GAS NATURAL DE LIMA Y CALLAO S.A.

Independent Auditor’s Report

Financial Statements
For the years ended
December 31, 2013 and 2012

GAS NATURAL DE LIMA Y CALLAO S.A.

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders and Directors of
Gas Natural de Lima y Callao S.A.

1. We have audited the accompanying financial statements of **Gas Natural de Lima y Callao S.A.** (a subsidiary of EEB Peru Holdings Ltd.), which comprise the statements of financial position as of December 31, 2013 and 2012, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility with respect to the financial statements

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

Auditor's Responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatements of financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company' preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Company. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements.

5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

6. In our opinion, the financial statements referred to above, present fairly, in all material aspects, the financial position of **Gas Natural de Lima y Callao S.A.** as of December 31, 2013 and 2012, their financial performance and cash flows for the years then ended in accordance with International Financial Reporting Standards.

Countersigned by:

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Miriam Loli Valverde (Partner)
CPC Register N° 25227
January 31, 2014

GAS NATURAL DE LIMA Y CALLAO S.A.

STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2013 AND 2012
(In US$ Thousands)

	Notes	2013	2012
		US$000	**US$000**
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	**5**	104,958	45,186
Trade accounts receivable, net	**6**	62,630	49,429
Accounts receivable from related parties	**23**	697	-
Inventories, net	**7**	20,958	18,682
Other accounts receivable	**8**	5,411	13,979
Income tax assets	**20**	7,386	-
Other non-financial assets		415	509
Total current assets		202,455	127,785
NON-CURRENT ASSETS			
Accounts receivable, net	**6**	8,261	7,714
Property, plant and equipment, net	**9**	9,756	4,659
Intangible assets, net	**10**	410,928	338,201
Other accounts receivable	**8**	16,602	14,081
Total non-current assets		445,547	364,655
TOTAL		648,002	492,440

	Notes	2013	2012
		US$000	**US$000**
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Loans	11	-	21,232
Trade accounts payable	12	49,693	34.654
Income tax liabilities	20	-	5.231
Other liabilities	14	22,195	24,657
Deferred revenue		3,042	-
Total current liabilities		74,930	85,774
NON-CURRENT LIABILITIES			
Loans	11	317,863	175,212
Deferred income tax liabilities	21	291	682
Provisions	13	2,684	3,108
Deferred revenue		632	6,479
Other liabilities	14	7,386	18,697
Total non-current liabilities		328,856	204,178
Total liabilities		403,786	289,952
EQUITY			
Capital stock issued	15	220,528	133,301
Legal reserve	15	6,960	4,310
Retained earning		16.729	64,877
Total equity		244,216	202,488
TOTAL		648,002	492,440

The accompanying notes are an integral part of the financial statements

GAS NATURAL DE LIMA Y CALLAO S.A.

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(In US$ Thousands)

	Notes	2013	2012
		US$000	US$000
OPERATING REVENUES			
Revenues from natural gas sale, transport, distribution and related services	16	367,033	273,972
Revenues for expansion of main pipeline		89,613	93,208
Other operations revenue		4,241	2,873
Total operational revenues		460,887	370,053
COST OF SALES			
Cost of natural gas sale, transport, distribution and related services	17	(281,832)	(196,741)
Cost of sale for expansion of the main pipeline		(89,613)	(93,208)
Gross profit		89,442	80,104
Administration and general expenses		(26,268)	(21,712)
Selling expenses		(10,960)	(10;086)
Other (expenses) income		936	(226)
Operating profit		53,150	48,080
Financial income		1,644	521
Financial costs	18	(20,850)	(11,639)
Exchange difference, net	4	(7,927)	2,178
Profit before income tax		26,017	39,139
Income tax expense	20	(9,289)	(12,639)
Net profit		16,728	26,500
Other comprehensive income, net of tax		-	-
Total comprehensive income		16,728	26,500
Net earnings per share:			
Basic and diluted (in US dollars)	22	0.087	0.240

The accompanying notes are an integral part of the financial statements

GAS NATURAL DE LIMA Y CALLAO S.A.

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(In US$ Thousands)

	Capital stock issued	Legal Reserve	Retained earnings	Total equity
	US$000	US$000	US$000	US$000
BALANCE AS OF JANUARY 1, 2012	98,301	1,729	40,958	140,988
Net profit	-	-	26,500	26,500
Other comprehensive income	-	-	-	-
Transfer to legal reserve		2,581	(2,581)	-
Increase capital stock issued	35,000	-	-	35,00
BALANCE AS OF DECEMBER 31, 2012	133,301	4,310	64,877	202,488
BALANCE AS OF JANUARY 1, 2013	133,301	4,310	64,877	202,488
Net profit	-	-	16,728	16,728
Other comprehensive income	-	-	-	-
Transfer to legal reserve		2,650	(2,650)	-
Increase capital stock issued	25,000	-	-	25,000
Capitalization of retained profit	62,227	-	(62,227)	-
BALANCE AS OF DECEMBER 31, 2013	220,528	6,960	16,728	244,216

The accompanying notes are an integral part of the financial statements

GAS NATURAL DE LIMA Y CALLAO S.A.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(IN US$ THOUSANDS)

	2013 US$000	2012 US$000
OPERATING ACTIVITIES		
Collection corresponding to:		
Income from distribution services	356,742	257,292
Other cash collection related to operating activities	1,578	287
Payments corresponding to:		
Suppliers of goods and services	(282,191)	(175,186)
Employee benefits	(19,721)	(13,127)
Income tax	(22,510)	(14,311)
Interests	(25,980)	(8,256)
Other cash payments related to operating activity	(10,804)	(1,763)
Net cash provided by operating activities	(2,886)	(44,936)
INVESTING ACTIVITIES		
Collection from:		
Sale or property, plant and equipment	141	-
Payments corresponding to:		
Investment in concession goods	(73,772)	(85,064)
Purchase of software	(639)	(1,168)
Purchase of property, plant and equipment and ongoing works	(7,311)	(1,648)
Net cash provided by investment activities	(81,581)	(87,880)
FINANCING ACTIVITES		
Collection from:		
Loans received	317,863	43,040
Capital contribution	25,000	35,000
Financial contribution for overcharge	-	252
Payment corresponding to:		
Financial contribution and overcharge refund	(1,940)	(3,192)
Loans from related parties	(47,000)	-
Amortization or payment of loan received	(149,684)	(14,376)
Net cash provided by financing activities	144,239	60,724
NET INCREASE IN CASH AND CASH EQUIVALENTS	59,772	17,780
CASH AND CASH EQUIVALTNES AT THE START OF THE YEAR	45,186	27,406
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	104,958	45,186

The accompanying notes are an integral part of the financial statements

1. INCORPORATION, ECONOMIC ACTIVITY AND APPROVAL OF THE FINANCIAL STATEMENTS

a. Incorporation and economic activity

Gas Natural de Lima y Callao S.A. (hereinafter the Company) was incorporated for the distribution of natural gas, as well as commercializing equipment, installation, maintenance and other activities related with hydrocarbons and/or their distribution.

The Company was incorporated in Lima, Peru on February 8, 2002. It started its commercial operations of natural gas distribution on August 20, 2004. The Company is a subsidiary of Empresa de Energía de Bogotá as from February 14, 2011, which owns 60% of the voting shares through de EEB Peru Holdings LTD (hereinafter EEB).

b. Approval of financial statements

The accompanying financial statements for the year ended December 31, 2013, prepared in accordance with the International Financial Reporting Standards have been authorized for issuance by the Company's Management on January 13, 2014. These financial statements will be submitted for approval to the Board of Directors and to the General Shareholders' Meeting to be held within legal terms for approval. According to Management, these financial statements are expected to be approved by the Board of Directors and the General Shareholders' Meeting without any changes. The financial statements for the year ended on December 31, 2012, prepared in accordance with the International Financial Reporting Standards were approved by the General Shareholders' Meeting of March 4, 2013.

Main Operating Contracts and Agreements

a. Distribution Concession Agreement – BOOT

By means of the Assignment of Contractual Position Agreement ("the Agreement") signed on May 2, 2002, with participation of the Peruvian State as "Grantor"; the Company received gratuitously from Transportadora de Gas del Perú S.A. ("Assignor"), all rights and obligations of the BOOT Agreement for the Concession of Natural Gas Distribution by Pipeline in Lima and Callao (the Agreement) and to exploit goods of the concession, acquiring the denomination of "Concessionaire" in the referred agreement.

By means of this Agreement, the Company is entitled to distribute natural gas through pipelines in Lima and the constitutional province of Callao, within the start of commercial operations and the maturity of the Agreement, established in 33 years as from December 9, 2000. At Agreement's termination, the Company may request the extension of the period no less than 4 years in advance, as of its maturity date or of any of its extensions. Each extension may not be longer than 10 years and could be granted successively without exceeding a maximum accumulated period of 60 years.

Additionally, on May 6, 2010, the Peruvian State and the Company signed a modification to the Agreement in order to incorporate, among others, basic guidelines and a Single Distribution Tariff scheme, applicable in all Concession Area.

Subsequently, on July 22, 2010, the Peruvian State and the Company signed a Clarification of BOOT Agreement by which it stated that Single Distribution Tariff may only be established according to clients or consumers' categories according to consumption rates.

Under the Agreement, the Company is mainly responsible for:

- On May 6, 2010, the Company committed as from May 8, 2010, date of effectiveness of the Single Distribution Tariff, to be in conditions of effectively rendering the Distribution Service to at least the following consumers:

Year	Consumers Per Year	Accumulated Consumers Per Year
At the end of the first year	12,000	12,000
At the end of the second year	15,000	27,000
At the end of the third year	18,000	45,000
At the end of the fourth year	21,000	66,000
At the end of the fifth year	25,000	91,000
Total as of the fifth year	**91,000**	

- Attending the minimum capacity of High Pressure pipelines, according to controls to be established before the connections to Cementos Lima S.A., Central Térmica de Santa Rosa (Edegel S.A.A.) and Central Térmica de Ventanilla (Edegel S.A.A.).

