-bearing loans and borrowings	245,442	3,691,150
Capital contribution from non-controlling interest	-	481,500
Payment of bonds issued	-	(866,702)
Repayment of interest-bearing loans and borrowings	(108,758)	(482,813)
Interest paid	(25,738)	(89,253)
Payment of premium for repurchase of bonds issued	-	(52,942)
Interest payment of lease liability	(21,950)	-
Payment of lease liability	(55,117)	-
Net cash flows from financing activities	33,879	2,680,940
Net increase of cash and short-term deposits	46,525	847,354
Cash and short-term deposits at the beginning of the period	642,838	280,381
Cash and short-term deposits at the end of the period	689,363	1,127,735
Non-cash transactions		
Fixed assets purchased through leasing and other financial obligations and non financial	-	10,596
Investment properties purchased through leasing and other financial obligations	23,482	-
Initial record of right-of-use asset	1,397,636	-
Addition of the period of right-of-use asset	6,026	-

The accompanying notes are an integral part of these consolidated statements

Notes to the interim consolidated financial statements (continued)

InRetail Perú Corp. and Subsidiaries

Notes to the interim consolidated financial statements

As of March 31, 2019 and December 31, 2018

1. Business activity and Quicorp Group acquisition

a) Business activity

InRetail Peru Corp, (hereinafter "the Company"), is a holding incorporated in January 2011 in the Republic of Panama and is a subsidiary of Intercorp Retail Inc., which in turn is a subsidiary of Intercorp Peru Ltd. (a holding company incorporated in Bahamas, hereinafter "Intercorp Peru") which is the ultimate parent and holds 100.00 percent of Intercorp Retail Inc.'s capital stock.

As of March 31, 2019 the percentages of ownership are:

Owner	Ownership %
Intercorp Retail Inc.	58.04
Inteligo Bank	9.62
NG Pharma Corp.	6.30
Intercorp Perú Ltd	3.26
Intercorp Financial Services	2.33
Others	20.45
Total	100.00

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

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

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

The accompanying interim consolidated financial statements as of March 31, 2019 were approved by the Board of Directors on May 9, 2019.

Notes to the interim consolidated financial statements (continued)

b) Quicorp Group acquisition

In January 2018, the Company, through InRetail Pharma S.A. (formerly Eckerd Perú S.A) as the Parent Company, incorporated Pharma S.A.C. (formerly Chakana Salud S.A.C.), for the acquisition of 100 percent of Quicorp S.A. and its Subsidiaries (hereinafter and jointly, "Quicorp"): Química Suiza Comercial S.A.C., Química Suiza S.A.C., Cifarma S.A.C., Mifarma S.A.C., Empresa Comercializadora Mifarma S.A., Botica Torres de Limatambo S.A.C., Vantitive S.A.C., Farmacias Peruanas S.A.C., Drogueria La Victoria S.A.C., Vanttive Cía Ltda., Quifatex S.A., Quimiza Ltda, Quideca S.A., Albis S.A.C., Jorsa de la Selva S.A.C. and Superfarma Mayorista S.A.C. These entities operate in the manufacturing, distribution, marketing and retail segments within the pharmaceutical sector in Peru, Ecuador, Bolivia and Colombia.

The purchase price for the acquisition of Quicorp was approximately US\$591,351,000 equivalent to S/1,898,255,000, which was partially funded with a US\$1,000,000,000 bridge loan at one-year maturity, and at a 1 month Libor plus a spread interest rate. Such bridge loan was obtained by Eckerd Perú S.A. from Citibank N.A. and JP Morgan Chase Bank N.A. Likewise, such bridge loan has been partially used for the aforementioned acquisition and, the difference, mainly for restructuring several debts obtained by related parties at InRetail Peru.

The Acquisition of Quicorp Group was accounted in accordance with IFRS 3 "Business Combination", by applying the purchase accounting method; as a result, the assets and liabilities acquired including certain intangibles assets not recorded by acquired companies were recorded at fair value on the date of their acquisition.

Below are the net book value and the adjustment at fair value of the identifiable assets and liabilities of the acquired entity at the acquisition date:

	Fair value recognized on acquisition S/(000)
Net book value of the assets acquired	408,205
Value assigned to brands	449,014
Other acquired intangibles	251,100
Increase in inventory for fair value adjustment	23,136
Increase in property, plant and equipment for fair value adjustment	57,659
Increase in debt for fair value adjustment	(4,799)
Re-allocation of goodwill, brands and other assets net of previous acquisitions	(337,359)
Deferred income tax	(221,335)
Total identifiable net assets at fair value	625,621
Goodwill from acquisition. See Note 11.	1,272,634
Purchase consideration transferred	1,898,255

Notes to the interim consolidated financial statements (continued)

2. Subsidiary activities

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

(a) As indicated in Note 1 (b), InRetail Consumer (a SPE controlled by the Company), was incorporated during the year 2014 only for the purpose of offering "Senior Notes Unsecured". As of March 31, 2019 and December 31, 2018 the representative shares of stock of Supermercados Peruanos S.A. and Subsidiaries and Eckerd Perú S.A. and Subsidiaries are maintained in trust in this entity. A description of such subsidiaries is presented below:

- InRetail Pharma S.A. (formerly Eckerd Perú S.A.) is dedicated to the commercialization of pharmaceutical, cosmetic, and food for medical use products and other elements related to health protection and recovery through its "Inkafarma" and "Mifarma" pharmacy chains. It is also dedicated, to the Manufacturing, Distribution and Marketing of pharmaceutical products. As of March 31, 2019 and December 31, 2018, the Company operates in Peru, Colombia, Ecuador and Bolivia. InRetail Pharma S.A. holds 100 percent of: (i) Eckerd Amazonía S.A.C. (ii) Boticas del Oriente S.A.C. See Note 1 b).

At the General Shareholders' Meeting held on February 27, 2018, it was agreed to change the Company's name to InRetail Pharma S.A.

At the General Shareholders' Meeting held on April 23, 2018, the merger of the subsidiaries InRetail Pharma S.A. and IR Pharma S.A.C. was approved, with the latter being absorbed. As a result of the merger agreement InRetail Pharma S.A. increased its equity by approximately S/481,500,000.

- Supermercados Peruanos S.A., is dedicated to retail. As of March 31, 2019 and December 31, 2018, has a chain of stores operating under the "Plaza Veá", "Plaza Veá Super", "Plaza Veá Express", "Vivanda", "Mass", "Mimarket" and "Economax" brands, which are located in Lima and provinces, such as Trujillo, Chimbote, Piura, Cusco, Arequipa, Huancayo and others. Supermercados Peruanos S.A. holds 100 percent of: (i) Desarrolladora de Strip Centers S.A.C. (formerly Peruana de Tiquetes S.A.C.), (ii) Plaza Veá Sur S.A.C. and (iii) Plaza Veá Oriente S.A.C.

(b) InRetail Real Estate Corp. is a Holding company incorporated in the Republic of Panama in April 2012. In July 2014 InRetail Shopping Malls (a SPE controlled by InRetail Real Estate Corp.) was incorporated only for the purpose of issuing "Senior Notes Unsecured". As of March 31, 2019 and December 31, 2018, the representative share of capital stock of InRetail Real Estate Corp.'s subsidiaries are maintained in trust in this entity, which are detailed below:

- (i) Real Plaza S.R.L.

Entity dedicated to the management and administration of shopping centers (21 as of March 31, 2019 and December 31, 2018) named "Centro Comercial Real Plaza" and located in the cities of Chiclayo, Piura, Chimbote, Trujillo, Huancayo, Arequipa, Juliaca, Huanuco, Cusco, Cajamarca, Sullana, Pucallpa and Lima. As of March 31, 2019 and December 31, 2018, the Company holds 100 percent of Centro Comercial Estación Central S.A. and Inversiones Real Estate S.A.

Notes to the interim consolidated financial statements (continued)

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

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

- (c) IR Management S.R.L. is an entity that manages and operates the Companies of the group and provides other corporate services.
- (d) Quicorp S.A.C. is a Holding company incorporated in the Republic of Perú in September 2010. As of March 31, 2019 and December 31, 2018, it operates through its subsidiaries in the manufacturing, distribution, marketing and retail segments of the pharmaceutical sector, with presence in Peru, Ecuador, Bolivia and Colombia. Quicorp S.A.C. holds 100 percent of: Química Suiza Comercial S.A.C., Química Suiza S.A.C., Cifarma S.A.C., Mifarma S.A.C., Empresa Comercializadora Mifarma S.A., Botica Torres de Limatambo S.A.C., Vantitive S.A.C., Farmacias Peruanas S.A.C., Droguería La Victoria S.A.C., Vanttive Cía Ltda., Quifatex S.A., Quimiza Ltda, Quideca S.A., Albis S.A.C., Jorsa de la Selva S.A.C. and Superfarma Mayorista S.A.C.

At the General Shareholders' Meeting on July 12, 2018, the merger of Quicorp S.A.C. with Química Suiza Comercial S.A.C. was approved.

At the General Shareholders' Meeting on July 31, 2018, the merger of Mifarma S.A.C. with Droguería la Victoria S.A.C. and Boticas Torres de Limatambo S.A.C. was approved.

3. Basis of preparation and presentation

- (a) Interim financial statements

The consolidated financial statements of the InRetail Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Boards (IASB), effective as of March 31, 2019 and December 31, 2018, respectively.

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

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

The consolidated financial statements have been prepared on a historical cost basis, except for investment properties, derivative financial instruments and investments to fair value through equity 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.

Notes to the interim consolidated financial statements (continued)

The functional currency of the subsidiaries domiciled in Ecuador, Bolivia and Colombia are the local currency in those countries. These currencies do not belong to hyperinflationary economies. All transactions are measured in the functional currency.

The result and the financial position of all the Group companies (none of which has the currency for a hyperinflationary economy), that have a functional currency other than the InRetail Perú's presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each statement of financial position presented (including comparatives) shall be translated at the closing exchange rate at the date of the statement of financial position;
- Income and expenses for each statement presenting profit or loss and other comprehensive income (including comparatives) shall be translated at the average exchanges rates for the corresponding year;
- Equity accounts shall be translated at the exchange rates at the date of the transactions; and
- All resulting exchange differences shall be recognized in other comprehensive income as profit or loss on translation.

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

(b) Basis of consolidation

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

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

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

Notes to the interim consolidated financial statements (continued)

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

The accounting policies followed in the preparation of the consolidated financial statements are consistent with those followed in the preparation of the consolidated financial statements as of December 31, 2018.

(c) New accounting standards

The accounting policies adopted in the preparation of the interim condensed combined financial statements are consistent with those followed in the preparation of the Companies annual combined financial statements for the year ended December 31, 2018, except for the adoption of the new standards and interpretations as of January 1, 2018.

Standard adopted early IFRS 9

From 2014, the Companies use derivative instruments to manage its exposure to exchange rates. In order to manage these risks, the Companies apply hedge accounting for transactions which meet specific criteria for this. At the beginning of the hedging relationship, the Companies formally document the relationship between the hedged item and the hedging instrument, including the nature of the risk, the objective and strategy for undertaking the hedge and the method that will be used to assess its effectiveness.

