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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, 2012, 2011 and 2010, 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.

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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, 2012, 2011and 2010, their financial performance and cash flows for the years then ended in accordance with International Financial Reporting Standards.

Beltrán, Gris y Asociados S.C. de R.L.

Countersigned by:

____________________ (Partner)
Miriam Loli Valverde
CPC Register No. 25227

February 12, 2013

GAS NATURAL DE LIMA Y CALLAO S.A.

STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2012, 2011 AND 2010

	Notes	12/31/2012	12/31/2011	12/31/2010
		US$000	US$000	US$000
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents	**5**	45,186	27,406	24,015
Trade accounts receivable, net	**6**	49,429	39,693	31,698
Inventories	**7**	18,682	16,382	13,506
Other accounts receivable	**8**	13,979	9,823	4,831
Prepaid costs		509	2,179	1,714
Total current assets		127,785	95,483	75,764
NON-CURRENT ASSETS				
Machinery and equipment	**9**	4,659	4,479	3,584
Trade accounts receivable, net	**6**	7,714	5,347	3,860
Intangible assets	**10**	338,201	258,744	189,955
Other accounts receivable	**8**	14,081	19,039	16,229
Prepaid costs		-	48	48
Total non-current assets		364,655	287,657	213,676
TOTAL ASSETS		492,440	383,140	289,440

	Notes	12/31/2012	12/31/2011	12/31/2010
		US$000	US$000	US$000
LIABILITIES AND EQUITY				
CURRENT LIABILITIES:				
Loans	**11**	21,232	13,026	242
Accounts payable	**12**	34,654	23,328	17,917
Current income tax payable	**20**	5,231	4,752	-
Other accounts payable	**14**	24,657	18,765	23,761
Total current liabilities		85,774	59,871	41,920
NON-CURRENT LIABILITIES				
Loans	**11**	175,212	152,951	113,631
Deferred income tax liability	**20**	682	2,856	665
Provisions	**13**	3,108	2,225	1,893
Deferred revenue		6,479	3,298	1,883
Other accounts payable	**14**	18,697	20,951	14,269
Total non-current liabilities		204,178	182,281	132,341
Total liabilities		289,952	242,152	174,261
EQUITY:				
Capital stock issued	**15**	133,301	98,301	98,301
Legal reserve	**15**	4,310	1,729	772
Retained earnings		64,877	40,958	16,106
Total equity		202,488	140,988	115,179
TOTAL LIABILITIES AND EQUITY		492,440	383,140	289,440

The accompanying notes are integral part of the financial statements.

GAS NATURAL DE LIMA Y CALLAO S.A.

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2012, 2011 AND 2010

	NOTES	12/31/2012	12/31/2011	12/31/2010
		US$000	US$000	US$000
OPERATING REVENUES:				
Revenues from natural gas distribution and related services	16	273,972	222,549	156,236
Revenues from expansion of main pipeline		93,208	80,336	30,738
Other operating revenues		2,873	1,600	1,267
Total operating revenues		370,053	304,485	188,241
COST OF SALES				
Cost of natural gas distribution and related services	17	(196,741)	(150,275)	(117,336)
Expansion of main pipeline costs		(93,208)	(80,336)	(30,738)
GROSS PROFIT		80,104	73,874	40,167
Administrative expenses		(21,712)	(16,847)	(14,913)
Selling expenses		(10,086)	(11,595)	(5,257)
Other (expenses) income		(226)	(170)	746
OPERATING PROFIT		48,080	45,262	20,743
Financial income		520	558	482
Financial expenses	18	(11,639)	(10,287)	(7,644)
Exchange difference, net		2,178	1,771	173
PROFIT BEFORE INCOME TAX		39,139	37,304	13,754
Income tax expense	20	(12,639)	(11,495)	(4,221)
NET PROFIT		26,500	25,809	9,533
Other comprehensive income		-	-	-
TOTAL COMPREHENSIVE INCOME		26,500	25,809	9,533
NET EARNINGS PER SHARE:	21			
Basic and diluted		0.240	0.263	0.097

The accompanying notes are 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, 2012, 2011 AND 2010

	Capital stock issued US$000	Legal reserve US$000	Retained earnings US$000	Total equity US$000
BALANCE AS OF JANUARY 1, 2010	98,301	70	7,275	105,646
Net profit	-	-	9,533	9,533
Other comprehensive income	-	-	-	-
Transfer to legal reserve	-	702	(702)	-
BALANCE AS OF DECEMBER 31, 2010	98,301	772	16,106	115,179
Net profit	-	-	25,809	25,809
Other comprehensive income	-	-	-	-
Transfer to legal reserve	-	957	(957)	-
BALANCE AS OF DECEMBER 31, 2011	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	-	-	35,000
BALANCE AS OF DECEMBER 31, 2012	133,301	4,310	64,877	202,488

The accompanying notes are integral part of the financial statements.

GAS NATURAL DE LIMA Y CALLAO S.A.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2012, 2011 AND 2010

	2012	2011	2010
	US$000	US$000	US$000
OPERATING ACTIVITIES:			
Collections from:			
Revenues from natural gas distribution and other related services	257,292	214,052	170,661
Other cash collections related to operating activity	287	135	364
Payments to:			
Suppliers of goods and services	(175,186)	(156,735)	(139,144)
Employees	(10,504)	(7,271)	(11,792)
Income taxes	(14,311)	(10,176)	(7,084)
Interests	(8,256)	(8,867)	(3,465)
Other cash payments related to operating activity	(4,386)	(3,336)	(1,958)
Net cash provided by operating activities		27,802	7,582
INVESTING ACTIVITIES:			
Collections from:			
Sale of machinery and equipment	-	202	-
Payments for:			
Investment in intangible assets	(86,232)	(81,749)	(37,675)
Investment in machinery and equipment	(1,648)	(2,277)	(885)
Net cash used for investment activities	(87,880)	(83,824)	(38,560)
FINANCING ACTIVITIES:			
Collections from:			
Loans received	43,040	52,092	69,856
Capital contributions	35,000	-	-
Financial contribution for overcharge	-	7,563	-
Payments for:			
Financial contribution and overcharge	(2,940)	-	(710)
Amortization or payment of loans received	(14,376)	(242)	(30,428)
Net cash provided by financing activities	60,724	59,413	38,718
NET INCREASE IN CASH AND CASH EQUIVALENTS	(27,156)	3,391	7,740
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	27,406	24,015	16,275
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	250	27,406	24,015

The accompanying notes are 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 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 (a Colombian entity) as from February 14, 2011, which owns 60% of the voting shares through de EEB Peru Holdings LTD (hereinafter EEB). Formerly it was a subsidiary of AEI (a US entity).

Its economic activity comprises the distribution of natural gas, as well as commercializing equipment, installation, maintenance and other activities related with hydrocarbons and/or their distribution.

(b) Approval of financial statements

The accompanying financial statements for the years ended December 31, 2012, 2011 and 2010 have been authorized for issuance by the Company's Management. These financial statements will be submitted for approval to the Board of Directors. According to Management, these financial statements are expected to be approved by the Board of Directors without any changes.

Main Operating Contracts and Agreements

(i) Distribution Concession Agreement - BOOT

By means of the Assignment of Contractual Position 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 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 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 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 return 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. It is important to mention that when Single Distribution Tariff came into force, concepts related to 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, 2012, this guarantee consists on a letter of guarantee granted by Banco de Crédito del Perú, with maturity date of August 9, 2014, which periodically renews on its maturity date.

In Management's opinion, as of December 31, 2012, the Company has been fulfilling responsibilities assumed in this Contract.

(ii) 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.

(iii) 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. Through 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 Main pipeline guarantee, which has already expired.