- Complying with the schedule of building activities of the Initial Committed Works, without exceeding the period of start of commercial operations. Such schedule was appropriately fulfilled by the Company, proof for that is the refund of the performance guarantee, granted to the Peruvian State to guarantee the obligations assumed.

- During the term of the guarantee period (during which the main pipeline guarantee mechanism was applied), avoid assigning more than 33% of the guaranteed capacity of the Distribution pipelines to its related parties, except the capacity intended for the service of initial consumers or direct contracting by them, including their corresponding assignees or successors in purchase or sales agreements, or gas supply. The main pipeline guarantee mechanism is no longer in force.

Charges that the Company will be able to make to the consumer, according to its category and condition, comprise the following costs: natural gas, gas transportation, distribution through High Pressure pipelines (or Main Pipelines), distribution through "Other pipelines" (or secondary pipelines) and taxes not incorporated in these concepts. When the Single Distribution Tariff came into force, concepts related to the Main Pipelines and Other Distribution pipelines were consolidated in one single tariff. As well, the cost of natural gas and transportation should reflect the transfer of corresponding unitary cost without establishing margins upon them (pass-through charges).

In order to guarantee the fulfillment of obligations as from the start of commercial operations, the Company provided the grantor with a performance bond of US$ 1,000, which must be maintained during the term of the Concession Agreement. As of December 31, 2013, this guarantee consists on a letter of guarantee granted by Banco de Crédito del Perú, with maturity date August 9, 2014, which periodically renews on its maturity date.

In Management's opinion, as of December 31, 2013, the Company has been fulfilling responsibilities assumed in this Contract.

b. Legal Stability Agreement

By means of addendum, as of May 2, 2002, Transportadora de Gas del Perú S.A. transferred its contractual position upon Legal Stability Agreement (Agreement), granted on December 5, 2000 by the Peruvian State. Through this addendum, the State is obliged to guarantee the Company a regime of legal stability, including Income Tax, during the concession period.

c. Guarantee Agreement

By means of addendum, as of May 2, 2002, Transportadora de Gas del Perú S.A. transferred to the Company its contractual position upon Guarantee agreement, granted on December 9, 2000 by the Peruvian State. By virtue of this addendum, the State is obliged to guarantee all obligations, statements, securities, and guarantees granted by the Peruvian State in the Agreement, including the payment of a Main Pipeline Guarantee (MPG), in charge of the collecting company, by which the Company would receive a guarantee income during the first five years, or until income exceeding the establish amount is received. In 2009, the Company exceeded the guaranteed amount and the MGP validity expired and collection ceased.

d. Contract of Services to Related Parties

The Company holds a Contract of Technical Service Support with Promigas S.A. E.S.P., whereby it provides technical support to the Company in, among others, the development of commercial, engineering, building, operating and maintenance activities related to the Distribution Service and Distribution System.

Additionally, the Company holds a Service Rendering Contract with CONTUGAS S.A.C. in order to provide support in technical and commercial matters for the development of its activities in the department of Ica. The services to be rendered with regard to this agreement started in 2013.

On January 14, 2013, the Company entered an Agreement for Firm Natural Gas Transportation Capacity Transfer with CONTUGAS S.A.C., for the term of one year, at the same tariff in accordance with the agreement entered by Transportadora de Gas del Perú S. A. and CONTUGAS S.A.C.

On September 2, 2013, an agreement was signed with CONTUGAS S.A.C. to sublease the administrative offices located on Calle Morelli 150 – CC La Rambla, San Borja – Lima.

On September 14, 2013, two agreements were entered with EEB S.A. for the following:

- Advisory and Technical Assistance Agreement
- Administrative Advisory and Managerial Support Agreement.

Operating regulations and legal rules regarding Hydrocarbons Sector’s and Company’s activities

a. *Ministry of Energy and Mines*

The Ministry of Energy and Mines is the central and governing body of the Energy and Mines Sector, and is an integral part of the Executive branch. This Ministry formulates and evaluates, in harmony with the Government's general politics and plans, politics of national scope in matters of sustainable development in mining and energy activities.

Additionally, the Ministry of Energy and Mines promotes the integral development of mining and energy activities, standardizing, regulating and/or supervising, as the case may be, its compliance and defending the rational use of natural resources.

b. *Energy and Mining Investment Regulator*

By means of Law N° 26734, the Energy and Mining Investment Regulator (OSINERGMIN, for its acronym in Spanish) was created. Its purpose is to supervise activities developed by companies in sub-sectors of electricity and hydrocarbons, safeguard the quality and efficiency of the service rendered to the user and regulate the compliance of obligations contracted by the licensees in concession contracts, as well as legal devices and technical standards in force. Additionally, OSINERGMIN must regulate the compliance of investment commitments in accordance with the corresponding contracts.

c. *Organic Hydrocarbons Law*

The Company's activity is ruled by the Organic Hydrocarbons Law, which establishes that the transport, distribution and commercialization of hydrocarbon derivatives will be regulated by standards approved by the Ministry of Energy and Mines.

d. *Law of Promotion of Natural Gas Industry Development*

By means of Law N° 27133, specific conditions for the promotion of natural gas industry development were established, encouraging competition and favoring the diversification of energetic sources that increase the reliability in the energy supply and the competitiveness of the productive system of the country.

By means of Supreme Decree N° 048-2008-EM and 082-2009-EM, Regulations of Law Promotion were modified in order (i) to allow the implementation of the Single Distribution Tariff (unifying the Main Network Tariff and Other Networks tariff) to be applied within the Company's Concession Area, with a tariff period of four years and (ii) to implement a compensation mechanism regarding non-payment of such tariff by electricity generators until December 31, 2013; date on which, with no exception the Single Distribution Tariff shall be applied. In the meantime the difference will be recovered through the secondary and complementary electric transmission tolls from final electricity users.

The Single Distribution Tariff shall cover the service cost, paid through guaranteed income and pre-payments for the guarantee, together with investments and efficient administration, operation and maintenance incremental costs, corresponding to the additional capacity that guarantee the proper service rendering, considering the current demand and its impact, as well as existing restriction as of the moment of the installation. Within the regulation procedure of Single Distribution Tariffs, five-year investments plan, which cost is included in the rate base, is approved.

The Single Distribution Tariff, effective since May 2010, will allow, under a methodology of investments recognition "roll in", to carry out the necessary investments to satisfy the needs of all users connected and interested in being connected to the Distribution System.

Additionally, Single Distribution Tariff is established by category of users according to their consumption ranges and will be applied to all consumers located within the Concession Area.

e. Regulations for Natural Gas Distribution through Pipelines

By means of Supreme Decree N° 042-99-EM, the Regulations for Natural Gas Distribution through pipelines were promulgated. It rules among other aspects regarding the rendering of public service of natural gas distribution through pipelines, including security standards, standards regarding the regulation and procedure for service entitling. After the promulgation of these regulations, several modifications were applied. The Consolidated Text of the Regulations for Natural Gas Distribution for Ducts pipelines was issued on July 22, 2008, by means if Supreme Decree N° 040-2008-EM.

One of the main obligations established in these regulations is that concessionary companies should attend the required supply within sixty working days when there is infrastructure in the area; or within the twelve following months in the event there was not, as long as the supply is technically and economically viable.

f. OSINERGMIN Resolution N° 056-2009-OS/CD

It approves the new Feasibility Procedure of New Natural Gas Supplies, superseding OSINERGMIN Resolution N° 263-2005-OS/CD. It intends to establish guidelines for the determination of technical and economic viability of new natural gas supplies mentioned in the Distribution Regulations.

2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used by the Company for the preparation and presentation of the financial statements are summarized as follows:

a. Statement of compliance and basis of preparation and presentation

The accompanying financial statements were prepared in compliance with the International Financial Reporting Standards (IFRS), issued by the IASB (International Accounting Standards Board), effective as of December 31, 2013, which include International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), International Financial Reporting Interpretations Committee (IFRIC), or the former Interpretations of the Standing Interpretations Committee (SIC) – adopted by the IASB. As it is explained below in the significant accounting policies section, the historical cost basis was used for this purpose. The historical cost is generally based in the fair value of the consideration given by the exchange of assets.

The fair value is the price that would be received when selling an asset, or paid when transferring a liability in a transaction organized between market participants at a measurement date, regardless of the fact that such prices is directly observable or considerable by means of a different valuation technique. In estimating the fair value of an asset or liability, the Company considers the characteristics of such asset or liability in case the market participants which to consider them when calculating a prices at the measurement date. The fair value for the purpose of measurement and/or revelation in these financial statements, is determined on such basis, except payment transactions based on shares (which fall within the scope of IFRS 2), leasing transactions (within the scope of IAS 17), and the measurements that may be similar to the fair value, but are not fair value, such as the realizable net value in IAS 2, or the value in use in IAS 36.

b. Responsibility for information and estimates

The information contained in the financial statements is the responsibility of the Company's Management. To prepare them, certain estimates have been used to quantify some assets, liabilities, revenues, expenses and commitments reported in the financial statements, based on experience and other relevant factors. Final results of such estimates may differ.

These estimates are reviewed on an on-going basis. Changes in accounting estimates are prospectively recognized by recording the effects of changes in the corresponding statement of income of the year in which the corresponding revisions are conducted.

The most important estimates and sources of uncertainty for the preparation of the Company' financial statements refer to:

- Determination of functional currency and recording of foreign currency transactions.
- Estimate for impairment of assets.
- Useful life of property, plant and equipment.
- Fair value, classification and risk of financial assets and liabilities.
- Income taxes.
- Provision for revenue and costs for gas delivered but not billed.
- Probability of contingencies.

c. Functional and presentation currency

The Company prepares and presents its financial statements in U.S. dollars, which is its functional currency. The functional currency is the currency of the main economic environment in which an entity operates, which has an impact on the selling prices of goods sold and services provided, among other factors.

d. Foreign currencies

The Company's functional currency is the U.S. dollar (US$). Transactions in currencies other than the U.S. dollar (Peruvian nuevo sol) are considered to be denominated in "foreign currencies" and are recognized at the exchange rates prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are translated at the exchange rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated at the rates prevailing at that date.