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

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

During 2015, InRetail Perú Corp. decided to adopt in advance IFRS 9, effective on a mandatory basis for annual periods beginning on January 1, 2018.

Standards adopted

The InRetail Group adopts the following standards and interpretations that have been issued by the IASB, and are effective as of January 1, 2018:

- IFRS 15 "Revenue from Contracts with Customers"–

IFRS 15, replaced IAS 18 "Revenue" and IAS 11 "Construction contracts" and was applied by the InRetail Group as of January 1, 2018 to all contracts with customers, except for lease agreements, financial instruments and insurance contracts.

Notes to the interim consolidated financial statements (continued)

The standard establishes a more systematic approach to the measurement and recognition of revenues through the introduction of a five-step model that will apply to revenues arising from contracts with customers. Under IFRS 15, the income is recognized for an amount that reflects the contractual consideration agreed with the client.

For the transition to IFRS 15, the InRetail Group has used the modified prospective approach indicated by the standard; however, due to the type of operations performed by the InRetail Group, the adoption of IFRS 15 has not generated impacts on net equity as of January 1, 2018.

The revenues of the Company and its Subsidiaries correspond mainly to the sale of mass consumption goods and rental of commercial premises. The transfer to customers occurs at a specific time, when the merchandise is delivered, in the case of goods, and in the case of rentals, the transfer of the benefit to customers is over time, given that the customer has the ability to direct its use and to receive the benefits derived from it during the period of the contract.

The other revenues, which are lower in relation to sales of goods and rental of premises, correspond mainly to delivery services, future discounts through loyalty programs, franchise law and other logistics services.

Considering this frame of reference, the analysis of the impacts of IFRS 15 to date, by type of income is as follows:

(a) Sale of goods

For this income, this rule did not have a significant impact on the results, because there is only one contractual obligation that is the sale of goods. In this case, the recognition of the income occurs at the moment in which the control of the assets is transferred to the client, which is when the goods are delivered.

Also, in accordance with the model of IFRS 15, the other relevant aspects for the Company and its Subsidiaries are the determination of the sale price and whether, in some cases, there are other contractual obligations that should be separated from the sale and delivery of the goods. In this sense, the relevant aspects that apply are:

(i) Variable considerations

Some contracts with clients provide return rights and commercial or volume discounts. The amount of these items is calculated by estimating the weighted average probability and, in accordance with IFRS 15, these items correspond to variable considerations that affect the determination of the sales price and sales revenue, which is why they are estimated at the beginning of the contract and they are updated later.

In this sense, IFRS 15 establishes that revenues will only be recognized if it can be demonstrated that there will be no significant reversions of income when estimating variable considerations, which is why they are recognized as a decrease in commercial accounts receivable in the state. Consolidated financial position and decrease of ordinary income in the consolidated statement of income, according to the following detail:

Notes to the interim consolidated financial statements (continued)

- **Right of return:**
When a contract with a client provides the right of return of the good in a specific period, the Company and its Subsidiaries register that right of return at the time of being made and register at the end of same period, in the "returns" account, which is consistent with the criteria accepted by IFRS 15. In this sense, the amount of which returns is recorded as merchandise revenue and included in the item "Inventories, net" because these returns are again used as products for sale. When the return is generated, the sale is reversed, in case the good can not be exchanged for another good of the same value, the item "Inventories, net" will enter, which is done at the cost of the product and is sold again at the same sale price.
- **Discounts and special prices:**
The Company and its Subsidiaries grant discounts mainly for commercial reasons. Eventually they offer special prices for customers by different means, these prices are higher than the cost of the product but lower than the list price. These discounts and the difference for these special prices are included in the consolidated statement of income through the recognition of provisions for expenses each month, which directly affect the income from ordinary activities.

(b) Rental Service

The Company and its Subsidiaries provide various services, the main ones being rental of commercial premises, temporary rentals of commercial space in shopping centers, visual advertising services and transportation of goods. Consequently, in accordance with IFRS 15, the income from these services is recognized over time, as of the moment when the service starts.

The variable considerations for this performance obligation correspond mainly to the variable income specified in each contract. In this sense, IFRS 15 establishes that revenues will only be recognized if it can be demonstrated that there will be no significant reversions of income when estimating variable considerations; therefore, revenues will be recognized at the time they occur, given that the estimation of the variable consideration for the term of the contracts has a high degree of volatility.

(c) Other Income

The Company and its Subsidiaries generate other income mainly for delivery concepts, future discounts through loyalty programs, franchise rights and other logistics services. In accordance with IFRS 15, the variable considerations corresponding to this type of performance obligations are considered by the Management at the time when the recognition of income is given.

- IFRS 9 "Financial Instruments"

The InRetail Group Adopted in advance IFRS 9 "Financial Instruments", effective on a mandatory basis for annual periods beginning on or after January 1, 2018, taking January 1, 2015 as the date of initial application. At the date of the early application of IFRS 9, there were no significant effects in the consolidated financial statements of InRetail Perú Corp. and Subsidiaries at that date.

Notes to the interim consolidated financial statements (continued)

- IFRS 16 "Leases"

IFRS 16 deals with the identification of leases, as well as its accounting treatment for tenants and landlords. Under this IFRS, operating leases are recognized on the Statement of Financial Position, increasing assets and liabilities, as if they were leveraged asset acquisitions.

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

As of the date of the consolidated financial statements, the implementation of this standard in the InRetail Group has increased the assets in S/1,403,662,000, generated a higher depreciation expense of S/71,555,000, and a lower asset from foreign currency translation of S/414,000, presenting a balance of right-of-use asset of S/1,331,693,000. Additionally, a higher financial expense of S/21,950,000 was recorded.

As of the date of the consolidated financial statements, the implementation of this standard in the InRetail Group has increased the lease liability in S/1,403,662,000, it has been amortized by S/55,117,000 and has decreased by exchange difference in S/10,754,000 and decrease from foreign currency translation of S/406,000, generating an ending balance as of March 31, 2019 of S/1,337,791,000.

Likewise, the rental expenses present a decrease of S /77,067,000.

4. Cash and short-term deposits

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

	As of March 31, S/(000)	As of December 31, S/(000)
Cash (b)	37,900	7,330
Current accounts (c)	494,946	495,101
Time deposits (d)	119,495	77,787
Remittances in transit	37,022	62,577
Other	-	43
Total	689,363	642,838

(b) Comprises mainly cash held by subsidiaries in the premises of their store chains and in the vaults of a security company, corresponding to sales during the last days of the period.

(c) The company and its subsidiaries maintain current accounts in local banks in the currency of each country and US Dollars which do not accrue interest and are freely available.

(d) The time deposits are freely available and are kept in local banks in Soles and US Dollars, have maturities up to one month since inception and bear annual interest rates between 1.70 and 4.50 percent in Soles and between 1.40 and 1.90 percent annual in Dollars as of March 31, 2019 (between 0.50 and 5.75 percent in Soles and 1.20 and 1.53 percent in US Dollars as of December 31, 2018).

Notes to the interim consolidated financial statements (continued)

5. Trade receivables, net

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

	As of March 31, 2019	As of December 31, 2018
	S/(000)	S/(000)
Retail sales (c)	524,535	567,162
Rent receivable (d)	63,708	40,093
Invoices (e)	14,669	15,079
Provision for accrued revenue (f)	8,802	15,709
Others	2,915	2,262
Total	614,629	640,305
Provision for doubtful accounts (g)	(66,308)	(64,596)
Total	548,321	575,709

- (b) Trade receivables are denominated in the currency of each country and US Dollars, have current maturity and do not bear interest.
- (c) Corresponds mainly to (i) pending deposits in favor of Supermercados Peruanos and InRetail Pharma Group for the last day of the month, respectively, held by credit card operators and originated from the sales of goods with credit cards in the different stores of Supermercados Peruanos S.A. and InRetail Pharma Group and (ii) trade accounts receivable from corporate sales.
- (d) Corresponds to accounts receivable for the lease of commercial premises to concession holders inside the stores of Supermercados Peruanos S.A. and the accounts receivable for the rental income of Interproperties Holding.
- (e) Correspond mainly to the balance receivable from the sale of goods to public institutions and various local and foreign companies. At the date of this report, these balances were mostly collected.
- (f) As of March 31, 2019 and December 31, 2018, relates to services unbilled at the end of period, mainly due to variable rentals of Interproperties Holdings. These amounts were billed in the month subsequent to the reporting date.

Notes to the interim consolidated financial statements (continued)

- (g) Movements in the provision for doubtful accounts receivable for the three-months periods ended March 31, 2019 and 2018, were as follows:

	2019 S/(000)	2018 S/(000)
Balance at the beginning of the year	64,596	15,661
Acquisition of subsidiary	-	51,054
Provision recognized as expense, Note 17 (a)	7,792	3,202
Recoveries, Note 17 (a)	(5,143)	(1,610)
Write-offs	(640)	(1,549)
Exchange rate	(296)	(59)
Foreign currency translation	(1)	-
Balance as of March 31	66,308	66,699
Balance as of December 31, 2018		64,596

As of March 31, 2019 and December 31, 2018, the amount of trade receivables past due but not impaired amounted to approximately S/91,210,000 and S/107,423,000, respectively. Past-due accounts which have a payment agreement are considered as not impaired; therefore they do not represent risk of uncollectibility.

In the opinion of Management of the InRetail Group, the provision for doubtful accounts receivable as of March 31, 2019 and December 31, 2018, appropriately covers the credit risk of this item at those dates.

6. Inventories, net

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

	As of March 31, 2019 S/(000)	As of December 31, 2018 S/(000)
Goods, Note 17 (a)	1,712,256	1,696,905
Goods in transit (b)	29,532	33,362
Miscellaneous supplies	5,478	4,750
Miscellaneous supplies for manufacture, Note 17 (a)	1,075	1,075
Raw material, Note 17 (a)	11,969	12,129
Finished goods, Note 17 (a)	382	672
Total	1,760,692	1,748,893
Minus		
Provision for impairment of inventories (c)	(18,855)	(12,603)
Total	1,741,837	1,736,290

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

Notes to the interim consolidated financial statements (continued)

- (c) The movement in the provision for inventory impairment for the three-month periods ended March 31, 2019 and 2018, was as follows:

	2019 S/(000)	2018 S/(000)
Balance at the beginning of the year	12,603	8,101
Acquisition of subsidiary	-	26,787
Provision of the period, Note 17 (a)	6,320	6,627
Recoveries	(25)	(1,777)
Write-offs	-	(6,269)
Foreign currency translation	(43)	-
Balance as of March 31	18,855	33,469
Balance as of December 31, 2018		12,603

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

7. Investment to fair value through equity

As of March 31, 2019, available for sale investments correspond to notes issued by a related company of Intercorp Group of approximately US\$ 2,551,000 equivalent to S/8,471,000 (US\$2,487,000 equivalent to S/8,377,000 as of December 31, 2018). The unrealized gain, net of deferred income tax, of the notes held as of March 31, 2019 amounted to S/237,000 (loss of S/1,009,000 as of March 31, 2018) and is presented in the consolidated statements of change in equity.