(iv) 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. As of December 31, 2012, no services related to this contract have been provided.

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

(i) Ministry of Energy and Mines

The Ministry of Energy and Mines is the central and governing organism of the Energy and Mines Sector, and is part of the Executive Power. This Ministry intends to formulate and evaluate, 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 intends to promote the integral development of mining and energy activities, standardizing, regulating and/or supervising, as the case may be, its compliance and taking precautions in regards of the rational use of natural resources.

(ii) Energy and Mining Investment Regulator

By means of Law Nº 26734, the Energy and Mining Investment Regulator (OSINERGMIN, for its acronym in Spanish) was created. Its purpose is to supervise activities developed by enterprises 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.

(iii) 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.

(iv) Law of Promotion of Natural Gas Industry Development

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

The Single Distribution Tariff shall cover the service cost, plus investments and administrative, operating and maintenance incremental efficient 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 regulating procedure of Single Distribution Tariffs, five-year investments plan, which cost is included in the rate base, is approved.

Single Distribution Tariff, effective since May 2010, will allow, under a methodology of investments recognition 'roll in', to carry out 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 rates and will be applied to all consumers located within the Concession Area.

(v) Regulations for Natural Gas Distribution through pipelines

By means of Supreme Decree No. 042-99-EM 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 the aforementioned regulations, several modifications were applied. Unique Ordered Text of Regulations for Natural Gas Distribution for Ducts pipelines was issued on July 22, 2008, by means of Supreme Decree No. 040-2008-EM.

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

(vi) OSINERGMIN Resolution No. 056-2009-OS/CD

It approves the new Procedure of Viability of New Natural Gas Supplies, leaving OSINERGMIN Resolution No. 263-2005-OS/CD with no effect. 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, 2012, 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.

(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 related with 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 machinery and equipment.
- Fair value, classification and risk of financial assets and liabilities.
- Deferred 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 are considered to be designated as 'foreign currencies' and are recognised 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 carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. 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 recognised in the net income 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 contracts 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 recognised 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 recognised immediately in income/loss for the year.

Financial assets

Conventional purchase or sale of financial assets are recognised and written off using the trade date accounting, in which the following are recognised 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 amortised cost using the effective interest method, less any accumulated impairment loss recognized. Interest income is recognised 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 classified as either financial liabilities or as equity 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 an entity 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: accounts payable and other payable, 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 trough 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 and costs that will be incurred in the commercialization, sales and distribution processes.

(g) Machinery and equipment

Machinery 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 reliable estimated, and it is probable to obtain from them future economic benefits, 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 machinery 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.

Machinery and equipment in the course of construction or acquisition are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs. Such assets are subsequently classified to the appropriate categories of machinery and equipment when completed and ready for intended use. Such assets are depreciated from that moment, on a similar manner of the 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	5
Machinery and equipment	10
Transportation units	5
Furniture and fixtures	10
Other equipment	10
Computing equipment	4
Financial leasing equiment	5

Estimated useful lives, residual values and depreciation methods are periodically reviewed 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 of 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 construction of the pipeline and subsequent upgrades are exclusively made for the concession purposes. Such construction is made by contractors hired by the Company, under its supervision and entire responsibility.

Management has evaluated that IFRIC 12 model, applicable to the Company, is the bifurcated model, given that: (a) during the first years of the agreement, a guaranteed revenue was paid by the grantor to the Company, called Main Pipeline Guarantee (MPG); (b) the Company is entitled to charge a tariff to consumers the distribution service of natural gas; said revenue is associated to real consumption of users, and is within a regulatory regime established by the regulating entity OSINERGMIN. Upgrades to infrastructure are recorded as additions of intangible assets, 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 has already been collected in full from the grantor in early years of the Concession.

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

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 important changes in previous expectation or in the expected pattern of future economic benefits, incorporating in prospective form the effects of any change in these estimates in 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 an 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 in the net income, unless the corresponding asset is carried at a revalue amount, in which case the impairment loss is recognized as a decrease in the revaluation surplus.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised 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's property. All other leases are classified as operating leases.

For contracts that classify as financial leases where the Company acts as lessee, leased machinery and equipment are initially recognized as Company's assets at their fair value or present value of minimum lease payments, the lower, at the beginning of its period. Machinery and equipment recorded as such are 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 loads and reduction of corresponding liability. Total financial load is distributed between periods that constitute the lease term, so as to obtain a constant interest rate in each period, upon the balance of the pending debt of 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 in lineal form 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 recognised 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 incorporate economic benefits in order to settle the obligation, and the amount of the obligation can be reliably estimated.

The amount recognised 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 concurrent events and circumstances 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 recognised as an asset when its recovering 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 as wages, salaries and social security contributions, annual vacations, sick leaves and profit sharing and bonuses, among other,

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 recognised as an expense when employees have rendered service entitling them to the contributions. The corresponding obligations payable are presented under other accounts payables.

(n) Recognition of income

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

Natural gas distribution services are billed monthly based on cyclical readings, and are recognized as income in the period in which the service has been provided. Revenue from natural gas provided 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 the said period.

Interest income is recognized when it is probable that the economic benefits will flow to the Company 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 revenues 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 by applying the tax rate established in the tax legislation on the net taxable income for the year.

Deferred 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 temporary 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 assets 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 expect 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, 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 months, from the agreement date.

(r) Earnings per share

Basic earnings per share were computed by dividing net income by the weighted-average number of ordinary shares outstanding during each year. Since the Company does not have financial instruments with diluting effects, basic and diluted earnings per share are the same.

3. NEW STANDARDS AND INTERPRETATIONS INTERNATIONALLY ISSUED

(a) New IFRS and interpretations with no material effect in amounts reported and their disclosures for the current year or 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, 2010, but are not material for the Company's operations:

- ***Amendments to IAS 1 Presentation of Financial Statements (as part of Improvements to IFRS published in 2010).*** Amendments to IAS 1 clarify that an entity can show and disclose an analysis of other comprehensive income by line in the statement of changes in equity or in notes to the financial statements. In the current year, for each equity component, the Company has decided to present such analysis in notes to the financial statements, in one only line of the other comprehensive income in the statement of changes in equity. Such amendments have been retrospectively applied. Additionally, disclosures to financial statements have been modified to reflect this change.

- ***IAS 24 Related Party Disclosures (revised in 2009).***IAS 24 (revised in 2009) has been revised in the following aspects: (a) definition of a related party; and (b) introduction to a partial exception of disclosure requirements for related entities with the government. The Company is not an entity related with the government. The application of the revised definition of related parties in IAS 24 (revised in 2009), has not originated the additional identification of related parties regarding previous years.

- ***Amendments to IFRS 3 Joint Ventures.*** As a part of IFRS improvements, published in 2010, IFRS 3 was amended to indicate that the option of measurement regarding the participation of non-controlling interests as of the acquisition date is only applicable to those interests that represent real current property and that entitle their holders to a proportional part of net assets of the entity in the event of liquidation. All other types of participation of non-controlling interests are measured at fair value at acquisition date, unless other measurement base is required by other standards. IFRS 3 was amended to provide better guidance in the accounting of payments based in assets to employees. Specifically, the amendment states that transactions

of payments based in the purchaser's assets that are not replaced, shall be measured in compliance with IFRS 2 as of the acquisition date. This pronouncement did not have greater implications for the Company, due to the lack of transactions that can be defined as joint ventures in years 2012, 2011 and 2010.