Exchange differences on monetary items are recognized in the net profit or loss of the period in which they arise.

Accounting in foreign currency

By means of Supreme Decree 151-2002-EF, on September 26, 2002, tax payers that signed contracts with the Peruvian State and received and/or made direct foreign investment could keep their accounting records in foreign currency. Accordingly, by means of the Assignment of Contractual Position Agreement contracts entered by the Company with the Peruvian State, described in Note 1 to the financial statements, the Company is legally authorized to keep its accounting records in U.S. dollars.

e. Financial instruments

Financial instruments are contracts that give rise simultaneously to a financial asset in a company and a financial liability or equity instrument in another company. Financial assets and liabilities are recognized when the Company becomes a part of the contractual agreements of the corresponding instrument.

Financial assets and financial liabilities are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities, except for those classified at fair value through profit or loss, which are initially recognized at fair value and whose transaction costs directly attributable to the acquisition of issue of financial assets or financial liabilities are recognized immediately in income/loss for the year.

Financial assets

Conventional purchase or sale of financial assets are recognized and written off using the trade date accounting, in which the following are recognized up to the mentioned date: (a) asset to be received and liability to be paid, and (b) write off of the asset being sold, the recognition of the eventual gain or loss of the sale or disposition by other means, and the recognition of a receivable from the buyer.

Financial assets held by the Company are classified as Loans and receivables. Loans and receivables are measured at amortized cost using the effective interest method, less any accumulated impairment loss recognized. Interest income is recognized using the effective interest rate, except for short-term receivables in which its recognition is considered immaterial. The Company does not hold financial assets that require a classification in the following categories: Financial assets at fair value through profit or loss; Held to maturity investments; or, Financial assets available for sale, nor has it held transactions during the period in which such classifications have been required.

Financial liabilities

Financial liabilities and equity instruments are in accordance with the content of the contractual arrangements and the economic substance of the contract. An equity instrument is any contract

that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

The Company does not have financial liabilities at fair value through profit or loss, or financial liabilities held for trading. Financial liabilities comprise: loans, accounts and other payables, which are measured subsequent to initial recognition at amortized cost using the effective interest rate method, recognizing in the statement of income the interest expense through the corresponding period.

f. Inventories

Inventories are valued at the lower of cost or net realizable value.

Commercial discounts obtained rebates and other similar items are deducted in the determination of acquisition price.

Cost is estimated using the weighted average method; cost of inventory in transit, using the method of specific cost. The net realizable value represents the estimation of the sales price less all estimated termination costs that will be incurred in the commercialization, sales and distribution processes.

g. Property, plant and equipment

Property, plant and equipment are recorded at cost, less depreciation and any recognized impairment loss. Initial disbursements, as well as those subsequently incurred, related to items which cost can be reliably estimated, and it is probable that future economic benefits are obtained from them, are recognized as fixed assets. Disbursements for maintenance and repairs are expensed during the period as incurred. The gain or loss arising on the sale or disposal of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the statement of comprehensive income when the sale is recognized.

Property, plant and equipment in the course of construction or acquisition are carried at cost, less any recognized impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs. Such assets are subsequently classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Such assets are depreciated from that moment, on a similar manner of rest of properties.

Depreciation is calculated using the straight-line method, based on the remaining estimated useful life of the assets, as follows:

	Years
Improvements in leased property	10
Property, plant and equipment	10
Transportation units	5
Furniture and fixtures	10
Other equipment	10
Computing equipment	4
Financial leasing equipment	5

Estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period to evaluate possible important changes in the previous expectations or in the expected consuming pattern of the future economic benefits incorporated to the assets, incorporating in prospective form the effects in any change in estimates in profit or loss during the period in which they take place.

h. Intangible assets

Concession goods

The Company records its BOOT concession contract (Note 1) according to guidelines established by IFRIC 12 – Concession Contracts. The Company considers that IFRIC 12 is applicable, given that:

- The Ministry of Energy and Mines ("grantor") regulates services that must be rendered by the Company, establishing the tariff to be charged to consumers, as well as monitoring its compliance.
- The Ministry of Energy and Mines holds control over a relevant residual amount of concession assets. The Agreement establishes that assets will be returned to the grantor at the end of the concession period.
- The infrastructure was built exclusively made for the concession purposes. Such construction was not made directly by the Company. It was made by third parties under the Company's supervision and responsibility.

Management has evaluated that IFRIC 12 model, applicable to the Company, is the intangible model, given that the Company has the right to collect the natural gas distribution services, which are associated to the actual consumption, and fall within the regulatory framework establish by the regulating entity OSINERGMIN. Upgrades to infrastructure are recorded as additions of intangible assets, recognizing simultaneously the related construction income, given that they are expected to generate future economic benefits for the Company as they are also remunerated via regulated tariff.

The amount of MPG received during the pre-operating stage is presented net from the intangible rate base, as it represents a lower value of intangible asset, since the related financial assets have already been recovered in full from the grantor in early years of the Concession.

The contract does not require any specific obligation of carrying major maintenance out and, at up to date, the Company's projections do not consider any future major maintenance. However, due to the nature of the concession goods, maintenance is constant and periodical, and is a part of the operating and maintenance cost. As a result, they are recognized as expenses when incurred.

Amortization is recognized as expense and determined following the straight-line method, based on the concession's estimated useful life.

Other intangible assets

Intangible assets with finite useful lives are carried at cost less accumulated amortization and any accumulated impairment losses. Amortization is recognized on a straight-line basis over useful lives estimated by the Company. Estimations of useful lives and amortization methods are reviewed periodically to evaluate possible significant changes in previous expectation or in the expected pattern of future economic benefits of such assets, incorporating, prospectively, the effects of any change in these estimates in net profit or loss during the period in which they take place.

(i) Review of the impairment of long-term assets

The Company periodically reviews the carrying amounts of their tangible and intangible assets to determine whether there is any indication that those assets have suffered any impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of

the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise, they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately as expense.

An impairment loss can be subsequently reversed and recorded as income in the period profit, up to the amount in which the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years.

(j) Leases

Leases are classified as financial leases when the terms of the contract substantially transfer all risks and rewards inherent to the leased asset property. All other leases are classified as operating leases.

For contracts that classify as financial leases where the Company acts as lessee, leased property, plant and equipment are initially recognized as Company's assets at their fair or present value of minimum lease payment, the lower, at the beginning of its period. Property equipment recorded as such is depreciated by the aforementioned method and base. Corresponding obligations are recognized as liabilities.

Payments of this type of leases are divided in two parts that represent, respectively, financial charges and reduction of corresponding liability. Total financial charges are distributed between periods that constitute the lease term, so as to obtain a constant interest rate in each period, upon the balance of the debt pending amortization. Contingent payments are charged as expenses in periods when they are incurred.

Derivative payments of lease operating contracts where the Company acts as lessee are recognized as expenses using the straight-line method during the course of the lease term, except those in which other systematic base of assignation is more representative to properly reflect the patron of lease benefits. Contingent payments are charged as expenses in periods when they are incurred.

(k) Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will have to give away resources, that economic benefits will be incorporated in order to settle the obligation, and the amount of the obligation can be reliably estimated.

The amount recognized as provision corresponds the best estimate, as of the balance sheet date, of the necessary expenditure to settle the present obligation, considering the risks and uncertainties surrounding most of the events and circumstances concurrent to its valuation. When the amount of the provision is measured using estimate cash flows for settling the obligation, the carrying amount is the present value of the corresponding expenditures.

In case that a part or the whole expenditure for settling the provision is expected to be refunded

by a third party, the receivable portion is recognized as an asset when its recovery is almost certain, and its amount can be determined in a reliable way.

(l) Contingent assets and liabilities

Contingent liabilities are not recognized in the financial statements, they are only disclosed in a note. Such disclosure is not required when the possibility that an outflow of resources is remote.

Contingent assets are not recognized in the financial statements, they are only disclosed in a note to the financial statements when it is probable that an inflow of resources will take place.

Items previously treated as contingent liabilities will be recognized in the financial statements of the period in which the change in probabilities occurs; that is, when it is determined that an outflow of resources to cover such liabilities will take place. Items previously treated as contingent assets will be recognized in the financial statements of the period in which it is determined to be virtually certain that an inflow of resources will take place.

(m) Employee benefits

Employee benefits include, among other, short-term benefits, such a wages, salaries and social security contributions, annual vacations, sick leaves and profit sharing and bonuses, paid within the term of twelve months after the closing of the period in which employees had rendered services which provide right to those benefits. These benefits are recognized as a profit or loss of the period in which employees have rendered service entitling them to the contributions. The corresponding obligations payable are presented under other account payables.

(n) Recognition of income

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimations such as customer returns, rebates, and other similar allowances.

Natural gas distribution services are billed monthly based on cyclical reading, and are recognized as income in the period in which the service has been provided. Revenue from natural gas delivered but not billed for the period between the latest cyclical reading and the end of the month, is included in the next month's billing but is recognized as revenue during the month on which natural gas is provided, based on estimates of natural gas consumed by the user of the service during such period.

Interest income is recognized when the Company is likely to receive the economic benefits related to such transaction and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

(o) Recognition of costs and expenses

Cost of sales is recorded against profit or loss of the period in which corresponding operating revenue are recognized. Expenses are recognized when there has been a decline in future economic benefits relating with a decline in assets or an increase in liabilities. Additionally, expense can be reliably measured, regardless from the moment of payment.

(p) Income tax

Income tax expense comprises estimated current income tax plus deferred income tax.