8. Derivative financial instruments

As of March 31, 2019 and December 31, 2018, this item comprises of two "Principal Call Spread" contracts designated to hedge cash flows from exchange rate variations and recorded at their fair value (three contracts as of December 31, 2018). The detail of the operations is as follows:

Counterparty	Nominal value US\$(000)	Due	Pay fix at %	Book value of the hedged item S/(000)	Fair value 2019 S/(000)	Fair value 2018 S/(000)
J.P. Morgan (a)	350,000	April 2028	1.05	1,162,350	78,250	77,257
CitiBank N.A. (a)	400,000	May 2023	2.38	1,328,400	79,254	86,694
Total					157,504	163,951

- (a) In March 2018, Patrimonio en Fideicomiso D.S. 093-2002-EF InRetail Shopping Malls, Subsidiary of the Company, decided to carry out hedging operations through a Foreign Currency Call Spread for the financial obligations of the "Senior Notes Unsecured", which were issued in April 2018. Between the contract date of the Call Spread and the date of issue of the bond, this contract was recorded as a negotiation instrument. From the date of issuance of the "Senior Notes Unsecured" for the purposes of IFRS 9, it was classified as an effective hedging instrument, See Note 13(b).

Notes to the interim consolidated financial statements (continued)

In April 2018, InRetail Pharma decided to carry out hedging operations through a Foreign Currency Call Spread for the financial obligations of the "Senior Notes Unsecured", which were issued in May 2018. Between the contract date of the Call Spread and the date of issue of the bond, this contract was recorded as a negotiation instrument. From the date of issuance of the "Senior Notes Unsecured" for the purposes of IFRS 9, it was classified as an effective hedging instrument, See Note 13 (c).

These instruments covers 100 percent of the exposure in foreign currency of the principal of the issues and protects exchange rate variations between S/3.26 and S/3.75 per US\$1.00. The premium price was financed in installments equal to the issue.

Notes to the interim consolidated financial statements (continued)

9. Property, furniture and equipment, net

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

	Right-of-Use asset S/(000)	Land S/(000)	Buildings infrastructure and facilities S/(000)	Miscellaneous and equipment S/(000)	Vehicles S/(000)	Furniture and fixture S/(000)	Works in progress S/(000)	As of March 31, 2019 S/(000)	As of December 31, 2018 S/(000)
Cost									
Initial balance	-	859,640	2,187,306	1,265,174	4,656	191,341	313,759	4,821,876	3,695,504
Subsidiary acquisition	-	-	-	-	-	-	-	-	729,865
First adoption of IFRS 16	1,397,636	-	-	-	-	-	-	1,397,636	-
Additions (b)	6,026	50,260	18,165	11,543	99	4,768	34,110	124,971	531,164
Disposals and/or sales (c)	-	(1,131)	(25,360)	(57)	(1,768)	-	-	(28,316)	(136,790)
Transfer	-	-	17,213	(3,500)	-	(175)	(13,538)	-	-
Transfer to investment properties, Note 10(b)	-	-	-	-	-	-	(42,639)	(42,639)	-
Foreign currency translation	(408)	-	(82)	(741)	-	(194)	(6)	(1,431)	2,133
Final balance	1,403,254	908,769	2,197,242	1,272,419	2,987	195,740	291,686	6,272,097	4,821,876
Accumulated depreciation									
Initial balance	-	-	511,944	767,752	2,572	103,641	-	1,385,909	972,444
Subsidiary acquisition	-	-	-	-	-	-	-	-	300,518
Additions (d)	71,555	-	22,887	28,382	151	4,659	-	127,634	205,762
Disposals and/or sales	-	-	(145)	(23,973)	(1,667)	(899)	-	(26,684)	(94,421)
Transfer	-	-	270	(250)	-	(20)	-	-	-
Foreign currency translation	6	-	(50)	(550)	-	(148)	-	(742)	1,606
Final balance	71,561	-	534,906	771,361	1,056	107,233	-	1,486,117	1,385,909
Net book value	1,331,693	908,769	1,662,336	501,058	1,931	88,507	291,686	4,785,980	3,435,967

Notes to the interim consolidated financial statements (continued)

- (b) Additions for the three-month periods ended March 31, 2019 and December 31, 2018 correspond mainly to the construction and equipment of new premises for Supermercados Peruanos S.A. and the InRetail Pharma Group.
- (c) Mainly correspond to assets sold and to the disposals of unusable assets as a result of the process of change of format in some premises and pharmacies closures. The resulting income or expense has been included in the "Other operating income" or "Other operating expenses" caption of the consolidated income statement, respectively.
- (d) Depreciation expense for the three-month periods ended March 31, 2019 and 2018, was recorded as follows in the income statement:

	2019	2018
	S/(000)	S/(000)
Cost of sales, Note 17 (a)	4,106	-
Sales expenses, Note 17 (a)	114,359	41,360
Administrative expenses, Note 17 (a)	9,169	5,735
Balance as of March 31	127,634	47,095
Balance as of December 31, 2018		205,762

- (e) As of March 31, 2019, Supermercados Peruanos S.A. has mortgaged land lots, buildings and facilities for a net book value of S/833,604,000 (S/775,520,000 as of December 31, 2018), as collateral of the financial obligations and the leasing contracts (see Note 13).
- (f) As of March 31, 2019, the cost and corresponding accumulated depreciation of assets acquired through finance leases amount to approximately S/712,847,000 and S/269,751,000, respectively (S/761,726,000 and S/285,543,000, respectively, as of December 31, 2018).
- (g) The InRetail Group maintains insurance policies on their main assets in accordance with the policies established by Management.

Notes to the interim consolidated financial statements (continued)

10. Investment properties

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

	As of March 31, 2019 S/(000)	As of December 31, 2018 S/(000)
Real Plaza Salaverry Shopping Mall (i)	431,435	429,936
Real Plaza Puruchuco project	366,397	328,797
Real Plaza Primavera Shopping Mall	228,611	226,634
Real Plaza Chiclayo Shopping Mall	233,568	227,153
Real Plaza Cuzco Shopping Mall (i)	217,766	216,073
Real Plaza Piura Shopping Mall	209,803	207,937
Real Plaza Centro Civico Shopping Mall (i)	199,373	198,942
Real Plaza Trujillo Shopping Mall	191,909	186,349
Real Plaza Huancayo Shopping Mall (i)	140,609	140,121
Real Plaza Pucallpa Shopping Mall	135,577	134,424
Real Plaza Huánuco Shopping Mall (i)	93,538	92,839
Real Plaza Cajamarca Shopping Mall	88,065	87,766
Real Plaza Villa Maria del Triunfo Shopping Mall (La Curva) (i)	82,092	81,380
Real Plaza Juliaca Shopping Mall (i)	75,116	75,169
Real Plaza Santa Clara - Altamirano Shopping Mall	75,597	75,157
Real Plaza Chorrillos Shopping Mall	65,494	65,034
Real Plaza Pro Shopping Mall	62,385	62,099
Real Plaza Arequipa Shopping Mall (i)	53,757	56,391
Plaza Center Lurin Shopping Mall	48,924	49,465
Real Plaza Nuevo Chimbote Shopping Mall	37,379	36,714
Plaza Center Ilo Shopping Mall	33,189	-
Real Plaza Sullana Shopping Mall	29,911	30,054
Plaza Center Villa El Salvador Shopping Mall	29,371	28,847
Plaza Center Moquegua Shopping Mall	27,034	27,163
Plaza Center Tacna Shopping Mall	16,460	18,017
Plaza Center Tarapoto Shopping Mall	16,196	-
Jr. de la Unión stores	13,454	13,354
Others	201,460	203,203
Total	3,404,470	3,299,018

(i) For the construction of these shopping malls and properties, surface right contracts were subscribed with Arzobispado de Cuzco (on land in Cuzco "San Antonio"), Municipalidad Provincial de Huánuco (on land of "Real Plaza Huánuco" Shopping Mall), Inmobiliaria Pazos S.A. (La Curva), Oficina de Normalización Provisional - ONP, (Centro Cívico), Ferrovías Central Andina S.A. (Huancayo), the Association denominated "Religiosas del Sagrado Corazón de Jesús" (Arequipa), Ferrocarril Trasandino S.A. (Juliaca) and the Marina de Guerra del Perú (Salaverry). These contracts have a maturity between 20 and 70 years.

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

Notes to the interim consolidated financial statements (continued)

- (b) The movement of this account for the three-month periods ended March 31, 2019 and 2018 was as follows:

	2019	2018
	S/(000)	S/(000)
Balance at the beginning of the year	3,299,018	2,870,002
Acquisition of subsidiary	-	10,131
Additions	60,321	172,358
Disposal	-	(8,458)
Fair value adjustment	2,492	2,814
Transfer to property, furniture and equipment; Note 9 (a)	42,639	-
Balance as of March 31	3,404,470	3,046,847
Balance as of December 31, 2018		3,299,018

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

Notes to the interim consolidated financial statements (continued)

11. Intangible assets, net

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

	As of March 31, 2019 S/(000)	As of December 31, 2018 S/(000)
Cost		
Initial balance	1,388,533	570,806
Acquisition of subsidiary	-	783,306
Additions (c)	4,010	48,618
Disposal and/or sales	(10)	(14,387)
Foreign currency translation	(86)	190
Final balance	1,392,447	1,388,533
Accumulated amortization		
Initial balance	182,336	83,529
Acquisition of subsidiary	-	61,780
Additions (e)	13,539	50,667
Disposals and/or sales	(10)	(13,792)
Foreign currency translation	(62)	152
Final balance	195,803	182,336
Goodwill		
Initial balance	1,982,106	709,472
Additions (d)	-	1,272,634
Final balance	1,982,106	1,982,106
Net, book value	3,178,750	3,188,303

(b) As of March 31, 2019 and December 31, 2018, this caption mainly includes approximately S/373,054,000 corresponding to the brand "Inkafarma", S/395,355,000 to the Mifarma brand, S/17,791,000 to Quimica Suiza, S/15,911,000 to the Ninet brand and S/3,024,000 to other brands.

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

(c) As of December 31, 2018, additions mainly correspond to: (i) disbursements for the acquisition of a commercial software program, a general planning system (ERP) and related licenses; (ii) disbursements for implementation of software and licenses in new stores of InRetail Group and (iii) recognition of trademarks and other intangibles from the acquisition of the Quicorp Group, see Note 1 (b).