- ***Amendments to IAS 32 – Classification of Rights Issuance.*** Amendments guide the classification of certain issuance of rights denominated in foreign currency as equity instruments or financial liabilities. According to the amendments, rights, options or warrants issued by an entity to holders in order to acquire a fixed number of equity instruments from the entity for a fixed period in any foreign currency, are classified as equity instrument in the financial statements of the entity, as long as the offer is done in division to all existing owners of the same class of their non-derivative equity instruments. Before amendments to IAS 32, rights, options or warrants to acquire a fixed number of equity instruments of an entity for a fixed amount in foreign currency were classified as derivatives. Modifications require retroactive application. The use of amendments has not had any effect in reported numbers in current and previous years, due to the fact that the Company has not issued instruments of such nature.

- ***Amendments to IFRIC 14 Prepayments of a Minimum Funding Requirement***. IFRIC 14 establishes when do refunds or rebates of future contributions shall be considered as available in accordance to paragraph 58 of IAS 19; hoy do minimum financing requirements could affect the availability of rebates in future contributions; and when do minimum financing requirements could lead to a liability. Amendments now permit the recognition of an asset as minimum financing prepayments of contributions. The application of these amendments has not had an effect on the Company's financial statements.

- ***IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments.*** Interpretation provides a guide over the accounting for extinction of a financial liability for the issuance of equity instruments. Specifically, under IFRIC 19, equity instruments issued under these type of agreements will be measured at their fair value and any difference between the carrying amount of the extinguished financial liability and the paid consideration will be recognized in profit. The application of IFRIC 19 has not had any effect over amounts reported in the current and previous years, due to the fact that the Company has not held any transaction of such nature.

- ***Improvements to IFRS issued in 2010.*** Except for aforementioned amendments to IAS 1, the application of improvements to IFRS issued in 2010 has not had any effect over the amounts in financial statements.

- ***Amendments to the IFRS 7 Disclosures – Transference of Financial Assets.*** Effective for annual periods beginning on or after July 1, 2011. The amendments to the IFRS 7 increased the requirements of disclosures for transactions that involve transferring financial assets. These amendments aim to provide more transparency for risk exposure when a financial asset is transferred but the assignor still maintains certain level of constant exposure in the asset. Amendments also require revelations when the financial assets transfers are not equally distributed in all the period. This amendment did not have implications upon the disclosures of the Company, given de absence of transactions of this nature in years 2012 and 2011.

- ***Amendments to the IAS 12 – Deferred Tax Income – Recovery of Assets.*** Effective for two annual periods beginning on or after January 1, 2012. The amendments to the IAS 12 establish an exception to the general principles of the IAS 12, as regards the measurement of deferred assets and liabilities should reflect the tax implications that would derivate in the way in which

the entity expects to recover the carrying amount of an asset. Specifically, under the amendments, the properties of investment measured using the fair value method according to the IAS 40 *Properties of inversion*, are assumed to be recovered through the sale for the measurement effects of the deferred taxes. This unless the presumption is refute in certain circumstances. Amendments to the IAS 12 are effective for the annual periods that start from January 1, 2012. The application of the modification of the IAS 12 did not have greater impact upon the numbers reflected on these financial statements, given that differences were not identified regarding the measurement of deferred assets and liabilities in correlation to the estimates of how the entity will recover the carrying amount of its assets.

(b) New IFRSs 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:

- ***IFRS 9 Financial Instruments.*** Effective for annual periods beginning on or after January 1, 2015. 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. Key requirements of IFRS 9 are described as follows:

  IFRS 9 requires all recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised 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 amortised cost at the end of subsequent accounting periods.

  The most significant effect of IFRS 9 regarding the classification and measurement of financial liabilities relates to the accounting for changes in the fair value of a financial liability (designated as at fair value through profit or loss) 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 changes 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.

  IFRS 9 is effective for annual periods beginning on or after January 1, 2015, with earlier application permitted. Management of the Company estimates that NIIF 9 will be adopted in the financial statements for the period beginning on January 1, 2015, and tat its application could have a material impact on reported amounts of financial liabilities; however, it is not practical to provide a reasonable estimate of the effect of this standard until a detailed review is completed.

- ***IFRS 10 Consolidated Financial Statements.*** Effective for annual periods beginning on or after January 1, 2013. IFRS 10 replaces the parts of IAS 27 Consolidated and Separate Financial Statements that deal with financial statements. SIC-12 Consolidation – Special

Purpose Entities has been withdrawn upon the issuance of IFRS 10. Under IFRS 10, there is only one basis for consolidation that is control. In addition, IFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in IFRS 10 to deal with complex scenarios.

- ***IFRS 11 Joint Arrangements.*** Effective for annual periods beginning on or after January 1, 2013. IFRS 11 replaces IAS 31 Interests in Joint Ventures. IFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. SIC-13 Jointly Controlled Entities – Non-monetary Contributions by Venturers has been withdrawn upon the issuance of IFRS 11. Under IFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under IAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations. In addition, joint ventures under IFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under IAS 31 can be accounted for using the equity method of accounting or proportionate accounting.

- ***IFRS 12 Disclosure of Interests in Other Entities.*** Effective for annual periods beginning on or after January 1, 2013. IFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in IFRS 12 are more extensive than those in the current standards.

- ***IAS 27 (as revised in 2011) Separate Financial Statements.*** Effective for annual periods beginning on or after January 1, 2013. IAS 27 has the objective of setting standards to be applied in accounting for investments in subsidiaries, jointly ventures, and associates when an entity elects, or is required by local regulations, to present separate (non-consolidated) financial statements. IAS 27 requires that entities preparing separate financial statements record investments at cost or in accordance with IFRS 9.

- ***IAS 28 (as revised in 2011) Investments in Associates and Joint Ventures.*** Effective for annual periods beginning on or after January 1, 2013. The objective of IAS 28 is to prescribe the accounting for investments in associates and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

  Management estimates that these five standards are not applicable to its current operations and its implementation will have no impact in its financial statements.

- ***IFRS 13 Fair Value Measurement.*** Effective for annual periods beginning on or after January 1, 2013. IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of IFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in IFRS 13 are more extensive than those required in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under IFRS 7 Financial Instruments: Disclosures will be extended by IFRS 13 to cover all assets and liabilities within its scope. IFRS 13 is effective for annual periods beginning on or after January 1, 2013, with

earlier application permitted. Management anticipates that IFRS 13 will be adopted in the financial statements for the annual period beginning January 1, 2013 and that the application of the new Standard may affect the amounts reported in the financial statements and result in more extensive disclosures in the financial statements.

- ***Amendments to IAS 1 Presentation of Items of Other Comprehensive Income.*** Effective for annual periods beginning on or after July 1, 2012. The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to IAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that will be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis. The amendments to IAS 1 are effective for annual periods beginning on or after July 1, 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

- ***IAS 19 (as revised in 2011) Employee Benefits.*** Effective for annual periods beginning on or after January 1, 2013. The amendments to IAS 19 change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of IAS 19 and accelerate the recognition of past service costs. The amendments require all actuarial gains and losses to be recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the statement of financial position to reflect the full value of the plan deficit or surplus. The amendments to IAS 19 are effective for annual periods beginning on or after January 1, 2013 and require retrospective application with certain exceptions. Management anticipates that the amendments have no impact in the reported figures.

Amendments 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” and “settle on a net basis, or to realise 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 instruments subjected to an executable master netting agreement, or similar. Management estimates that the application of these amendments will not have a material impact in the amounts and disclosures of the financial statements.

Amendments to the IFRS Annual Improvements to the IFRS period 2009-2011. Effective for annual periods beginning on or after January 1, 2013. The amendments include amendments to the IAS 16 Properties, Plant and Equipment and IAS 32 Financial Instruments: Compensation. The amendments to the IAS 16 clarify that the replacements, auxiliary equipment and permanent maintenance equipment should be classified as properties, plants and equipment when they comply with the definitions of IAS 16 or inventories. Amendments to the IAS 32 clarify that the deferred income tax related with distribution to the owners of equity instruments and transaction costs of an equity transaction should be accounted in compliance with IAS 12 Tax Income. Management estimates that the application of these

amendments will not have a material impact on the amounts and disclosures of the financial statements.