Current income tax is determined applying the tax rate establishes in current tax legislation to the year's net income.

Current income tax corresponds to the tax amount expected to be recovered or paid over temporary differences between carrying amounts reported of assets and liabilities, and their corresponding tax basis. Deferred income tax liabilities are generally recognized for all taxable differences. Deferred income assets are generally recognized for all deductible temporary differences and tax credit, non-utilized credits and tax losses, to the extent that the Company will have enough future tax profits to recover them. Such assets and liabilities are not recognized if temporary differences proceed from goodwill or initial recognition (except for joint venture) of other assets and liabilities in an operation that does not affect the tax or financial results.

The carrying amount of deferred income tax asset is reviewed at the end of each reporting period and reduced to the extent that it is not likely that the Company hold enough future tax profit to recover all, or a part, of such assets.

Deferred income tax liabilities and assets are measured at the income tax rate expected to be applied to the taxable income in the moment in which the liabilities are settled or the assets are recovered, based on rates and approved tax laws, or which approval process is basically finished at the end of the reporting period. Measurement of such deferred income reflects the taxable consequences that could derive from the way that the Company expects to recover or settle the carrying amount of their assets and liabilities by the end of the reporting period.

Current and deferred tax are recognized in profit or loss, and included in determining the net profit or loss of the period, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity, respectively.

(q) Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and investments in time deposits with maturities under three (3) months, from the agreement date.

(r) Earnings per share

Basic earnings per share were computed by dividing net income attributable to common share, by the weighted-average number of ordinary shares outstanding during each year. Since the Company does not have financial instruments with diluting effects, that is, financial instruments or other contracts granting the right to obtaining common shares, basic and diluted earnings per share are the same.

3. INTERNATIONALLY ISSUED NEW STANDARDS AND INTERPRETATIONS

(a) New IFRS and interpretations with no material effect in amounts reported and their disclosures for the current year and prior years.

The following standards, interpretations and amendments to current standards have been published and are mandatory for accounting periods beginning on or after January 1, 2013, but are not material for the Company's operations:

Amendments to IFRS 7 Disclosures – Offsetting Financial Assets and Liabilities. Effective for annual periods starting on or after January 1, 2013. Amendments to IFRS 7 increase the requirements of disclosures for transactions involving offsetting of financial assets and liabilities. As a consequence of such amendments, entities shall disclose information with regard to offsetting rights and related arrangements (such as requirements for registering guarantees) for those financial instruments under an applicable offsetting framework agreement, or other similar agreement. The amendments have been provided retrospectively. As the Group has no offsetting agreement, the application of these amendments has had no material effect on the disclosures or figures recognized in the financial statements.

IFRS 10 Consolidated Financial Statements. Effective for annual periods starting on or after January 1, 2013. IFRS 10 supersedes some parts of *IAS 27 Consolidated and Separated Financial Statements. SIC 12 Consolidation Special Purpose Entities* has been removed regarding the issuance of IFRS 10. Under IFRS 10, there is only one basis for consolidation, which is control. Besides, it includes a new definition of control which contains three elements: (a) power over the society in which it participates, (b) exposure, or rights, with a variable retribution from the participation in the society, (c) capacity to influence over the society to affect the amount of the investors' returns. An extensive guide has been included in IFRS 10 with complex scenarios.

IFRS 11 Joint Arrangements. Effective for annual periods starting on or after January 1, 2013. IFRS 11 supersedes IAS 31 Participation in Joint Ventures. IFRS deals with the way a joint agreement of which two or more entities have the joint control is to be classified. SIC-13 Jointly controlled entities — a non-monetary contribution by venturers has been removed with regard to the issuance of IFRS 11. Under IFRS 11, joint agreements are classified as joint ventures or joint operations, depending on the rights and obligations of the parties to the agreement. Contrarily, in IAS 31 there were three kinds of joint ventures: jointly controlled operations, jointly controlled assets, and jointly controlled entities. Besides, joint ventures under IFRS 11 have to be accounted for using the equity method, while jointly controlled entities, under IAS 31, may be accounted for using either the equity method or by proportionate consolidation.

IFRS 12 Disclosure of Interest in Other Entities. Effective for annual periods starting on or after January 1, 2013. IFRS 12 is a disclosure standard applicable to entities that have interests in subsidiaries, joint agreements, societies and/or entities with non-consolidated structure. In general, IFRS 12 demands on disclosure matters are stricter than current standards, resulting in more revelations in the financial statements.

IAS 27 (Reviewed in 2011) Separate Financial Statements. Effective for annual periods starting on or after January 1, 2013. IAS 27 contains requirements for the preparation and disclosure for investment in subsidiaries, joint businesses and associates when the entity prepares separate financial statements. IAS 27 requires that in the entity's financial statements, investments are accounted for at cost, or in accordance with IFRS 9. IAS 27 (reviewed in 2011) does not apply for the Group, as they refer only to financial statements.

IAS 28 (Reviewed in 2011). Investment in Associates and Joint Ventures. Effective for annual periods starting on or after January 1, 2013. IAS 28 contains registration requirements

for investments in associates and describes the requirements for the application of the equity method when registering investments in associates and joint ventures.

The Company's Management has assessed that the application of the above-mentioned standards have had no effect on the disclosures or figures presented in the financial statements.

IFRS 13 Fair Value Measurement. Effective for annual periods starting on or after January 1, 2013. IFRS 13 sets out a single framework for measuring fair value. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. IFRS 13 has a wide scope as it applies both to financial instruments, and non-financial instruments for which other IFRS require or permit measuring at fair value and revelations on the measurement of fair value, except in specific circumstances. In general, IFRS 13 requirements are more extensive than the requirements in the current standards. For example, qualitative and quantitative information based on the hierarchy of fair value in the three levels that currently require financial instruments only under IFRS 7 *Financial Instruments: Disclosures*, will extend to IFRS 13 to cover all assets and liabilities within its scope. IFRS 13 is effective for annual periods starting on or after January 1, 2013, but their earlier application is allowed. The Company's Managements has assessed that the application of this standard has not had a material impact on the amounts and revelations in the financial statements.

Amendments to IAS 1 – Presentation of Items of Other Comprehensive Income. Effective for annual periods starting on or after January 1, 2013. Amendments to IAS 1 keep the option of presenting the income statement and other comprehensive income in one statement or in two separate, but consecutive, statements. However, the amendment to AIS 1 requires additional disclosures that must be shown in the section of other comprehensive income, so that these elements are grouped in two categories: (a) elements that will not be later reclassified to the income statement (b) elements that will be later reclassified to the income statement when specific conditions are met. Income tax levied on items of other comprehensive income is required to be assigned to the same basis. The presentation of items of other comprehensive income has been modified in accordance with the new requirements. The Company's Management has assessed that the application of this standard has not had a material impact on the amounts and revelations in the financial statements.

IAS 19 (Reviewed in 2011). - Employee's Benefits. Effective for annual periods starting on or after January 1, 2013. The amendments to IAS 19 amend the accounting requirements for defined benefits and termination benefits. The most significant change refers to the accounting requirements of the changes in defined benefit obligation and asset plan. The amendments require the recognition of the changes in defined benefit obligations and in the value of asset plans when produced, and therefore eliminate the intermediate treatment permitted by the previous version of IAS 19, and accelerate the recognition of the cost of past services. The amendments require that all actuarial profits and losses are recognized in other comprehensive results so that the net pension assets or liabilities recognized in the consolidated statement of financial position reflect the total value of the plan deficit or surplus. The amendments to IAS 19 are effective for annual periods starting on or after January 1, 2013, but their retrospective earlier application is allowed with certain exceptions. The Company's Managements does not expect that the amendment to affect the Company's financial statements, as the Company has no pension plans granted to the employees.

Amendments to IFRS Annual improvements Cycle 2009-2011. Effective for annual periods starting on or after January 1, 2013. The amendments include: Amendments to IAS 16 Property, plant and equipment, and IAS 32 Presentation of Financial Instruments. Amendments to IAS 16 clarify that spare parts, important ancillary equipment and permanent maintenance equipment must be classified as property, plant and equipment when they meet the definitions of IAS 16, or else, inventories. The amendments to IAS 32 clarify that deferred income tax

related to distribution to the holders of capital instruments and transaction costs of a capital transaction are to be accounted for in accordance with IAS 12 Income Taxes. The Company's Management has assessed that the application of this standard has not had a material impact on the amounts and revelations in the financial statements.

IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine. Effective for annual periods starting on or after January 1, 2013. Applicable to waste removal costs incurred in surface mining during the production phase. According to this interpretation, stripping costs which provide a benefit in the form of improved access and meet the previous definition of an asset, are recognized as an addition or increase in an existing asset under certain conditions, while those related to operational daily stripping activities are accounted for in compliance with IAS 2 Inventories. The Company's Management has assessed that the application of this interpretation is not applicable to the Company's operations.

(b) New IFRS's and interpretations issued, applicable after the date of presentation of the financial statements:

The following standards and interpretations have been issued for application in periods starting after the date of presentation of the financial statements:

IFR 9 Financial Instruments. IFRS 9 issued in November 2009 introduces new requirements for the classification and measurement of financial assets. IFRS 9 amended in October 2010 includes the requirements for the classification and measurement of financial liabilities and for de-recognition. To date there is no specific date for its mandatory implementation; however, earlier application if allowed. Key requirements of IFRS 9 are described as follows:

IFRS 9 requires all recognized financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurements* to be subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods.

The most significant effect of IFRS 9 regarding the classification and measurement of financial liabilities related to the accounting for changes in the fair value of a financial liability attributable to changes in the credit risk of that liability. Specifically, under IFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of change in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27). Effective for annual periods starting on or after January 1, 2014, earlier application is allowed.

Amendments to IFRS 10 define investment entities and require that those entities complying with such definitions do not consolidate their subsidiaries, but measure them at fair value with changes in profit and loss of their separate and consolidated financial statements.