Notes to the interim consolidated financial statements (continued)

- (d) As of March 31, 2019 and December 31, 2018, this caption mainly includes the goodwill, as a result of the acquisition of the Quicorp Group S/1,272,634,000 and InRetail Pharma (formerly Inkafarma) S/709,472,000. See Note 1(b).
- (e) Amortization expense for the three-month periods ended March 31, 2019 and 2018 has been recorded in the following items of the combined statements:

	2019 S/(000)	2018 S/(000)
Cost of sales, Note 17 (a)	46	-
Sales expenses, Note 17 (a)	10,637	3,367
Administrative expenses, Note 17 (a)	2,856	2,325
Balance as of March 31	13,539	5,692
Balance as of December 31, 2018		50,667

12. Trade payables

The table below presents the composition of this caption:

	As of March 31, 2019 S/(000)	As of December 31, 2018 S/(000)
Bills payable from purchase of goods	2,319,146	2,432,652
Bills payable from commercial services	401,701	511,976
Provision for services and maintenance	43,596	39,984
Total	2,764,443	2,984,612
Current	2,752,275	2,964,969
Non current	12,168	19,643
Total	2,764,443	2,984,612

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

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

Notes to the interim consolidated financial statements (continued)

13. Interest-bearing loans and borrowings

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

Type of obligation	Original currency	Interest rate %	Final maturity	Original amount		Total		Current		Non-current		
				US\$ (000)	\$ (000)	S/(000)	2019	2018	2019	2018	2019	2018
							S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)
Senior Notes Unsecured												
Senior Notes Unsecured (b)	USD	5.750	2028	350,000	-	-	1,083,435	1,100,785	-	-	1,083,435	1,100,785
Senior Notes Unsecured (b)	PEN	6.563	2028	-	-	313,500	309,616	309,540	-	-	309,616	309,540
Senior Notes Unsecured (d)	PEN	7.875	2034	-	-	141,000	135,462	135,446	-	-	135,462	135,446
Senior Notes Unsecured (c)	PEN	6.438	2025	-	-	385,800	383,481	383,390	-	-	383,481	383,390
Senior Notes Unsecured (c)	USD	5.375	2023	400,000	-	-	1,309,121	1,330,899	-	-	1,309,121	1,330,899
				750,000	-	840,300	3,221,115	3,260,060	-	-	3,221,115	3,260,060
Leasings (e)												
Related entities												
Banco Internacional del Perú-Interbank	PEN	7.850	2019	-	-	27,412	2,665	4,219	2,665	4,219	-	-
Banco Internacional del Perú-Interbank	PEN	Between 6.000 and 6.230	2022	-	-	136,502	114,571	121,318	27,272	27,272	87,299	94,046
Banco Internacional del Perú-Interbank	USD	5.300	2020	208	-	-	143	171	143	150	-	21
Non related entities												
Banco de Crédito del Perú	PEN	Between 6.590 and 7.850	2020	-	-	79,236	15,684	18,576	7,940	8,952	7,744	9,624
Banco de Crédito del Perú	PEN	Between 7.620 and 8.060	2019-2024	-	-	108,400	34,928	37,131	9,097	9,830	25,831	27,301
Banco Scotiabank	PEN	6.820	2025	-	-	430,000	132,635	109,060	-	-	132,635	109,060
Banco Scotiabank	PEN	Between 6.390 and 7.600	2020	-	-	37,630	8,781	10,874	7,017	7,810	1,764	3,064
Banco Continental	PEN	Between 5.700 and 6.800	2019	-	-	1,717	-	69	-	69	-	-
Banco Santander del Perú	PEN	Between 6.900 and 7.650	2022	-	-	874	645	686	168	165	477	521
Banco Scotiabank	PEN	7.550	2019	-	-	12,528	83	114	83	114	-	-
Banco de Crédito del Perú	PEN	5.500	2021	-	-	399	337	370	129	130	208	240
Banco de Crédito del Perú	PEN	7.560	2020	-	-	111	64	75	37	37	27	38
Banco Continental	PEN	Between 4.950 and 7.500	2019-2021	-	-	887	265	323	213	259	52	64
Banco Santander del Perú	PEN	Between 7.250 and 8.550	2019-2020	-	-	1,328	72	162	53	123	19	39
				208	-	837,024	310,873	303,148	54,817	59,130	256,056	244,018

Notes to the interim consolidated financial statements (continued)

Type of Obligation	Original currency	Interest rate %	Final maturity	Original amount			Total		Current		Non-current	
				US\$ (000)	\$ (000)	S/(000)	2019	2018	2019	2018	2019	2018
							S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)
Notes and Loans (e)												
Related entities												
Banco Internacional del Perú-Interbank	PEN	5.850	2025	-	-	95,000	91,627	94,097	10,379	10,233	81,248	83,864
Banco Internacional del Perú-Interbank	PEN	4.700	2025	-	-	161,950	143,560	149,302	22,970	26,824	120,590	122,478
Non related entities												
Banco de Crédito del Perú	PEN	Between 5.600 and 6.350	2024	-	-	189,197	216,483	163,806	94,859	33,724	121,624	130,082
Banco Scotiabank	PEN	Between 5.070 and 6.950	2025	-	-	765,100	681,948	621,521	200,280	108,567	481,668	512,954
Banco Citibank	PEN	Between 3.800 and 4.200	2019	-	-	71,000	71,000	-	71,000	-	-	-
Banco Scotiabank	PEN	4.700	2025	-	-	161,950	143,583	149,326	22,973	26,828	120,610	122,498
Banco Scotiabank (f)	PEN	6.700	2019	-	-	100,000	18,714	24,940	18,714	24,940	-	-
Banco Continental	PEN	4.110	2019	-	-	17,000	-	17,000	-	17,000	-	-
Banco Continental	PEN	3.980	2019	-	-	15,000	15,000	-	15,000	-	-	-
Banco de Crédito del Perú	PEN	3.990	2019	-	-	15,000	-	15,000	-	15,000	-	-
Banco Scotiabank	PEN	Between 3.900 and 4.000	2019	-	-	29,000	-	29,000	-	29,000	-	-
Banco Scotiabank	PEN	4.150	2019	-	-	6,000	6,000	-	6,000	-	-	-
Banco Citibank	PEN	Between 3.650 and 3.750	2019	-	-	40,000	40,000	-	40,000	-	-	-
Banco de Crédito del Perú	PEN	4.890	2019	-	-	400	-	400	-	400	-	-
Banco Continental	PEN	Between 4.120 and 4.440	2019	-	-	3,400	3,400	3,000	3,400	3,000	-	-
Banco Bolivariano	USD	Between 7.620 and 8.900	2019-2020	6,000	-	-	12,868	16,050	10,794	11,826	2,074	4,224
Banco Guayaquil	USD	Between 7.950 and 8.260	2019	5,000	-	-	5,334	7,758	5,334	7,758	-	-
Banco Internacional	USD	Between 8.500 and 9.120	2019	3,500	-	-	11,624	11,827	11,624	11,827	-	-
Banco Pacífico	USD	8.090	2020	1,000	-	-	1,471	1,781	1,163	1,145	308	636
Banco Pichincha	USD	Between 7.395 and 8.950	2019	11,500	-	-	24,908	25,343	24,908	25,343	-	-
Produbanco	USD	8.230	2022	5,000	-	-	10,462	11,441	3,248	3,315	7,214	8,126
Banco Pichincha	USD	7.950	2019	300	-	-	-	1,014	-	1,014	-	-
Banco Pichincha	USD	8.950	2019	200	-	-	665	676	665	676	-	-
Banco Continental	COP	6.960	2019	-	2,900,000	-	3,034	3,015	3,034	3,015	-	-
				62,500	2,900,000	1,669,997	1,501,681	1,346,297	566,345	361,435	935,336	984,862
Call spread financing, Note 8												
Citibank N.A.	USD	6.473	2023	20,314	-	-	55,561	56,532	15,720	13,156	39,841	43,376
JP Morgan	USD	10.500	2028	23,340	-	-	75,252	76,567	5,081	5,170	70,171	71,397
				43,654	-	-	130,813	133,099	20,801	18,326	110,012	114,773
Other obligations (j)												
Hewlett Packard S.A.	USD	Between 1.450 and 5.564	2022	8,610	-	-	7,675	9,297	4,210	5,025	3,465	4,272
IBM Perú SAC	USD	2.170	2019	335	-	-	18	37	18	37	-	-
Hewlett Packard S.A.	USD	2.930	2021	12,084	-	-	13,594	15,802	7,347	7,901	6,247	7,901
Hewlett Packard S.A.	USD	Between 3.300 and 6.200	2019-2021	568	-	-	700	785	469	440	231	345
Infratech	USD	5.000	2019-2021	66	-	-	100	107	88	76	12	31
CSI Renting	USD	Between 2.720 and 5.130	2020	241	-	-	481	508	237	221	244	287
				21,904	-	-	22,568	26,536	12,369	13,700	10,199	12,836
Total				878,266	2,900,000	3,347,321	5,187,050	5,069,140	654,332	452,591	4,532,718	4,616,549

Notes to the interim consolidated financial statements (continued)

- (b) In April 2018, Patrimonio en Fideicomiso D.S. 093-2002-EF InRetail Shopping Malls, Subsidiary of the Company, has issued debt instruments ("Notes") denominated in US Dollars through a private offer to institutional investors under Rule 144 A and Regulation S, for US\$350,000,000 equivalent to S/1,162,350,000 as of March 31, 2019 (S/1,182,650,000 as of December 31, 2018) that accrues an interest of 5.75 percent per annum, with a maturity of 10 years, with semi-annual interest payments and the principal in a single installment upon maturity of the securities. This borrowing was recorded in the consolidated financial statement at amortized cost to an effective interest rate of 6.752 percent, after considering the respective up-front fees that amounted to US\$23,762,000 equivalent to approximately S/78,915,000 as of March 31, 2019 (US\$24,228,000 equivalent to approximately S/81,865,000 as of December 31, 2018).

Additionally, in April 2018, the Company's Subsidiary issued debt instruments ("Notes") denominated in Soles for S/313,500,000 that bear an annual interest rate of 6.5625 percent, maturing in 10 years and with payment semiannual interest and the principal in a single installment at the expiration of the securities. This borrowing was recorded in the consolidated financial statement at amortized cost to an effective interest rate of 6.730 percent, after considering the respective up-front fees that amounted to S/3,884,000 as of March 31, 2019 (S/3,960,000 as of December 31, 2018).

As a result of these issues, InRetail Shopping Malls must comply, until their maturity and full payment, certain obligations and covenants must be met in this type of transactions.

In the opinion of the Management, these covenants do not limit the operations of the Company and its subsidiaries and have been complied satisfactorily and are within the agreed limits as of March 31, 2019 and December 31, 2018. Likewise, 100 percent of the "Senior Notes Unsecured" is guaranteed by the shares of InRetail Real Estate Corp. and Subsidiaries.

- (c) In May 2018, InRetail Pharma S.A., issued debt instruments ("Notes") denominated in US dollars through a private offer to institutional investors under Rule 144 A and Regulation S, for US\$400,000,000 equivalent to S/1,328,400,000 as of March 31, 2019 (S/1,351,600,000 as of December 31, 2018) that accrues an interest of 5.375 percent per annum, with a maturity of 5 years and with semiannual payments of interest and the principal in a single installment upon maturity of the securities. This borrowing was recorded in the consolidated financial statement at amortized cost to an effective interest rate of 5.780 percent, after considering the respective up-front fees that amounted to US\$5,805,000 equivalent to approximately S/19,279,000 as of March 31, 2019 (US\$6,126,000 equivalent to S/20,701,000 as of December 31, 2018). As of March 31, 2019, the balance of this loan is S/1,309,121,000 (as of December 31, 2018 S/1,330,899,000).