IFRIC 20 Stripping costs in the production phase of a surface mine. Effective for the annual periods beginning on or after January 1, 2013. Applicable to the Stripping costs incurred when a mine is in production. According to this interpretation, the stripping costs that generate a benefit for an access improvement and comply with the mentioned definition of an asset, are recognised as an addition or increase of an existing asset under certain circumstances, while those related to everyday activities of operational stripping are accounted in compliance with IAS 2 Inventories. Management estimates that the application of this interpretation is not applicable for the operations held by the Company.

4. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

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

	2012	2011	2010
	US$000	**US$000**	**US$000**
Financial assets:			
Cash and cash equivalents	45,186	27,406	24,015
Loans and receivables	69,964	53,794	39,858
	115,150	81,200	63,873
Financial liabilities:			
At amortized cost	268,036	223,697	166,322

(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 goods 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. 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:

	2012	2011	2010
	S/.000	S/.000	S/.000
Assets:			
Cash and cash equivalents	6,573	7,646	44,011
Trade accounts receivable	133,457	114,804	48,804
Other accounts receivable	28,359	54,090	45,223
Total	168,389	176,540	138,038
Liabilities:			
Accounts payable	4,643	2,790	1,930
Other accounts payable	14,653	6,654	7,207
Total	19,296	9,444	9,137
Net asset position	149,093	167,096	128,901

Balances 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 that date, which were US$.0.39 (US$0.37 as of December 31, 2011 and US$0.36 as of December 31, 2010) per S/.1.00.

Management of the Company 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 Gain (Loss) For the Year	Net Equity
		US$000	US$000
2012:			
Nuevos soles / US$	10%	(5,313)	(5,313)
Nuevos soles / US$	-10%	6,494	6,494
2011:			
Nuevos soles / US$	10%	(6,683)	(6,683)
Nuevos soles / US$	-10%	7,165	7,165
2010:			
Nuevos soles / US$	10%	(4,556)	(4,556)
Nuevos soles / US$	-10%	(4,714)	(4,714)

Interest rate risk

The Company is exposed to interest rate risk, which is mainly originated by indebtedness at variable interest rate. Management has not held transactions with derivatives for interest rate risk hedging.

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

Sensitivity analysis, assuming and 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 Gain (Loss) For the Year	**Net Equity**
	US$000	**US$000**
2012:		
Loans at variable interest rates	(1,746)	(1,746)
2011:		
Loans at variable interest rates	(1,106)	(1,106)
2010:		
Loans at variable interest rates	(897)	(897)

The Company's exposure to financial assets and liabilities interest rates is presented in detail in '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. Management considers that the Company has no credit risk because is clients have receivables rotation periods of 15 days, and trade accounts receivable to related parties have rotation periods of 30 days. There are 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 contract maturity of the Company's non-derivative financial liabilities is as follows:

	Less than 1 year	1 - 2 years	2 - 5 years	More than 5 years	Total
	US$000	US$000	US$000	US$000	US$000
As of December 31, 2012					
Loans	21,232	42,488	89,488	43,236	196,444
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
As of December 31, 2011					
Loans	13,026	12,998	72,996	66,957	165,977
Accounts payable	23,328	-	-	-	23,328
Other accounts payable	13,441	2,541	11,798	6,612	34,392
Total	49,795	15,539	84,794	73,569	223,697
As of December 31, 2010					
Loans	242	7,098	64,830	41,703	113,873
Accounts payable	17,917	-	-	-	17,917
Other accounts payable	20,263	4,809	3,041	6,419	34,532
Total	38,422	11,907	67,871	48,122	166,322

As of December 31, the contract maturity of the Company's non-derivative financial assets is as follows:

	Less than 1 year	1 - 2 years	2 - 5 years	More than 5 years	Total
	US$000	US$000	US$000	US$000	US$000
As of December 31, 2012					
Trade accounts receivable	49,429	1,929	2,700	3,086	57,144
Other accounts receivable	12,821	-	-	-	12,821
Total	62,250	1,929	2,700	3,086	69,965
As of December 31, 2011					
Trade accounts receivable	39,693	1,337	1,871	2,139	45,040
Other accounts receivable	8,622	132	-	-	8,754
Total	48,315	1,469	1,871	2,139	53,794
As of December 31, 2010					
Trade accounts receivable	31,698	965	1,351	1,544	35,558
Other accounts receivable	4,164	136	-	-	4,300
Total	35,862	1,101	1,351	1,544	39,858

(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

Financial Management of the Company 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 to 80% determined as the ratio between net debt with third parties and equity.

Leverage ratio is comprised by the following:

	2012	2011	2010
	US$000	US$000	US$000
Debt (loans with third parties)	149,444	118,977	66,873
Cash and cash equivalents	(45,186)	(27,406)	(24,015)
Total net debt	104,258	91,571	42,858
Total equity	202,488	140,988	115,179
Leverage ratio	51.49%	64.95%	37.21%

(c) *Fair value of financial instruments*

Management considers that the carrying amount of financial instruments (current assets and liabilities) as of December 31, 2012, 2011 and 2010 do not differ significantly from their fair value due to their short-term maturity.

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

	2012		2011		2010	
	Book value	Fair value	Book value	Fair value	Book value	Fair value
	US$000	US$000	US$000	US$000	US$000	US$000
Financial assets:						
Trade accounts receivables, net	57,143	56,646	45,040	44,695	35,558	35,309
Financial liabilities:						
Loans	196,444	211,339	165,977	181,741	113,873	123,516
Other accounts payable	36,938	34,783	34,392	29,966	34,532	31,591
	233,382	246,123	200,369	211,707	148,405	155,108

For the calculation of the fair value, Management has projected each long-term asset or liability in accordance with the terms and conditions agreed at the time of engagement, and has discounted them at current market rates taking into consideration the following factors: type of facility, repayment schedule, and equivalent term, credit risk of the Company, among other factors.

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are as follows:

	2012	2011	2010
	US$000	US$000	US$000
Cash and banks	4,993	7,451	8,270
Time deposits	40,193	19,955	15,745
	45,186	27,406	24,015

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

As of December 31, 2012, time deposits correspond to funds maintained in local banks, which bear interests at an annual average rate between 0.80% and 3.95%, due between 4 and 18 days. As of December 31, 2011, time deposits corresponded to funds that were maintained in local banks, which bear interests at an annual average interest rate between 0.80% and 4.16%, due between 6 and 22 days.

6. TRADE ACCOUNTS RECEIVABLE, NET

Trade accounts receivables, net are as follows:

	Current			Non-current		
	2012	2011	2010	2012	2011	2010
	US$000	US$000	US$000	US$000	US$000	US$000
Trade	23,693	16,632	13,153	8,142	5,506	3,860
Provision for non-billed services	26,983	23,543	18,756	-	-	-
Allowance for doubtful accounts	(1,247)	(482)	(211)	(428)	(159)	-
	49,429	39,693	31,698	7,714	5,347	3,860

The average credit period granted to local clients fluctuates from 8 to 15 days after the maturity date of the bill. Credit period granted for installation and connection services is between 1 to 4 years. Once the aforementioned periods have passed, due balances bear interests at the rate obtained from averaging the asset and liability rate of local currency published daily by SBS.