The following conditions are required for an entity to qualify as investment entity:

- That obtains funds from one or more investors for the purpose of providing those investor(s) with investment management services

- That commits to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both, and
- That measures and evaluates the performance of substantially all of its investments on a fair value basis.

Consequently, several amendments have been introduced for IFRS 12 and IAS 27 present new disclosures requirements for investment entities.

The Company's Management does not anticipate that the amendments on investment entities affect the Group's consolidated financial statements, as the Company is not a financial entity.

Amendment to IAS 32 Compensation of Financial Assets and Liabilities. Effective for annual periods beginning on or after January 1, 2014, and 2013 for matters related to disclosures. Amendments clarify subjects of application related to requirements for financial assets and liabilities compensation. Specifically, the amendments clarify the meaning of the terms "currently has a legally enforceable right to compensate" and "settle on a net basis, or to realize the asset and settle the liability simultaneously". It requires as well the disclosure of information about rights of compensation and related agreements (such as collateral) for financial instrument subjected to an executable master offsetting agreement, or similar. The Management estimates that the application of these amendments will not have a material impact in the amounts and disclosures of the financial statements.

4. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

The financial assets and liabilities of the Company are comprised as follows:

	2013 US$000	2012 US$000
Financial Assets		
Loans and receivables (including sash and cash equivalents)	182,027	115,150
Financial Liabilities		
At amortized cost	391,494	268,036

(b) Financial risks

The Company is constantly exposed to market risks, liquidity risks and credit risks arising from the variation in exchange rate, interest rate and prices. These risks are managed through specific policies and procedures established by Financial Management and through informal procedures intended to reduce their material impacts at the moment when they are produced.

(i) Market risks

Exchange rate risks

The Company bills the sale of its good and services mainly in nuevos soles, based on its fees determined in U.S. dollars. Exchange rate risks arise from cash and trade accounts receivable. The Management has accepted the risk of its net asset position; therefore it has not held transactions of derivatives for hedging.

Carrying amount of monetary assets and liabilities in foreign currency, as of December 31, reflected according to accounting policies described in Note 2 to financial statements is as follows:

	2013	2012
	US$000	US$000
Assets		
Cash and cash equivalents	37,882	6,573
Trade accounts receivable, net	107,455	133,457
Other accounts receivable	57,018	-
Income tax asset	20,651	28,359
Total	223,006	168,389
Liabilities		
Trade accounts payable	4,277	4,643
Other liabilities	11,366	14,653
Total	15,643	19,296
Net asset position	207,363	149,093

Balance of financial assets and liabilities in foreign currency are expressed in U.S. Dollars at the buying and selling exchange rate published by the Superintendence of Banking, Insurance and Private Pension Funds (SBS in its acronym in Spanish) effective at December 31, 2013, which was US$. 0.36 (US$0.39 as of December 31, 2012) per S/. 1.00.

In 2013, the Company has registered a net loss for exchange rate of US$7,927 (profit of US$2,178 in 2012).

The percentages of devaluation (appreciation) of the nuevo sol regarding US dollars, calculated on the market exchange rate – sell published by the SBS, and the percentages of inflation (deflation), as per the National Index of Wholesale Prices (IPM) in the last two year, are the following:

Year	Devaluation (Appreciation) %	Inflation (Deflation) %
2013	9.60	1.55
2012	(5.41)	(0.59)

The Company's Management considers 10% rate of sensitivity in exchange rate risk evaluation as reasonable. Analysis of sensitivity assuming a devaluation of functional currency (US$) equivalent to the aforementioned rate, exclusively upon monetary assets and liabilities balances reflected before, is as follows.

	Increase (decrease in):		
	Exchange rate	Net Annual Profit (loss)	Net Equity
		US$000	US$000
2013			
Nuevos soles / US$	10%	(6,742)	(6,742)
Nuevos soles / US$	-10%	8,240	8,240
2012			
Nuevos soles / US$	10%	(5,313)	(5,313)

Nuevos soles / US$	-10%	6,494	6,494

Interest rate risk

The Company is not exposed to interest rate risk, as indebtedness is originated at fixed interest rate. The Management has not held transactions with derivatives for interest rate risk hedging.

The Company's Management considers an increase (or decrease) of 1% of variation in the evaluation of interest rate risk.

Sensitivity analysis, assuming an increase in interest rate equivalent to the aforementioned rate, assuming that the remaining variables remained constant, and that indebtedness at the end of the reporting period remained constant as well during the year, is as follows:

	Increase (decrease in):	
	Net Annual Profit (loss)	Net Equity
	US$000	US$000
2013		
Loans at fixed interest rates	(2,400)	(2,400)
2012		
Loans at fixed interest rates	(472)	(472)

The Company's exposure to financial asset and liability interest rates is detailed in the liquidity risk section.

Other price risks

The Company is not exposed to commercial risks from changes in sales prices of their goods and services, due to the fact they are regulated and fixed until 2014.

(ii) Credit risk

Credit risk arises from the possibility that counterparties may default on their contractual obligations, generating financial loss for the Company. Financial instruments that partially expose the Company to credit risk concentrations mainly consist of cash and cash equivalents, and trade accounts receivable. The Management considers that the Company has no credit risk because its clients have receivables rotation periods of 15 days, and trade accounts receivable to related parties have rotation periods of 30 days. There is no material impairment of accounts receivable.

The concentration of credit risk with regard to cash and cash equivalents are limited by the Company, placing their liquidity excess in prestigious financial institutions, establishing conservative credit policies and constantly evaluating existing conditions in the market in which it operates. As a result, the Company does not foresee material losses arising from this risk.

(iii) Liquidity risk

Management holds the main responsibility for liquidity risk management, which has established policies and procedures of short, medium and long term debt. Financial Management manages the liquidity risk by controlling the cash flows and the maturity date of their financial assets and liabilities.

As of December 31, the contractual maturity of the Company's non-derivative financial liabilities is as follows (non-discounted amounts including interest caused):

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Total
	US$000	US$000	US$000	US$000	US$000
As of December 31, 2013					
Financial obligations	-	-	-	317,863	317,863
Trade accounts payable	49,693	-	-	-	49,693
Other accounts payable	16,552	3,252	2,518	1,616	23,938
Total	66,245	3,252	2,518	319,479	391,494
As of December 31, 2012					
Financial obligations	21,232	42,488	89,488	43,236	196,444
Trade accounts payable	34,654	-	-	-	34,654
Other accounts payable	18,241	13,470	2,754	2,473	36,938
Total	74,127	55,958	92,242	45,709	268,036

The Company expects to meet its operational cash flow and financial assets available obligations at maturity.

(iv) Management of capital risk

The Company manages its capital to assure that Company's entities can continue as a going concern, while maximizing returns for its shareholders through optimization of debt and equity balances.

The Company's equity structure is formed by net debt (loans less cash and cash equivalents), and equity.

Leverage ratio

The Financial The Company's Management reviews the capital structure on a semi-annual basis. As part of this review, the Financial Management considers the cost of capital and the risks associated with each class of capital. The Company considers reasonable level of net debt up to 90% determined as the ratio between net debt with third parties and equity.

The leverage ratio is comprised by the following:

	2013	2012
	US$000	US$000
Debt (loans with third parties)	317,863	149,444
Cash and cash equivalents	(104,958)	(45,186)
Total net debt	212,905	104,258
Total equity	244,216	202,488
Leverage ratio	87,18%	51,49%

c. *Fair value of financial instruments*

Except for the following, the Management estimates that the carrying value of those financial instruments recorded at amortized cost approximates to their fair value:

	2013		2012	
	Book value US$000	Fair value US$000	Book value US$000	Fair value US$000
Financial assets:				
Trade accounts receivables	70,892	70,892	57,143	57,143
	70,892	70,892	57,143	57,143
Financial liabilities:				
Long-term bank loans	320,000	317,863	150,625	149,444
Loans payable to related parties	-	-	47,000	47,000
	320,000	317,863	197,625	196,444

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalent are as follows:

	2013 US$000	2012 US$000
Cash and banks	69,395	4,993
Time deposits	35,563	40,193
Total	104,958	45,186

Cash and banks is mainly comprised of checking and savings accounts in local banks, denominated in Peruvian nuevos soles and U.S. dollars, and are of free availability.

As of December 31, 2013, time deposits correspond to funds maintained in local banks, which bear interests at an annual average rate between 0.20% and 4.00%, due between 7 and 33 days. As of December 31, 2012, time deposits corresponded to funds that were maintained in local banks, which bear interests at an annual average interest rate between 0.80% and 3.95%, due between 4 and 18 days.

6. TRADE ACCOUNTS RECEIVABLE, NET

Trade accounts receivables, net are as follows:

	Current		Non-current	
	2013 US$000	2012 US$000	2013 US$000	2012 US$000
Trade	31,430	23,693	8,846	8,142
Provision for non-billed services	33,277	26,983	-	-

Allowance for doubtful accounts	(2,077)	(1,247)	(585)	(428)
	62,630	49,429	8,261	7,714

The average credit period granted to local clients fluctuates from 8 to 15 days after the issuance date of the bill. At the end of the mentioned periods, due balances bear interests at the rate obtained from averaging the asset and liability rate of local currency published daily by SBS.

As of December 31, 2013, 78% of trade accounts receivable correspond to customers with non-matured balances, or matures less than 30 days away. Thirty per cent of trade account receivable is concentrated in 867 important clients. There are no other clients that individually, or jointly, represent more than 1% of the total balance of trade accounts receivable.

Allowance for doubtful accounts is determined according to policies established by the Management and are recognized considering, among other factors, outstanding balances aging older than 90 days and their recoverability, and the evidence of financial difficulties of the debtor which increases the uncollectible risk of pending balances.

As of December 31, 2013, the Company holds accounts receivable within maturity terms for US&61,155 (US$54,981 as of December 2012).