Also, in May, 2018, the Company issued debt instruments ("Notes") denominated in Soles for S/385,800,000 that bear an annual interest rate of 6.4375 percent, maturing in 7 years and with semiannual interest payments and the principal in a single installment upon maturity of the securities. This borrowing was recorded in the consolidated financial statement at amortized cost to an effective interest rate of 6.559 percent, after considering the respective up-front fees that amounted to S/2,319,000 as of March 31, 2019 (S/2,410,000 as of December 31, 2018).

As a result of these issues, InRetail Pharma must comply, until their maturity and full payment, with certain obligations and covenants.

Notes to the interim consolidated financial statements (continued)

In the opinion of Management, these covenants do not limit the operations of the Company and its subsidiaries and have been complied satisfactorily and are within the agreed limits as of March 31, 2019 and December 31, 2018. Likewise, 100 percent of the "Senior Notes Unsecured" is guaranteed by the shares of InRetail Pharma S.A. and Subsidiaries.

- (d) In July 2014, InRetail Real Estate Corp. issued, through InRetail Shopping Malls, an offering in the local market and abroad of "Senior Notes Unsecured" for S/141,000,000, due in July 2034, at a 7.875 percent nominal interest rate. This borrowing was recorded in the consolidated financial statement at amortized cost to an effective interest rate of 7.988 percent, after considering the respective up-front fees that amounted to S/1,538,000 as of March 31, 2019 (S/1,554,000 as of December 31, 2018). Additionally, as of March 31, 2019 and December 31, 2018, the balance is presented net of S/4,000,000 corresponding to the notes of this issuance held by InRetail Shopping Malls. As of March 31, 2019 the balance of this loan is S/135,462,000 (S/135,446,000 as of December 31, 2018).
- (e) Promissory notes and bank loans are used to fund working capital and do not have any specific guarantee. Leasing operations are guaranteed by the assets related to them; see Note 9 (e). Such obligations do not have any special conditions that must be complied (covenants), or restrictions affecting the operations of the InRetail Group.
- (f) In December 2015, InRetail Shopping Malls received a loan from Bank Scotiabank of Peru S.A.A for S/100,000,000, for a term of 4 years, payable in quarterly installments, at an annual interest rate of 6.70. This loan was recorded at its amortized cost after considering the respective up-front fee of approximately S/35,000 (S/215,000 as of December 31, 2018).

As of March 31, 2019, InRetail Shopping Malls amortized the debt with Scotiabank by S/81,250,000.

- (g) Corresponds to the debt that the Subsidiaries acquired with Hewlett Packard, IBM, CSI Renting and Infratech to purchase computer equipment. Said contracts do not have any specific guarantee.
- (h) During the three-month-periods ended March 31, 2019 and 2018, loans and borrowings accrued interest which are recorded in the "Finance costs" caption of the consolidated income statements, see Note 18. Also, as of March 31, 2019 and December 31, 2018, there are interests payable which are recorded in the "Other payables" caption of the consolidated statements of financial position.
- (i) Some of the interest-bearing loans and borrowings include standard clauses requiring the InRetail Group to meet financial ratios, use of funds criteria and other administrative matters. In Management's opinion, as of March 31, 2019 and December 31, 2018, standard clauses do not limit the normal operation of the InRetail Group and have been fulfilled.
- (j) Financial obligations are payable as follows:

	2019 S/ (000)	2018 S/ (000)
2019	579,833	452,591
2020	281,532	453,898
2021	243,155	229,534
2022	254,308	239,806
2023	1,499,090	433,251
2024 onwards	<u>2,329,132</u>	<u>3,260,060</u>
Total	<u>5,187,050</u>	<u>5,069,140</u>

Notes to the interim consolidated financial statements (continued)

14. Income tax

- (a) The amounts presented in the statement of financial position as of March 31, 2019 and December 31, 2018, as well as the consolidated income statements for the three-month periods ended March 31, 2019 and 2018 are shown below:

Statements of financial position	As of March 31, 2019		As of December 31, 2018	
	Assets	Liabilities	Assets	Liabilities
	S/(000)	S/(000)	S/(000)	S/(000)
Supermercados Peruanos S.A. and Subsidiaries	-	78,168	-	78,734
Plaza Veá Oriente S.A.C.	1,259	-	453	-
Centro Comercial Estación Central S.A.	301	-	301	-
Inversiones Real Estate S.A.	-	631	-	631
Real Plaza S.R.L.	1,521	-	1,521	-
Inmobiliaria Puerta del Sol S.A.	-	30,403	-	30,156
IR Management S.R.L.	218	-	176	-
InRetail Pharma S.A. (antes Eckerd Perú S.A.)	-	9,025	-	10,508
Eckerd Amazonia S.A.C.	1,257	-	1,207	-
Boticas del Oriente S.A.C.	1,154	-	1,116	-
Química Suiza S.A.C.	-	43,749	-	43,312
Cifarma S.A.C.	40	-	-	36
Vanttive S.A.C.	214	-	249	-
Quifatex S.A.	4,145	-	4,170	-
Vanttive Cía Ltda.	40	-	37	-
Quimiza Ltda.	792	-	747	-
Quideca S.A.	626	-	613	-
Mifarma S.A.C.	19,059	-	19,069	-
Comercializadora Mifarma Ltda.	56	-	62	-
Albis S.A.C.	27,768	-	30,132	-
Jorsa de la Selva S.A.C.	1,939	-	2,300	-
Consolidation adjustment	317	309,493	-	318,239
Total	60,706	471,469	62,153	481,616

Statements of comprehensive income	Income tax for the three-month periods ended March 31, 2019 and 2018	
	2019	2018
	S/(000)	S/(000)
Current	(72,299)	(39,462)
Deferred	16,559	(2,588)
Income tax expense	(55,740)	(42,050)

- (b) As of March 31, 2019 and December 31, 2018 the provision for current income tax payable, net of advanced payments amounts to approximately S/11,310,000 and S/10,665,000, respectively.

Also, as of March 31, 2019 and December 31, 2018, non-current income related special purpose entity tax of S/240,803,000 and S/226,493,000, respectively, is payable as a result of the net taxable income from the assets in the trusts, the InRetail Group.

Notes to the interim consolidated financial statements (continued)

15. Equity

- (a) Capital stock –
As of March 31, 2019 and December 31, 2018, the capital stock of InRetail Perú Corp. is represented by 102,807,319 shares with no par value, issued at US\$10.00 each, which were totally paid and issued (equivalent to S/2,138,566,000).
- (b) Capital premium
It corresponds to the difference between the nominal value of shares issued and their offering value. The international offering of new shares, mentioned in paragraph (a) above, was made at a price of US\$20 per share, being the issuance value of shares US\$ 10.00 per share, and recording a capital Premium which is presented net of expenses related to the issuance (professional services of legal advisors, investment bankers, transaction commissions, among others) for approximately S/472,967,000 as of March 31, 2019.
- (c) Treasury shares
As of March 31, 2019 and December 31, 2018, the InRetail Group acquired 1,750,005 Shares issued by InRetail Perú Corp., for approximately S/134,463,000, the nominal value of said shares being S/57,636,000, with the difference of S/76,827,000 being recorded as a decrease in the capital premium.
- (d) Dividends
At the General Shareholders' Meeting held on March 26, 2019, it was approved to distribute dividends in the amount of US\$35,000,000 equivalent to S/115,640,000, which corresponds to a cash dividend of US\$0.34044269 per share, which will be delivered in cash in May of 2019. Of this amount S/1,976,000 corresponds to the dividends related to treasury shares maintained by the Company.

Notes to the interim consolidated financial statements (continued)

16. Tax Situation

- (a) InRetail Peru Corp. and InRetail Real Estate Corp. are incorporated in Panama, thus they are not subject to any Income Tax.

Entities and individuals not domiciled in Peru must pay an additional tax over dividends received. In this regard, attention to Legislative Decree N° 1261, published on December 10, 2016 and effective from January 1, 2017, the additional tax on dividend income generated is as follows:

- 4.1 percent of the profits generated until December 31, 2014
- 6.8 percent for the profits generated in the years 2015 and 2016.
- 5.0 percent of the profits generated since January 1, 2017.

- (b) The Subsidiaries of the Company domiciled in Peru, Ecuador, Bolivia and Colombia are subject to the tax regime of each country and calculate the income tax based on their individual financial statements. As of March 31, 2019 and December 31, 2018, the income tax rate is:

Country	%
Peru	29.5
Ecuador	28.0
Bolivia	25.0
Colombia	33.0

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

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

- (i) In first place, 10 percent or more of shares of the non domiciliated company must be sold in a period of twelve months.
 - (ii) In second place, the market value of the Peruvian company's shares must represent 50 percent or more of the market value of the non domiciliated company, in a period of twelve months.
- (d) For purposes of determining the Income Tax, transfer pricing of transactions with related companies and companies domiciled in territories with low or no taxation must be supported with documentation and information on assessment methods applied and criteria considered. Based on the analysis of the operations of the InRetail Group, Management and its legal advisors consider that as consequence of the application of the regulation in force, there will not be any significant contingencies for the InRetail Group as of March 31, 2019 and December 31, 2018.

Notes to the interim consolidated financial statements (continued)

- (e) The tax authority is legally entitled to review and, if necessary, adjust the Income Tax computed. Following are the years subject to review by the tax authority of the Subsidiaries of InRetail Peru Corp. incorporated in Peru and foreign:

	Income Tax	Value added tax
Albis S.A.C.	From 2015 to 2018	From 2015 to 2018
Boticas del Oriente S.A.C.	From 2014 to 2018	From 2013 to 2018
Botica Torres de Limatambo S.A.C	From 2015 to 2018	From 2015 to 2018
Cifarma S.A.C.	From 2014 to 2018	From 2015 to 2018
Droguería La Victoria S.A.C.	From 2014 to 2018	From 2015 to 2018
Eckerd Amazonía S.A.C.	From 2014 to 2018	From 2015 to 2018
Empresa comercializadora Mifarma Bolivia S.A.	From 2010 to 2018	From 2010 to 2018
Inmobiliaria Puerta del Sol S.A.	From 2015 to 2018	From 2015 to 2018
InRetail Pharma S.A. (formerly Eckerd Perú S.A.)	From 2014 to 2018	From 2015 to 2018
IR Management S.R.L.	From 2015 to 2018	From 2015 to 2018
Inversiones Real Estate S.A.	From 2014 to 2018	From 2015 to 2018
Jorsa de la Selva S.A.C.	From 2014 to 2018	From 2014 to 2018
Quicorp S.A.	From 2014 to 2018	From 2014 to 2018
Quideca S.A.	From 2013 to 2018	From 2017 to 2018
Mifarma S.A.C.	From 2014 to 2018	From 2015 to 2018
Patrimonio Fideicomiso Mercantil de acciones Quifatex S.A.	From 2015 to 2018	From 2015 to 2018
Química Suiza Comercial S.A.C.	From 2014 to 2018	From 2014 to 2018
Química Suiza S.A.C.	From 2016 to 2018	From 2014 to 2018
Quimiza Ltda.	From 2013 to 2018	From 2013 to 2018
Real Plaza S.R.L.	2015 and from 2017 to 2018	From 2015 to 2018
Centro comercial estación Central S.A.	From 2015 to 2018	From 2015 to 2018
Superfarma Mayoristas S.A.C.	From 2016 to 2018	From 2016 to 2018
Supermercados Peruanos S.A.	From 2013 to 2018	From 2015 to 2018
Plaza Ve Oriente S.A.C.	2018	2018
Vanttive Cía Ltda.	From 2015 to 2018	From 2015 to 2018
Vanttive S.A.C.	From 2014 to 2018	From 2014 to 2018
Farmacias Peruanas S.A.C.	From 2016 to 2018	From 2016 to 2018

According to Peruvian law, InRetail Consumer, InRetail Shopping Malls and Interproperties Holding, special purpose entities, are not considered an income taxpayer due to its status as a trust. InRetail Shopping Malls and Interproperties Holding attribute its generated results, the net losses and Income Tax credits on foreign source income, to the holders of its certificates of participation or whoever holds those rights. Therefore, to reflect this obligation, the Company has provisioned 30 percent of long term income tax over the profit earned to date. As of March 31, 2019 and December 31, 2018, the accrued income tax amounted to S/240,803,000 and S/226,493,000, respectively.