The Company evaluates credit limits of its new clients through an internal analysis of credit experience, and assigns credit limits per clients. Such limits are reviewed at guarantee maturity as the case may be. 95% of trade accounts receivable correspond to clients with non-matured balances, or matured less than 30 days, and for which impairment losses are not estimated, given their credit experience. 29% of trade account receivables is concentrated in 84 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 Management and are recognized considering, among other factors, outstanding balances aging older than 365 days and their recoverability, and the evidence of financial difficulties of the debtor which increases the uncollectible risk of pending balances. As a result, its amount has a level that Management estimates as appropriate to cover eventual losses in accounts receivable at the date of the statement of financial position. The determined allowance is recognized with charge in the net profit.

Subsequent recovers are recognized with credit to the net profit. Basic criteria to terminate impaired financial assets against such valuation account are as follows: (i) termination of charging management, including guarantees execution; and (ii) financial difficulties of the debtor who presents impossibility of charging the account receivable.

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, 2012, 2011 and 2010. The aging summary of such balances is as follows:

	2012	**2011**	**2010**
	US$000	**US$000**	**US$000**
Unmatured	54,981	43,636	32,066
Between 1 and 30 days	273	212	1,048
Between 30 and 90 days	1,502	793	499
More than 90 days	2,062	1,040	2,156
	58,818	45,681	35,769

For years ended December 31, the movement of the allowance for doubtful accounts receivable comprises the following:

	2012	**2011**	**2010**
	US$000	**US$000**	**US$000**
Opening balance	641	211	106
Increase	1,034	430	165
Write-offs and/or recovery	-	-	(60)
Closing balance	1,675	641	211

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 the appropriate 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, Management of the Company considers that provisions are not required in excess to the allowance for doubtful accounts.

7. INVENTORIES

Inventories comprise the following:

	2012	2011	2010
	US$000	US$000	US$000
Supplies	18,136	16,657	13,354
Inventory in transit	546	62	322
	18,682	16,719	13,676
Allowance for obsolescense of inventories	-	(337)	(170)
	18,682	16,382	13,506

Allowance for obsolescence of inventories has been determined based on technical reports and, in Management's opinion, this estimation properly covers devaluation risk of as of December 31, 2012, 2011 and 2010.

8. OTHER ACCOUNTS RECEIVABLE

Other accounts receivable comprise the following:

	Current			Non-current		
	2012	2011	2010	2012	2011	2010
	US$000	US$000	US$000	US$000	US$000	US$000
Financial assets:						
Funds in trust guarantee (a)	11,685	4,685	1,384	-	-	-
Advance to suppliers (b)	863	3,147	275	-	-	-
Restricted cash (c)	-	-	2,071	-	-	-
Guarantee deposits	85	-	-	-	132	136
Others	188	790	434	-	-	-
Subtotal	12,821	8,622	4,164	-	132	136
Non-financial assets:						
VAT - fiscal credit (d)	1,158	1,201	-	14,081	18,907	16,093
Income tax and ITAN (e)	-	-	667	-	-	-
Total	13,979	9,823	4,831	14,081	19,039	16,229

(a) On May 3, 2010, an addendum was subscribed to the Trust Contract of Flows, originally signed on March 31, 2005, through which a trust over the Company's revenues, managed by La Fiduciaria S.A., 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). By means of the signed addendum, BCP's and Citibank's rights and obligations were transferred to Corporación Andina de Fomento – CAF, International Finance Corporation IFC and Infrastructure Crisis Facility Debt Pool (Note 14 (a)). According to the Trust Contract of Flows and the aforementioned Addendum, all income from the main pipeline Guarantee (MPG) and all concepts billed in gas distribution bills are canalized through bank accounts of the trust, where La Fiduciaria S.A. monthly retains 16% of the installment to expire next, which maturity is semi-annual. Such retention will not be applied as long as the Company maintains an effective letter of guarantee for the amount of

the installment to expire next, or the account maintains a balance equivalent to the installment to expire next. As of December 31, 2012, a percentage of the charges has been retained for US$5,731 (US$3,031 as of December 31, 2011) as guarantee of the installment to expire next.

Flows of free availability are transferred to the Company once a week, which generates balances pending of transfer at the closing of the financial statements. In this regard, as of December 31, 2012, US$5,954 (US$1,654 as of December 31, 2011) is pending of liberation by La Fiduciaria S.A.

(b) As of December 31, 2012, comprises advances granted to contractors that execute the building of the primary duct and internal installations of the clients, which is discounted at the rate of 5% of billing for real advance during the contract's term and advance granted for internal and external buildings. As of December 31, 2011, mainly comprises an advance for internal buildings carried out between November and December, for US$2,752, settled in January, 2012.

(c) As of December 31, 2010, Restricted Cash corresponded to debts reserve accounts pledged under the long-term financial obligation contract with Corporación Andina de Fomento - CAF, International Finance Corporation IFC and Infraestructure Crisis Facility Debt Pool - ICF. As of December 31, 2012 and 2011, this reserve account was replaced with a guarantee letter in favor for US$10,900 (Note 25).

(d) 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, 2011, 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.

(e) As of December 31, 2010, it corresponded to the balance in favor of income tax for US$518 and temporary tax on net assets for US$149, which was applied as credit against payments in account and regularization of referred tax in 2011.

9. MACHINERY AND EQUIPMENT

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

	Improvements in leased property	Machinery and equipment	Assets under tariff equilibrium	Transportation units	Furniture and fixtures	Other equipments	Computing equipments	Financial leasing equipments	Buildings in process	Total
	US$000	US$000	US$000	US$000	US$000	US$000	US$000	US$000	US$000	US$000
COST:										
As of January 1, 2010	963	1,092	1,824	1,196	320	681	514	560	-	7,150
Additions	-	347	-	268	35	26	209	-	-	885
Disposals	-	(24)	-	(10)	(16)	(48)	(57)	-	-	(155)
Transfers	-	-	(1,824)	-	-	-	-	-	-	(1,824)
As of December 31, 2010	963	1,415	-	1,454	339	659	666	560	-	6,056
Additions	69	257	-	406	63	119	278	-	1,087	2,279
Disposals	(72)	-	-	(371)	-	-	-	-	-	(443)
Transfers	615	6	-	-	-	205	3	-	(829)	-
As of December 31, 2011	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
ACCUMULATED DEPRECIATION:										
As of January 1, 2010	224	184	256	600	91	263	229	160	-	2,007
Additions	166	137	-	204	30	70	98	117	-	822
Disposals	-	(9)	-	(9)	(7)	(26)	(50)	-	-	(101)
Transfers	-	-	(256)	-	-	-	-	-	-	(256)
As of December 31, 2010	390	312	-	795	114	307	277	277	-	2,472
Additions	395	152	-	266	35	80	181	117	-	1,226
Disposals	(22)	-	-	(263)	-	-	-	-	-	(285)
As of December 31, 2011	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
Total as of December 31, 2012	443	1,292	-	721	341	605	369	49	839	4,659
Total as of December 31, 2011	812	1,214	-	691	253	596	489	166	258	4,479
Total as of December 31, 2010	573	1,103	-	659	225	352	389	283	-	3,584

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

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

Management of the Company considers that there are no situations that indicate a possible impairment of value of their machinery and equipment.