As of December 31, trade account receivables include due balances for which allowance for doubtful accounts have not been established, given that their credit experience has not significantly changed, and Management considers such amounts are still recoverable. The Company does not have any guarantee on such pending balances, which are aged over 90 days, as of December 31, 2013 and 2012. The aging summary of such balances is as follows:

	2013	**2012**
	US$000	**US$000**
Between 1 and 30 days	8,379	273
Between 30 and 90 days	944	1,502
More than 90 days	3,075	2,062
	12,398	3,837

For the period ended December 31, 2013, and the year ended December 31, 2012, the movement of the allowance for doubtful account receivable comprises the following:

	2013	**2012**
	US$000	**US$000**
Opening balance	1,675	641
Estimation for impairment (Note 19)	987	1,034
	2,662	1,675

The Company has recognized an allowance for doubtful accounts receivable at a level considered appropriate by Management, according to the potential risk of uncollectible accounts. The aging of accounts receivable and the client’s situation are constantly monitored

to safeguard appropriateness of estimates in financial statements. Credit risk concentration regarding trade accounts receivable is limited, due to the great number of clients that the Company holds. As a result, The Company's Management considers that provisions are not required in excess for the allowance for doubtful accounts.

7. INVENTORIES

Inventories comprise the following

	2013 US$000	2012 US$000
Supplies	20,448	18,136
Inventory in transit	899	546
	21,347	18,682
Allowance for obsolescence of inventories	(389)	-
	20,958	18,682

Allowance for obsolescence of inventories has been determined based on technical reports and, in the Management's opinion, this estimation covers devaluation risk as of December 21, 2013 and 2012.

8. OTHER ACCOUNTS RECEIVABLE

As of December 31, other accounts receivable comprise the following:

	Current		Non-current	
	2013 US$000	2012 US$000	2013 US$000	2012 US$000
Financial assets:				
Funds in trust guarantee (a)	-	11,685	-	-
Advance to suppliers (b)	1,305	863	-	-
Guarantee deposits	55	85	-	-
Osinergmin promotion fund	3,902	-	-	-
Others	149	188	70	-
Subtotal	5,411	12,821	70	-
Non-financial assets:				
VAT – fiscal credit, net for compensation (c)	-	1,158	16,532	14,081
Total	5,411	13,979	16,602	14,081

a. In September 2013, the Company closed the Trust Contract of Flows, signed with Fiduciaria S.A. on March 31, 2005, and modified by means of an addendum dated May 3, 2010, through which a trust over the Company's revenues was created. It intended to serve as guarantee and means of payment to attend total and timely payment of the following installment of principal and interests of debt acquired through the Contract of Financial Obligation subscribed with Banco de Crédito del Perú (BCP) and Citibank del Perú (Citibank).

b. It comprises advances granted to contractors for building internal and external networks for US$1,301.

c. VAT fiscal credit corresponds to the balance in favor if VAT paid in acquisition of goods and services, and will be compensated with VAT of future taxed billings of the Company.

   As of December 31, 2012, Management has classified part of the VAT as short-term, considering the application of Supreme Resolution N° 099-2011-EM, which authorizes the Company to request the early return of VAT for extension of the main pipelines, under Legislative Decree N° 973.

9. PROPERTY, PLANT AND EQUIPMENT

For the years ended December 31, the movement of property, plant and equipment comprises the following:

	Improvement in leased property	Machinery and equipment	Transport Units	Furniture and fixtures	Other equipment	Computing equipment	Financial leasing equipment	Buildings in process	Total
	US$000	US$000	US$000	US$000	US$000	US$000	US$000	US$000	US$000
COST:									
As of January 1, 2012	1,575	1,678	1,489	402	983	947	560	258	7,892
Additions	104	264	320	136	151	92	-	581	1,648
Disposals	-	(6)	(52)	-	-	-	-	-	(58)
As of December 31, 2012	1,679	1,936	1,757	538	1,134	1,039	560	839	9,482
Additions	5,298	562	157	460	111	241	-	484	7,313
Disposals	(1,340)	(58)	(105)	(359)	(140)	(44)	(560)	(288)	(2,894)
Transfers	-	55	-	538	-	-	-	(613)	(20)
As of December 31, 2013	5,637	2,495	1,809	1,177	1,105	1,236	-	422	13,881
ACCUMULATED DEPRECIATION:									
As of January 1, 2012	763	464	798	149	387	458	394	-	3,413
Additions	473	182	275	48	142	212	117	-	1,449
Disposals	-	(2)	(37)	-	-	-	-	-	(39)
As of December 31, 2012	1,236	644	1,036	197	529	670	511	-	4,823
Additions	474	215	270	90	141	194	49	-	1,433
Disposals	(1,181)	(28)	(104)	(150)	(69)	(39)	(560)	-	(2,131)
As of December 31, 2013	529	831	1,202	137	601	825	-	-	4,125
NET COST:									
Total as of December 31, 2013	5,108	1,664	607	1,040	504	411	-	422	9,756
Total as of December 31, 2012	443	1,292	721	341	605	369	49	839	4,659

The Company owns insurance policies in order to cover possible risks to which different elements of its property, plant and equipment are exposed, as well as possible claims that may arise in the course of their operation. In the Management's opinion, such policies sufficiently cover the risks to which they are exposed.

As of December 31, 2013, the Company holds assets with a value of US$991(US$384 as of December 31, 2012), corresponding to totally depreciated machinery and equipment still in use.

The Company's Management considers that there are no situations that indicate a possible impairment of value of their property, plant and equipment.

10. INTANGIBLE ASSETS, NET

For the years ended December 31, the movement of intangible assets comprises the following:

	Concession assets						
	Rights of way	Concession and related studies	Distribution assets	Distribution assets in process	Rights related to S.D. 082-2009-EM	Software	Total
	US$000	US$000	US$000	US$000	US$000	US$000	US$000
COST:							
As of January 1, 2012	1,315	494	213,803	68,027	16,220	5,113	304,972
Transfers	-	-	2,081	(2,081)	-	-	-
Additions	-	-	3,662	89,546	-	1,168	94,376
As of December 31, 2012	1,315	494	219,546	155,492	16,220	6,281	399,348
Additions	-	-	33,955	55,658	-	639	90,252
Transfer	-	-	99,787	(99,807)	-	20	-
As of December 31, 2013	1,315	494	353,288	111,343	16,220	6,940	489,600
ACCUMULATED AMORTIZATION:							
As of January 1, 2012	170	494	30,826	-	6,408	1,503	39,401
Amortization for the year	29	-	8,487	-	4,913	1,800	15,229
As of December 31, 2012	199	494	39,313	-	11,321	3,303	54,630
Amortization for the year	29	-	11,227	-	4,899	1,680	17,835
As of December 31, 2013	228	494	50,540	-	16,220	4,983	72,465
MAIN PIPELINE GUARANTEE RECEIVED:							
As of December 31, 2013	-	-	(6,207)	-	-	-	(6,207)
As of December 31, 2012	-	-	(6,517)	-	-	-	(6,517)
NET COST:							
Total as of December 31, 2013	1,087	-	296,541	111,343	-	1,957	410,928
Total as of December 31, 2012	1,116	-	173,716	155,492	4,899	2,978	338,201

The following useful lives have been utilized to estimate the amortization of intangible assets:

	Years
Concession assets	33
Rights related to S.D. 082-2009 EM	3
Software	3

a. Goods of the concession represent the right to charge the tariff of natural gas distribution services associated to real consumption of users, and are within the regulatory regime established by the OSINERGMIN. The activated cost represents the invested value in the distribution pipelines (assets of the concession) net of MPG, and is recorded and amortized according to the accounting policy described in Note 2 (g).

b. As of December 31, 2012, assets related with concession for US$180,233, are mortgaged in guarantee of senior financial obligation (Note 11).

c. Rights associated with S.D. 082-2009-EM correspond to rights acquired by the Company of including Kallpa Generación S.A. and Enersur S.A. as part of the distribution system, as a result of entering the corresponding agreements signed with these entities.

11. LOANS

As of December 31, loans are comprised as follows:

	Current		Non-current	
	2013	2012	2013	2012
	US$000	US$000	US$000	US$000
Bonds	-	-	317,863	-
IFC-ICF and CAF loans	-	17,220	-	101,984
Loans from related entities (Note 23)	-	-	-	47,000
Loans from financial institutions	-	4,000	-	26,000
Others	-	12	-	228
	-	21,232	317,863	175,212

In March 2013, the Company placed bonds in the international market for US$320 million under Rule 144A, which in April 2013 was secured in April 2013 with the reception of the funds. The resources raised from bond issuance were used to prepay the loans from International Finance Corporation (IFC), Corporación Andina de Fomento (CAF), Infrastructure Crisis Facility Debt Pool (ICF) for US$119,204, Citibank del Perú S.A. for US$.30,000, as well as the subordinated loan from shareholders for US$47,000. Bonds were issued at ten years, with no guaranteed, and with a coupon rate of 4.375%. At the time of the bonds issuance, the Company held a risk rating of BBB- by Fitch Ratings, BBB- by Standard & Poor's and Baa3 by Moody's.

Additionally, with the remainder of resources from bond issuance, the Company has financed its 2013 investment plan and expects to finance 2014 plan as well, in order to continue expanding the gas network in the Department of Lima and the Constitutional Province of Callao.

12. TRADE ACCOUNTS PAYABLE

Trade accounts payable comprise the following:

	2013 US$000	2012 US$000
Trade	48,570	33,853
Related parties (Note 23)	1,040	777
Others	83	24
	49,693	34,654

Trade accounts payable are expressed in Nuevos Soles and U.S. dollars, have current maturities, do not bear interest and do not have specific guarantees.