Due to possible interpretations that the tax authority may give to legislation, it is not possible to determine, to date, whether the reviews will result in liabilities for the InRetail Group. Therefore, any major tax or surcharge that may result from eventual revisions by the tax authority would be charged to the consolidated statements of comprehensive income of the period in which such tax or surcharge is determined.

Notes to the interim consolidated financial statements (continued)

In opinion of Management of the InRetail Group as well as its legal advisors opinion, any eventual additional tax settlement would not be significant to the consolidated financial statements as of March 31, 2019 and December 31, 2018.

- (f) As of March 31, 2019 and December 31, 2018, estimated losses from previous periods for Subsidiaries for tax purposes are the following:

	2019	2018
	S/ (000)	S/ (000)
Albis S.A.C.	79,898	87,871
Jorsa de la Selva S.A.C.	4,716	3,813
Superfarma Mayorista S.A.C.	1,683	1,035
Vanttive S.A.C.	536	674
Total	86,833	93,393

According to what the Income Tax Act and its amendments establish, entities domiciled in Peru have the faculty to choose one of the following methods to draw their tax losses:

- (i) The tax loss can be offset with future profits until its final extinction by applying said loss to up to 50 percent of the taxable income; or
- (ii) The tax loss can be used for four years after it has been generated.

Albis S.A.C., Superfarma Mayorista S.A.C. and Vanttive S.A.C. have chosen method (i) and Jorsa de la Selva S.A.C. by method (ii).

Notes to the interim consolidated financial statements (continued)

17. Operating expenses

(a) The table below presents the components of this caption for the three-month periods ended March 31, 2019 and 2018:

	2019	2018
	S/(000)	S/(000)
Cost of sales	2,296,325	1,930,655
Selling expenses	594,977	512,486
Administrative expenses	112,650	109,724
Total	3,003,952	2,552,865

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

	2019			
	Cost of sales	Selling expenses	Administrative expenses	Total
	S/(000)	S/(000)	S/(000)	S/(000)
Initial balance of goods, Note 6 (a)	1,696,905	-	-	1,696,905
Initial balance of raw material, Note 6 (a)	11,796	-	-	11,796
Initial balance of miscellaneous supplies, Note 6 (a)	1,075	-	-	1,075
Final balance of finished goods, Note 6 (a)	672	-	-	672
Purchase of goods	2,244,376	-	-	2,244,376
Final balance of goods, Note 6 (a)	(1,712,256)	-	-	(1,712,256)
Final balance of raw material, Note 6 (a)	(11,969)	-	-	(11,969)
Final balance of miscellaneous supplies, Note 6 (a)	(1,075)	-	-	(1,075)
Final balance of finished goods, Note 6 (a)	(382)	-	-	(382)
Impairment of inventories, Note 6 (c)	6,320	-	-	6,320
Factory overhead	5,538	-	-	5,538
Cost of services	51,173	-	-	51,173
Personnel expenses	-	225,680	69,962	295,642
Depreciation, Note 9 (d)	1,005	49,958	5,116	56,079
Depreciation from right-of-use asset, Note 9 (d)	3,101	64,401	4,053	71,555
Amortization, Note 11 (e)	46	10,637	2,856	13,539
Key money amortization	-	1,465	-	1,465
Services provided by third parties (b)	-	107,973	16,720	124,693
Advertising	-	29,226	3	29,229
Packing and packaging	-	11,460	43	11,503
Rental of premises	-	16,862	2,491	19,353
Taxes	-	10,921	3,500	14,421
Provision for doubtful trade receivables, Note 5(g)	-	7,790	2	7,792
Recovery of provision for doubtful receivables, Note 5(g)	-	(5,143)	-	(5,143)
Provision for doubtful others receivables	-	161	-	161
Recovery of provision for doubtful others receivables	-	(6)	-	(6)
Insurance	-	5,142	393	5,535
Other charges (c)	-	58,450	7,511	65,961
Total	2,296,325	594,977	112,650	3,003,952

Notes to the interim consolidated financial statements (continued)

	2018			
	Cost of sales	Selling expenses	Administrative expenses	Total
	S/(000)	S/(000)	S/(000)	S/(000)
Initial balance of goods	986,830	-	-	986,830
Subsidiary acquisition	724,128	-	-	724,128
Purchase of goods	1,767,163	-	-	1,767,163
Final balance of goods, Note 6 (a)	(1,586,422)	-	-	(1,586,422)
Final balance of raw material, Note 6 (a)	(7,692)	-	-	(7,692)
Final balance of miscellaneous supplies, Note 6 (a)	(1,260)	-	-	(1,260)
Final balance of finished goods, Note 6 (a)	(95)	-	-	(95)
Impairment of inventories, Note 6 (c)	6,627	-	-	6,627
Cost of services	41,376	-	-	41,376
Personnel expenses	-	206,947	54,073	261,020
Depreciation, Note 9 (d)	-	41,360	5,735	47,095
Impairment property, plant and equipment	-	(195)	(27)	(222)
Amortization, Note 11 (e)	-	3,367	2,325	5,692
Key money amortization	-	1,234	-	1,234
Services provided by third parties (b)	-	97,754	33,726	131,480
Advertising	-	23,257	39	23,296
Packing and packaging	-	11,106	78	11,184
Rental of premises	-	72,589	2,679	75,268
Taxes	-	8,161	2,653	10,814
Provision for doubtful trade receivables, Note 5(g)	-	3,145	57	3,202
Recovery of provision for doubtful others receivables, Note 5(g)	-	(1,569)	(41)	(1,610)
Provision for doubtful other account receivables	-	327	-	327
Insurance	-	3,564	329	3,893
Other charges (c)	-	41,439	8,098	49,537
Total	1,930,655	512,486	109,724	2,552,865

- (b) Correspond mainly to expenses of electricity, water, telephone, premises maintenance services and transport services.
- (c) Mainly include general expenses in stores and shopping centers.

Notes to the interim consolidated financial statements (continued)

18. Finance costs

(a) The table below presents the components of finance costs:

	2019	2018
	S/(000)	S/(000)
Interest on loans, borrowings and bonds payable	71,205	61,287
Accrual of the cost of structuring of financial obligations	3,022	3,408
Accrual of the cost of structuring by early settlement of "Senior Notes Unsecured" (d)	-	12,052
Interest on lease liabilities	21,950	-
Premium for early settlement of bonds and cancellation of loans (c)	-	52,942
Call Spread early settlement (f)	-	17,109
Premium accrual "Call Spread"	3,718	2,785
Derivative financial instruments measure to fair value loss (e)	-	3,041
Other financial costs	14,331	9,823
Total	114,226	162,447

- (b) As of March 31, 2019 and December 31, 2018, there are interest payable for these obligations for approximately S/98,859,000 and S/47,143,000, respectively, which are recorded in the "Other payables" caption of the consolidated statements of financial position.
- (c) As of March 31, 2018, includes the premium corresponding to: (i) the early redemption of the "Senior Notes Unsecured" issued by InRetail Consumer in Dollars for US\$8,243,000 equivalent to S/26,798,000, (ii) the "Senior Notes Unsecured" issued in Soles by S/26,008,000, (iii) the cancellation of the Bank of Tokyo loan of US\$42,000 equivalent to S/136,000 and (iv) for the "Senior Notes Unsecured" issued by InRetail Shopping Malls in Dollars for US\$7,486,000 equivalent to S/24,148,000.
- (d) As of March 31, 2018, corresponds to the accrual of the structuring costs related to the early redemption of: (i) the "Senior Notes Unsecured" issued by InRetail Consumer in Dollars for US\$3,396,000 equivalent to S/11,071,000, (ii) the "Senior Notes Unsecured" issued in Soles for S/561,000, and (iii) the cancellation of the Bank of Tokyo loan of US\$130,000 equivalent to S/420,000.
- (e) In February 2018, the Company paid in full the financial obligations of InRetail Consumer covered by the Call Spreads issued by Bank of Tokyo and Deutsche Bank A.G. for US\$130,000,000, passing this instrument to be registered as trading, recognizing S/3,041,000 as financial expenses.
- (f) In March 2018, the JP Morgan Call Spread that covered the US\$200,000,000 bond issued by InRetail Shopping Malls was liquidated in advance, generating an exit premium of S/17,109,000.