10. INTANGIBLE ASSETS

For years ended December 31, the movement of other 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, 2010	1,315	494	136,830	32,717	-	1,148	172,504
Transfer	-	-	25,234	(23,410)	-	-	1,824
Additions	-	-	13,883	16,855	16,220	1,937	48,895
As of December 31, 2010	1,315	494	175,947	26,162	16,220	3,085	223,223
Transfer	-	-	37,856	(38,471)	-	(66)	(681)
Additions	-	-	-	80,336		2,101	82,437
Disposals	-	-	-	-	-	(7)	(7)
As of December 31, 2011	1,315	494	213,803	68,027	16,220	5,113	304,972
Additions	-	-	3,662	89,546	-	1,168	94,376
Transfers	-	-	2,081	(2,081)	-	-	-
As of December 31, 2012	1,315	494	219,546	155,492	16,220	6,281	399,348
ACCUMULATED AMORTIZATION:							
As of January 1, 2010	111	494	16,992	-	-	439	18,036
Additions	29	-	6,246	-	1,509	311	8,095
As of December 31, 2010	140	494	23,238	-	1,509	750	26,131
Amortization for the year	30	-	7,588	-	4,899	753	13,270
As of December 31, 2011	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
MAIN PIPELINE GUARANTEE PAYMENTS RECEIVED:							
As of December 31, 2010	-	-	(7,137)	-	-	-	(7,137)
As of December 31, 2011	-	-	(6,827)	-	-	-	(6,827)
As of December 31, 2012	-	-	(6,517)	-	-	-	(6,517)
Total as of December 31, 2012	1,116	-	173,716	155,492	4,899	2,978	338,201
Total as of December 31, 2011	1,145	-	176,150	68,027	9,812	3,610	258,744
Total as of December 31, 2010	1,175	-	145,572	26,162	14,711	2,335	189,955

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 (h).

(b) As of December 31, 2012, assets related with concession for US$180,233 (US$182,977 in 2011), are mortgaged in guarantee of senior financial obligation (Note 11 (a)).

(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 a part of the distribution system, as a result of the signature of the corresponding agreements signed with these entities.

11. LOANS

As of December 31, loans are comprised as follows:

	Current			Non-current		
	2012	2011	2010	2012	2011	2010
	US$000	US$000	US$000	US$000	US$000	US$000
Secured loans IFC-ICF y CAF (a)	17,220	12,973	-	101,984	105,711	66,338
Loans from related entitites (Note 22)	-	-	-	47,000	47,000	47,000
Secured loans from financial institutions (b)	4,000	-	-	26,000	-	
Obligations for financial leases	-	41	230	-	-	41
Other	12	12	12	228	240	252
	21,232	13,026	242	175,212	152,951	113,631

Summary of conditions for aforementioned loans is as follows:

(a) On April 16, 2010, the Company entered into two loan agreements with IFC (International Finance Corporation), the IFC A Loan Agreement and the IFC C Loan Agreement, or the IFC Loans, for principal amounts of up to US$40 million (senior category) and up to US$10 million (subordinated category), respectively, to refinance certain of the senior debt and partially finance the construction and completion of the main grid and secondary grid expansion.

On the same date as the IFC Loans, the Company entered into two loan agreements with CAF (Corporación Andina de Fomento), the CAF A Loan Agreement and the CAF C Loan Agreement, or the CAF Loans, for principal amounts of up to US$40 million (senior category) and up to US$10 million (subordinated category), respectively, to partially refinance the senior debt and partially finance the construction and completion of the main grid and secondary grid expansion. Additionally, on the same date, the Company entered into a loan agreement with ICF Debt Pool LLP (Infrastructure Crisis Facility Debt Pool), the ICF Debt Pool Loan, for a principal amount of up to US$35 million (senior category).

The loan bears semi-annual interests to LIBOR, at six months plus 5.20% for senior category (US$115 million) and to LIBOR at six months plus 7% for subordinate category (US$20 million).

Amortizations are semi-annual after a grace period of 2 years (senior category) and 3 years (subordinate category). Additionally, the principal of the senior category is payable in 16 semi-annual installments as from April 16, 2012 until October 15, 2019, while the principle of subordinate category is payable in 14 semi-annual installments as from April 15, 2013 until October 15, 2019.

As a condition precedent to the obligations of each of CAF, IFC and ICF DP under the respective CAF Loans, IFC Loans and the ICF Debt Pool Loan, or together, the CAF/ICF Loans, the parties thereof entered into a certain common terms agreement dated April 16, 2010, or the Common Terms Agreement, which sets forth certain common representations, warranties and covenants of the Company, common conditions for disbursement of the loans and common events of defaults.

The Common Terms Agreement contains certain restrictive covenants that limit the Company’s ability to make certain restricted payments, such as dividends. Pursuant to the Common Terms Agreement, these restricted payments can only be made if the Company complies with certain requirements, including but not limited to (i) retaining at least US$3 million in cash on hand; (ii) no event of default or potential event of default exists or would exist, both before and after giving effect to the declaration and making of such restricted payment; (iii) its prospective debt service coverage ratio for the financial year in which such restricted payment is proposed to be made is not less than 1.3:1.0; and (iv) completion of the Main Grid Expansion.

For purposes of securing the Company’s obligations under the CAF/ICF Loans, the parties thereof entered into a security agreement dated April 30, 2010, with Citibank, N.A., as offshore collateral agent and securities intermediary and Citibank del Perú S.A., as onshore collateral agent, or together, the Collateral Agents, pursuant to which the Company granted to the Collateral Agents, for the benefit of the secured parties, a security interest in the Company’s property.

Other material agreements entered into pursuant to the Common Terms Agreement include:

- Mortgage over the concession goods signed between the Moneylenders and the Company.
- Trust Contract in administration and guarantee over charge rights and flows (note 8).
- Real estate guarantee of 100% of the Company’s assets.

(b) On September 24, 2012, the Company entered into a loan agreement with Citibank del Perú , in a principal amount of up to US$30 million and an interest rate of LIBOR plus (i) 3.40% during the first twenty four months after Closing (as such term is defined in the loan agreement, and (ii) 5.20% after such period. This loan matures on April 15, 2020. It also contains restrictive covenants including limitations on change of control, sale of assets, creation of liens and incurrence of indebtedness. Moreover, the Citi Loan requires the Company to meet the following financial ratios:

- Debt service coverage ratio of at least 1.3 during the term of the loan;

- Ratio of senior debt to EBITDA of not more than 3.0 during the term of the loan, and
- Ratio of secured debt to book value of the assets under the BOOT Concession Agreement of not more than 0.65 during the term of the loan.

As of December, 2012, the Company holds credit lines with different financial institutions for US$51,100 and has US$45,893 net available of valid credit letters (Note 25), which could cover any future commitment of the Company.

12. ACCOUNTS PAYABLE

Accounts payable comprise the following:

	2012	2011	2010
	US$000	US$000	US$000
Trade	33,853	22,537	17,178
Related parties (Note 22)	777	763	739
Others	24	28	-
	34,654	23,328	17,917

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

13. PROVISIONS

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

	2012	2011	2010
	US$000	US$000	US$000
Administrative procedures	3,096	2,147	1,815
Tax procedures	12	78	78
	3,108	2,225	1,893

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

	Administrative procedures US$000	Tax procedures US$000	Total US$000
As of January 1, 2010	2,124	78	2,202
Provision for the year	67	-	67
Reversals for completion of processes	(376)	-	(376)
As of December 31, 2010	1,815	78	1,893
Provision for the year	879	-	879
Payments for completion of process	(79)	-	(79)
Reversals for completion of processes	(468)	-	(468)
As of December 31, 2011	2,147	78	2,225
Provision for the year	1,275	12	1,287
Reversals for completion of processes	(326)	(78)	(404)
Total as of December 31, 2012	3,096	12	3,108

14. OTHER ACCOUNTS PAYABLE

Other accounts payable comprise the following:

	Current			Non-current		
	2012	2011	2010	2012	2011	2010
	US$000	US$000	US$000	US$000	US$000	US$000
Financial liabilities:						
Electric generators (a)	-	-	11,220	-	-	-
Financial contribution and overcharge (b)	2,573	3,272	3,001	18,469	20,711	14,059
Interests to third parties	4,040	2,869	1,527	-	-	-
Interests to related parties (Note 22)	9,857	6,530	3,285	-	-	-
Others	1,771	770	1,230	228	240	210
Subtotal	18,241	13,441	20,263	18,697	20,951	14,269
Non-financial liabilities:						
Employees' profit sharing	2,602	1,641	581	-	-	-
Performance bonds	2,093	1,702	1,500	-	-	-
Other labor liabilities	1,150	1,417	731	-	-	-
Withholdings payable	547	550	658	-	-	-
VAT withholdings payable	24	14	28	-	-	-
Total	24,657	18,765	23,761	18,697	20,951	14,269

(a) Accounts payable to electric generators correspond to liability related to contracts signed within the frame of S.D. 082-2009-EM (Note 10).