13. PROVISIONS

As of December 31, provisions are comprised of the following:

	2013 US$000	2012 US$000
Administrative procedures	2,677	3,096
Tax procedures	7	12
	2,684	3,108

The movement of these provisions during year ended December 31 is as follow:

	Administrative procedures US$000	Tax procedures US$000	Total US$000
As of January 1, 2012	2,147	78	2,225
Provision for the year	1,275	12	1,287
Reversals for completion of processes	(326)	(78)	(404)
As of December 31, 2012	3,096	12	3,108
Provision for the year	825	-	825
Payment for completion of processes	(1,244)	-	(1,244)
Reversals for completion of processes	-	(5)	(5)
As of December 31, 2013	2,677	7	2,684

14. OTHER ACCOUNTS PAYABLE

Other accounts payable comprise the following:

	Current		Non-current	
	2013	2012	2013	2012
	US$000	US$000	US$000	US$000
Financial liabilities:				
Financial contribution and overcharge (a)	11,931	2,573	7,170	18,469
Interests to third parties (c)	3,500	4,040	-	-
Interest to related parties (Note 23) (b)	-	9,857	-	-
Others	1,121	1,771	216	228
Non-financial liabilities				
Employee's profit sharing	1,676	2,602	-	-
Performance bonds	2,228	2,093	-	-
Other labor liabilities	1,186	1,150	-	-
Withholdings payable	517	547	-	-
VAT withholding payable	36	24	-	-
	22,195	24,657	7,386	18,697

(a) Financial contribution and overcharge correspond to the obligation held by the Company regarding projects built in application of OSINERGMIN Resolution N° 056-2009 OS/DC and that will be returned to the clients as discount in discount in the natural gas distribution service.

(b) As of December 31, 2012, balances payable correspond to interests for the subordinate loan financed by the shareholders, which was granted on March 12, 2009, and yield annual LIBOR plus 6.5%. In 2013, interests for loans from related parties were paid in full.

(c) The balance of interest payable for bond issuance corresponds to December 31, 2013 and 2012.

15. EQUITY

(Monetary amounts in thousands, except for par values and quotation of shares)

(a) Capital stock issued

The Company's capital stock issued is comprised by 220,528,497 common shares (133,301,277 shares in 2012) with a par value of US$1 each, totally paid in cash, and 62,227,220 class B shares, totally paid.

On June 27, 2013, the General Shareholders' Meeting agreed to capitalize retained profits that as of December 31, 2012 amounted to US$62,227.

On February 13, 2013, the General Shareholders' Meeting agreed to an increase in capital of 25,000,000 of common shares with a face value of US$1 each.

On August 29, 2012, the Company's shareholders' Meeting agreed to increase the social capital in US$35,000 by issuing 35,000,000 common shares with a face value of US$1 each.

(b) Structure of share participation

As of December 31, the structure of share participation of the Company is as follows:

Individual participation in the capital (in %):	Participation	N° of Shares	
	%	2013	2012
EBB Peru Holding LTD.	60.00	132,317,098	79,980,766
Promigas S.A. ESP	40.00	88,211,399	53,320,511
Total	100.00	220,528,497	133,301,277

(c) Outstanding common shares

The movement of outstanding common share was as follows:

	N° of Shares	
	2013	2012
Outstanding at the beginning of the year	133,301,277	98,301,277
Increase by issuance	25,000,000	35,000,000
Capitalization of retained profit at 2012	62,227,220	-
Outstanding at the end of the year	220,528,497	133,301,277

(d) Legal reserve

According to the General Law of Corporations, legal reserve is constituted transferring a minimum of 10% of the net earnings for each year, after deducting accumulated losses, until it reaches an amount equivalent to the fifth part of the capital. In the absence of retained earnings or reserves of free availability, losses may be offset with the legal reserve, in which case, the legal reserve must be restored. Legal reserve may be capitalized, but must be equally restored.

An amount of US$2,650 was transferred from Accumulated profit to Legal Reserve in 2013, corresponding to the detraction of the legal reserve for 2012 earnings.

A minimum amount of US$1,673 will be transferred from Accumulated profit to Legal Reserve in 2014, corresponding to the detraction of the legal reserve for 2013 earnings.

(e) Accumulated profit

According to Legislative Decree 945 of December 23, 2003, which modified Income Tax Law, domiciled legal entities that agree the distribution of dividends or any other form of earnings distribution, will retain 4.1% of the amount to be distributed, except when the distribution is made in favor of domiciled legal entities. There are no restrictions for remittance of dividends, or for the repatriation of capital to foreign investors.

16. REVENUES FROM NATURAL GAS SALE, TRANSPORT, DISTRIBUTION AND RELATED SERVICES

Revenue from natural gas sale, transport, distribution and related services comprise the following:

	2013	2012
	US$000	**US$000**
Natural gas sale	166,825	102,359
Natural gas transportation	58,287	49,471
Distribution services	90,501	88,827
Connection services	8,257	4,805
Internal installation services and connection pipes	36,160	24,657
Other services	7,003	3,853
Total	367,033	273,972

17. COST OF NATURAL GAS SALE, TRANSPORT, DISTRIBUTION AND RELATED SERVICES

Cost of natural gas sale, transport, distribution and related services comprises the following:

	2013	2012
	US$000	**US$000**
Gas consumption	167,805	102,302
Gas transportation	57,605	50,739
Service installation costs	29,327	17,518
Personnel charges	9,177	9,199
Services rendered by third parties	4,584	4,750
Depreciation and amortization	11,972	10,249
Others	1,362	1,984
Total	281,832	196,741

18. FINANCIAL EXPENSES

For years ended December 31, financial expenses include the following concepts:

	2013	2012
	US$000	**US$000**
Interest of subordinate financial obligations	1,242	3,329
Interest of senior financial obligation	518	8,033
Loan expenses – Senior financial obligations	7,865	-
Interest of bonds	10,500	-
Interest of other financial obligations	350	235
Other financial expenses	375	42
Total	20,850	11,639

19. NET PROFIT

For years ended December 31, net profit includes the following elements:

	2013 US$000	2012 US$000
Depreciation of property, plant and equipment	1,433	1,449
Amortization of Intangible assets (Note 10)	17,835	15,229
Total	19,268	16,678
Losses for impairment of financial assets:		
Account receivable (Note 6)	987	1,034
Employees' benefits	11,476	10,132

20. INCOME TAX

(a) Income tax regime

(i) Income tax rates

The corporate income tax rate for domiciled legal entities is 30%

Legal entities are subject to an additional rate of 4.1% over the amount that could be considered as an indirect disposition of income, including amounts charged to expenses and not declared income; that is, expenses that could have benefited shareholders, partners, among others; personal expenses not related to the business; expenses on behalf of shareholders, partners, among others, which are assumed by legal entity.

(ii) Transfer pricing

For the purposes of income tax calculation and value added taxes in Peru, legal entities engaged in transactions with related companies or with companies resident in territories with low or no taxation, shall: (a) file an annual affidavit for transfer pricing information when the amount of their transactions with related parties being greater that S/.200 (equivalent to US$72), and (b) have a Transfer Pricing Technical Study, including the supporting documentation for this study. This formal obligation arises when the amount of accrued income exceeds S/.6,000 (equivalent to US$2,146) and the entity has conducted transactions with related companies for an amount over S/.1,000 (equivalent to US$358). Both formal obligations will also be payable in the event that at least one transaction to, from or through countries with low or null taxation had been made.

The Company has the Transfer Pricing Technical Study corresponding to 2012, and is conducting the corresponding study for year 2013. In the Management's opinion, there will not be material liabilities for financial statements as of December 31, 2013 and 2012, in relation to transfer pricing.

(iii) Significant amendments to the income tax regulations in Peru

A summary of the most significant amendments made by the Tax Administration during the year ended December 31, 2013 is presented below.

- Cost Basis. Cost basis should be supported by the corresponding receipt validly issued. According to accounting standards, in the case of real estate acquired through financial lease or lease-back, the cost basis will increase with later costs incorporated

to the asset.

- Alienation of shares or securities. In order to determine the market value, the higher available value between the transaction value, the stock market value, if applicable, the equity value or any other established by the Regulations taking into account the nature of such securities. On the other hand, third category capital loss will not be deductible when at the time of alienation, before or after it, in a period not longer than 30 calendar days, shares or securities of the same type as those disposed of, or purchase options upon them, are acquired.

- Depreciation: The percentage of depreciation will be applied on the result of adding subsequent costs incurred to the acquisition, production and construction value. Such costs are the costs incurred regarding an item that has been affected by the generation of taxable income that, in accordance with the provisions in accounting standards, must be recognized as cost.

  The deductible amount of the maximum deductible amount will be the amount indicated in the previous paragraph, except when the deductible amount in the previous reportable period is higher that the value of the item that is to be depreciated, in which case the latter will be deducted.

- Non-deductible expenses. Expenses constituted by the difference between the par value of a credit originate between related parties and its transfer value to other parties that assume the debtor's credit risk are not deductible.

  In case these credit transfers generate accounts receivable in favor of the transferring entity, provisions and/or write-offs for non-recoverable accounts are not deductible.

- Exchange differences. Standards about capitalization of the exchange difference for liabilities in foreign currency, related to inventory and fixed assets will be withdrawn from year 2013. However, exchange difference generated until December 2012, activated according to the regulation in force, will continue to be ruled by previous treatment.

- Staff training expenses. Limits of deduction are eliminated from training expenses of the Company's staff.

- Vehicle expenses. Some categories of vans are included within the limit for deducting expenses incurred in motor vehicles.

- Technical assistance. Regarding the application of 15% rate, the requirement of obtaining a formal declaration from the company rendering the services is eliminated. The requirement of obtaining a report from an audit society to certify the rendering of technical services is established only for services which total consideration is higher than 140 tax units, in force as of the contract signature. This rule is effective as of August 1, 2012.

- Income tax prepayments. The percentage system has been reduced from 2% to 1.5%, and the prepayments calculation system has been modified. The modification establishes that the monthly prepayment will be the higher between the application of the coefficient system and the 1.5% percentage. An alternative has been introduced to change the percentage starting May, based on the statements of income results, applying the coefficient results that may resulting from said financial statements.