Notes to the interim consolidated financial statements (continued)

19. Transactions with related parties

(a) The following table provides the total amount of transactions that have been entered into with related parties for the three-month periods ended as of March 31, 2019 and 2018:

	2019 S/(000)	2018 S/(000)
Income		
Sales	1,798	3,390
Rental income	28,327	28,586
Rendering of services	4,219	11,878
Collection of commissions	590	-
Income from Joint Venture	11,348	5,120
Interest income	292	-
Other	8,714	22,006
Total	55,288	70,980
Expenses		
Renting of premises and land	30	979
Reimbursement of expenses	507	457
Commissions	192	2,245
Interest	2,415	1,185
Others	2,450	842
Total	5,594	5,708

(b) As a result of the transactions with related companies, the InRetail Group recorded the following balances as of March 31, 2019 and December 31, 2018:

	As of March 31, 2019 S/(000)	As of December 31, 2018 S/(000)
Receivables		
Homecenters Peruanos S.A. (g)	13,248	15,326
Financiera Oh! S.A.	9,958	9,421
Tiendas Peruanas Oriente S.A.C. (d)	8,512	9,300
Tiendas Peruanas S.A.	11,646	7,978
Intercorp Retail Inc. (h)	3,621	3,639
Intercorp Perú Ltd. (e)	2,023	3,480
Bembos S.A.C.	1,421	1,491
Cineplex S.A.	809	900
Banco Internacional del Perú S.A.A.-Interbank	137	223
Inmobiliaria Milenia S.A.	63	24
Others	20,944	20,718
Total	72,382	72,500
Current	64,863	64,260
Non Current	7,519	8,240
Total	72,382	72,500

Notes to the interim consolidated financial statements (continued)

	As of March 31, 2019 S/(000)	As of December 31, 2018 S/(000)
Payables		
Homecenters Peruanos S.A. (j)	33,742	32,752
Financiera Oh! S.A. (i)	42,585	7,430
Banco Internacional del Perú S.A.A. – Interbank:		
Credit lines and other	24	80
Guarantee deposit	6,276	6,311
Tiendas Peruanas S.A.	18	34
Inmobiliaria Milenia S.A.	569	423
Intercorp Retail Inc.	22	22
Interseguro Compañía de Seguros S.A.	436	-
Others	2,011	2,959
	85,683	50,011
Remunerations payable to key management	-	-
Total	85,683	50,011
Current portion	46,516	11,093
Non-current portion	39,167	38,918
Total	85,683	50,011

- (c) The policy of the InRetail Group is to make transactions with related companies at terms equivalent to those that prevail in arm's length transactions.
- (d) As of March 31, 2019 and December 31, 2018, the outstanding to receive of Tiendas Peruanas Oriente S.A.C. corresponds mainly to reimbursements of expenses for the implementation of the store "Pucallpa" for an amount of S/9,724,000, which will be financed at 3 years with a rate of 9 percent per year.
- (e) As of March 31, 2019 and December 31, 2018, the balance receivable from Intercorp Peru Ltd. corresponds to a loan in Soles that includes accrued interest at market rate of 6.625 percent annually.
- (f) Supermercados Peruanos S.A. and Banco Internacional del Perú – Interbank, signed a contract on future leases of financial stores for 15 years in October 2004. This contract amounts to approximately S/27,212,000 (equivalent to approximately US\$8,000,000) which was collected in advance by Supermercados Peruanos S.A. and are presented in the "Deferred revenue" caption in the consolidated statements of financial position.

Additionally, Supermercados Peruanos S.A. received from Banco Internacional del Perú – Interbank US\$2,000,000 as collateral for the contract. As of March 31, 2019 and December 31, 2018, Supermercados Peruanos S.A. has credited the update of the present value of this deposit in the "Financial income" caption. As of March 31, 2019 and December 31, 2018, the net present value of the balances related to guarantee deposits amounts to S/6,276,000 and S/6,311,000, respectively, and is accounted for in the "Other payables" caption.

In relation to such contracts, during the three-month period ended March 31, 2019 Supermercados Peruanos S.A. recognized accrued renting revenue that amounted to approximately S/198,000 equivalent to US\$62,000 (S/218,000 equivalent to approximately US\$68,000 during the three-month periods ended December 31, 2018), which are recorded net of the renting expenses in the "Rental income" caption in the consolidated statements of income.

Notes to the interim consolidated financial statements (continued)

As of March 31, 2019 Supermercados Peruanos S.A. maintains deferred revenue that amounts to approximately S/564,000 (S/785,000 as of December 31, 2018) which will be recognized as income in upcoming periods.

- (g) Corresponds to balances payable by renting land and premises, and pending contributions from the joint venture that it maintains with Supermercados Peruanos, which will be collected in the second quarter of 2019.
- (h) In October 2018, the Company granted a loan to its parent company Intercorp Retail Inc. of US\$1,000,000 equivalent to S/3,379,000 that accrues 4.5 percent annual interest and expires in June 2019.

As of March 31, 2019, interest receivable amounts to US\$22,000 equivalent to S/73,000 (as of December 31, 2018, interest was accrued for US\$11,000 equivalent to S/37,000).

Likewise, the balance receivable from Intercorp Retail Inc. includes S/223,000, which corresponds to certain expenses assumed by InRetail Perú Corp. in favor of Intercorp Retail Inc. The balance receivable from Intercorp Retail Inc. does not generate interest, has current maturities and does not have specific guarantees

- (i) In June 2013, Supermercados Peruanos S.A. y Financiera Oh! S.A., a related entity, signed the "Contract of Issuance and Administration of the "Oh! credit card". Said contract established that Financiera Oh! S.A. can exclusively operate its "Oh! credit card" in the Supermercados Peruanos stores, instead of the "Vea" credit card of Banco Internacional del Perú S.A.A. –Interbank, which was operating until that moment. Also, as a result of this agreement, as of March 31, 2019 and December 31, 2018, the InRetail Group holds InRetail accounts payables to Financiera Oh! S.A for S/42,585,000 and S/7,430,000, respectively, which correspond mainly to the collection of installments to user of the Oh! Credit card S/39,999,000 and S/7,014,000 as of March 31, 2019 and December 31, 2018.
- (j) As of March 31, 2019 mainly includes contributions from the affiliate Homecenters Peruanos S.A. (hereinafter "The associate") for approximately S/32,890,000 (S/32,717,000 as of December 31, 2018), these contributions arise from the joint venture agreement celebrated with the Company which establishes that the associate will deliver cash in favor of the Company in exchange of having a participation in the results of the project Mall "Lurín" and "Tarapoto". These agreements has a term of 60 years, for this reason is recognized as long-term liability.
- (k) Banco Internacional del Perú – Interbank signed leasing and leaseback contracts with Supermercados Peruanos S.A., InRetail Pharma S.A., and Real Plaza S.R.L. with outstanding balances of approximately S/114,571,000, S/2,665,000 and S/143,000 respectively, for the construction of new stores. These leasing contracts accrue annual interest rates that fluctuate between 5.30 and 7.85 percent, and whose maturities are between 2019 and 2022. These transactions are included in "Interest-bearing loans and borrowings". During the three-month periods ended March 31, 2019 and 2018, leasing contracts generated interests recorded in the "Financial costs" caption of the consolidated income statements.
- (l) Outstanding balances at the period-end are unsecured and interest free, except for the financial obligations explained in this one. There have been no guarantees provided or received for any related party receivables or payables. As of March 31, 2019 and December 31, 2018, the InRetail Group has not recorded any impairment of receivables relating to amounts owed by related parties. This assessment is undertaken each financial year by evaluating the financial position of the related party and the market in which the related party operates.

Notes to the interim consolidated financial statements (continued)

- (m) The compensation of key management personnel of the InRetail Group for the three-month periods ended March 31, 2019 and 2018, is detailed below:

	2019 S/(000)	2018 S/(000)
Short term employee benefits	19,756	17,835
Insurance and medical benefits	454	239
Employment benefits for contract termination	3,116	201
Total	23,326	18,074

- (n) As of March 31, 2019 and December 31, 2018, the InRetail Group maintains the following balances in the cash and cash equivalent and investments at fair value through profit or loss captions:

	2019 S/(000)	2018 S/(000)
Cash and short-term deposits		
Banco Internacional del Peru – Interbank S.A.A.	343,827	335,904
Inteligo Bank Ltd.	201	1,232
Investments at fair value through profit or loss		
Interfondos S.A. Sociedad Administradora de Fondos SAF	-	3,031
Fondos Sura SAF S.A.C.	2,528	16,698

Notes to the interim consolidated financial statements (continued)

20. Earnings per share

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

The following reflects basic and diluted earnings per share computations:

	Ordinary shares		
	Outstanding shares	Effective days until period-end	Weighted average of shares
Number as of January 1, 2018	102,807,319	365	102,807,319
Number as of March 31, 2018	102,807,319		102,807,319
Number as of January 1, 2019	102,807,319	365	102,807,319
Number as of March 31, 2019	102,807,319		102,807,319
	For the three-month-periods ended March 31, 2019		
	Net income (numerator)	Shares (denominator)	Earnings per share
	S/		S/
Basic and diluted earnings per share	97,275,000	102,807,319	0.95
	For the three-month-periods ended March 31, 2018		
	Loss (numerator)	Shares (denominator)	Earnings per share
	S/		S/
Basic and diluted loss per share	(19,642,000)	102,807,319	(0.19)

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

Notes to the interim consolidated financial statements (continued)

21. Commitments and contingencies

Commitments –

The main commitments assumed are presented below:

- (a) As of March 31, 2019 the Company agreed with several financial entities on the issuance of solidary and irrevocable letters of guarantee for approximately S/93,972,000, US\$10,455,000 and b\$1,037,000 (S/96,031,000, US\$9,726,000 and b\$1,385,000 as of December 31, 2018), respectively, to comply with the payment of goods purchased to foreign suppliers.

Contingencies –

- (a) Eckerd Amazonía S.A.C. is in the process of claiming against the Tax Authority for determinations of debts and fines related to VAT for the period between January 2003 and September 2005. In opinion of Management and its legal advisors these contingencies are stated as possible and significant liabilities will not arise as result of this contingency as of March 31, 2019 and December 31, 2018.
- (b) InRetail Pharma S.A. maintains certain labor claims for approximately S/2,322,000, mainly related to compensation for arbitrary dismissal, non-payment of social benefits, and reinstatements in the work place, among others. In Management's opinion and its legal advisors, these must be resolved favorably for InRetail Pharma S.A.; consequently, it is not necessary to record additional liabilities for these items.
- (c) Mifarma S.A.C. (formerly Farmacias Peruanas S.A.C.)

- The Peruvian tax Administration (SUNAT) has some objections related to the tax base for income tax and value added tax for the year 2001 in the amount of S/15,835,000. Mifarma S.A.C. (formerly Farmacias Peruanas S.A.C.) has filed a judicial claim before the Tax Court to annul the objection.

In Management's opinion and its legal advisors, such provision is sufficient to cover the observations and it has the necessary arguments to refute the observations in order for the claim proceedings to be resolved in favor of the Company.

- In 2006, Peruvian Tax Authority made an assessment related to the income tax base for year 2003 for S/1,296,000. In relation to this amount, the Company filed a claim. In Management's opinion and its legal advisors, such provision is sufficient to cover the observations and has the necessary arguments to refute the observations in order for the claim proceedings to be resolved in favor of the Company.
- In 2011, the Peruvian Tax Authority made some objections related to the base of the income tax for the year 2009 in the amount of S/2,004,000, which results in the reversal of the tax loss that the company had determined for the year.

Likewise, a fine and interest were determined for the fact of filing information that causes an omitted tax and/or an unduly increased loss.

The Company filed a claim an amount of S/2,004,000, as well as the fine plus respective default interest.

On May 18, 2012, the Peruvian tax Authority declared that the partial claim filed by the Company was groundless. On June 8, 2012, the Company filed an appeal on these facts.

Notes to the interim consolidated financial statements (continued)

- (d) Supermercados Peruanos S.A. has been examined by the Tax Authority of Income Tax returns and monthly Value Added Tax returns for the years 2004 to 2010. As of the date of this report, Supermercados Peruanos S.A. has challenged the Tax Administration for these resolutions and, in Management's opinion and its legal advisors, significant liabilities will not arise as result of this situation as of March 31, 2019 and December 31, 2018.