(b) Financial contribution and overcharge correspond to the obligation that the Company holds in relation to projects built in the application of OSINERGMIN Resolution No. 056-2009 OS/DC and that will be returned to clients as discount in the natural gas distribution service.

15. EQUITY

(a) Capital stock issued

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

The Company's capital stock issued is comprised by 133,301,277 common shares (98,301,277 shares in 2011 and 2010), with a par value of US$1 each, totally paid and subscribed.

On shareholder's meeting dated August 29, 2012, the shareholders agreed to make a capital contribution of US$60,000, of which US$35,000 shall be paid in cash in November 2012, and US$25,000 in February 2013.

In November 2012, the capital contribution of US$35,000 was received and 35,000,000 common shares with per value of US$1 each were issued.

On February 14, 2011, AEI owner of 60% of the Company's capital at such date, agreed to sell all of its shares to Empresa de Energía de Bogotá (EEB). With this transaction, EEB indirectly obtained 60% of the capital through EEB Perú Holding LTD.

(b) Structure of share participation

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

Individual participation in capital (in %):	Participation	No. Shares		
	%	2012	2011	2010
EEB Perú Holdings LTD.	60	79,980,766	58,980,767	58,980,767
Promigas S.A. ESP	40	53,320,511	39,320,510	39,320,510
	100	133,301,277	98,301,277	98,301,277

(c) Outstanding common shares

The movement of outstanding common share was as follows:

	2012	2011	2010
	No.	No.	No.
Outstanding at the beginning of the year	98,301,277	98,301,277	98,301,277
Increase for issuance	35,000,000	-	-
Outstanding at the end of the year	133,301,277	98,301,277	98,301,277

(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 and 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.

A minimum amount of US$2,650 will be transferred from Accumulated profit to Other Capital Reserves – Legal Reserve in 2013, corresponding to the detraction of the legal reserve for 2012 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 DISTRIBUTION AND RELATED SERVICES

Revenues from natural gas distribution and related services comprise the following:

	2012	2011	2010
	US$000	US$000	US$000
Natural gas distribution service	240,657	197,085	145,500
Internal installation services	24,657	19,082	7,730
Conection services	4,805	3,910	1,323
Other services	3,853	2,472	1,683
Total	273,972	222,549	156,236

As established in the BOOT Agreement, the regulated tariff for natural gas distribution services includes the following pass-through charges: a) gas consumption (2012: US$102,359; 2011: US$79,920; 2010: US$61,653) and, b) gas transportation (2012: US$49,471; 2011: US$40,946; 2010: US$32,162).

17. COST OF NATURAL GAS DISTRIBUTION AND RELATED SERVICES

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

	2012 US$000	2011 US$000	2010 US$000
Gas consumption	102,302	80,226	61,860
Gas transportation	50,739	41,250	32,605
Service installation cost	17,518	11,014	9,410
Personnel charges	9,199	6,422	4,403
Services rendered by third parties	4,750	635	2,261
Depreciation and amortization	10,249	7,919	6,029
Other	1,984	2,809	768
Total	196,741	150,275	117,336

18. FINANCIAL EXPENSES

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

	2012 US$000	2011 US$000	2010 US$000
Interests of Subordinate financial obligations	3,329	3,245	3,259
Interests of Senior financial obligations	5,836	5,821	3,697
Interests of other financial obligations	235	12	135
Taxes on financial transactions	42	78	229
Other financial expenses	2,197	1,131	324
Total	11,639	10,287	7,644

19. NET PROFIT

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

	2012	2011	2010
	US$000	US$000	US$000
Depreciation of machinery and equipment	1,449	1,226	822
Amortization of intangible assets	14,919	12,960	7,785
	16,368	14,186	8,607
Losses for impairment of financial assets:			
Accounts receivable	1,034	430	165
Employees' benefits	10,132	8,853	7,941

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 of behalf of shareholders, partners, among others, which are assumed by the 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 than S/.200 (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 and the entity has conducted transactions with related companies for an amount over S/.1,000. 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 2011 and 2010, and is conducting the corresponding study for year 2012. In Management's opinion, there will not be material liabilities for financial statements as of December 31, 2012, 2011 and 2010, in relation to transfer pricing.

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

By Law 29884, the Congress of the Republic of Peru delegated faculties to the Executive Power to modify the valid tax system through Legislative Decrees, to improve Peruvian Tax System.

Under such faculties, Legislative Decrees (1112, 1116, 1120 and 1124) that modify valid Income Tax in Perú have been issued, starting mostly in 2013. Following a summary of the significant amendments:

- 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 cost will increase with later costs incorporated to the asset.

- Transfer Prices. All transactions with local or foreign related parties, as well as the ones that involve tax heaven residents, are subjected to transfer price analysis. The price adjustment will only proceed when a lower tax in the country is determined, eliminating the possibility of making a negative adjustment in the event of an overtaxation against the taxpayer.

  Transfer pricing standards will be applied in all operations and could generate presumed income between related parties or tax havens. Regarding non-domiciled persons, adjustment will only proceed when transactions generate taxable income of Peruvian source and/or taxable deductions in Peru. Regarding Early Pricing Agreements, it is established that the SUNAT can signed these agreements with other tax administrations in countries with which agreements have been held, in order to avoid double international taxation.

  Regarding Non-Controlled Pricing Method, specific parameters are incorporated. These should be considered in order to determine market value in the specific case of import and export of goods when international intermediary, acts and it is not the effective addressee of the goods or the intermediation was made through a tax haven (Sixth Method).

  Finally, regarding formal obligations, it is established that such obligations should be applied only regarding transactions that generate taxable income and/or taxable deductions. The SUNAT could exclude from the obligations of presenting informative affidavit, to gather detailed documentation and information per transaction for transaction and/or, to prepare the technical study. These modifications are effective as of June 30, 2012.

  Transfer pricing standards are no longer applied to VAT determination.

- Exchange differences. Standards about capitalization of the exchange difference for liabilities in foreign currency, related to inventories 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.

- 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%. 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 resulting from said financial statements. Specific rules have been provided for the prepayments of August through December.

- Merges and spin-offs. New presumptions have been ruled for voluntarily revaluations, without rebuttal recourse, aimed to tax the income that implicitly has been distributed. Regarding 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 voluntarily 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.

(iv) Company's tax situation

Income tax returns for years 2008 and 2009 and the one to be presented for the period 2012 are pending to be reviewed by tax administration, which has the faculty of reviewing within four years following the income tax return presentation year. Management estimates that no material liabilities will arise as a consequence of pending reviews.

Income tax return for year 2010 was subject of inspection in 2012, and the review process of 2011 declaration began in that year. In Management's opinion, observations identified by the Tax Administration regarding year 2010, and those which could identify at the end of the 2011 review, will not derivate in material liabilities.

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 liabilities for the Company will result from reviews, so that any eventual higher tax or charge that might result from fiscal reviews will be applied to the net profit in which they are determined. However, Management considers that no potential additional settlement of taxes would be significant for the financial statements as of December 31, 2012, 2011 and 2010.