- Merges and spin-offs. New presumptions have been rules for voluntary revaluations, without rebuttal recourse, aimed to tax the income that implicitly has been distributed. Regarding simple mergers and spin-offs without revaluation of the transferred assets,

presumptions have been ruled to tax the potential income that may result from the difference between the market value and the book value of the transferred assets. Regarding the voluntary revaluations with tax effects, the taxable income resulting from mergers and spin-offs will not be offset with the carry forward losses of any of the parties.

Finally, by means of Law N° 30050 – Law of the Promotion of the Stock Market, and Law N° 30056 – Law facilitating the productive promotion and development, and business growth, some articles of the Income Tax Law have been modified, to facilitate operation of the stock market, or related to expenses in scientific or technological research, and technological innovation, credit for training expenses, that will come into force mainly in 2014.

(b) Income tax recognized in profit or loss for the year

The expense of income tax recognized in profit or loss for the year ended December 31, is a follows:

	2013	2012
	US$000	US$000
Total current income tax	9,680	14,790
Deferred income tax arising from the movement of temporary differences through profit and loss	(391)	(2,151)
Total	9,289	12,639

Estimated current income tax corresponds to tax payable, calculated applying a 30% rate over estimated taxable rate deducing employee's participations (Legislative Decree 892), at a percentage of 5%.

(c) Tax Situation of the Company

During 2013, the Income Tax review for the years 2008, 2010 and 2011. In the Management's opinion, the observations made by the tax administration will not derive in material liabilities, at the closing of 2013.

The tax administration has the authority of reviewing the annual tax return of the 2009 and 2012 periods up to four years following the year of filing the tax return. The Management estimates that no material liabilities will arise as a consequence of such pending review.

Due to possible interpretations that tax authorities may make on legal regulations applicable to each year, at the date, it is not possible to determine whether any liabilities will arise for the Company from such reviews, so that any tax or charge that might result from fiscal reviews will be applied to the net profit in which they are determined

(d) Reconciliation of the income tax rate with the tax rate

During the years ended December 31, 2013 and 2012, the effective rate of income tax differs to rate applicable to income before tax. The nature of this difference is due to certain items related to the determination of tax rate, with effects over applicable tax rate are summarized as follows (in percentage over income tax):

	2013		2012	
	Amount	Percentage	Amount	Percentage

	US$000		US$000	
	US$000	US$000	US$000	US$000
Profit before income tax	26,017	100.00%	39,139	100.00%
Tax and tax rate applicable to profit before income tax according to books	7,805	30.00%	11,642	29.74%
Fines	223	0.86%	42	0.11%
Non-deductible expenses	539	2.07%	384	0.98%
Difference of inventories	-	0.00%	99	0.25%
Donations	139	0.53%	137	0.35%
Others	583	2.24%	335	0.86%
Income tax expense and tax rate applicable to profit according to books	9,289	35.70%	12,639	32.29%

(e) Income tax recoverable and payable

Debtor and creditor balances with the Tax Administration related with income tax are as follows:

	2013	2012
	US$000	US$000
PAYABLE:		
Income tax payable	-	5,231
RECEIVABLE:		
Income tax credit	7,386	-

21. DEFERRED INCOME TAX

As of December 31, 2013 and 2012, the movement in net liabilities for deferred income tax, and the description of the time differences that originated them, are as follows:

	Additions (deductions)		
	Balances at the beginning of the year	Net profit	Balances at the end of the year
	US$000	US$000	US$000
As of December 31, 2013			
INCOME TAX			
DEFERRED ASSETS (LIABILITIES) RELATED TO:			
TEMPORARY DIFFERENCES:			
Difference in machinery and equipment base	(14)	14	-
Difference in intangibles base	(2,154)	1,364	(790)
Effective interest IAS 39	1,177	(1,186)	(9)
Provisions	309	199	508
Total deferred liabilities	(682)	391	(291)

	Additions (deductions)		
	Balances at the beginning of the year	Net profit	Balances at the end of the year
	US$000	US$000	US$000
As of December, 2012			
INCOME TAX			
DEFERRED ASSETS (LIABILITIES) RELATED TO:			
TEMPORARY DIFFERENCES:			
Overcharge	5	(5)	-
Unpaid vacation	463	(463)	-
Difference in machinery and equipment base	(70)	56	(14)
Difference in intangibles base	(3,828)	1,674	(2,154)
Effective interest IAS 39	433	744	1,177
Provisions	141	168	309
Total deferred liabilities	(2,856)	2,174	(682)

22. NET EARNINGS PER SHARE

For years ended December 31, 2013 and 2012 gain and weighted average of issued and outstanding assets for the estimation of net earning per basic share is as follows:

	2013	2012
	US$000	US$000
Net profit attributable to shareholders of the Company	16,728	26,500
Weighted average of issued and outstanding shares	192,662	110,269
Earnings per share	0.087	0.240

23. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Trading operations

The Company's main shareholder is EBB Peru Holdings, which belongs to the group of subsidiary companies owned by Grupo de Energía de Bogotá.

During the years ended December 31, the Company held the following material transactions with related parties in the normal course of its operations:

	Service rendered	
	2013	2012
	US$000	US$000
Contugas S.A.C.	826	-

	Sales (Services) received	
	2013	2012

	US$000	US$000
Contugas S.A.C.	2,538	-
EEB S.A.	63	
Promigas S.A. E.S.P.	925	777

As a result of these transactions, and others less material, the following payable balances were generated:

	Service rendered	
	2013	2012
	US$000	US$000
ACCOUNTS RECEIVABLES		
Contugas S.A.C.	697	-
Total	697	-
ACCOUNTS PAYABLE:		
Contugas S.A.C.	200	-
EEB S.A.	54	-
Promigas S.A. E.S.P.	786	777
Total	1,040	777

Services from related entities were received at market prices.

Receivable and payable balances are not guaranteed, and it is estimated that they will be charged and paid in cash. Guarantees over the aforementioned balances have neither been granted, nor been received.

As of December 31, 2013 and 2012, the Company has not granted guarantees to financial entities on behalf of related companies.

Loans

	Current		Non-current	
	2013	2012	2013	2012
	US$000	US$000	US$000	US$000
LOANS PAYABLE:				
EBB Perú Holding LTD	-	6,189	-	28,200
Promigas S.A. E.S.P.	-	3,668	-	18,800
Total	-	9,857	-	47,000

On March 12,2009, the Company signed a contract with its shareholders EEB Peru Holdings Ltd. and Promigas S.A. Esp., in order to obtain a subordinated loan for US$47,000. Such funds were utilized to settle the debt that the Company held with Santander Overseas Bank. The subordinated loan financed by shareholders, was held in the same proportion as its share participation, therefore EEB Peru Holdings Ltd. financed 60%, and Promigas S.A.

Esp., 40%. During 2013, this loan was paid off with the money from the bond issuance in March 2013.

Remuneration to the Board of Directors and Administrators

(a) Board of Directors

Payments to the Board of Directors in 2013 were US$76 (US$75 in 2012).

(b) Salaries

Retributions for salaries, other benefits to personnel and professional fees received in year 2013 by key personnel with executive responsibilities amounted to US$2,165 (US$1,826 in 2012).

24. LEASES

The Company has signed operating leasing agreements of some offices, from 1 to 10 years, and with price increase ruled by the Consumer Price Index.

As of December 31, the Company has hired with lessors the following minimum leasing installments:

	2013	2012
	US$000	US$000
Between 1 and 5 years	6,497	267
More than 5 years	4,343	-

Expenses from leasing these offices rose to US$1,006 in 2013 (US$495 in 2012.)

25. NON-MONETARY TRANSACTIONS AND CASH FLOW STATEMENT

Investment and financing activities that do not generate cash disbursement, and that affected assets and liabilities for years ended December 31, are summarized as follows:

	2013	2012
	US$000	US$000
Capitalization of retained earnings	62,227	-
Acquisition of intangibles pending of payment	15,841	8,143

26. COMMITMENTS AND CONTINGENCIES

(a) Deposits and granted guarantees

As of December 31, 2013 in order to guarantee obligations, the Company has granted deposits of banking institutions for US$15,434 (US$28,423 as of December 31, 2012)

The main guarantee letter valid as of December 31, 2013, are:

Beneficiary	Beginning	Ending	Amount
			US$000
1. Ministerio de Energía y Minas	09-Aug-2010	09-Aug-2014	1,000
2. Transportadora de Gas del Peru S.A.	10-Oct-2013	15-Nov-2014	13,208

3. OSINERGMING	10-Apr-2011	20-Apr-2014	1,611

(b) Contingencies

Some civil and labor lawsuits against the Company are on trial around the country, for which corresponding written discharges have been issued. The Company and its legal advisors believe that there are enough grounds to argue against these lawsuits, and estimate that their final resolution will have no material effects over financial statements.

27. OTHER DISCLOSURES

Environmental regulations

According to S.D. N° 015-2006-EM, Regulations of Environmental Protection in Hydrocarbon Activities , building and operation of High Pressure pipelines and Other pipelines have their corresponding Environmental Impact Assessments (hereinafter EIA) establishes, based in an evaluation of the environment, environmental commitments that the Company must follow, with a special emphasis on the pipeline's building stage. EIA include an Environmental Management Plan (hereinafter EMA) where measures that must be considered by the Company are described, in order to prevent or mitigate negative environmental impacts and maintain their operations within the margins of environmental regulations.

Additionally, the Company presents annually an environmental management report to OSINERGMIN and to OEFA (Organization of Environmental Evaluation and Regulation), responsible of verifying the compliance of environmental commitments assumed by the society in the EMA.

As of December 31, 2013, the accumulated expense directly related to the environment's protection rose to US$138 (US$28 as of December 31, 2012)

28. SUBSEQUENT EVENTS

There is no knowledge about subsequent events occurring after the closing date of these financial statements and as of the date of this report that could materially affect them.