22. Business segments

For management purposes, the InRetail Group is organized into business units based on their products and services and has four reportable segments as follows:

- The supermarkets segment operates supermarkets and hypermarkets nationwide.
- The pharmacies segment is a nationwide supplier of drugs, medicines and cosmetic related products through the chain of pharmacies named "Inkafarma" and "Mifarma".
- The Manufacturing, Distribution and Marketing segment of drugs, medicines and consumer products.
- Shopping center segment leases commercial stores in shopping centers owned by the InRetail Group.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

As of March 31, 2019 and December 31, 2018 and for the three-month periods ended March 31, 2019 and 2018, InRetail Peru Corp. is mainly organized into four business lines; see Note 2. Transactions between segments are carried out under normal commercial terms and conditions.

As of March 31, 2019 and December 31, 2018 and for the three-month periods ended March 31, 2019 and 2018, InRetail Peru Corp. is organized into four main business lines, see Note 2. Transactions between the business segments are carried out under normal commercial terms and conditions. The following table presents the financial information of InRetail Perú Corp. and subsidiaries by business segments for the three-month periods ended March 31, 2019 and 2018

	Supermarkets S/(000)	Pharmacies S/(000)	Manufacturing Distribution and Marketing S/(000)	Shopping Center S/(000)	Total segments S/(000)	Holding accounts, consolidation adjustments and intercompany eliminations S/(000)	Consolidated S/(000)
For the three-month period ended March 31, 2019							
Revenue							
External income	1,435,374	1,235,729	458,919	113,734	3,243,756	5,680	3,249,436
Inter-segment	4,270	1,787	162,183	13,543	181,783	(181,783)	-
Total revenue	1,439,644	1,237,516	621,102	127,277	3,425,539	(176,103)	3,249,436
Cost of sales	(1,076,622)	(655,344)	(521,223)	(42,362)	(2,295,551)	(774)	(2,296,325)
Inter-segment	(183)	(150,361)	(11,553)	-	(162,097)	162,097	-
Gross profit	362,839	431,811	88,326	84,915	967,891	(14,780)	953,111
Join venture income	11,348	-	-	-	11,348	-	11,348
Gain on valuation at fair value of investment properties	716	-	-	3,174	3,890	(1,398)	2,492
Selling expenses	(285,492)	(261,203)	(55,190)	(1,855)	(603,740)	8,763	(594,977)
Administrative expenses	(34,204)	(44,895)	(21,588)	(7,292)	(107,979)	(4,671)	(112,650)
Other operating (expenses) income, net	(2,590)	(378)	562	245	(2,161)	945	(1,216)
Operating profit	52,617	125,335	12,110	79,187	269,249	(11,141)	258,108
Exchange difference, net	5,808	7,919	212	2,451	16,390	(2,761)	13,629
Finance income	546	7,674	625	7,451	16,296	(11,818)	4,478
Finance costs	(35,685)	(47,878)	(6,049)	(35,176)	(124,788)	10,562	(114,226)
Profit before income tax	23,286	93,050	6,898	53,913	177,147	(15,158)	161,989
Income tax expense	(12,575)	(28,977)	(2,926)	(16,311)	(60,789)	5,049	(55,740)
Profit for the year	10,711	64,073	3,972	37,602	116,358	(10,109)	106,249
Attributable to:							
Owners of the parent	10,711	64,073	3,972	37,602	116,358	(19,083)	97,275
Non-controlling interests	-	-	-	-	-	8,974	8,974
Profit for the year	10,711	64,073	3,972	37,602	116,358	(10,109)	106,249

Notes to the interim consolidated financial statements (continued)

	Supermarkets S/(000)	Pharmacies S/(000)	Manufacturing Distribution and Marketing S/(000)	Shopping center S/(000)	Total segments S/(000)	Holding accounts, consolidation adjustments and intercompany eliminations S/(000)	Consolidated S/(000)
For the three-month period ended March 31, 2018							
Revenue							
External income	1,230,888	1,019,383	352,789	106,395	2,709,455	1,077	2,710,532
Inter-segment	3,605	-	101,865	15,692	121,162	(121,162)	-
Total revenue	1,234,493	1,019,383	454,654	122,087	2,830,617	(120,085)	2,710,532
Cost of sales	(916,219)	(607,282)	(367,673)	(39,256)	(1,930,430)	(225)	(1,930,655)
Inter-segment	(6,228)	(90,056)	-	-	(96,284)	96,284	-
Gross profit	312,046	322,045	86,981	82,831	803,903	(24,026)	779,877
Join venture income	5,120	-	-	-	5,120	-	5,120
Gain on valuation at fair value of investment properties	423	-	-	3,077	3,500	(686)	2,814
Selling expenses	(236,874)	(239,589)	(53,124)	(1,755)	(531,342)	18,856	(512,486)
Administrative expenses	(33,082)	(22,739)	(24,969)	(7,992)	(88,782)	(20,942)	(109,724)
Other operating (expenses) income, net	(2,352)	2,512	6,359	1,968	8,487	308	8,795
Operating profit	45,281	62,229	15,247	78,129	200,886	(26,490)	174,396
Exchange difference, net	(1)	(10,229)	155	7,975	(2,100)	2,188	88
Finance income	831	11,951	1,994	2,458	17,234	(8,387)	8,847
Finance costs	(15,835)	(25,890)	(4,993)	(44,442)	(91,160)	(71,287)	(162,447)
Profit before income tax	30,276	38,061	12,403	44,120	124,860	(103,976)	20,884
Income tax expense	(14,438)	(12,403)	(4,274)	(11,436)	(42,551)	501	(42,050)
Loss for the year	15,838	25,658	8,129	32,684	82,309	(103,475)	(21,166)
Attributable to:							
Owners of the parent	15,838	25,658	8,129	32,684	82,309	(101,951)	(19,642)
Non-controlling interests	-	-	-	-	-	(1,524)	(1,524)
Loss for the year	15,838	25,658	8,129	32,684	82,309	(103,475)	(21,166)

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

Geographic information-

As of March 31, 2019 and December 31, 2018, the operations of all the Company's Subsidiaries are mainly carried out in Perú, with income and assets from abroad not being significant at those dates.

23. Fair value

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

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

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

- (a) Financial instruments whose fair value is similar to book value –
Assets and liabilities that are liquid or have short maturities (less than three months), such as cash and short-term deposits, trade and other receivables, trade and other payables and other current liabilities, approximate to their carrying amounts largely due to the short-term maturities of these instruments. Also, the derivative instrument by the InRetail Group is recorded at fair value.
- (b) Fixed-rate financial instruments –
The fair value of financial assets and liabilities at fixed interest rates and amortized cost is determined by comparing market interest rates at their initial recognition to current market rates related to similar financial instrument. The estimated fair value of interest-bearing deposits is determined through discounted cash flows by using market interest rates in the prevailing currency with similar maturities and credit risks.
- (c) Investment to fair value through equity–
Fair value of investment through equity is derived from quoted market prices in active markets, if available. Fair value of unquoted available-for-sale financial assets is estimated using a discounted cash flow technique.

Notes to the interim consolidated financial statements (continued)

Fair value hierarchy

The InRetail Group uses the following hierarchy for determining and disclosing the fair value of its financial instrument recorded in the statement of financial position:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

The InRetail Group does not maintain any financial instrument with fair value determination under level 3 and there were no transfers between levels during the three-month periods ended March 31, 2019 and 2018. The InRetail Group maintains the following financial instruments at fair value:

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

24. Transactions in foreign currency

Transactions in foreign currency are carried out using exchange rates prevailing in the market as published by the Superintendence of Banks, Insurance and Pension Funds Administration. As of March 31, 2019, the weighted average exchange rates in the market for transactions in US Dollars were S/3.316 per US\$1.00 bid and S/3.321 per US\$1.00 ask (S/3.369 and S/3.379 per US\$1.00 for bid and ask as of December 31, 2018).

Transactions in foreign currency are carried out using exchange rates prevailing in the market as published by authorized entities of the country in which Company and its subsidiaries operate. As of March 31, 2019 and December 31, 2018, the weighted average exchange rate at the market for transactions of the different currency in relation to the Sol are as following:

<u>Exchange rate per soles</u>	<u>2019</u>	<u>2018</u>
U. S. Dollars (US\$)	0.301	0.296
Bolivian Peso (b\$)	2.096	2.060
Colombian Peso (\$)	955.974	961.749

Notes to the interim consolidated financial statements (continued)

As of March 31, 2019 and December 31, 2018, the InRetail Group held the following foreign currency assets and liabilities:

	As of March 31, 2019			As of December 31, 2018		
	US\$(000)	b\$(000)	\$(000)	US\$(000)	b\$(000)	\$(000)
Assets						
Cash and short-term deposits	43,473	5,521	1,833,801	15,564	10,186	2,279,790
Investments at fair value through profit or loss	400	-	-	620	-	-
Investments at fair value through equity	2,551	-	-	2,479	-	-
Trade receivables, net	52,690	37,305	8,955,453	55,445	37,453	9,941,230
Other accounts receivables, net	9,771	5,977	405,674	8,045	5,968	286,353
Accounts receivable from related parties	4,632	-	-	3,671	1,280	-
Total assets	113,517	48,803	11,194,928	85,824	54,887	12,507,373
Liabilities						
Trade payables	(81,031)	(23,264)	(6,219,048)	(94,897)	(24,929)	(6,024,207)
Other payables	(78,775)	(12,645)	(1,029,146)	(24,096)	(12,097)	(1,881,564)
Accounts payable to related parties	(3,658)	-	-	(2,808)	(1,281)	-
Lease liability	(189,300)	(2,475)	(5,543)	-	-	-
Interest - bearing loans and borrowings	(786,935)	-	(2,900,000)	(789,399)	-	(2,900,000)
Total Liabilities	(1,139,699)	(38,384)	(10,153,737)	(911,200)	(38,307)	(10,805,771)
Call Spread	750,000	-	-	750,000	-	-
Net (liability) asset position	(276,182)	10,419	1,041,191	(75,376)	16,580	1,701,602

(a) As of March 31, 2019, InRetail Pharma S.A. and InRetail Shopping Malls, Subsidiaries of the Company reduced its exchange rate risk with three hedging operations through Call Spreads written over its "Senior Notes Unsecured", which were considered effective hedging instruments. The Call Spreads were written over a nominal amount of US\$400,000,000 and US\$350,000,000, respectively, and were effective until the cancelation of the "Senior Notes Unsecured". See further detail in Note 8.

This instrument covers 100 percent of the exposure in foreign currency of the principal of the issue and protects exchange rate variations between S/3.26 and S/3.75 per US\$1.00. The premium price was financed in installments equal to that of the issue.

25. Subsequent event

At the General Shareholders' Meeting of Supermercados Peruanos S.A., on April 30, 2019, it was agreed to distribute dividends for S/14,617,924 that were disbursed in April and May 2019.

At the General Shareholders' Meeting of InRetail Pharma S.A., on April 1, 2019, agreed to distribute dividends for US\$30,000,000 equivalent to approximately S/99,630,000, which will be distributed on May 6, 2019 and June 2, 2019.

At the General Meeting of Shareholders of InRetail Real Estate Corp. of April 1, 2019 agreed to distribute the returns that the General Assembly of Trustees of Patrimony in D.S. Trust. 093-2002 EF InRetail Shopping Malls of April 1, 2019 approved for US\$5,000,000 equivalent approximately to S/16,605,000.

26. Additional explanation for English translation

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