(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 as follows:

	2012 US$000	2011 US$000	2010 US$000
Total current income tax	14,790	9,304	3,303
Deferred income tax arising from the movement of temporary differences through profit and loss	(2,151)	2,191	918
Total	12,639	11,495	4,221

Estimated current income tax corresponds to income payable, calculated applying a 30% rate over estimated taxable rate, after deducing employees' participations (Legislative Decree 892), at a percentage of 10%.

The effective rate of income tax expense differs from tax rate applicable to income before tax.

The nature of this difference is due to certain items related with the determination of tax rate, which effects over applicable tax rate are summarized as follows (in percentage over income before tax):

	2012		2011		2010	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
	US$000	%	US$000	%	US$000	%
Tax and tax rate applicable to profit before income tax according to books	11,742	30.00	11,191	30.00	4,126	30.00
Fines	42	0.11	107	0.29	10	0.07
Difference of inventories	99	0.25	33	0.09	1	0.01
Donations	137	0.35	65	0.17	133	0.97
Other	619	1.58	99	0.27	(49)	(0.36)
Income tax expense and tax rate applicable to profit according to books	12,639	32.29	11,495	30.82	4,221	30.69

(c) *Income tax recoverable and payable*

Debtors and creditors balances with the Tax Administration related with income tax are as follows:

	2012	2011	2010
	US$000	US$000	US$000
RECEIVABLE:			
Income tax credit (Note 8)	-	-	518
PAYABLE:			
Income tax payable	5,231	4,752	-

(d) *Deferred income tax balances*

Deferred tax assets and liabilities are comprised as follows:

	Additions (Reductions)		
	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, 2012:			
INCOME TAX DEFERRED LIABILITY RELATED TO TEMPORARY DIFFERENCES:			
Overcharged	5	(5)	-
Unpaid vacations	463	(463)	-
Difference in machinery and equipment base	(70)	56	(14)
Difference in intangible assets base	(3,828)	1,674	(2,154)
Effective interest IAS 39	433	744	1,177
Provisions	141	168	309
	(2,856)	2,174	(682)

	Balances at the beginning of the year	Additions (Reductions) Net profit	Balances at the end of the year
	US$000	US$000	US$000
As of December 31, 2011			
INCOME TAX			
DEFERRED LIABILITY RELATED TO TEMPORARY DIFFERENCES:			
Overcharge	6	(1)	5
Unpaid vacations	281	182	463
Difference in machinery and equipment base	(65)	(5)	(70)
Difference in intangible assets base	(1,061)	(2,767)	(3,828)
Effective interest IAS 39	105	328	433
Provisions	69	72	141
	(665)	(2,191)	(2,856)

	Balances at the beginning of the year	Additions (Reductions) Net profit	Balances at the end of the year
	US$000	US$000	US$000
As of December 31, 2010			
INCOME TAX			
DEFERRED LIABILITY RELATED TO TEMPORARY DIFFERENCES:			
Overcharge	47	(41)	6
Unpaid vacations	141	140	281
Difference in machinery and equipment base	(33)	(32)	(65)
Difference in intangible assets base	(2)	(1,059)	(1,061)
Effective interest IAS 39	70	35	105
Provisions	47	22	69
	270	(935)	(665)

21. NET EARNINGS PER SHARE

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

	2012	2011	2010
	US$000	US$000	US$000
Net profit attibutable to shareholders of the Parent Company	26,500	25,809	9,533
Weighted average of issued and outstanding assets	110,269,226	98,301,277	98,301,277
Earning per share	0.240	0.263	0.097

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

	Services received		
	2012	2011	2010
	US$000	US$000	US$000
Promigas S.A. E.S.P.	777	763	1,145

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

	2012	2011	2010
	US$000	US$000	US$000
ACCOUNTS PAYABLE:			
Promigas S.A. E.S.P.	777	763	739

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.

Loans

Loans payable to related parties are segregated in the following way:

	Current			Non-current		
	2012	2011	2010	2012	2011	2010
	US$000	US$000	US$000	US$000	US$000	US$000
LOANS PAYABLE:						
EBB Perú Holding LTD.	6,189	4,193	2,246	28,200	28,200	28,200
Promigas S.A. E.S.P.	3,668	2,337	1,039	18,800	18,800	18,800
	9,857	6,530	3,285	47,000	47,000	47,000

On March 12, 2009, the Company signed a contract with its shareholders EEB Perú 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. Subordinated loan, financed by shareholders, was held in the same proportion as its share participation, therefore EEB Perú Holdings Ltd. financed 60% and Promigas S.A. Esp., 40%.

The contract specifies the following conditions:

- The principal has March 2014 as maturity date.
- It bears annual LIBOR interests plus 6.5%.
- Amortizations of interests are trimestral, as from June 2009 until March 2014.

Balances payable comprise accounts payable to the Company's shareholders for principal and bear interests of subordinated loan, for the period of May 2010 to December 2012. Additionally, the EEB payable balance includes US$688 for expenses refund.

As of December 31, 2012 and 2011, the Company has not granted guarantees to related entities or on behalf of related entities.

Remuneration to key management personnel and directors

(a) Board of Directos

Payments to the Board of Directors as of December 31, 2012 were of US$75 (US$54 in 2011 and US$15 in 2010).

(b) Salaries

Retributions for salaries, other benefits to personnel and professional fees received in year 2012 by key personnel with executive responsibilities was US$1,826 (US$1,934 in 2011and US$2,230 in 2010).

23. LEASES

The Company has signed operating leasing agreements of some offices, from 1 to 5 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:

	Current			Non-current		
	2012	2011	2010	2012	2011	2010
	US$000	US$000	US$000	US$000	US$000	US$000
LOANS PAYABLE:						
EBB Perú Holding LTD.	6,189	4,193	2,246	28,200	28,200	28,200
Promigas S.A. E.S.P.	3,668	2,337	1,039	18,800	18,800	18,800
	9,857	6,530	3,285	47,000	47,000	47,000

Expenses from leasing these offices rose to US$495 in 2012 (US$318 in 2011 and US$288 in 2010).

24. 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:

	2012	2011	2010
	US$000	US$000	US$000
Acquisition of intangibles pending of payment	8,144	-	-
Rights of compensation system pending of payment	-	-	11,220
Transfer of fixed and intangible asset	-	-	1,824
	8,144	-	13,044

25. COMMITMENTS AND CONTINGENCIES

(a) Deposits and granted guarantees

In order to guarantee obligations, the Company has granted deposits of banking institutions for US$28,423.

The main guarantee letters valid as of December 31, 2012, are:

Beneficiary	Beginning	Ending	Amount US$000
1. Ministerio de Energía y Minas	09.08.2010	09.08.2014	1,000
2. Transportadora de Gas del Perú S.A.	15.09.2011	15.11.2013	12,799
3. Citibank	11.12.2011	30.04.2013	10,500

(b) Standby letters of credit

The Company has requested the opening of credit letters with financial institutions for the acquisition of raw materials and supplies. As of December 31, 2012, open credit letters reach US$2,243.

(c) Contingencies

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 achievements to argue against these lawsuits, and estimate that their final resolution will have no material effects over financial statements.

26. 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 Studies of Environmental Impact (hereinafter EIA, for its acronym in Spanish) establishes, based on an evaluation of the environment, environmental commitments that the Company must follow , which remark the pipeline's building stage. EIA include an Environment Management Plan (hereinafter PMA, for its acronym in Spanish) were measurements that must be considered by the Company are described, in order to prevent or reduce negative environmental impacts and maintain their operations within the margins of environmental regulations.

Additionally, the Company annually presents a report of environmental management 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 PMA.

As of December 31, 2012, the accumulated expense directly related to the environment's protection rose to (in thousands) US$28 (US$33 as of December 31, 2011).

27. 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.